

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 MARCH 31, 2006

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	74-2099724
(State or other jurisdiction of incorporation or organization)	(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer
Accelerated filer Non-accelerated filer

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 April 14, 2006, 87,704,112 shares of Class B common stock of the registrant were outstanding.

TABLE OF CONTENTS

PAGE

PART I FINANCIAL INFORMATION

Item 1. [Financial Statements](#) -

[Consolidated Statements of Operations](#) 3

[Consolidated Balance Sheets](#) -

[Assets](#) 4

[Liabilities and Stockholders' Equity \(Deficit\)](#) 5

[Condensed Consolidated Statements of Cash Flows](#) 6

[Notes to Consolidated Financial Statements](#) 7

Item 2. [Management's Discussion and Analysis of Financial Condition and Results of Operations](#) 20

Item 3. [Quantitative and Qualitative Disclosures about Market Risk](#) 31

Item 4. [Controls and Procedures](#) 31

PART II OTHER INFORMATION

Item 1.	Legal Proceedings	32
Item 1A.	Risk Factors	32
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	34
Item 3.	Defaults Upon Senior Securities	34
Item 4.	Submission of Matters to a Vote of Security Holders	34
Item 5.	Other Information	34
Item 6.	Exhibits	34
	Signatures	35
	Index to Exhibits	36

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CONTINENTAL AIRLINES, INC. CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	<u>Three Months Ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
	(Unaudited)	
Operating Revenue:		
Passenger (excluding fees and taxes of \$315 and \$270)	\$2,683	\$2,266
Cargo	107	99
Other, net	<u>157</u>	<u>140</u>
	<u>2,947</u>	<u>2,505</u>
Operating Expenses:		
Wages, salaries and related costs	672	715
Aircraft fuel and related taxes	661	470
Regional capacity purchase, net	415	353
Aircraft rentals	245	227

Landing fees and other rentals	185	171
Distribution costs	160	138
Maintenance, materials and repairs	127	112
Depreciation and amortization	96	99
Passenger servicing	82	77
Special charges (credits)	(6)	43
Other	<u>299</u>	<u>273</u>
	<u>2,936</u>	<u>2,678</u>
Operating Income (Loss)	<u>11</u>	<u>(173)</u>
Nonoperating Income (Expense):		
Interest expense	(101)	(98)
Interest capitalized	3	3
Interest income	25	11
Income from affiliates	17	20
Gain on disposition of ExpressJet Holdings shares	-	51
Other, net	<u>5</u>	<u>-</u>
	<u>(51)</u>	<u>(13)</u>
Loss before Income Taxes and Cumulative Effect of Change in Accounting Principle	(40)	(186)
Income Taxes	<u>-</u>	<u>-</u>
Loss before Cumulative Effect of Change in Accounting Principle	(40)	(186)
Cumulative Effect of Change in Accounting Principle	<u>(26)</u>	<u>-</u>
Net Loss	\$ <u>(66)</u>	\$ <u>(186)</u>
Basic and Diluted Loss per Share:		
Loss before Cumulative Effect of Change in Accounting Principle	\$ (0.46)	\$ (2.79)
Cumulative Effect of Change in Accounting Principle	<u>(0.30)</u>	<u>-</u>
Net Loss	\$ <u>(0.76)</u>	\$ <u>(2.79)</u>
Shares Used for Basic and Diluted Computation	<u>86.7</u>	<u>66.5</u>

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)

ASSETS	March 31, <u>2006</u> (Unaudited)	December 31, <u>2005</u> (Unaudited)	March 31, <u>2005</u> (Unaudited)
Current Assets:			
Cash and cash equivalents	\$ 1,807	\$ 1,723	\$ 1,264
Restricted cash	245	241	242
Short-term investments	<u>205</u>	<u>234</u>	<u>120</u>
Total cash, cash equivalents and short-term investments	2,257	2,198	1,626
Accounts receivable, net	649	515	580
Spare parts and supplies, net	217	201	204

Deferred income taxes	159	154	177
Note receivable from ExpressJet Holdings, Inc	-	18	99
Prepayments and other	<u>451</u>	<u>341</u>	<u>273</u>
Total current assets	<u>3,733</u>	<u>3,427</u>	<u>2,959</u>
Property and Equipment:			
Owned property and equipment:			
Flight equipment	6,709	6,706	6,747
Other	<u>1,397</u>	<u>1,372</u>	<u>1,266</u>
	8,106	8,078	8,013
Less: Accumulated depreciation	<u>2,383</u>	<u>2,328</u>	<u>2,138</u>
	<u>5,723</u>	<u>5,750</u>	<u>5,875</u>
Purchase deposits for flight equipment	<u>216</u>	<u>101</u>	<u>155</u>
Capital leases	340	344	387
Less: Accumulated amortization	<u>111</u>	<u>109</u>	<u>137</u>
	<u>229</u>	<u>235</u>	<u>250</u>
Total property and equipment	<u>6,168</u>	<u>6,086</u>	<u>6,280</u>
Routes	484	484	615
Airport operating rights, net	130	133	231
Intangible pension asset	60	60	63
Investment in affiliates	123	112	152
Other assets, net	<u>227</u>	<u>227</u>	<u>236</u>
Total Assets	<u>\$10,925</u>	<u>\$10,529</u>	<u>\$10,536</u>

(continued on next page)

CONTINENTAL AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for share data)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	March 31, <u>2006</u> (Unaudited)	December 31, <u>2005</u> (Unaudited)	March 31, <u>2005</u> (Unaudited)
Current Liabilities:			
Current maturities of long-term debt and capital leases	\$ 769	\$ 546	\$ 644
Accounts payable	898	846	747
Air traffic and frequent flyer liability	1,949	1,475	1,456
Accrued payroll	232	234	308
Accrued other liabilities	<u>314</u>	<u>298</u>	<u>270</u>
Total current liabilities	<u>4,162</u>	<u>3,399</u>	<u>3,425</u>
Long-Term Debt and Capital Leases	<u>4,671</u>	<u>5,057</u>	<u>5,084</u>
Deferred Income Taxes	<u>159</u>	<u>154</u>	<u>387</u>
Accrued Pension Liability	<u>1,100</u>	<u>1,078</u>	<u>1,150</u>
Other	<u>613</u>	<u>615</u>	<u>527</u>

Commitments and Contingencies

Stockholders' Equity (Deficit):

Preferred Stock - \$.01 par, 10,000,000 shares authorized; one share of Series B issued and outstanding, stated at par value	-	-	-
Class B common stock - \$.01 par, 200,000,000 shares authorized; 112,704,030, 111,690,943 and 92,181,499 issued	1	1	1
Additional paid-in capital	1,660	1,635	1,411
Retained earnings	340	406	288
Accumulated other comprehensive loss	(640)	(675)	(596)
Treasury stock - 25,489,413, 25,489,413 and 25,489,291 shares, at cost	<u>(1,141)</u>	<u>(1,141)</u>	<u>(1,141)</u>
Total stockholders' equity (deficit)	<u>220</u>	<u>226</u>	<u>(37)</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u>\$ 10,925</u>	<u>\$ 10,529</u>	<u>\$ 10,536</u>

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)

	Three Months Ended March 31,	
	<u>2006</u>	<u>2005</u>
	(Unaudited)	
Net cash provided by operations	\$ <u>387</u>	\$ <u>121</u>
Cash Flows from Investing Activities:		
Capital expenditures	(68)	(31)
Purchase deposits (paid) refunded in connection with future aircraft deliveries, net	(113)	(49)
Sale of short-term investments, net	29	160
Proceeds from dispositions of property and equipment	2	23
Increase in restricted cash	<u>(4)</u>	<u>(31)</u>
Net cash (used in) provided by investing activities	<u>(154)</u>	<u>72</u>
Cash Flows from Financing Activities:		
Payments on long-term debt and capital lease obligations	(178)	(111)
Other	<u>29</u>	<u>4</u>
Net cash used in financing activities	<u>(149)</u>	<u>(107)</u>
Net Increase in Cash and Cash Equivalents	84	86
Cash and Cash Equivalents - Beginning of Period	<u>1,723</u>	<u>1,178</u>
Cash and Cash Equivalents - End of Period	<u>\$1,807</u>	<u>\$1,264</u>
Investing and Financing Activities Not Affecting Cash:		
Contribution of ExpressJet stock to pension plan	\$ -	\$ 65

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

CONTINENTAL AIRLINES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

In our opinion, the unaudited consolidated financial statements included herein contain all adjustments necessary to present fairly our financial position, results of operations and cash flows for the periods indicated. Such adjustments, other than nonrecurring adjustments that have been separately disclosed, are of a normal, recurring nature. As discussed in Note 3 below, we adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share Based Payment" ("SFAS 123R"), effective January 1, 2006.

The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2005 (the "2005 Form 10-K"). Due to seasonal fluctuations common to the airline industry, our results of operations for the periods presented are not necessarily indicative of the results of operations to be expected for the entire year. As used in these Notes to Consolidated Financial Statements, the terms "Continental," "we," "us," "our" and similar terms refer to Continental Airlines, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries.

NOTE 1 - LOSS PER SHARE

The following table sets forth the components of basic and diluted loss per share (in millions):

	Three Months	
	<u>Ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
Numerator:		
Numerator for basic loss per share - net loss	\$(66)	\$(186)
Effect of dilutive securities issued by equity investee	—	—(1)
Numerator for diluted loss per share - net loss after effect of dilutive securities of equity investee	\$(66)	\$(187)
Denominator:		
Denominator for basic and diluted loss per share - weighted average shares	<u>86.7</u>	<u>66.5</u>

Approximately 17.9 million potential common shares related to convertible debt securities were excluded from the computation of diluted earnings per share in each of the three months ended March 31, 2006 and 2005 because they were antidilutive. In addition, approximately 13.0 million and 6.2 million of weighted average options to purchase shares of our common stock were excluded from the computation of diluted earnings per share for the three months ended March 31, 2006 and 2005, respectively, because the effect of including the options would have been antidilutive or the options' exercise prices were greater than the average market price of the common shares.

NOTE 2 - FLEET INFORMATION

As shown in the following table, our operating aircraft fleet consisted of 360 mainline jets and 270 regional jets at March 31, 2006, excluding aircraft out of service. The regional jets are leased by ExpressJet Airlines, Inc. ("ExpressJet") from us and are operated by ExpressJet as Continental Express. Our purchase commitments (firm orders) for aircraft as of March 31, 2006 are also shown below.

Aircraft	Total	<u>Owned</u>	<u>Leased</u>	Firm
<u>Type</u>	<u>Aircraft</u>			<u>Orders</u>

787-8	-	-	-	10 (a)
777-200ER	18	6	12	2
767-400ER	16	14	2	-
767-200ER	10	9	1	-
757-300	17	9	8	-
757-200	41	13	28	-
737-900	12	8	4	3
737-800	99	26	73	22
737-700	36	12	24	17
737-500	63	15	48	-
737-300	<u>48</u>	<u>17</u>	<u>31</u>	-
Mainline jets	<u>360</u>	<u>129</u>	<u>231</u>	<u>54</u>
ERJ-145XR	100	-	100	4
ERJ-145	140	18	122	-
ERJ-135	<u>30</u>	<u>-</u>	<u>30</u>	<u>-</u>
Regional jets	<u>270</u>	<u>18</u>	<u>252</u>	<u>4</u>
Total	<u>630</u>	<u>147</u>	<u>483</u>	<u>58</u>

a. Includes three 787-8 firm order aircraft for which we have cancellation rights that expire on December 31, 2006.

During the first quarter of 2006, we placed into service four used 757-300 aircraft and ExpressJet took delivery of four ERJ-145XR aircraft.

Firm Order and Option Aircraft. As of March 31, 2006, we had firm commitments for 54 new aircraft from Boeing, with an estimated cost of \$2.6 billion, and options to purchase 30 additional Boeing aircraft. We are scheduled to take delivery of six new 737-800 aircraft in 2006, with delivery of the remaining 48 new Boeing aircraft occurring from 2007 through 2011.

We have backstop financing for the six 737-800 aircraft to be delivered in the remainder of 2006 and two 777-200ER aircraft to be delivered in 2007. By virtue of these agreements, we have financing available for all Boeing aircraft scheduled to be delivered through 2007. However, we do not have backstop financing or any other financing currently in place for the remainder of the aircraft. Further financing will be needed to satisfy our capital commitments for our firm aircraft and other related capital expenditures. We can provide no assurance that sufficient financing will be available for the aircraft on order or other related capital expenditures, or for our capital expenditures in general.

As of March 31, 2006, ExpressJet had firm commitments for four regional jets currently on order from Embraer with an estimated cost of approximately \$0.1 billion. ExpressJet currently anticipates taking delivery of these regional jets in the second quarter of 2006. ExpressJet does not have an obligation to take any of these firm Embraer aircraft that are not financed by a third party and leased to either ExpressJet or us. Under the capacity purchase agreement between us and ExpressJet, we have agreed to lease as lessee and sublease to ExpressJet the regional jets that are subject to ExpressJet's firm purchase commitments. In addition, under the capacity purchase agreement with ExpressJet, we generally are obligated to purchase all of the capacity provided by these new aircraft as they are delivered to ExpressJet.

Substantially all of the aircraft and engines we own are subject to mortgages. A significant portion of our spare parts inventory is also encumbered.

Out-of-Service Aircraft. In addition to our operating fleet, we had seven owned and three leased MD-80 aircraft permanently removed from service as of March 31, 2006. Additionally, we own six out-of-service Embraer 120 turboprop aircraft. The owned out-of-service aircraft are being carried at an aggregate fair market value of \$15 million as of March 31, 2006, and the remaining rentals on the leased out-of-service aircraft have been accrued. We are currently exploring sublease or sale opportunities for the remaining out-of-service aircraft. However, we cannot predict when or if purchasers, lessees or sublessees can be found, and it is possible that our owned out-of-service aircraft could suffer additional impairment.

NOTE 3 - STOCK PLANS AND AWARDS

Adoption of SFAS 123R. We adopted SFAS 123R effective January 1, 2006. This pronouncement requires companies to measure the cost of employee services received in exchange for an award of equity instruments (typically stock options) based on the grant-date fair value of the award. The fair value is estimated using option-pricing models. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the award, usually the vesting period. Prior to the adoption of SFAS 123R, this accounting treatment was optional with pro forma disclosures required. We adopted SFAS 123R using the modified prospective transition method, which is explained below.

The adoption of SFAS 123R changes the accounting for our stock options and awards of restricted stock units ("RSUs") under our Long-Term Incentive and RSU Program, including RSUs with performance targets based on the achievement of specified stock price targets ("Stock Price Based RSU Awards"), as discussed below. Additionally, it changes the accounting for our employee stock purchase plan, which does not have a material impact on our statement of operations.

Stock Options. SFAS 123R is effective for all stock options we grant beginning January 1, 2006. For those stock option awards granted prior to January 1, 2006, but for which the vesting period is not complete, we used the modified prospective transition method permitted by SFAS 123R. Under this method, we account for such awards on a prospective basis, with expense being recognized in our statement of operations beginning in the first quarter of 2006 using the grant-date fair values previously calculated for our pro forma disclosures. We will recognize the related compensation cost not previously recognized in the pro forma disclosures over the remaining vesting period. Our options typically vest in equal annual installments over a service period. Expense related to each portion of an option grant is recognized over the specific vesting period for those options.

The fair value of options is determined at the grant date using a Black-Scholes option pricing model, which requires us to make several assumptions. The risk-free interest rate is based on the U.S. Treasury yield curve in effect for the expected term of the option at the time of grant. The dividend yield on our common stock is assumed to be zero since we do not pay dividends and have no current plans to do so in the future. The market price volatility of our common stock is based on the historical volatility of our common stock over a time period equal to the expected term of the option and ending on the grant date. The expected life of the options is based on our historical experience for various work groups.

The table below summarizes stock option activity pursuant to our plans for the three months ended March 31, 2006 (share data in thousands):

	<u>Options</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value (millions)</u>
Outstanding at beginning of period	12,710	\$13.57		
Granted	1,068	\$20.33		
Exercised	(1,098)	\$14.65		
Cancelled	<u>(100)</u>	\$16.71		
Outstanding at end of period	<u>12,580</u>	\$14.02	4.6	\$165
Exercisable at end of period	<u>5,524</u>	\$14.99	3.5	\$ 69

In connection with pay and benefit cost reductions, on February 1, 2006, we issued to our flight attendants, except Continental Micronesia, Inc. ("CMI") flight attendants, stock options for approximately 1.1 million shares of our common stock with an exercise price of \$20.31 per share. The exercise price is the closing price of our common stock on the date of grant. The options vest in three equal installments on the first, second and third anniversaries of the date of grant, and have terms of six years. The weighted-average fair value of options granted during the first quarter of 2006 was determined to be \$9.57, based on the following weighted-average assumptions:

Risk-free interest rate	4.4%
Dividend yield	0%
Expected market price volatility of our common stock	63%
Expected life of options (years)	3.3

The total intrinsic value of options exercised during the three months ended March 31, 2006 was \$10 million. Cash received from option exercises during the three months ended March 31, 2006 totaled \$16 million.

The following tables summarize the range of exercise prices and the weighted average remaining contractual life of the options outstanding and the range of exercise prices for the options exercisable at March 31, 2006 (share data in thousands):

<u>Options Outstanding</u>			
<u>Range of Exercise Prices</u>	<u>Outstanding</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Weighted Average Exercise Price</u>
\$3.65-\$11.87	577	3.2	\$11.27
\$11.89	7,791	5.7	\$11.89
\$11.96-\$15.78	2,792	1.5	\$15.63
\$15.90-\$56.81	<u>1,420</u>	5.1	\$23.68

\$3.65-\$56.81	<u>12,580</u>	4.6	\$14.02
----------------	---------------	-----	---------

Options Exercisable

<u>Range of Exercise Prices</u>	<u>Exercisable</u>	<u>Weighted Average Exercise Price</u>
\$3.65-\$11.87	150	\$10.82
\$11.89	2,474	\$11.89
\$11.96-\$15.78	2,612	\$15.72
\$15.90-\$56.81	<u>288</u>	\$37.22
\$3.65-\$56.81	<u>5,524</u>	\$14.99

Stock Price Based RSU Awards. Stock Price Based RSU Awards made pursuant to our Long-Term Incentive and RSU Program can result in cash payments to our officers if there are specified increases in our stock price over multi-year performance periods. Prior to our adoption of SFAS 123R, we had recognized no liability or expense because the targets set forth in the program had not been met. However, SFAS 123R requires these awards to be measured at fair value at each reporting date with the related expense being recognized over the required service periods, regardless of whether the specified stock price targets have been met. The fair value is determined using a pricing model until the target stock price has been met, and is determined based on the current stock price thereafter. On January 1, 2006, we recognized a cumulative effect of change in accounting principle to record our liability related to the Stock Price Based RSU Awards at that date, reducing earnings \$26 million (\$0.30 per basic and diluted share).

On February 1, 2006, in light of the sacrifices made by their co-workers in connection with pay and benefit cost reduction initiatives, our officers voluntarily surrendered their Stock Price Based RSU Awards for the performance period ending March 31, 2006, which had vested during the first quarter of 2006 and would have otherwise paid out \$23 million at the end of March 2006. Of the \$26 million total cumulative effect of change in accounting principle recorded on January 1, 2006, \$14 million related to the surrendered awards. Accordingly, upon surrender, we reported the reversal of the \$14 million as a special credit in our statement of operations during the first quarter of 2006. The remaining \$12 million of the cumulative effect of change in accounting principle was related to Stock Price Based RSU Awards with a performance period ending December 31, 2007, which were not surrendered.

During the first quarter of 2006, our stock price achieved the target price per share for 1.2 million Stock Price Based RSU Awards with a performance period ending December 31, 2007. Accordingly, we now measure these awards based on the current stock price (which was \$26.90 per share at March 31, 2006) and will recognize the related expense ratably through December 31, 2007, after adjustment for changes in the market price of our common stock.

Impact of Adoption of SFAS 123R. Excluding the cumulative effect of change in accounting principle and the special credit discussed above, stock based compensation expense recognized under SFAS 123R in the three months ended March 31, 2006 increased wages, salaries and benefits expense and our net loss by \$17 million, or \$0.19 per basic and diluted share. At March 31, 2006, \$43 million of compensation cost related to unvested stock options and Stock Price Based RSU Awards attributable to future performance had not yet been recognized. This amount will be recognized in expense over a weighted-average period of 1.3 years.

The following table illustrates the pro forma effect on net loss and loss per share for the three months ended March 31, 2005 had we applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-based Compensation" (in millions except per share amounts):

Net loss, as reported	\$(186)
Deduct total stock-based employee compensation expense determined under SFAS 123, net of tax in 2005	<u>(1)</u>
Net loss, pro forma	\$ <u>(187)</u>
Basic loss per share:	
As reported	\$(2.79)
Pro forma	\$(2.82)

Diluted loss per share:

As reported	\$(2.79)
Pro forma	\$(2.83)

NOTE 4 - COMPREHENSIVE LOSS

We include changes in minimum pension liabilities and changes in the fair value of derivative financial instruments which qualify for hedge accounting in other comprehensive loss. For the first quarter of 2006 and 2005, total comprehensive loss amounted to \$31 million and \$197 million, respectively. Total comprehensive loss in the first quarter of 2006 and 2005 includes adjustments to the minimum pension liability of \$28 million and \$19 million, respectively, resulting from the pension settlement charge in the first quarter of 2006 and the pension curtailment loss recorded in the first quarter of 2005 (both discussed in Note 5). The remaining difference between the net loss and total comprehensive loss for each period was attributable to changes in the fair value of derivative financial instruments.

NOTE 5 - DEFINED BENEFIT PENSION PLANS

Net periodic defined benefit pension expense for the three months ended March 31 included the following components (in millions):

	<u>2006</u>	<u>2005</u>
Service cost	\$ 15	\$ 40
Interest cost	37	42
Expected return on plan assets	(31)	(31)
Amortization of prior service cost	2	5
Amortization of unrecognized net actuarial loss	<u>18</u>	<u>23</u>
Net periodic defined benefit pension expense	41	79
Settlement charge (included in special charges)	15	-
Curtailment loss (included in special charges)	<u>-</u>	<u>43</u>
Net defined benefit pension expense	<u>\$ 56</u>	<u>\$122</u>

During the first quarter of 2006, we contributed \$6 million to our defined benefit pension plans. On April 11, 2006, we contributed an additional \$91 million to our defined benefit pension plans. Including these contributions, based on current assumptions and applicable law, we expect to contribute a total of \$258 million to our defined benefit pension plans in 2006 to meet our minimum funding obligations. During the first quarter of 2005, we contributed 6.0 million shares of ExpressJet Holdings, Inc. ("Holdings") common stock valued at \$65 million to our primary defined benefit pension plan. We recognized a gain of \$51 million related to this contribution.

In the first quarter of 2006, we recorded a \$15 million non-cash settlement charge related to lump sum distributions from our defined benefit pension plans to pilots who retired. SFAS No. 88, "Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" ("SFAS 88"), requires the use of settlement accounting if, for a given year, the cost of all settlements exceeds, or is expected to exceed, the sum of the service cost and interest cost components of net periodic pension expense for the plan. Under settlement accounting, unrecognized plan gains or losses must be recognized immediately in proportion to the percentage reduction of the plan's projected benefit obligation. We anticipate that we will have additional non-cash settlement charges in the future in conjunction with lump-sum distributions to retiring pilots.

In the first quarter of 2005, we recorded a \$43 million non-cash curtailment charge in accordance with SFAS 88 in connection with freezing the portion of our defined benefit pension plan related to our pilots, using actuarial assumptions consistent with those we used at December 31, 2004. SFAS 88 requires curtailment accounting if an event eliminates, for a significant number of employees, the accrual of defined benefits for some or all of their future services. In the event of a curtailment, a loss must be recognized for the unrecognized prior service cost associated with years of service no longer expected to be rendered.

NOTE 6 - SPECIAL CHARGES (CREDITS)

During the first quarter of 2006, total operating expense was reduced by a net special credit of \$6 million. We recorded a \$15 million non-cash settlement charge related to lump sum distributions from our pilot defined benefit pension plans to pilots who retired, as discussed in Note 5. As discussed in Note 3, on February 1, 2006, our officers voluntarily surrendered their Stock Price Based RSU Awards with a performance period ending March 31, 2006, resulting in a \$14 million special credit. The remaining balance of the net special credit recognized during the first quarter of 2006 is attributable to our permanently grounded MD-80 aircraft. We reduced our allowance for future lease payments and return conditions following negotiated settlements with aircraft lessors and adjusted the carrying amount of our remaining owned MD-80 aircraft to current fair value.

In March 2005, we recorded a \$43 million non-cash curtailment charge relating to the freezing of the portion of our defined benefit pension plan attributable

to pilots, as discussed in Note 5.

NOTE 7 - INVESTMENT IN EXPRESSJET HOLDINGS AND REGIONAL CAPACITY PURCHASE AGREEMENT

Investment in Holdings. We account for our investment in Holdings using the equity method of accounting. At March 31, 2006, we held 4.7 million shares, or an 8.6% interest, of Holdings. These 4.7 million shares had a market value of \$35 million at March 31, 2006. Subject to market conditions, we intend to sell or otherwise dispose of all of our shares of Holdings common stock in the future.

In addition to the Holdings shares we own, our defined benefit pension plans owned 1.2 million shares of Holdings common stock at March 31, 2006, which represented a 2.2% interest in Holdings. The independent fiduciary for our defined benefit pension plans, which exercises sole and exclusive control over the voting and disposition of all securities owned by our defined benefit pension plans, sold 3.1 million shares to third parties during the three months ended March 31, 2006. Our ownership of Holdings common stock, together with the shares held by our defined benefit pension plans (which shares are subject to the exclusive control of the independent fiduciary), totaled 5.9 million shares, or 10.8% of Holdings' outstanding shares at March 31, 2006.

Regional Capacity Purchase, Net. Payments made under our capacity purchase agreement are reported as regional capacity purchase, net in our consolidated statements of operations. Regional capacity purchase, net includes all of ExpressJet's fuel expense plus a margin on ExpressJet's fuel expense up to a cap provided in the capacity purchase agreement and a related fuel purchase agreement (which margin applies only to the first 71.2 cents per gallon, including fuel taxes) and is net of our rental income on aircraft we lease to ExpressJet. Such regional capacity purchase, net payments totaled \$415 million and \$353 million in the three months ended March 31, 2006 and 2005, respectively.

Capacity and Fleet Matters. The capacity purchase agreement covers all of ExpressJet's existing fleet, as well as the four Embraer regional jets currently on order. Under the agreement, we have the right to give no less than twelve months' notice to ExpressJet of our intent to reduce the number of its aircraft covered by the contract. In December 2005, we gave notice to ExpressJet that we will withdraw 69 of the 274 regional jet aircraft (including 2006 deliveries) from the capacity purchase agreement because the rates charged by ExpressJet for regional capacity are above the current market. We requested proposals from numerous regional jet operators and have selected Chautauqua Airlines, a subsidiary of Republic Airways Holdings Inc., to operate up to 69 of the regional jets that will be withdrawn from the capacity purchase agreement. Our agreement with Chautauqua calls for us to pay a fixed fee, which is subject to annual escalations, to Chautauqua for their operation of up to 69 aircraft. The term of our agreement with Chautauqua is ten years; however, we have the option to terminate the agreement at any time after January 1, 2012.

Under our capacity purchase agreement with ExpressJet, ExpressJet has the option to decide, on or before September 28, 2006, to (1) fly any of the withdrawn aircraft for another airline (subject to its ability to obtain facilities, such as gates, ticket counters, hold rooms and other operations-related facilities, and subject to its arrangement with us that prohibits ExpressJet during the term of the agreement from flying under its or another carrier's code in or out of our hub airports), (2) fly any of the withdrawn aircraft under ExpressJet's own flight designator code, subject to its ability to obtain facilities and subject to ExpressJet's arrangement with us respecting our hubs, or (3) decline to fly any of the withdrawn aircraft, return the aircraft to us and cancel the related subleases with us. If ExpressJet elects to retain any of the aircraft, it must do so for the remaining term of the applicable underlying aircraft lease, and the implicit interest rate used to calculate the scheduled lease payments under the applicable aircraft sublease with ExpressJet will automatically increase by 200 basis points to compensate us for our continued participation in ExpressJet's lease financing arrangements. Should ExpressJet retain the withdrawn aircraft, other operators may supply any regional aircraft needed to support our network. The transition of service from ExpressJet to Chautauqua will begin in January of 2007 and be completed during the summer of 2007.

So long as we are ExpressJet's largest customer, if ExpressJet enters into an agreement with another major airline (as defined in our capacity purchase agreement) to provide regional airline services on a capacity purchase or other similar economic basis for more than ten aircraft, we are entitled to the same or comparable economic terms and conditions on a most-favored-nations basis.

The capacity purchase agreement currently expires on December 31, 2010, but allows us to terminate the agreement at any time upon 12 months' notice, or at any time without notice for cause (as defined in the agreement). We may also terminate the agreement at any time upon a material breach by ExpressJet that does not constitute cause and continues for 90 days after notice of such breach, or without notice or opportunity to cure if we determine that there is a material safety concern with ExpressJet's flight operations. We have the option to extend the term of the agreement with 24 months' notice for up to four additional five-year terms through December 31, 2030.

NOTE 8 - SEGMENT REPORTING

We have two reportable segments: mainline and regional. We evaluate segment performance based on several factors, of which the primary financial measure is operating income (loss). However, we do not manage our business or allocate resources based on segment operating profit or loss because (1) our flight schedules are designed to maximize revenue from passengers flying, (2) many operations of the two segments are substantially integrated (for example, airport operations, sales and marketing, scheduling and ticketing) and (3) management decisions are based on their anticipated impact on the overall network, not on one individual segment.

Financial information for the three months ended March 31 by business segment is set forth below (in millions):

	<u>2006</u>	<u>2005</u>
Operating Revenue:		
Mainline	\$2,448	\$2,122
Regional	<u>499</u>	<u>383</u>
Total Consolidated	<u>\$2,947</u>	<u>\$2,505</u>

Operating Income (Loss):

Mainline	\$ 63	\$ (81)
Regional	<u>(52)</u>	<u>(92)</u>
Total Consolidated	\$ <u>11</u>	\$ <u>(173)</u>

Net Loss:

Mainline	\$ (12)	\$ (95)
Regional	<u>(54)</u>	<u>(91)</u>
Total Consolidated	\$ <u>(66)</u>	\$ <u>(186)</u>

Net loss for the mainline segment for the three months ended March 31, 2006 includes the \$26 million cumulative effect of change in accounting principle related to the adoption of SFAS 123R. The amounts presented above are presented on the basis of how our management reviews segment results. Under this basis, the regional segment's revenue includes a pro-rated share of our ticket revenue for segments flown by ExpressJet, and expenses include all activity related to the regional operations, regardless of whether such expenses were paid by us or ExpressJet.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Purchase Commitments. See Note 2 for a discussion of our aircraft purchase commitments.

Financings and Guarantees. We are the guarantor of approximately \$1.7 billion aggregate principal amount of tax-exempt special facilities revenue bonds and interest thereon, excluding the US Airways contingent liability described below. These bonds, issued by various airport municipalities, are payable solely from our rentals paid under long-term agreements with the respective governing bodies. The leasing arrangements associated with approximately \$1.5 billion of these obligations are accounted for as operating leases, and the leasing arrangements associated with approximately \$200 million of these obligations are accounted for as capital leases in our financial statements.

We are contingently liable for US Airways' obligations under a lease agreement between US Airways and the Port Authority of New York and New Jersey related to the East End Terminal at LaGuardia airport. These obligations include the payment of ground rentals to the Port Authority and the payment of other rentals in respect of the full amounts owed on special facilities revenue bonds issued by the Port Authority having an outstanding par amount of \$156 million at March 31, 2006 and a final scheduled maturity in 2015. If US Airways defaults on these obligations, we would be obligated to cure the default and we would have the right to occupy the terminal after US Airways' interest in the lease had been terminated.

We also have letters of credit and performance bonds relating to various real estate and customs obligations at March 31, 2006 in the amount of \$58 million with expiration dates through June 2008.

General Guarantees and Indemnifications. We are the lessee under many real estate leases. It is common in such commercial lease transactions for us, as the lessee, to agree to indemnify the lessor and other related third parties for tort liabilities that arise out of or relate to our use or occupancy of the leased premises. In some cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by their gross negligence or willful misconduct. Additionally, we typically indemnify such parties for any environmental liability that arises out of or relates to our use of the leased premises.

In our aircraft financing agreements, we typically indemnify the financing parties, trustees acting on their behalf and other related parties against liabilities that arise from the manufacture, design, ownership, financing, use, operation and maintenance of the aircraft and for tort liability, whether or not these liabilities arise out of or relate to the negligence of these indemnified parties, except for their gross negligence or willful misconduct.

We expect that we would be covered by insurance (subject to deductibles) for most tort liabilities and related indemnities described above with respect to real estate we lease and aircraft we operate.

In our financing transactions that include loans, we typically agree to reimburse lenders for any reduced returns with respect to loans due to any change in capital requirements and, in the case of loans in which the interest rate is based on LIBOR, for certain other increased costs that the lenders incur in carrying these loans as a result of any change in law, subject in most cases to certain mitigation obligations of the lenders. At March 31, 2006, we had \$1.0 billion of floating rate debt and \$331 million of fixed rate debt, with remaining terms of up to 10 years, that is subject to these increased cost provisions. In several financing transactions involving loans or leases from non-U.S. entities, with remaining terms of up to 10 years and an aggregate carrying value of \$1.1 billion, we bear the risk of any change in tax laws that would subject loan or lease payments thereunder to non-U.S. entities to withholding taxes, subject to customary exclusions. In addition, in cross-border aircraft lease agreements for two 757 aircraft, we bear the risk of any change in U.S. tax laws that would subject lease payments made by us to a resident of Japan to withholding taxes, subject to customary exclusions. These capital leases for two 757 aircraft expire in 2008 and have a carrying value of \$43 million at March 31, 2006.

We cannot estimate the potential amount of future payments under the foregoing indemnities and agreements due to unknown variables related to potential government changes in capital adequacy requirements or tax laws.

Financial Covenants. Our bank-issued credit card processing agreement contains financial covenants which require, among other things, that we maintain a minimum EBITDAR (generally, earnings before interest, taxes, depreciation, amortization, aircraft rentals and income from affiliates, adjusted for special items) to fixed charges (interest and aircraft rentals) ratio for the preceding 12 months of 0.9 to 1.0 through June 30, 2006 and 1.1 to 1.0 thereafter. The liquidity covenant requires us to maintain a minimum level of \$1.0 billion of unrestricted cash and short-term investments and a minimum ratio of unrestricted cash and short-term investments to current liabilities at each month end of .27 to 1.0 through June 30, 2006 and .29 to 1.0 thereafter. The agreement also requires that we maintain a senior unsecured debt rating of at least Caa3 as rated by Moody's or CCC- as rated by Standard & Poor's. Although

we are currently in compliance with all of the covenants, failure to maintain compliance would result in our being required to post up to an additional \$415 million of cash collateral, which would adversely affect our liquidity. Depending on our unrestricted cash and short-term investments balance at the time, the posting of a significant amount of cash collateral could cause our unrestricted cash and short-term investments balance to fall below the \$1.0 billion minimum balance requirement under our \$350 million secured loan facility, resulting in a default under such facility.

Employees. As of March 31, 2006, we had approximately 42,600 employees, or 40,210 full-time equivalent employees. On January 29, 2006, our flight attendants ratified their new contract containing pay and benefit reductions and work rule changes. In March 2006, the three unionized workgroups at CMI voted on tentative agreements containing benefit reductions and work rule changes. The tentative agreement with the CMI technicians was ratified and is being implemented, while the tentative agreements with the CMI agents and the CMI flight attendants were not ratified. We will continue to negotiate with the union representing the CMI agents and the CMI flight attendants to obtain annual pay and benefit reductions and work rule changes. Although there can be no assurance that our generally good labor relations and high labor productivity will continue, we have established as a significant component of our business strategy the preservation of good relations with our employees, approximately 43% of whom are represented by unions.

Environmental Matters. We could be responsible for environmental remediation costs primarily related to jet fuel and solvent contamination surrounding our aircraft maintenance hangar in Los Angeles. In 2001, the California Regional Water Quality Control Board ("CRWQCB") mandated a field study of the site and it was completed in September 2001. In April 2005, under the threat of a CRWQCB enforcement action, we began environmental remediation of jet fuel contamination surrounding our aircraft maintenance hangar pursuant to a workplan submitted to (and approved by) the CRWQCB and our landlord, the Los Angeles World Airports.

We have established a reserve for estimated costs of environmental remediation at Los Angeles and elsewhere in our system, based primarily on third party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We expect our total losses from all environmental matters to be \$44 million, for which we were fully accrued at March 31, 2006. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We do not have any material receivables related to insurance recoveries at March 31, 2006.

Based on currently available information, we believe that our reserves for potential environmental remediation costs are adequate, although reserves could be adjusted as further information develops or circumstances change. However, we do not expect these items to materially impact our results of operations, financial condition or liquidity.

Legal Proceedings. During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to travel agents, and in 2002 we eliminated such base commissions. These actions were similar to those also taken by other air carriers. We are now a defendant, along with several other air carriers, in two lawsuits brought by travel agencies that purportedly opted out of a prior class action entitled Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al. (U.S.D.C. Eastern District of North Carolina) filed on June 21, 2000, in which the defendant airlines prevailed on summary judgment that was upheld on appeal. These similar suits against Continental and other major carriers allege violations of antitrust laws in reducing and ultimately eliminating the base commission formerly paid to travel agents. The pending cases are Tam Travel, Inc. v. Delta Air Lines, Inc., et al. (U.S.D.C., Northern District of California), filed on April 9, 2003 and Swope Travel Agency, et al. v. Orbitz LLC et al. (U.S.D.C., Eastern District of Texas), filed on June 5, 2003. By order dated November 10, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. Discovery has commenced.

In each of the foregoing cases, we believe the plaintiffs' claims are without merit and we are vigorously defending the lawsuits. Nevertheless, a final adverse court decision awarding substantial money damages could have a material impact on our results of operations, financial condition or liquidity.

We and/or certain of our subsidiaries are defendants in various other lawsuits and proceedings arising in the normal course of business. Although the outcome of these lawsuits and proceedings cannot be predicted with certainty and could have a material adverse effect on our results of operations, financial condition or liquidity, it is our opinion, after consulting with outside counsel, that the ultimate disposition of such suits will not have a material adverse effect on our results of operations, financial condition or liquidity.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. In connection therewith, please see the risk factors set forth in our 2005 Form 10-K, which identify important factors such as the consequences of our significant financial losses and high leverage, 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, the airline pricing environment and industry capacity decisions, regulatory matters and the seasonal nature of the airline business (the second and third quarters are generally stronger than the first and fourth quarters). 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.

General information about us can be found at <http://www.continental.com/company/investor>. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the Securities and Exchange Commission.

OVERVIEW

We recorded a net loss of \$66 million for the first quarter of 2006, as compared to a net loss of \$186 million for the first quarter of 2005. Our net loss for the first quarter of 2006 includes a cumulative effect of change in accounting principle of \$26 million related to our adoption of SFAS 123R, "Share Based Payment," effective January 1, 2006. See Note 3 in the Notes to Consolidated Financial Statements contained in Item 1 for a discussion of the impact of adopting this new standard. The smaller net loss in the first quarter of 2006 was the result of higher revenue and our cost-savings initiatives, primarily pay and benefit reductions and work rule changes. Although the current U.S. domestic network carrier environment is improving as several of our network competitors reduce domestic capacity and as carriers have increased fares in response to record high fuel prices, those high fuel prices continue to pressure all carriers. Further increases in jet fuel prices or disruptions in fuel supplies, whether as a result of natural disasters or otherwise, could have a material adverse effect on our results of operations, financial condition or liquidity.

Among the many factors that threaten us are the continued rapid growth of low-cost carriers and resulting pressure on domestic fares, high fuel costs, excessive taxation and significant pension liabilities. In addition to competition from low-cost carriers, we may face stronger competition from carriers that have filed for bankruptcy protection, such as Delta Air Lines and Northwest Airlines (both of which filed for bankruptcy in September 2005), and from

carriers recently emerged from bankruptcy, including US Airways (which emerged from bankruptcy in September 2005, for the second time since 2002) and United Airlines (which emerged from over three years of bankruptcy protection in February 2006). Carriers in bankruptcy are able to achieve substantial cost reductions through, among other things, reduction or discharge of debt, lease and pension obligations and wage and benefit reductions.

We have suffered substantial losses since September 11, 2001, the magnitude of which is not sustainable if those losses continue to occur. Our ability to return to sustained profitability depends, among other factors, on implementing and maintaining a more competitive cost structure, retaining our revenue per available seat mile ("RASM") premium to the industry and responding effectively to the factors that threaten the airline industry as a whole. We have attempted to return to profitability by implementing the majority of \$1.1 billion of annual cost-cutting and revenue-generating measures since 2002, and we have also achieved agreements or arrangements for nearly all of the \$500 million reduction in annual pay and benefits costs on a run-rate basis that we targeted in late 2004. On January 29, 2006, our flight attendants ratified a new contract which, along with previously announced pay and benefit reductions for other work groups, concluded the negotiation process with our domestic employees.

Although we incurred a loss for the first quarter of 2006, we believe that under current conditions, absent adverse factors outside of our control, such as additional terrorist attacks, hostilities involving the United States, or further significant increases in jet fuel prices, our existing liquidity and projected 2006 cash flows will be sufficient to fund current operations and other financial obligations through 2006. While we have significant financial obligations due in 2007, we also believe that under current conditions and absent adverse factors outside of our control, such as those described above, our projected 2007 cash flows from operations and access to capital markets will provide us with sufficient liquidity to fund our operations and meet our other obligations through the end of 2007.

RESULTS OF OPERATIONS

The following discussion provides an analysis of our results of operations and reasons for material changes therein for the three months ended March 31, 2006 as compared to the corresponding period in 2005.

Consolidated Results of Operations

We recorded a net loss of \$66 million for the first quarter of 2006 as compared to a net loss of \$186 million for the first quarter of 2005. We consider a key measure of our performance to be operating income (loss), which was income of \$11 million for the first quarter of 2006, as compared to a loss of \$173 million for the first quarter of 2005. Significant components of our consolidated operating results are as follows (in millions, except percentage changes):

	Three Months Ended March 31,		Increase	% Increase
	<u>2006</u>	<u>2005</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Operating Revenue:				
Passenger	\$2,683	\$2,266	\$ 417	18.4 %
Cargo	107	99	8	8.1 %
Other, net	<u>157</u>	<u>140</u>	<u>17</u>	12.1 %
	<u>2,947</u>	<u>2,505</u>	<u>442</u>	17.6 %
Operating Expenses:				
Wages, salaries and related costs	672	715	(43)	(6.0)%
Aircraft fuel and related taxes	661	470	191	40.6 %
Regional capacity purchase, net	415	353	62	17.6 %
Aircraft rentals	245	227	18	7.9 %
Landing fees and other rentals	185	171	14	8.2 %
Distribution costs	160	138	22	15.9 %
Maintenance, materials and repairs	127	112	15	13.4 %
Depreciation and amortization	96	99	(3)	(3.0)%
Passenger servicing	82	77	5	6.5 %

Special charges (credits)	(6)	43	(49)	NM
Other	<u>299</u>	<u>273</u>	<u>26</u>	9.5 %
	<u>2,936</u>	<u>2,678</u>	<u>258</u>	9.6 %
Operating Income (Loss)	<u>11</u>	<u>(173)</u>	<u>(184)</u>	NM
Nonoperating Income (Expense)	<u>(51)</u>	<u>(13)</u>	<u>38</u>	NM
Loss before Income Taxes and Cumulative Effect of Change in Accounting Principle	(40)	(186)	(146)	(78.5)%
Income Taxes	-	-	-	NM
Cumulative Effect of Change in Accounting Principle	<u>(26)</u>	<u>-</u>	<u>(26)</u>	NM
Net Loss	<u>\$ (66)</u>	<u>\$(186)</u>	<u>\$(120)</u>	(64.5)%

Operating Revenue. Passenger revenue increased 18.4% due to increased capacity and traffic and several fare increases. Consolidated revenue passenger miles for the quarter increased 12.3% year-over-year on a capacity increase of 10.7%, which produced a consolidated load factor for the first quarter of 2006 of 77.9%, up 1.1 points over the same period in 2005. Consolidated yield increased 5.4% year-over-year. Consolidated RASM for the quarter increased 6.9% year-over-year due to higher yield and load factors. The improved RASM reflects recent fuel-driven fare increases and our actions taken to improve the mix of local versus flow traffic and reduce discounting.

The table below shows passenger revenue for the quarter ended March 31, 2006 and period to period comparisons for passenger revenue, RASM and available seat miles (ASMs) by geographic region for our mainline and regional operations:

	Passenger Revenue <u>(in millions)</u>	Percentage Increase (Decrease) in <u>First Quarter 2006 vs First Quarter 2005</u>		
		<u>Passenger Revenue</u>	<u>RASM</u>	<u>ASMs</u>
Domestic	\$1,253	14.1%	8.1 %	5.6%
Trans-Atlantic	390	25.6%	2.4 %	22.6%
Latin America	326	13.3%	3.2 %	9.8%
Pacific	<u>204</u>	16.0%	(0.2)%	16.2%
Total Mainline	2,173	16.1%	5.0 %	10.5%
Regional	<u>510</u>	29.5%	15.1 %	12.5%
Total System	<u>\$2,683</u>	18.4%	6.9 %	10.7%

Cargo revenue increased 8.1% primarily due to higher freight and mail volumes and increases in freight fuel surcharges. Other revenue increased due to higher revenue associated with sales of mileage credits in our OnePass frequent flyer program and passenger ticket change fees.

Operating Expenses. Wages, salaries and related costs decreased 6.0% primarily due to pay and benefit reductions and work rule changes, partially offset by a slight increase in the average number of employees and \$17 million additional expense in the first quarter of 2006 related to stock options and Stock Price Based RSU Awards following the adoption of SFAS 123R. Aircraft fuel and related taxes increased 40.6% due to a significant rise in fuel prices, combined with an increase in flight activity. The average jet fuel price per gallon including related taxes increased 31.1% to \$1.90 in the first quarter of 2006 from \$1.45 in the first quarter of 2005. The impact of jet fuel hedging activities was immaterial in the first quarter of 2006. We had no fuel hedges in place during 2005.

Payments made under our capacity purchase agreement are reported in regional capacity purchase, net. Regional capacity purchase, net includes all of ExpressJet's fuel expense plus a margin on ExpressJet's fuel expense up to a cap provided in the capacity purchase agreement and a related fuel purchase agreement (which margin applies only to the first 71.2 cents per gallon, including fuel taxes) and is net of our rental income on aircraft we lease to ExpressJet. The net expense was higher in the first quarter of 2006 than in the corresponding quarter of 2005 due to increased flight activity at ExpressJet, a larger fleet and increased fuel prices.

Aircraft rentals increased due to new mainline and regional aircraft delivered in 2005. Landing fees and other rentals were higher primarily due to increased flight activity. Distribution costs increased primarily due to higher credit card fees and reservation costs related to the increase in revenue. Maintenance, materials and repairs increased primarily due to a higher contractual repair rates associated with a maturing fleet. Other operating expenses increased primarily due to a higher number of international flights which resulted in increased air navigation, ground handling, security and related expenses.

During the first quarter of 2006, total operating expense was reduced by a net special credit of \$6 million. We recorded a \$15 million settlement charge related to lump sum distributions from our pilot defined benefit pension plans to pilots who retired. Additionally, on February 1, 2006, our officers voluntarily surrendered their Stock Price Based RSU Awards with a performance period ending March 31, 2006, resulting in a \$14 million special credit. The remaining balance of the net special credit recognized during the first quarter of 2006 is attributable to our permanently grounded MD-80 aircraft. We reduced our allowance for future lease payments and return conditions following negotiated settlements with aircraft lessors and adjusted the carrying amount of our remaining owned MD-80 aircraft to current fair value.

In March 2005, we recorded a \$43 million non-cash curtailment charge relating to the freezing of the portion of our defined benefit pension plan attributable to pilots.

Nonoperating Income (Expense). Nonoperating income (expense) includes net interest expense (interest expense less interest income and capitalized interest), income from affiliates, and gains from dispositions of investments. Total nonoperating income (expense) was a net expense in the first quarters of both 2006 and 2005. The net expense increased \$38 million in the first quarter of 2006 compared to the first quarter of 2005 primarily due to gains of \$51 million in 2005 related to the contribution of 6.0 million shares of Holdings common stock to our primary defined benefit pension plan. Net interest expense decreased \$11 million in 2006 as a result of interest income on our higher cash balances. Income from affiliates, which includes income related to our tax sharing agreement with Holdings and our equity in the earnings of Copa Holdings, S.A. ("Copa") and Holdings, was \$3 million lower in 2006 as compared to 2005 as a result of our reduced ownership interest in Copa and Holdings and less income from our tax sharing agreement with Holdings.

Income Tax Benefit (Expense). Due to our continued losses, we concluded that we were required to provide a valuation allowance for deferred tax assets because we determined that it was more likely than not that such deferred tax assets would ultimately not be realized. As a result, our losses for the first quarters of 2006 and 2005 were not reduced by any tax benefit.

Segment Results of Operations

We have two reportable segments: mainline and regional. The mainline segment consists of flights using jets that have a capacity of greater than 100 seats while the regional segment consists of flights using jets with a capacity of 50 or fewer seats. The regional segment is operated by ExpressJet through a capacity purchase agreement. Under that agreement, we handle all of the scheduling and are responsible for setting prices and selling all of the seat inventory. In exchange for ExpressJet's operation of the flights, we pay ExpressJet for each scheduled block hour based on an agreed formula. Under the agreement, we recognize all passenger, cargo and other revenue associated with each flight, and are responsible for all revenue-related expenses, including commissions, reservations, catering and terminal rent at hub airports.

We evaluate segment performance based on several factors, of which the primary financial measure is operating income (loss). However, we do not manage our business or allocate resources based on segment operating profit or loss because (1) our flight schedules are designed to maximize revenue from passengers flying, (2) many operations of the two segments are substantially integrated (for example, airport operations, sales and marketing, scheduling and ticketing), and (3) management decisions are based on their anticipated impact on the overall network, not on one individual segment.

Mainline. Significant components of our mainline segment's operating results are as follows (in millions, except percentage changes):

	Three Months Ended March 31,		Increase	% Increase
	2006	2005		
Operating Revenue	\$2,448	\$2,122	\$326	15.4 %
Operating Expenses:				
Wages, salaries and related costs	661	704	(43)	(6.1)%
Aircraft fuel and related taxes	661	470	191	40.6 %
Aircraft rentals	169	158	11	7.0 %

Landing fees and other rentals	174	161	13	8.1 %
Distribution costs	134	116	18	15.5 %
Maintenance, materials and repairs	127	112	15	13.4 %
Depreciation and amortization	93	96	(3)	(3.1)%
Passenger servicing	78	74	4	5.4 %
Special charges (credits)	(6)	43	(49)	NM
Other	<u>294</u>	<u>269</u>	<u>25</u>	9.3 %
	<u>2,385</u>	<u>2,203</u>	<u>182</u>	8.3 %
Operating Income (Loss)	\$ <u>63</u>	\$ <u>(81)</u>	\$ <u>144</u>	NM

The variances in specific line items for the mainline segment are due to the same factors discussed under consolidated results of operations.

Regional. Significant components of our regional segment's operating results are as follows (in millions, except percentage changes):

	Three Months Ended March 31,		Increase (Decrease)	% Increase (Decrease)
	<u>2006</u>	<u>2005</u>		
Operating Revenue	<u>\$499</u>	<u>\$383</u>	<u>\$116</u>	30.3%
Operating Expenses:				
Wages, salaries and related costs	11	11	-	-
Regional capacity purchase, net	415	353	62	17.6 %
Aircraft rentals	76	69	7	10.1 %
Landing fees and other rentals	11	10	1	10.0 %
Distribution costs	26	22	4	18.2 %
Depreciation and amortization	3	3	-	-
Passenger servicing	4	3	1	33.3 %
Other	<u>5</u>	<u>4</u>	<u>1</u>	25.0 %
	<u>551</u>	<u>475</u>	<u>76</u>	16.0 %
Operating Loss	\$ <u>(52)</u>	\$ <u>(92)</u>	\$ <u>(40)</u>	(43.5)%

The reported results of our regional segment do not reflect the total contribution of the regional segment to our system-wide operations. The regional segment generates additional revenue for the mainline segment as it feeds traffic between smaller cities and our mainline hubs.

The variances in specific line items for the regional segment are due to the growth in our regional operations and reflect generally the same factors discussed under consolidated results of operations. ASMs for our regional operations increased by 12.5% in the first quarter of 2006 as compared to the first quarter of 2005.

Regional capacity purchase, net was higher due to increased flight activity at ExpressJet and higher fuel costs, partially offset by the higher number of regional jets leased by ExpressJet from us. The net amounts consist of the following (in millions, except percentage changes):

Three Months
Ended March 31,

	<u>2006</u>	<u>2005</u>	<u>Increase</u>	<u>% Increase</u>
Capacity purchase expenses	\$407	\$375	\$32	8.5%
Fuel and fuel taxes in excess of 71.2 cents per gallon cap	90	52	38	73.1%
Aircraft sublease income	<u>(82)</u>	<u>(74)</u>	<u>8</u>	10.8%
Regional capacity purchase, net	<u>\$415</u>	<u>\$353</u>	<u>\$62</u>	17.6%

Statistical Information. Certain statistical information for our operations for the periods indicated is as follows:

	Three Months Ended		Net
	<u>March 31,</u>		Increase/ <u>(Decrease)</u>
	<u>2006</u>	<u>2005</u>	
Mainline Operations:			
Passengers (thousands) (1)	11,486	10,598	8.4 %
Revenue passenger miles (millions) (2)	18,018	16,159	11.5 %
Available seat miles (millions) (3)	23,035	20,845	10.5 %
Cargo ton miles (millions)	263	260	1.2 %
Passenger load factor (4)	78.2%	77.5%	0.7 pts.
Passenger revenue per available seat mile (cents)	9.43	8.98	5.0 %
Total revenue per available seat mile (cents)	10.63	10.18	4.4 %
Average yield per revenue passenger mile (cents) (5)	12.06	11.59	4.1 %
Average segment fare per revenue passenger	\$191.29	\$179.51	6.6 %
Cost per available seat mile, including special charges (credits) (cents) (6)	10.35	10.57	(2.1)%
Average price per gallon of fuel, including fuel taxes (cents)	190.43	145.30	31.1 %
Fuel gallons consumed (millions)	347	324	7.1 %
Actual aircraft in fleet at end of period (7)	360	348	3.4 %
Average length of aircraft flight (miles)	1,400	1,350	3.7 %
Average daily utilization of each aircraft (hours) (8)	10:42	10:09	5.4 %
Regional Operations:			
Passengers (thousands) (1)	4,108	3,524	16.6 %
Revenue passenger miles (millions) (2)	2,318	1,953	18.7 %
Available seat miles (millions) (3)	3,082	2,740	12.5 %
Passenger load factor (4)	75.2%	71.3%	3.9 pts.
Passenger revenue per available seat mile (cents)	16.54	14.37	15.1 %
Average yield per revenue passenger mile (cents)	22.00	20.17	9.1 %
Actual aircraft in fleet at end of period (7)	270	250	8.0 %
Consolidated Operations (Mainline and Regional):			
Passengers (thousands) (1)	15,594	14,122	10.4 %
Revenue passenger miles (millions) (2)	20,336	18,112	12.3 %
Available seat miles (millions) (3)	26,117	23,585	10.7 %
Passenger load factor (4)	77.9%	76.8%	1.1 pts.
Passenger revenue per available seat mile (cents)	10.27	9.61	6.9 %
Average yield per revenue passenger mile (cents) (5)	13.19	12.51	5.4 %

1. Revenue passengers measured by each flight segment flown.
2. The number of scheduled miles flown by revenue passengers.

3. The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
4. Revenue passenger miles divided by available seat miles.
5. The average passenger revenue received for each revenue passenger mile flown.
6. Includes special charges (credits) which represented (0.03) and 0.20 cents per available seat mile for the three months ended March 31, 2006 and 2005, respectively.
7. Excludes aircraft that have been removed from service.
8. The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2006, we had \$2.3 billion in consolidated cash, cash equivalents and short-term investments, which is \$59 million higher than at December 31, 2005. At March 31, 2006, we had \$245 million of restricted cash, which is primarily collateral for estimated future workers' compensation claims, credit card processing contracts, letters of credit and performance bonds. Restricted cash at December 31, 2005 totaled \$241 million.

Operating Activities. Cash flows provided by operations for the three months ended March 31, 2006 were \$387 million compared to \$121 million in the same period in 2005. The increase in cash flows provided by operations in 2006 compared to 2005 is primarily the result of an improvement in operating income and advance ticket sales associated with increased flight activity. Cash receipts from advance ticket sales during the quarter were sufficiently strong to enable us to pre-pay \$96 million of high interest rate debt and pre-fund \$103 million of aircraft deposits. Both payments will result in lower interest costs to us.

Investing Activities. Cash flows used in investing activities were \$154 million for the three months ended March 31, 2006 compared to cash flows provided by investing activities of \$72 million for the three months ended March 31, 2005. On March 30, 2006, we pre-funded \$103 million of purchase deposits on Boeing aircraft. A significant component of cash provided by investing activities in the first quarter of 2005 was our conversion of certain short-term auction rate certificates into short-term cash equivalents.

We have substantial commitments for capital expenditures, including for the acquisition of new aircraft. Net capital expenditures for the full year 2006 are expected to be \$325 million, or \$350 million after considering purchase deposits to be paid, net of purchase deposits to be refunded. Projected net capital expenditures for 2006 consist of \$180 million of fleet expenditures, \$100 million of non-fleet expenditures and \$45 million for rotatable parts and capitalized interest. Through March 31, 2006, our net capital expenditures totaled \$68 million and net purchase deposits paid totaled \$113 million.

Financing Activities. Cash flows used in financing activities, primarily the payment of long-term debt and capital lease obligations, were \$149 million for the three months ended March 31, 2006 compared to \$107 million in the three months ended March 31, 2005. In March 2006, we elected to pre-pay \$96 million of debt due in early 2007. This debt had an interest rate of LIBOR plus 4.53%.

We have backstop financing for the six 737-800 aircraft to be delivered in the remainder of 2006 and two 777-200ER aircraft to be delivered in 2007. By virtue of these agreements, we have financing available for all Boeing aircraft scheduled to be delivered through 2007. However, we do not have backstop financing or any other financing currently in place for the remainder of the aircraft. Further financing will be needed to satisfy our capital commitments for our firm aircraft and other related capital expenditures. We can provide no assurance that sufficient financing will be available for the aircraft on order or other related capital expenditures, or for our capital expenditures in general.

At March 31, 2006, we had approximately \$5.4 billion (including current maturities) of long-term debt and capital lease obligations. We do not currently have any undrawn lines of credit or revolving credit facilities and substantially all of our otherwise readily financeable assets are encumbered. However, our remaining interests in Copa and Holdings are not pledged as collateral under any of our debt. We were in compliance with all debt covenants at March 31, 2006.

At March 31, 2006, our senior unsecured debt ratings were Caa2 by Moody's and CCC+ by Standard & Poor's. Reductions in our credit ratings have increased the interest we pay on new issuances of debt and may increase the cost and reduce the availability of financing to us in the future. We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade. However, we would have to post additional collateral of approximately \$70 million under our bank-issued credit card processing agreement if our senior unsecured debt rating falls below Caa3 as rated by Moody's or CCC- as rated by Standard & Poor's. We would also be required to post additional collateral of up to \$27 million under our worker's compensation program if our senior unsecured debt rating falls below Caa2 as rated by Moody's or CCC+ as rated by Standard & Poor's.

Our bank-issued credit card processing agreement also contains financial covenants which require, among other things, that we maintain a minimum EBITDAR (generally, earnings before interest, taxes, depreciation, amortization, aircraft rentals and income from affiliates, adjusted for special items) to fixed charges (interest and aircraft rentals) ratio for the preceding 12 months of 0.9 to 1.0 through June 30, 2006 and 1.1 to 1.0 thereafter. The liquidity covenant requires us to maintain a minimum level of \$1.0 billion of unrestricted cash and short-term investments and a minimum ratio of unrestricted cash and short-term investments to current liabilities at each month end of 0.27 to 1.0 through June 30, 2006 and .29 to 1.0 thereafter. Although we are currently in compliance with all of the covenants, failure to maintain compliance would result in our being required to post up to an additional \$415 million of cash collateral, which would adversely affect our liquidity. Depending on our unrestricted cash and short-term investments balance at the time, the posting of a significant amount of cash collateral could cause our unrestricted cash and short-term investments balance to fall below the \$1.0 billion minimum balance requirement under our \$350 million secured loan facility, resulting in a default under such facility.

On April 10, 2006, we filed an automatically effective universal shelf registration statement covering the sale from time to time of our securities in one or more public offerings. The securities offered might include debt securities, including pass-through certificates, shares of common stock, shares of preferred stock and securities exercisable for, or convertible into, shares of common stock, such as stock purchase contracts, warrants or subscription rights, among others. Proceeds from any sale of securities under this registration statement other than pass-through certificates would likely be used for general corporate purposes, including the repayment of debt, the funding of pension obligations and working capital requirements, whereas proceeds from the issuance of pass-through certificates would be used to finance or refinance aircraft and related equipment.

We have utilized proceeds from the issuance of pass-through certificates to finance the acquisition of 251 leased and owned mainline jet aircraft. Typically, these pass-through certificates, as well as separate financings secured by aircraft spare parts and spare engines, contain liquidity facilities whereby a third party agrees to make payments sufficient to pay at least 18 months of interest on the applicable certificates if a payment default occurs. The liquidity providers for these certificates include the following: CALYON New York Branch, Landesbank Hessen-Thüringen Girozentrale, Morgan Stanley Capital Services, Westdeutsche Landesbank Girozentrale, AIG Matched Funding Corp., ABN AMRO Bank N.V., Credit Suisse First Boston, Caisse des Depots et Consignations, Bayerische Landesbank Girozentrale, ING Bank N.V. and De Nationale Investeringsbank N.V.

We are also the issuer of pass-through certificates secured by 130 leased regional jet aircraft currently operated by ExpressJet. The liquidity providers for these certificates include the following: ABN AMRO Bank N.V., Chicago Branch, Citibank N.A., Citicorp North America, Inc., Landesbank Baden-

Wurtemberg, RZB Finance LLC and WestLB AG, New York Branch.

We currently utilize policy providers to provide credit support on three separate financings with an outstanding principal balance of \$516 million at March 31, 2006. The policy providers have unconditionally guaranteed the payment of interest on the notes when due and the payment of principal on the notes no later than 24 months after the final scheduled payment date. Policy providers on these notes are MBIA Insurance Corporation (a subsidiary of MBIA, Inc.), Ambac Assurance Corporation (a subsidiary of Ambac Financial Group, Inc.) and Financial Guaranty Insurance Company (a subsidiary of FGIC). Financial information for FGIC is available over the internet at <http://www.fgic.com> and financial information for the parent companies of our other policy providers is available over the internet at the SEC's website at <http://www.sec.gov> or at the SEC's public reference room in Washington, D.C. A policy provider is also used as credit support for the financing of certain facilities at Bush Intercontinental, currently subject to a sublease by us to the City of Houston, with an outstanding balance of \$57 million at March 31, 2006.

Pension Plans. We have noncontributory defined benefit pension plans in which substantially all of our U.S. employees participate, other than Chelsea Food Services and CMI employees. Future benefit accruals for our pilots under the pilot-only defined benefit pension plan ceased as of May 31, 2005. Funding requirements for defined benefit pension plans are determined by government regulations. During the first quarter of 2006, we contributed \$6 million to our defined benefit pension plans. On April 11, 2006, we contributed an additional \$91 million to our defined benefit pension plans. Including these contributions, based on current assumptions and applicable law, we expect to contribute a total of \$258 million to our defined benefit pension plans in 2006 to meet our minimum funding obligations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no material changes in market risk from the information provided in Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our 2005 Form 10-K except as follows:

Foreign Currency. At March 31, 2006, we had forward contracts outstanding to hedge approximately 84% of our projected Canadian dollar-denominated cash inflows for the remainder of 2006. We estimate that at March 31, 2006, a uniform 10% strengthening in the value of the U.S. dollar relative to the Canadian dollar would have increased the fair value of the existing forward contracts by \$6 million, which would be offset by a corresponding loss on the underlying 2006 exposure of \$6 million.

Aircraft Fuel. From time to time we enter into petroleum swap contracts, petroleum call option contracts and/or jet fuel purchase commitments to provide some short-term hedge protection (generally three to six months) against sudden and significant increases in jet fuel prices. As of March 31, 2006, we had hedged approximately 17% of our projected fuel requirements for the second quarter of 2006 using petroleum swap contracts with a weighted average swap price of \$63.56 per barrel. We estimate that a 10% increase in the price per gallon of aircraft fuel at March 31, 2006 would increase the fair value of petroleum swap contracts existing at March 31, 2006 by \$12 million.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. They concluded that the controls and procedures were effective as of March 31, 2006 to provide reasonable assurance that the information required to be disclosed by the Company in reports it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. While our disclosure controls and procedures provide reasonable assurance that the appropriate information will be available on a timely basis, this assurance is subject to limitations inherent in any control system, no matter how well it may be designed or administered.

Changes in Internal Controls. There was no change in our internal control over financial reporting during the quarter ended March 31, 2006, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to travel agents, and in 2002 we eliminated such base commissions. These actions were similar to those also taken by other air carriers. We are now a defendant, along with several other air carriers, in two lawsuits brought by travel agencies that purportedly opted out of a prior class action entitled Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al. (U.S.D.C., Eastern District of North Carolina), filed on June 21, 2000, in which the defendant airlines prevailed on summary judgment that was upheld on appeal. These similar suits against Continental and other major carriers allege violations of antitrust laws in reducing and ultimately eliminating the base commission formerly paid to travel agents. The pending cases are Tam Travel, Inc. v. Delta Air Lines, Inc., et al. (U.S.D.C., Northern District of California), filed on April 9, 2003 and Swope Travel Agency, et al. v. Orbitz LLC et al. (U.S.D.C., Eastern District of Texas), filed on June 5, 2003. By order dated November 10, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. Discovery has commenced.

In each of the foregoing cases, we believe the plaintiffs' claims are without merit and we are vigorously defending the lawsuits. Nevertheless, a final adverse court decision awarding substantial money damages could have a material adverse impact on our results of operations, financial condition or liquidity.

Item 1A. Risk Factors

Item 1A, "Risk Factors," of our 2005 Form 10-K includes a detailed discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our 2005 Form 10-K.

The airline industry is highly competitive and susceptible to price discounting and fluctuations in passenger demand. The U.S. airline industry is increasingly characterized by substantial price competition, especially in domestic markets. Carriers use discount fares to stimulate traffic during periods of slack demand, to generate cash flow and to increase market share. Some of our competitors have substantially greater financial resources, including hedges against fuel price increases, or lower cost structures than we do, or both. In recent years, the domestic market share held by low cost carriers has increased significantly and is expected to continue to increase, which is dramatically changing the airline industry. The increased market presence of low cost carriers has increased competition and impacted the ability of the network carriers to maintain sufficient pricing structures in domestic markets, which negatively affects profitability. This has contributed to the dramatic losses for us and the airline industry generally. For example, a low-cost carrier began to directly compete with us on flights between Liberty International and destinations in Florida in 2005. We are responding vigorously to this challenge, but have experienced decreased yields on affected flights. We cannot predict whether or for how long these trends will continue.

In addition to price competition, airlines also compete for market share by increasing the size of their route system and the number of markets they serve. Several of our domestic competitors have announced aggressive plans to expand into international markets, including some destinations that we currently serve. The increased competition in these international markets, particularly to the extent our competitors engage in price discounting, may have a material adverse effect on our results of operations, financial condition or liquidity.

Airline profit levels are highly sensitive to changes in fuel costs, fare levels and passenger demand. Passenger demand is influenced by, among other things, the state of the global economy and domestic and international events such as terrorism, hostilities involving the United States or concerns about exposure to contagious diseases (such as SARS or avian flu). The September 11, 2001 terrorist attacks, the weak economy prior to 2004, turbulent international events (including the war in Iraq and the SARS outbreak), high fuel prices and extensive price discounting by carriers have resulted in dramatic losses for us and the airline industry generally. To the extent that future events of this nature negatively impact passenger travel behavior and/or fare levels, such events may have a material adverse effect on our results of operations, financial condition or liquidity.

Delta, Northwest and several small competitors have filed for bankruptcy protection, and other carriers could file for bankruptcy or threaten to do so to reduce their costs. US Airways and, more recently, United, have emerged from bankruptcy. Carriers operating under bankruptcy protection may be in a position to operate in a manner adverse to us and could emerge from bankruptcy as more vigorous competitors with substantially lower costs than ours.

Since its deregulation in 1978, the U.S. airline industry has undergone substantial consolidation and may experience additional consolidation in the future. We routinely monitor changes in the competitive landscape and engage in analysis and discussions regarding our strategic position, including alliances, asset acquisitions and business combination transactions. We have had, and expect to continue to have, discussions with third parties regarding strategic alternatives. The impact of any consolidation within the U.S. airline industry cannot be predicted at this time.

A significant failure or disruption of the computer systems on which we rely could adversely affect our business, as could our failure to reach agreement with companies operating global distribution systems. We depend heavily on computer systems and technology to operate our business, such as flight operations systems, communications systems, airport systems and reservations systems (including continental.com and third party global distribution systems). These systems could suffer substantial or repeated disruptions due to events beyond our control, including natural disasters, power failures, terrorist attacks, equipment or software failures and computer viruses and hackers. Any such disruptions could materially impair our flight and airport operations and our ability to market our services, and could result in increased costs, lost revenue and the loss or compromise of important data. Although we have taken measures in an effort to reduce the adverse effects of certain potential failures or disruptions, if these steps are not adequate to prevent or remedy the risks, our business may be materially adversely affected.

In addition, a significant portion of our revenue, including a significant portion of our higher yield traffic, is derived from bookings made through third party global distribution systems ("GDSs") used by many travel agents and travel purchasers. Over the past several years we have focused on reducing our distribution costs, including GDS fees. We recently entered into a new long-term content agreement with the operator of one of the four major GDSs, and our current agreements with the operators of the three other major GDSs are scheduled to expire during July and August 2006. We are currently in negotiations with the operators of the other three major GDSs, and we have not yet been able to reach content agreements with them on terms that are acceptable to us. If we are unable to reach agreement with one or more of the operators of the GDSs, it is possible that our flights would not be available for sale through the particular GDS with which we would have no content agreement. The lack of a content agreement would make our fares, seat availability, schedules and inventories unavailable for display through a particular GDS, which could damage our relationships with any travel agents or travel purchasers reliant on that GDS, and could also result in a decline in our sales, which decline could be sufficient to result in a material adverse effect on us.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

- 10.1* Continental Airlines, Inc. Long-Term Incentive and RSU Program (as amended and restated through March 29, 2006).

- 10.1(a)* Form of Award Notice pursuant to Continental Airlines, Inc. Long-Term Incentive and RSU Program (Profit Based RSU Awards).
- 10.2 Supplemental Agreement No. 37, dated March 30, 2006, to Purchase Agreement No. 1951 between the Company and The Boeing Company ("Boeing"), dated July 23, 1996, relating to the purchase of Boeing 737 aircraft. (1)
- 10.3 Supplemental Agreement No. 12, dated March 17, 2006, to Purchase Agreement No. 2061 between the Company and Boeing, dated October 10, 1997, relating to the purchase of Boeing 777 aircraft. (1)
- 31.1 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Executive Officer.
- 31.2 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Financial Officer.
- 32 Section 1350 Certifications.

*These exhibits relate to management contracts or compensatory plans or arrangements.

- 1. Continental has applied to the Commission for confidential treatment of a portion of this exhibit.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONTINENTAL AIRLINES, INC.
Registrant

Date: April 20, 2006

by: /s/ Jeffrey J. Misner
Jeffrey J. Misner
Executive Vice President and
Chief Financial Officer
(On behalf of Registrant)

Date: April 20, 2006

by: /s/ Chris Kenny
Chris Kenny
Vice President and Controller
(Principal Accounting Officer)

INDEX TO EXHIBITS OF CONTINENTAL AIRLINES, INC.

- 10.1* Continental Airlines, Inc. Long-Term Incentive and RSU Program (as amended and restated through March 29, 2006).
- 10.1(a)* Form of Award Notice pursuant to Continental Airlines, Inc. Long-Term Incentive and RSU Program (Profit Based RSU Awards).
- 10.2 Supplemental Agreement No. 37, dated March 30, 2006, to Purchase Agreement No. 1951 between the Company and The Boeing Company ("Boeing"), dated July 23, 1996, relating to the purchase of Boeing 737 aircraft. (1)

- 10.3 Supplemental Agreement No. 12, dated March 17, 2006, to Purchase Agreement No. 2061 between the Company and Boeing, dated October 10, 1997, relating to the purchase of Boeing 777 aircraft. (1)
- 31.1 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Executive Officer.
- 31.2 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Financial Officer.
- 32 Section 1350 Certifications.

*These exhibits relate to management contracts or compensatory plans or arrangements.

- 1. Continental has applied to the Commission for confidential treatment of a portion of this exhibit.

**CONTINENTAL AIRLINES, INC.
LONG TERM INCENTIVE AND RSU PROGRAM
(As Amended and Restated Through March 29, 2006)**

I. PURPOSE OF PROGRAM

This Continental Airlines, Inc. Long Term Incentive and RSU Program (the "Program") has been adopted by the Human Resources Committee of the Board of Directors of Continental Airlines, Inc., a Delaware corporation (the "Company"), to implement in part the Performance Award provisions of the Continental Airlines, Inc. Incentive Plan 2000 (as amended from time to time, the "Incentive Plan 2000") adopted by the Board of Directors of the Company, and is intended to provide a method for attracting, motivating, and retaining key employees to assist in the development and growth of the Company and its Subsidiaries. The Program and Awards hereunder shall be subject to the terms of the Incentive Plan 2000, including (a) with respect to Profit Based RSU Awards and Stock Price Based RSU Awards, the limitations on the maximum number of shares of stock that may be subject to awards granted under the Incentive Plan 2000 to any one individual during any calendar year, and (b) with respect to NLTIP Awards, the limitations on the maximum value of Awards contained in Section 5(a)(iii) of the Incentive Plan 2000.

The Program as set forth herein constitutes an amendment and restatement of the Program as previously adopted and amended by the Company and as in effect on March 28, 2006 (the "Prior Program"), and shall supersede and replace in its entirety such previously adopted Prior Program. This amendment and restatement of the Prior Program into the Program was adopted by the Human Resources Committee of the Company's Board of Directors on March 29, 2006, and shall be effective as of such date; provided, however, that provisions of the Program required to have an earlier effective date pursuant to Section 409A of the Code shall be effective as of January 1, 2005. The terms and conditions of this amendment and restatement of the Program shall apply to all Awards granted under the Program, including, without limitation, Awards granted under the Prior Program.

II. DEFINITIONS AND CONSTRUCTION

2.1 Definitions. Where the following words and phrases are used in the Program, they shall have the respective meanings set forth below, unless the context clearly indicates to the contrary:

- a. "Administrator" means (i) in the context of Awards made to, or the administration (or interpretation of any provision) of the Program as it relates to, any person who is subject to Section 16 of the Securities Exchange Act of 1934, as amended (including any successor section to the same or similar effect, "Section 16"), the Committee, or (ii) in the context of Awards made to, or the administration (or interpretation of any provision) of the Program as it relates to, any person who is not subject to Section 16, the Chief Executive Officer of the Company (or, if the Chief Executive Officer is not a director of the Company, the Committee), unless the Program specifies that the Committee shall take specific action (in which case such action may only be taken by the Committee) or the Committee (as to any Award described in this clause (ii) or the administration or interpretation of any specific provision of the Program) specifies that it shall serve as Administrator.
- b. "Annual Executive Bonus Program" means the Continental Airlines, Inc. Annual Executive Bonus Program, or any successor to such program.
- c. "Award" means, with respect to each Participant for a Performance Period, such Participant's opportunity to earn a Payment Amount for such Performance Period, upon the satisfaction of the terms and conditions of the Program. Awards shall relate to an NLTIP Performance Target ("NLTIP Awards"), a Stock Price Based RSU Performance Target ("Stock Price Based RSU Awards"), or a Profit Based RSU Performance Target ("Profit Based RSU Awards"). Awards hereunder constitute Performance Awards (as such term is defined in the Incentive Plan 2000) under the Incentive Plan 2000.
- d. "Award Notice" means a written notice issued by the Company to a Participant evidencing such Participant's receipt of an Award with respect to a Performance Period.
- e. "Base Amount" means the sum of (i) the annual base rate of pay paid or payable in cash by the Company and the Subsidiaries to or for the benefit of a Participant for services rendered or labor performed, plus (ii) an additional amount equal to (1) for all Participants other than those described in Section 2.1(dd)(vi), 2.1(dd)(vii) or 2.1(dd)(viii) below, 125% of the amount described in clause (i), and (2) for all Participants described in Section 2.1(dd)(vi), 2.1(dd)(vii) or 2.1(dd)(viii) below, 37.5% of the amount described in clause (i). Base Amount shall be determined without reduction for amounts a Participant could have received in cash in lieu of (A) elective deferrals under any deferred compensation plan of the Company or (B) elective contributions made on such Participant's behalf by the Company or a Subsidiary pursuant to a qualified cash or deferred arrangement (as defined in section 401(k) of the Code) or pursuant to a plan maintained under section 125 of the Code.
- f. "Basis Point" means one one-hundredth of one percent (0.01%).
- g. "Board" means the Board of Directors of the Company
- h. "Cash Hurdle" means, with respect to an NLTIP Performance Period or a Profit Based RSU Performance Period, the dollar amount specified by the Committee as the Cash Hurdle with respect to such Performance Period as provided in Section 3.1, and achievement of the Cash Hurdle means (i) in the case of an NLTIP Performance Period, that the Company's cash flow over such Performance Period is such that the Company's cash, cash equivalents and short term investments (excluding restricted cash, cash equivalents and short term investments) at the end of such Performance Period, as reflected on the regularly prepared and publicly available balance sheet of the Company and its consolidated subsidiaries prepared in accordance with GAAP, is equal to or greater than that dollar amount so specified by the Committee as the Cash Hurdle for such Performance Period, and (ii) in the case of a Profit Based RSU Performance Period, that the Company's cash flow over the period beginning on the first day of such Performance Period and ending on the last day of the Fiscal Year prior to the applicable Specified Payment Date (the "Cash Hurdle Measurement Period") is such that the Company's cash, cash equivalents and short term investments (excluding restricted cash, cash equivalents and short term investments) at the end of such Cash Hurdle Measurement Period, as reflected on the regularly prepared and publicly

available balance sheet of the Company and its consolidated subsidiaries prepared in accordance with GAAP, is equal to or greater than that dollar amount so specified by the Committee as the Cash Hurdle for such Performance Period.

- i. "Change in Control" shall have the same meaning as is assigned to such term under the Incentive Plan 2000, as in effect on March 12, 2004, taking into account amendments effected on that date.
- j. "Code" means the Internal Revenue Code of 1986, as amended.
- k. "Committee" means a committee of the Board comprised solely of two or more outside directors (within the meaning of the term "outside directors" as used in section 162(m) of the Code). Such committee shall be the Human Resources Committee of the Board unless and until the Board designates another committee of the Board to serve as the Committee.
- l. "Company" means Continental Airlines, Inc., a Delaware corporation.
- m. "Company Stock" means the Class B common stock, par value \$0.01 per share, of the Company.
- n. "Cumulative Profit Sharing Pool" means, with respect to the last day of a Fiscal Year in a Profit Based RSU Performance Period, the aggregate amount of the Profit Sharing Pools, if any, for such Fiscal Year and for all prior Fiscal Years in such Profit Based RSU Performance Period.
- o. "Cumulative Profit Sharing Pool Target" means, with respect to a Profit Based RSU Performance Period, the dollar amount specified by the Committee as the Cumulative Profit Sharing Pool Target with respect to such Performance Period as provided in Section 3.1. The Committee may set multiple levels for the Cumulative Profit Sharing Pool Target that may apply to a single Profit Based RSU Performance Period (and each such level is referred to herein as a "Cumulative Profit Sharing Pool Target Level"), and the Payout Structure relating to the Profit Based RSU Award for such Performance Period may specify different Profit Based RSU Payment Percentages depending on the Cumulative Profit Sharing Pool Target Level achieved. Achievement of a Cumulative Profit Sharing Pool Target means that, as of the last day of a Fiscal Year in the Profit Based RSU Performance Period, the Cumulative Profit Sharing Pool equals or exceeds a Cumulative Profit Sharing Pool Target Level that has not been so achieved as of the last day of any prior Fiscal Year in such Profit Based RSU Performance Period (and the Cumulative Profit Sharing Pool Target shall be deemed achieved for such Fiscal Year only with respect to the highest such Cumulative Profit Sharing Pool Target Level so achieved for such Fiscal Year).
- p. "Disability" or "Disabled" means, with respect to a Participant, that such Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of such Participant's employer.
- q. "EBITDAR" means, with respect to the Company and each company in the Industry Group and each NLTIP Performance Period, the aggregate earnings of the Company or such company and its consolidated subsidiaries during the Performance Period, determined prior to the charges, costs, and expenses associated with interest, income taxes, depreciation, amortization, and aircraft rent. EBITDAR shall be determined based on the regularly prepared and publicly available statements of operations of the Company and each company in the Industry Group prepared in accordance with GAAP (and if necessary to determine certain items, based on Form 41 data filed by the Company or such company with the Department of Transportation); provided, however, that EBITDAR shall be adjusted to exclude (i) non-operating income or expense, (ii) write-offs of assets (including aircraft and associated parts), (iii) one-time gains or losses from the disposal of assets, and (iv) any other item of gain, loss, or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, in each case under clauses (i), (ii), (iii) and (iv) as determined by the Committee in accordance with GAAP. If the fiscal year of a company in the Industry Group is not the calendar year, then such company's EBITDAR for an NLTIP Performance Period shall be determined based upon the fiscal quarters of such company that coincide with the fiscal quarters contained in such Performance Period. Further, if a company in the Industry Group provides publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses, then such company's EBITDAR shall be determined based solely upon the separately provided statements of operations pertaining to its airline business.
- r. "EBITDAR Margin" means, with respect to the Company and each company in the Industry Group and each NLTIP Performance Period, the cumulative EBITDAR for the Company or such company for such Performance Period divided by the Company's or such company's cumulative revenues (determined on a consolidated basis based on the regularly prepared and publicly available statements of operations of the Company or such company prepared in accordance with GAAP) over such Performance Period. If the fiscal year of a company in the Industry Group is not the calendar year, then such company's EBITDAR Margin for an NLTIP Performance Period shall be determined based upon the fiscal quarters of such company that coincide with the fiscal quarters contained in such Performance Period. Further, if a company in the Industry Group provides publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses, then such company's EBITDAR Margin shall be determined based solely upon the separately provided statements of operations pertaining to its airline business.
- s. "Eligible Employee" means any individual who is a staff vice president or more senior officer of the Company or a Subsidiary.
- t. "Entry EBITDAR Margin" means, with respect to each NLTIP Performance Period, the percentage determined by calculating the simple average of the EBITDAR Margins of the companies in the Industry Group with respect to such Performance Period.
- u. "Financial Performance Hurdle" means, with respect to a particular Fiscal Year, that the Company's net income for such Fiscal Year, as set forth on its regularly prepared and publicly available consolidated statements of operations prepared in accordance with GAAP, is greater than \$0 (or, with respect to the first Fiscal Year under the Program, greater than \$66 million).
- v. "Fiscal Year" means each 12-consecutive month period commencing on January 1; provided, however, that the first Fiscal Year under the Program shall be the nine-consecutive month period commencing on April 1, 2006.
- w. "GAAP" means United States generally accepted accounting principles, consistently applied.

- x. "Incentive Plan 2000" means the Continental Airlines, Inc. Incentive Plan 2000, as amended from time to time.
- y. "Industry Group" means, with respect to each NLTIP Performance Period, the companies determined in accordance with the provisions of Article V for such Performance Period.
- z. "Market Value per Share" means, as of any specified date, the simple average of the closing sales prices of Company Stock in the principal securities market in which the Company Stock is then traded over the 20 most recent consecutive Trading Days ending on the last Trading Day preceding the specified date, adjusted appropriately by the Committee for any stock splits, stock dividends, reverse stock splits, special dividends or other similar matters occurring during or with respect to any relevant measurement period.
- aa. "NLTIP Performance Period" means: (i) as to the first NLTIP Performance Period under the Program, the period commencing on April 1, 2004 and ending on December 31, 2006, and (ii) each three-year period commencing on the first day of a calendar year that begins on or after January 1, 2005. Notwithstanding the foregoing, no new NLTIP Performance Period shall commence on or after the date upon which a Change in Control occurs, unless otherwise determined by the Committee.
- ab. "Participant" means an Eligible Employee who has received an Award under the Program with respect to a Performance Period pursuant to Section 4.1.
- ac. "Payment Amount" (A) with respect to Stock Price Based RSU Awards means, with respect to each Participant and each Stock Price Based RSU Performance Period with respect to which the Stock Price Based RSU Performance Target is satisfied, an amount equal to 100% of the RSU Value, determined as of the last day of the relevant Stock Price Based RSU Performance Period (or, in the event of a Change in Control, as of the date of the Change in Control, or in the event of death, Disability or Retirement of a Participant, as of the date of such death, Disability or Retirement), (B) with respect to NLTIP Awards means, with respect to each Participant and each NLTIP Performance Period for which the NLTIP Performance Target is satisfied, an amount equal to (i) such Participant's Base Amount in effect as of the earlier of (1) the last day of such NLTIP Performance Period, (2) the date of such Participant's death, Disability or Retirement, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, multiplied by (ii) the Payout Percentage applicable to such Participant for such NLTIP Performance Period, and (C) with respect to each Profit Based RSU Award and related Profit Based RSU Performance Period, means each amount payable pursuant to Section 6.2(b), 6.3(b) and 6.4(b). Notwithstanding the foregoing, a Payment Amount may be pro-rated as provided in the Program.
- ad. "Payout Percentage" means, with respect to each NLTIP Performance Period for which the NLTIP Performance Target is satisfied:
 - (i) In the case of a Participant who is the Company's Chief Executive Officer as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death, Disability or Retirement, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, 75% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 25 divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 50 divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period;
 - (ii) In the case of a Participant who is the Company's President as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death, Disability or Retirement, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, 70% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 20 divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 45 divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period;
 - (iii) In the case of a Participant who is an Executive Vice President of the Company as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death, Disability or Retirement, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, 50% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 25 divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 25 divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and

Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period.

- ae. "Payout Structure" means, with respect to each Profit Based RSU Performance Period, a Profit Based RSU Payment Percentage determined by the Committee to apply to each Cumulative Profit Sharing Pool Target Level relating to such Performance Period. The Payout Structure for each Profit Based RSU Performance Period shall be determined by the Committee as provided in Section 3.1.
- af. "Performance Period" means an NLTIP Performance Period, a Stock Price Based RSU Performance Period or a Profit Based RSU Performance Period, as applicable or as the context requires.
- ag. "Performance Target" means (A) with respect to an NLTIP Performance Period, that (1) the Cash Hurdle with respect to such Performance Period has been achieved, and (2) the Company's EBITDAR Margin with respect to such Performance Period equals or exceeds the Entry EBITDAR Margin with respect to such Performance Period (clauses (A)(1) and (2) together, the "NLTIP Performance Target"), (B) with respect to a Stock Price Based RSU Performance Period, that the Market Value per Share at any date during the Performance Period has been equal to or greater than the Target Price with respect to such Performance Period (clause (B), the "Stock Price Based RSU Performance Target"), or (C) with respect to a Profit Based RSU Performance Period, that, as of the last day of a Fiscal Year in such Performance Period, (1) the Financial Performance Hurdle for such Fiscal Year has been achieved, and (2) the Cumulative Profit Sharing Pool Target for such Performance Period has been achieved (clauses (C)(1) and (2) together, the "Profit Based RSU Performance Target").
- ah. "Pre-tax Net Income" means, with respect to each Fiscal Year, the consolidated income before taxes but after minority interest (as computed using net income (loss) before taxes) of the Company for such Fiscal Year in accordance with GAAP, as shown on the Company's consolidated statements of operations for such Fiscal Year, but calculated (i) excluding any unusual or non-recurring items in accordance with GAAP and (ii) prior to any costs associated with executive incentive compensation (defined as incentive compensation for executives of the Company with performance targets determined by the Committee), in each case as determined by the Committee; provided, however, Pre-Tax Net Income with respect to the first Fiscal Year under the Program shall be calculated using the Company's consolidated statements of operations for the three quarters ended December 31, 2006 and adjusted by reducing Pre-Tax Net Income for the first Fiscal Year by \$31 million. Notwithstanding the foregoing, in no event shall the Pre-tax Net Income for a Fiscal Year be less than \$0 for purposes of the Program.
- ai. "Profit Based RSU Payment Percentage" means, with respect to each Profit Based RSU Performance Period, the percentage of the RSUs subject to the related Profit Based RSU Award for which payments may be made under the Program upon achievement of a particular Cumulative Profit Sharing Pool Target Level relating to such Performance Period. The Profit Based RSU Payment Percentages for a Profit Based RSU Performance Period shall be determined by the Committee in connection with the Committee's determination of the Payout Structure for such Performance Period.
- aj. "Profit Based RSU Performance Period" means: (i) as to the first Profit Based RSU Performance Period under the Program, the period commencing on April 1, 2006 and ending on December 31, 2009, and (ii) each other period specified by the Committee as provided in Section 3.1 that consists of one or more consecutive Fiscal Years that begin on or after January 1, 2007.
- ak. "Profit Sharing Pool" means, with respect to each Fiscal Year, the sum of: (i) the dollar amount of Pre-tax Net Income, if any, earned with respect to such Fiscal Year up to and including \$250 million multiplied by 30%; plus (ii) the dollar amount of Pre-tax Net Income, if any, earned with respect to such Fiscal Year in excess of \$250 million and up to and including \$500 million multiplied by 25%; plus (iii) the dollar amount of Pre-tax Net Income, if any, earned with respect to such Fiscal Year in excess of \$500 million multiplied by 20%.
- al. "Program" means this Continental Airlines, Inc. Long Term Incentive and RSU Program, as amended from time to time.
- am. "Qualifying Event" means, with respect to a Participant, the termination of such Participant's employment with the Company under circumstances which would permit such Participant to receive a Termination Payment or Monthly Severance Amount (as such terms are defined in such Participant's employment agreement), or similar payment, pursuant to any contract of employment between such Participant and the Company or any Subsidiary.
- an. "Retirement," "Retires" or "Retired" means retirement of a Participant from employment with the Company pursuant to the provisions of the Continental Retirement Plan, as amended from time to time.
- ao. "RSUs" means the method of denominating Profit Based RSU Awards and Stock Price Based RSU Awards, which shall be granted in whole numbers and which are denominated in Company Stock for purposes of Incentive Plan 2000. The number of RSUs subject to an outstanding Profit Based RSU Award or Stock Price Based RSU Award shall be subject to appropriate adjustment by the Committee for any stock splits, stock dividends, reverse stock splits, special dividends or other similar matters relating to Company Stock occurring after the date of grant of such Award and during or with respect to the applicable Performance Period.
- ap. "RSU Value" of a Stock Price Based RSU Award, as of a specified date, means the dollar amount calculated by multiplying the number of RSUs subject to the Stock Price Based RSU Award as of the specified date times the Market Value per Share as of the specified date.
- aq. "Specified Payment Date" means:
 - (i) If a Profit Based RSU Performance Target is achieved for the first Profit Based RSU Performance Period as of the last day of the Fiscal Year that ends on December 31, 2006, then (A) with respect to a payment under Section 6.2(b)(i) for such Fiscal Year, the last day of the 15th month following the end of such Fiscal Year, (B) with respect to a payment under Section 6.2(b)(ii) for such Fiscal Year, the last day of the 27th month following the end of such Fiscal Year, and (C) with respect to a payment under Section 6.2(b)(iii) for such Fiscal Year, the last day of the 39th month following the end of such Fiscal Year; and
 - (ii) If a Profit Based RSU Performance Target is achieved for any Profit Based RSU Performance Period as of the last day of a

Fiscal Year that ends after December 31, 2006, then (A) with respect to a payment under Section 6.2(b)(i) for such Fiscal Year, the last day of the 3rd month following the end of such Fiscal Year, (B) with respect to a payment under Section 6.2(b)(ii) for such Fiscal Year, the last day of the 15th month following the end of such Fiscal Year, and (C) with respect to a payment under Section 6.2(b)(iii) for such Fiscal Year, the last day of the 27th month following the end of such Fiscal Year.

With respect to each Fiscal Year during a Profit Based RSU Performance Period for which a Profit Based RSU Performance Target is achieved, the Specified Payment Date referred to in clause (i)(A) and (ii)(A) above, as applicable, is referred to herein as the "First Specified Payment Date," the Specified Payment Date referred to in clause (i)(B) and (ii)(B) above, as applicable, is referred to herein as the "Second Specified Payment Date," and the Specified Payment Date referred to in clause (i)(C) and (ii)(C) above, as applicable, is referred to herein as the "Third Specified Payment Date." Notwithstanding the foregoing, a Specified Payment Date may be deferred as provided in Section 6.2(b).

- ar. "Stock Price Based RSU Performance Period" means (i) the period commencing on April 1, 2004 and ending March 31, 2006, and (ii) the period commencing on April 1, 2004 and ending on December 31, 2007.
- as. "Stretch EBITDAR Margin" means, with respect to an NLTIP Performance Period, the percentage determined by the Committee to be the Stretch EBITDAR Margin with respect to such Performance Period as provided in Section 3.1 hereof, which shall be expressed as the Target EBITDAR Margin plus that number of Basis Points determined by the Committee as provided in Section 3.1.
- at. "Subsidiary" for purposes of participation in the Program means any entity (other than the Company) with respect to which the Company, directly or indirectly through one or more other entities, owns equity interests possessing 50 percent or more of the total combined voting power of all equity interests of such entity (excluding voting power that arises only upon the occurrence of one or more specified events).
- au. "Target EBITDAR Margin" means, with respect to an NLTIP Performance Period, the percentage determined by the Committee to be the Target EBITDAR Margin with respect to such Performance Period as provided in Section 3.1 hereof, which shall be expressed as the Entry EBITDAR Margin plus that number of Basis Points determined by the Committee as provided in Section 3.1.
- av. "Target Price" with respect to a Stock Price Based RSU Performance Period means the dollar value per share of Company Stock specified by the Committee as the Target Price for such Stock Price Based RSU Performance Period as provided in Section 3.1, which Target Price shall be appropriately adjusted by the Committee for any stock splits, stock dividends, reverse splits, special dividends or other similar events occurring during or with respect to the Stock Price Based RSU Performance Period.
- aw. "Trading Day" means a day during which trading in securities generally occurs in the principal securities market in which Company Stock is traded.

2.2 Number, Gender, Headings, and Periods of Time. Wherever appropriate herein, words used in the singular shall be considered to include the plural, and words used in the plural shall be considered to include the singular. The masculine gender, where appearing in the Program, shall be deemed to include the feminine gender. The headings of Articles, Sections, and Paragraphs herein are included solely for convenience. If there is any conflict between such headings and the text of the Program, the text shall control. All references to Articles, Sections, and Paragraphs are to the Program unless otherwise indicated. Any reference in the Program to a period or number of days, weeks, months, or years shall mean, respectively, calendar days, calendar weeks, calendar months, or calendar years unless expressly provided otherwise.

III. ADMINISTRATION

3.1 Administration by the Administrator. The Program shall be administered by the Administrator, so that (i) Awards made to, and the administration (or interpretation of any provision) of the Program as it relates to, any person who is subject to Section 16, shall be made or effected by the Committee, and (ii) Awards made to, and the administration (or interpretation of any provision) of the Program as it relates to, any person who is not subject to Section 16, shall be made or effected by the Chief Executive Officer of the Company (or, if the Chief Executive Officer is not a director of the Company, the Committee), unless the Program specifies that the Committee shall take specific action (in which case such action may only be taken by the Committee) or the Committee (as to any Award described in this clause (ii) or the administration or interpretation of any specific provision of the Program) specifies that it shall serve as Administrator. The action of a majority of the members of the Committee will be the act of the Committee.

The Committee may from time to time in its discretion establish in writing for purposes of the Program a Profit Based RSU Performance Period that consists of one or more consecutive Fiscal Years.. The Committee shall, promptly upon adoption of the Program in the case of all Performance Periods commencing on April 1, 2004, and within 90 days after the first day of each Performance Period commencing on or after January 1, 2005 (but in no event after the date required for a performance goal to be considered preestablished under Section 162(m) of the Code), establish in writing for purposes of the Program: (i) for NLTIP Awards, the applicable Target EBITDAR Margin and Stretch EBITDAR Margin (such that at all times the Stretch EBITDAR Margin shall be higher than the Target EBITDAR Margin, which in turn shall be higher than the Entry EBITDAR Margin) and the Cash Hurdle for each such Performance Period, (ii) for Stock Price Based RSU Awards, the applicable Target Price for each such Performance Period, and (iii) for Profit Based RSU Awards, the Cash Hurdle, the Cumulative Profit Sharing Pool Target Levels (including the Cumulative Profit Sharing Pool Target Level that shall apply for purposes of Section 6.4(b)) and the related Payout Structure for such Performance Period.

3.2 Powers of the Administrator. The Administrator shall supervise the administration and enforcement of the Program according to the terms and provisions hereof and shall have the sole discretionary authority and all of the powers necessary to accomplish these purposes. The Administrator (which shall be limited solely to the Committee with respect to clauses (e), (f), (g), (h), (i) and (j) below and as described in clause (c) below) shall have all of the powers specified for it under the Program, including, without limitation, the power, right, or authority: (a) to designate an Eligible Employee as a Participant with respect to a Performance Period at any time prior to the last day of such period, (b) from time to time to establish rules and procedures for the administration of the Program, which are not inconsistent with the provisions of the Program or the Incentive Plan 2000, and any such rules and procedures shall be effective as if included in the Program, (c) to construe in its discretion all terms, provisions, conditions and limitations of the Program and any Award, and to determine the number of RSUs subject to a Profit Based RSU Award or a Stock Price Based RSU Award to a Participant (which determination with respect to any person who is subject to Section 16 shall be made only by the Committee), (d) to correct any defect or to supply any omission or to reconcile any inconsistency that may appear in the Program in such manner and to such extent as the Administrator shall deem appropriate, (e) to determine the Target Price, the Target EBITDAR Margin, the

Stretch EBITDAR Margin, and the Cumulative Profit Sharing Pool Target Levels with respect to each relevant Performance Period, (f) to determine the Cash Hurdle for each relevant Performance Period, (g) to determine the Payout Structure for each Profit Based RSU Award, (h) to make determinations as to whether the Performance Targets for the various Performance Periods were satisfied, (i) to make determinations as to whether the Cash Hurdles for the various Profit Based RSU Performance Periods were satisfied, (j) to certify in writing, prior to the payment of any amount under the Program with respect to a Performance Period, whether the Performance Targets relating to such Performance Period and any other material terms of the Program have in fact been satisfied, and (k) to make all other determinations necessary or advisable for the administration of the Program. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Program or in any Award or Award Notice in the manner and to the extent it shall deem expedient to carry it into effect.

3.3 Administrator Decisions Conclusive; Standard of Care. The Administrator shall, in its sole discretion exercised in good faith (which, for purposes of this Section 3.3, shall mean the application of reasonable business judgment), make all decisions and determinations and take all actions necessary in connection with the administration of the Program. All such decisions, determinations, and actions by the Administrator shall be final, binding, and conclusive upon all persons. However, in the event of any conflict in any such determination as between the Committee and the Chief Executive Officer of the Company, each acting in its or his capacity as Administrator of the Plan, the determination of the Committee shall be conclusive. The Administrator shall not be liable for any action or determination taken or made in good faith or upon reliance in good faith on the records of the Company or information presented to the Administrator by the Company's officers, employees, or other persons (including the Company's outside auditors) as to matters the Administrator reasonably believes are within such other person's professional or expert competence. If a Participant disagrees with any decision, determination, or action made or taken by the Administrator, then the dispute will be limited to whether the Administrator has satisfied its duty to make such decision or determination or take such action in good faith. No liability whatsoever shall attach to or be incurred by any past, present or future stockholders, officers or directors, as such, of the Company or any of its Subsidiaries, under or by reason of the Program or the administration thereof, and each Participant, in consideration of receiving benefits and participating hereunder, expressly waives and releases any and all claims relating to any such liability.

IV. PARTICIPATION AND AWARD NOTICES

4.1 Participation. Each individual who is an Eligible Employee on the first day of a Performance Period shall automatically be a Participant and receive an Award with respect to such Performance Period, unless otherwise determined by the Administrator prior to the first day of the relevant Performance Period. NLTIP Awards shall be made with respect to NLTIP Performance Periods, Profit Based RSU Awards shall be made with respect to Profit Based RSU Performance Periods, and Stock Price Based RSU Awards shall be made with respect to Stock Price Based RSU Performance Periods. Each individual who becomes an Eligible Employee after the first day of a Performance Period shall become a Participant and receive an Award with respect to such Performance Period only if such individual is selected prior to the last day of such Performance Period by the Administrator in its sole discretion for participation in the Program with respect to such Performance Period. Payment Amounts with respect to a Stock Price Based RSU Award or an NLTIP Award for an individual who becomes a Participant with respect to such Award after the first day of the related Performance Period shall be pro-rated based on a fraction, the numerator of which is (except as otherwise provided in Section 6.3 or Section 6.4) the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such Performance Period and ending on the last day of such Performance Period, and the denominator of which is the total number of days in such Performance Period. In addition, Payment Amounts under Section 6.2(b) with respect to an individual who becomes a Participant with respect to a Profit Based RSU Performance Period after the first day of such Performance Period shall be pro-rated based on a fraction, the numerator of which is (except as otherwise provided in Section 6.3) the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such Performance Period and ending on the date of the applicable payment under Section 6.2(b), and the denominator of which is the number of days in the period beginning on the first day of the relevant Profit Based RSU Performance Period and ending on the date of the applicable payment under Section 6.2(b).

4.2 Award Notices. The Company shall provide an Award Notice to each Eligible Employee who becomes a Participant with respect to a Performance Period within 90 days after such Eligible Employee becomes such a Participant; provided, however, that Award Notices for the Performance Periods that begin on April 1, 2004 shall be provided on or before May 15, 2004. With respect to Profit Based RSU Awards and Stock Price Based RSU Awards to a Participant, the Administrator shall determine in each case the number of RSUs subject to the Award as of the date of grant of the Award. Each Award Notice with respect to a Profit Based RSU Award shall specify (a) the Performance Period to which the Award relates, (b) the applicable Cumulative Profit Sharing Pool Target Levels and Cash Hurdle, (c) the number of RSUs subject to the Award as of the date of grant of the Award, and (d) the Payout Structure applicable to the Award. Each Award Notice with respect to a Stock Price Based RSU Award shall specify (i) the Performance Period to which the Award relates, (ii) the applicable Target Price, and (iii) the number of RSUs subject to the Award as of the date of grant of the Award. Each Award Notice with respect to an NLTIP Award shall specify (A) the Performance Period to which the Award relates, (B) the applicable Cash Hurdle, Target EBITDAR Margin and Stretch EBITDAR Margin, and (C) the applicable Payout Percentages set forth in Section 2.1(dd) hereof with respect to the Participant applicable upon the date of grant of the Award.

V. INDUSTRY GROUP

5.1 Initial Designation. The Industry Group shall consist of Alaska Air Group, Inc., AMR Corporation, Delta Air Lines, Inc., Northwest Airlines Corporation, Southwest Airlines Co., UAL Corporation, and US Airways Group, Inc.; provided, however, that (a) within 90 days after the first day of each NLTIP Performance Period that begins on or after January 1, 2005, the Committee may in its discretion add any United States certificated scheduled mainline air carrier to, or remove any such company from, the Industry Group for such Performance Period and (b) the Industry Group for each NLTIP Performance Period shall be subject to adjustment as provided in Section 5.2.

5.2 Adjustments to the Industry Group During an NLTIP Performance Period. Except as provided in clause (a) of the proviso to Section 5.1, no company shall be added to, or removed from, the Industry Group for an NLTIP Performance Period during such period; provided, however, that a company shall be removed from the Industry Group for an NLTIP Performance Period if (a) during such period, (i) such company ceases to maintain publicly available statements of operations prepared in accordance with GAAP, (ii) such company is not the surviving entity in any merger, consolidation, or other non-bankruptcy reorganization (or survives only as a subsidiary of an entity other than a previously wholly owned subsidiary of such company), (iii) such company sells, leases, or exchanges all or substantially all of its assets to any other person or entity (other than a previously wholly owned subsidiary of such company), or (iv) such company is dissolved and liquidated, or (b) more than 20% of such company's revenues (determined on a consolidated basis based on the regularly prepared and publicly available statements of operations of such company prepared in accordance with GAAP) for any fiscal year of such company that ends during such Performance Period are attributable to the operation of businesses other than such company's airline business and such company does not provide publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses.

VI. AWARD PAYMENTS

6.1 Determinations and Certification by the Committee. As soon as administratively feasible after the end of each NLTIP Performance Period and Stock Price Based RSU Performance Period, and as soon as administratively feasible after the end of each Fiscal Year in a Profit Based RSU Performance Period, as the case may be, the Committee shall determine whether the applicable Performance Target for such Performance Period has been met (including, with respect to a Profit Based RSU Performance Period, the Cumulative Profit Sharing Pool Target Level, if any, that has been achieved) and whether any other material terms relating to the payment of the related Awards have been satisfied. As soon as administratively feasible on or before each Specified Payment Date under Section 6.2(b), the Committee shall determine whether the Cash Hurdle for any Cash Hurdle Measurement Period related to such date has been met. The Committee's determination as to whether the applicable Performance Target for a Performance Period, the Cash Hurdle for a Cash Hurdle Measurement Period and any other material terms relating to the payment of the related Awards have been satisfied shall be certified by the Committee in writing and delivered to the Secretary of the Company. For purposes of the preceding sentence, approved minutes of the Committee meeting in which the certification is made shall be treated as a written certification. Notwithstanding the foregoing, each written certification by the Committee under this Section 6.1 shall be made by a date which will permit the Company to comply with the time of payment requirements of Sections 6.2 and 6.3 (after giving effect to the provisions of Section 6.7).

6.2 Eligibility for Payment of Awards. Subject to the delayed payment restrictions of Section 6.6, payments with respect to Awards shall be made as follows:

(a) NLTIP Awards and Stock Price Based RSU Awards. Upon the Committee's written certification in accordance with Section 6.1 that the applicable NLTIP Performance Target for an NLTIP Performance Period or the applicable Stock Price Based RSU Performance Target for a Stock Price Based RSU Performance Period and any other material terms relating to the payment of the related Awards have been satisfied, each Participant who has received an Award with respect to the relevant Performance Period for which the related Performance Target and other material terms have been satisfied, who has remained continuously employed by the Company from the date he or she received such Award until the last day of such Performance Period and who has not surrendered such Award to the Company shall be entitled to the Payment Amount applicable to such Participant's Award for such Performance Period. Except as provided in Section 6.3(a) and Section 6.4(a), if a Participant's employment with the Company terminates for any reason whatsoever prior to the last day of an NLTIP Performance Period or Stock Price Based RSU Performance Period, then such Participant shall not be entitled to receive any payment under the Program with respect to his or her Award for such Performance Period, unless otherwise determined by the Administrator or otherwise provided in the Participant's employment agreement with the Company. Payment of the amount to which a Participant becomes entitled pursuant to this Section 6.2(a) shall be made by the Company on or before (i) in the case of an NLTIP Award, the 15th day of the third calendar month following the end of the applicable Performance Period, and (ii) in the case of a Stock Price Based RSU Award, the last day of the first calendar month following the end of the applicable Performance Period.

(b) Profit Based RSU Awards. If the Committee certifies in writing in accordance with Section 6.1 that a Profit Based RSU Performance Target has been achieved as of the last day of a Fiscal Year in a Profit Based RSU Performance Period, then each Participant who has received an Award with respect to such Performance Period for which the related Performance Target and other material terms (including the relevant Cash Hurdle for the Cash Hurdle Measurement Period) have been satisfied shall receive the following payments with respect to the achievement of such Performance Target as of the last day of such Fiscal Year, provided that such Participant remains continuously employed by the Company from the date he or she received such Award until the date of payment specified below:

(i) on the First Specified Payment Date for such Fiscal Year, a payment in an amount equal to (A) one third of the number of RSUs subject to such Award as of such Specified Payment Date multiplied by (B) the Profit Based RSU Payment Percentage applicable to the Cumulative Profit Sharing Pool Target Level achieved at the end of such Fiscal Year multiplied by (C) the Market Value per Share as of such First Specified Payment Date;

(ii) on the Second Specified Payment Date for such Fiscal Year, a payment in an amount equal to (A) one third of the number of RSUs subject to such Award as of such Specified Payment Date multiplied by (B) the Profit Based RSU Payment Percentage applicable to the Cumulative Profit Sharing Pool Target Level achieved at the end of such Fiscal Year multiplied by (C) the Market Value per Share as of such Second Specified Payment Date; and

(iii) on the Third Specified Payment Date for such Fiscal Year, a payment in an amount equal to (A) one third of the number of RSUs subject to such Award as of such Specified Payment Date multiplied by (B) the Profit Based RSU Payment Percentage applicable to the Cumulative Profit Sharing Pool Target Level achieved at the end of such Fiscal Year multiplied by (C) the Market Value per Share as of such Third Specified Payment Date.

Notwithstanding the foregoing, if the Cash Hurdle for the relevant Profit Based RSU Performance Period has not been achieved as of an applicable Specified Payment Date set forth above and been certified by the Committee in writing in accordance with Section 6.1, then such Specified Payment Date shall be deferred and shall be deemed to occur on the next annual anniversary date of the original Specified Payment Date for which the Committee certifies in writing in accordance with Section 6.1 that such Cash Hurdle was achieved; provided, however, that if such Cash Hurdle is not so achieved on or before the last day of the 87th month following the end of the Fiscal Year to which such Specified Payment Date relates (or if such Cash Hurdle is not so achieved on or before the last day of the 99th month following the end of the Fiscal Year if such Specified Payment Date relates to the Fiscal Year ending on December 31, 2006), then no payment shall be made under this Section 6.2(b) for such Specified Payment Date with respect to the related Profit Based RSU Award. Except as provided in Section 6.3(b) and Section 6.4(b), if a Participant's employment with the Company terminates for any reason whatsoever prior to a payment date specified in this Section 6.2(b), then such Participant shall not be entitled to receive any payment with respect to his or her Profit Based RSU Award for such payment date or for any subsequent payment date, unless otherwise determined by the Administrator or otherwise provided in the Participant's employment agreement with the Company.

6.3 Death, Disability or Retirement.

(a) NLTIP Awards and Stock Price Based RSU Awards. Except as provided in Section 6.4(a) and except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, if during an NLTIP Performance Period or a Stock Price Based RSU Performance Period with respect to which a Participant has received an Award, such Participant dies or becomes Disabled or Retires, then as to such Participant only (i) the Administrator, with respect to each Stock Price Based RSU Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date, shall as promptly as practicable determine whether the Market Value per Share at any date during such Performance Period that is on or before the date of such death, Disability or Retirement has been equal to or greater than the Target Price with respect to such Performance Period (in which case the Stock Price Based RSU Performance Target

shall be deemed to have been met, as to such Participant only), (ii) the Administrator, with respect to each NLTIP Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date, shall as promptly as practicable determine (based on publicly available data with respect to each NLTIP Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date) the Company's EBITDAR Margin and the Entry EBITDAR Margin through the most recent practicable date and the Company's cash flow through the most recent practicable date, and the Company's resulting cash, cash equivalents and short term investments, excluding restricted cash, cash equivalents and short term investments at the most recent practicable date, and shall determine, based on such data and publicly available data with respect to the companies contained in the Industry Group (and, if deemed appropriate by the Administrator, annualizing or otherwise making assumptions with respect to any relevant data), whether the Company has achieved the relevant NLTIP Performance Target through such most recent practicable date (and if so, the NLTIP Performance Target shall be deemed to have been met, as to such Participant only), and (iii) the provisions of Sections 6.1 and 6.2(a) shall cease to apply with respect to each such Performance Period. Except as provided in Section 6.4(a) and except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, with respect to each such Stock Price Based RSU Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date that the Market Value per Share has been equal to or greater than the Target Price with respect to such Performance Period as described in clause (i) of the preceding sentence, such Participant (or, in the case of death, such Participant's estate) shall (A) receive a payment from the Company, within five business days after the determination by the Administrator referred to in clause (i) of the foregoing sentence, equal to the relevant Payment Amount applicable to such Participant's Stock Price Based RSU Award for such Stock Price Based RSU Performance Period, and (B) not be entitled to any additional payment under the program with respect to such Stock Price Based RSU Performance Period, and with respect to each NLTIP Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date with respect to which the NLTIP Performance Target has been satisfied in the manner described in clause (ii) of the preceding sentence, such Participant (or, in the case of death, such Participant's estate) shall (A) receive a payment from the Company, within five business days after the determination by the Administrator referred to in clause (ii) of the foregoing sentence, equal to the relevant Payment Amount applicable to such Participant's NLTIP Award for such NLTIP Performance Period multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such NLTIP Performance Period and ending on the date such Participant died, became Disabled or Retired, and the denominator of which is the number of days in the entire NLTIP Performance Period, and (B) not be entitled to any additional payment under the Program with respect to such NLTIP Performance Period.

(b) **Profit Based RSU Awards.** Except as provided in Section 6.4(b) and except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, if during a Profit Based RSU Performance Period with respect to which a Participant has received an Award (or after such Performance Period has ended but prior to the date such Participant has received all payments to which such Participant may have otherwise been entitled to under Section 6.2(b) if such Participant had continued to be employed by the Company), such Participant dies or becomes Disabled or Retires, then, as to such Participant only, such Participant shall receive payments in the amounts and at the times specified in Section 6.2(b) determined as if such Participant had remained continuously employed by the Company until the applicable payment date, except that:

(i) each such payment shall be multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for the relevant Profit Based RSU Performance Period and ending on the date such Participant died, became Disabled or Retired, and the denominator of which is the number of days in the period beginning on the first day of the relevant Profit Based RSU Performance Period and ending on the date of the applicable payment under Section 6.2(b); and

(ii) no payments shall be made to or for the benefit of such Participant with respect to any Profit Based RSU Performance Target that is achieved with respect to a Fiscal Year that begins after the date of such Participant's death, Disability or Retirement.

6.4 Change in Control.

(a) **NLTIP Awards and Stock Price Based RSU Awards.** Upon the occurrence of a Change in Control, with respect to each Participant who is employed by the Company on the day immediately preceding the date of such Change in Control (or whose employment is terminated in connection therewith or in contemplation thereof), (i) the NLTIP Performance Targets and the Stock Price Based RSU Performance Targets, including achievement of the Stretch EBITDAR Margin, for each relevant Performance Period that began prior to the date of such Change in Control and which has not ended as of such date shall be deemed to have been satisfied, and (ii) the provisions of Sections 6.1, 6.2(a) and 6.3(a) shall cease to apply with respect to each such Performance Period.

If a Change in Control occurs and thereafter (or in connection therewith or in contemplation thereof) during a Stock Price Based RSU Performance Period described in the first paragraph of this Section 6.4(a) a Participant who has received a Stock Price Based RSU Award with respect to such Stock Price Based RSU Performance Period suffers a Qualifying Event or subsequent to the Change in Control dies, becomes Disabled, or Retires, then, with respect to each such Stock Price Based RSU Performance Period, such Participant (or, in the case of death, such Participant's estate) shall (i) within five business days after the occurrence of the Qualifying Event, death, Disability or Retirement, receive a payment from the Company equal to the Payment Amount applicable to such Participant's Stock Price Based RSU Award for such Stock Price Based RSU Performance Period, and (ii) not be entitled to any additional payment under the Program with respect to such Stock Price Based RSU Performance Period.

If a Change in Control occurs and thereafter (or in connection therewith or in contemplation thereof) during an NLTIP Performance Period described in the first paragraph of this Section 6.4(a) a Participant who has received an NLTIP Award with respect to such NLTIP Performance Period suffers a Qualifying Event or subsequent to the Change in Control dies, becomes Disabled, or Retires, then, with respect to each such NLTIP Performance Period, such Participant (or, in the case of death, such Participant's estate) shall (i) within five business days after the occurrence of the Qualifying Event, death, Disability or Retirement, receive a payment from the Company equal to the Payment Amount applicable to such Participant's NLTIP Award for such NLTIP Performance Period multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such NLTIP Performance Period and ending on the date such Participant died, became Disabled, Retired or suffered the Qualifying Event, and the denominator of which is the number of days in the entire NLTIP Performance Period, and (ii) not be entitled to any additional payment under the Program with respect to such NLTIP Performance Period.

If a Change in Control occurs and a Participant who has received an Award with respect to an NLTIP Performance Period or a Stock Price Based RSU Performance Period described in the first paragraph of this Section 6.4(a) did not die, become Disabled, Retire or suffer a Qualifying Event during such Performance Period and such Participant remained continuously employed by the Company from the date he or she received such

Award until the last day of such Performance Period, then, with respect to each such Performance Period, such Participant shall receive a payment from the Company within five business days after the last day of such Performance Period in an amount equal to the Payment Amount applicable to such Participant's Award for such Performance Period.

(b) **Profit Based RSU Awards.** Upon the occurrence of a Change in Control, (i) the Cash Hurdle for each Profit Based RSU Performance Period that began prior to the date of such Change in Control and for which a potential for payment under Sections 6.2(b) or 6.3(b) exists as of the date of such Change in Control shall be deemed to have been satisfied, and (ii) the Profit Based RSU Performance Targets for each Profit Based RSU Performance Period that began prior to the date of such Change in Control and which has not ended as of such date shall be deemed to have been satisfied for the Fiscal Year in which the Change in Control occurs at the Cumulative Profit Sharing Pool Target Level specified by the Committee for purposes of this Section 6.4(b) at the time of grant of the related Award (provided that this clause (ii) shall not be applicable with respect to any such Profit Based RSU Performance Period if such Profit Based RSU Performance Target was satisfied in a Fiscal Year that ended prior to the Fiscal Year in which such Change in Control occurs at such Cumulative Profit Sharing Pool Target Level or a higher level). Notwithstanding any provision in the Program to the contrary, upon the occurrence of a Change in Control, no Profit Based RSU Performance Target may be achieved with respect to a Fiscal Year that begins after the date of such Change in Control, and no payments shall be made to or for the benefit of any Participant with respect to any Profit Based RSU Performance Target that would have otherwise been achieved for any such Fiscal Year.

If a Change in Control occurs, then the provisions of Sections 6.2(b) and 6.3(b) shall continue to apply to the Profit Based RSU Performance Periods described in the preceding paragraph with the following modifications:

(i) certification by the Committee under Section 6.1 of the achievement of the relevant Profit Based RSU Performance Target and Cash Hurdle shall not be required;

(ii) the Payment Amount described in Section 6.2(b) as of each applicable Specified Payment Date that occurs after the date of such Change in Control shall be based on the Market Value per Share as of the date of such Change in Control (rather than the Market Value per Share as of such Specified Payment Date); and

(iii) if after such Change in Control (or in connection therewith or in contemplation thereof) and prior to receiving all payments pursuant to Section 6.2(b) with respect to such Profit Based RSU Performance Periods a Participant who has received a Profit Based RSU Award with respect to such Profit Based RSU Performance Periods suffers a Qualifying Event or subsequent to the Change in Control dies, becomes Disabled, or Retires, then such Participant (or, in the case of death, such Participant's estate) shall (A) within five business days after the occurrence of the Qualifying Event, death, Disability or Retirement, receive a payment from the Company equal to the aggregate of such remaining Payment Amounts, and (B) not be entitled to any additional payment under the Program with respect to such Payment Amounts.

6.5 Form of Payment of Awards. All payments to be made under the Program to a Participant with respect to an Award shall be paid in a single lump sum payment in cash; provided, however, that, to the extent permitted and subject to any limitations under the Incentive Plan 2000 and applicable laws and securities exchange rules, the Committee may, in its sole discretion, direct that payment of Profit Based RSU Awards and/or Stock Price Based RSU Awards be made either (a) in shares of Company Stock, but if and only if at the time of payment the Company has an effective registration statement under the Securities Act of 1933, as amended, covering the issuance of Company Stock under the Program, or (b) in a combination of cash and/or shares of Company Stock. If the Committee elects to direct the Company to pay all or a portion of a payment due for Profit Based RSU Awards or Stock Price Based RSU Awards in shares of Company Stock, then the number of shares of Company Stock shall be determined by dividing the amount of such payment to be paid in shares of Company Stock by the Market Value per Share as of the date of the particular payment with respect to such Award (or, in the case of Stock Price Based RSU Awards, as of the date used to determine the Payment Amount with respect to such payment), and rounding such number down to the nearest whole share.

6.6 Delayed Payment Restriction. With respect to a Participant who is identified as a specified employee (within the meaning of Section 409A(a)(2)(B)(i) of the Code and applicable administrative guidance thereunder) and who is to receive a payment hereunder (which payment is not a "short-term deferral" for purposes of Section 409A of the Code) on account of such Participant's separation from service (within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance thereunder, but excluding a separation from service by reason of death or Disability), the payment to such Participant shall not be made prior to the earlier of (a) the date that is six months after the Participant's termination of employment or (b) the date of death of the Participant. In such event, any payment to which the Participant would have otherwise been entitled during the first six months following the Participant's termination of employment (or, if earlier, prior to the Participant's date of death) shall be accumulated and paid in the form of a single lump sum payment to the Participant on the date that is six months after the Participant's termination of employment or to the Participant's estate on the date of the Participant's death, as applicable. For purposes of identifying a specified employee, the Program's identification date is December 31.

6.7 Time of Payment Obligations. Any obligation hereunder to make a payment on a specified date shall be deemed to have been satisfied in the event that such payment is made within five business days after such specified date.

VII. TERMINATION AND AMENDMENT OF PROGRAM

7.1 Termination and Amendment. Subject to the terms of this Section 7.1, the Committee may amend the Program at any time and from time to time, and the Committee may at any time terminate the Program (in its entirety or as it applies to one or more specified Subsidiaries) with respect to Performance Periods that have not commenced as of the date of such Committee action; provided, however, that, (a) except as provided in the following sentence, the Program may not be amended in a manner that would impair the rights of any Participant with respect to any outstanding Award without the consent of such Participant, and (b) to the extent required by Section 409A of the Code, the Program may not be amended or terminated in a manner that would give rise to an impermissible acceleration of the time or form of a payment of a benefit under the Program pursuant to Section 409A(a)(3) of the Code and any regulations or guidance issued thereunder. Notwithstanding anything in the Program or an Award Notice to the contrary, if the Committee determines that the provisions of Section 409A of the Code apply to the Program and that the terms of the Program and/or any Award Notice do not, in whole or in part, satisfy the requirements of such section, then the Committee, in its sole discretion, may unilaterally modify the Program and any such Award Notice with respect to Awards for Performance Periods beginning on or after January 1, 2005, in such manner as it deems appropriate to comply with such section and any regulations or guidance issued thereunder. No Participant's participation herein may be terminated in contemplation of or in connection with a Change in Control. The Program may not be amended or terminated in contemplation of or in connection with a Change in Control unless adequate and effective provision for the making of all payments otherwise payable pursuant to Section 6.4 of the Program (as in effect on the date of the adoption of this amendment and restatement of the Program by the Committee) with respect to such Change in Control shall be made in connection with any such amendment or termination.

The Committee shall remain in existence after the termination of the Program for the period determined necessary by the Committee to facilitate the termination of the Program and the payment of any outstanding Awards hereunder, and all provisions of the Program that are necessary, in the opinion of the Committee, for equitable operation of the Program during such period shall remain in force.

VIII. MISCELLANEOUS PROVISIONS

8.1 No Effect on Employment Relationship. Except as expressly provided otherwise herein, for all purposes of the Program, a Participant shall be considered to be in the employment of the Company as long as he or she has not incurred a separation from service with the Company and its affiliates within the meaning of Section 409A(a)(2)(A)(i) of the Code. Nothing in the adoption of the Program, the grant of Awards, or the payment of amounts under the Program shall confer on any person the right to continued employment by the Company or any Subsidiary or affect in any way the right of the Company (or a Subsidiary, if applicable) to terminate such employment at any time. Unless otherwise provided in a written employment agreement, the employment of each Participant shall be on an at-will basis, and the employment relationship may be terminated at any time by either the Participant or the Participant's employer for any reason whatsoever, with or without cause. Any question as to whether and when there has been a termination of a Participant's employment for purposes of the Program, and the reason for such termination, shall be determined solely by and in the discretion of the Administrator, and its determination shall be final, binding, and conclusive on all parties.

8.2 Prohibition Against Assignment or Encumbrance. No Award or other right, title, interest, or benefit hereunder shall ever be assignable or transferable, or liable for, or charged with any of the torts or obligations of a Participant or any person claiming under a Participant, or be subject to seizure by any creditor of a Participant or any person claiming under a Participant. No Participant or any person claiming under a Participant shall have the power to anticipate or dispose of any Award or other right, title, interest, or benefit hereunder in any manner until the same shall have actually been distributed free and clear of the terms of the Program. Payments with respect to an Award shall be payable only to the Participant (or (a) in the event of a Disability that renders such Participant incapable of conducting his or her own affairs, any payment due under the Program to such Participant shall be made to his or her duly appointed legal representative and (b) in the event of the death of a Participant, any payment due under the Program to such Participant shall be made to his or her estate). Notwithstanding the preceding provisions of this paragraph, the Administrator shall comply with the terms of any qualified domestic relations order (as defined in the Incentive Plan 2000) providing for the transfer or assignment of all or any portion of a Participant's interest under the Program. The provisions of the Program shall be binding on all successors and permitted assigns of a Participant, including without limitation the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

8.3 Unfunded, Unsecured Program. The Program shall constitute an unfunded, unsecured obligation of the Company to make payments of incentive compensation to certain individuals from its general assets in accordance with the Program. Each Award granted under the Program merely constitutes a mechanism for measuring such incentive compensation and does not constitute a property right or interest in the Company, any Subsidiary, or any of their assets. Neither the establishment of the Program, the granting of Awards, nor any other action taken in connection with the Program shall be deemed to create an escrow or trust fund of any kind.

8.4 No Rights of Participant. No Participant shall have any security or other interest in any assets of the Company or any Subsidiary or in Company Stock as a result of participation in the Program (except after payment thereof to the Participant). Participants and all persons claiming under Participants shall rely solely on the unsecured promise of the Company set forth herein, and nothing in the Program, an Award or an Award Notice shall be construed to give a Participant or anyone claiming under a Participant any right, title, interest, or claim in or to any specific asset, fund, entity, reserve, account, or property of any kind whatsoever owned by the Company or any Subsidiary or in which the Company or any Subsidiary may have an interest now or in the future; but each Participant shall have the right to enforce any claim hereunder in the same manner as a general creditor. Neither the establishment of the Program nor participation hereunder shall create any right in any Participant to make any decision, or provide input with respect to any decision, relating to the business of the Company or any Subsidiary.

8.5 Tax Withholding. The Company and the Subsidiaries shall deduct and withhold, or cause to be withheld, from a Participant's payment, including the delivery of Company Stock, made under the Program, or from any other payment to such Participant, an amount necessary to satisfy any and all tax withholding obligations arising under applicable local, state, federal, or foreign laws associated with such payment. The Company and the Subsidiaries may take any other action as may in their opinion be necessary to satisfy all obligations for the payment and withholding of such taxes.

8.6 No Effect on Other Compensation Arrangements. Nothing contained in the Program or any Participant's Award or Award Notice shall prevent the Company or any Subsidiary from adopting or continuing in effect other or additional compensation arrangements affecting any Participant. Nothing in the Program shall be construed to affect the provisions of any other compensation plan or program maintained by the Company or any Subsidiary.

8.7 Subsidiaries. The Company may require any Subsidiary employing a Participant to assume and guarantee the Company's obligations hereunder to such Participant, either at all times or solely in the event that such Subsidiary ceases to be a Subsidiary.

8.8 Governing Law. The Program shall be construed in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, the undersigned officer of the Company acting pursuant to authority granted to him by the Committee has executed this instrument effective as of March 29, 2006.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek

Jeffery A. Smisek

President

AWARD NOTICE

to [Name]

[Date]

Pursuant to the Continental Airlines, Inc.

Long Term Incentive and RSU Program

for

Profit Based RSU Award

This document constitutes your Award Notice with respect to a Profit Based RSU Award as a Participant under the Continental Airlines, Inc. Long Term Incentive and RSU Program (as amended from time to time, the "Program") adopted under the Continental Airlines, Inc. Incentive Plan 2000 (as amended from time to time, the "Incentive Plan 2000"). This Award Notice evidences your receipt of a Profit Based RSU Award under the Program, as follows:

(a) **Number of RSUs.** As of the date hereof, the number of RSUs subject to this Profit Based RSU Award is _____.

(b) **Performance Period.** This Profit Based RSU Award is with respect to the Profit Based RSU Performance Period commencing on _____ and ending on _____.

(c) **Performance Target and Cash Hurdle.** The Performance Target applicable to this Profit Based RSU Award is satisfied when (1) a Cumulative Profit Sharing Pool Target is achieved for a particular Fiscal Year and (2) the Financial Performance Hurdle is achieved for such Fiscal Year. The Cumulative Profit Sharing Pool Target Level(s) applicable to this Profit Based RSU Award are as follows:

[Level One: \$ _____]

The Cash Hurdle applicable to this Profit Based RSU Award is \$ _____.

The Cumulative Profit Sharing Pool Target Level that shall be deemed to have been achieved upon a Change in Control for purposes of Section 6.4(b) of the Program is _____ for this Profit Based RSU Award.

(d) **Payout Structure.** The Payout Structure applicable to this Profit Based RSU Award is as follows:

Cumulative Profit Sharing Pool Target Level Achieved	Profit Based RSU Payment Percentage
[Level One]	X%

The Cumulative Profit Sharing Pool Target Level achieved, if any, is determined at the end of each Fiscal Year during the Profit Based RSU Performance Period. The Cumulative Profit Sharing Pool Target Level achieved determines the applicable Profit Based RSU Payment Percentage. If more than one Cumulative Profit Sharing Pool Target Level has been established for this Profit Based RSU Award, the Profit Based RSU Payment Percentage for achieving a target level will be reduced by the Profit Based RSU Payment Percentage applicable to the highest Cumulative Profit Sharing Pool Target Level, if any, achieved for any prior Fiscal Year in the Performance Period. [For example ____.]

(e) **Award Payments.** Prior to any payment under the Program, the Human Resources Committee (the "Committee") must (with limited exceptions) certify in writing that the Performance Target for a Fiscal Year within the Performance Period has been achieved, and that the Cash Hurdle for the Cash Hurdle Measurement Period and any other material terms relating to payment have been satisfied. If the Committee determines that the Performance Target or Cash Hurdle for a Fiscal Year was not achieved, there will be no payment for such Fiscal Year with respect to this Award.

Payments with respect to achieving a Performance Target will be made in three installments - __ months, __ months and __ months following the end of the Fiscal Year in which the Performance Target was achieved. The Payment Amount payable on such dates with respect to the achievement of a Performance Target will be equal to one third of the number of Profit Based RSUs subject to this Profit Based RSU Award multiplied by the applicable Profit Based RSU Payment Percentage (determined based on the Cumulative Profit Sharing Pool Target Level achieved) multiplied by the Market Value per Share on the payment date (the average closing sales price of a share of Company Stock over the 20-consecutive Trading Days immediately preceding such payment date or, in the event of a Change in Control, immediately preceding the date of the Change in Control).

If the Company does not achieve the Cash Hurdle applicable to a payment date, the payment will be deferred to the next payment date (March 31 of the following year, subject to a limit on the number of years payments may be carried forward). If the Cash Hurdle is not satisfied for such subsequent payment date, there will be no payment with respect to this Award. If the Cash Hurdle is satisfied, the Payment Amount will be paid on such date based on the Market Value per Share at the time of payment.

Receipt of a Payment Amount is also conditioned on your continuous employment with the Company from the date of this Profit Based RSU Award through the applicable payment date (with limited exceptions for certain terminations of employment, such as death, Disability, Retirement and a Qualifying Event suffered in connection with a Change in Control). A Payment Amount may be pro-rated as provided in the Program under

certain circumstances.

(f) **General.** Capitalized terms used in this Award Notice are defined in the Program, and your participation is subject to the terms of the Program and the Incentive Plan 2000. The Program and the Incentive Plan 2000 are hereby incorporated into this Award Notice by reference. The Company shall have the right to make deductions from Payment Amounts to satisfy withholding of any taxes required by law and may take any other action as may be necessary or appropriate to satisfy any such tax withholding obligations.

If you have any questions, or wish to obtain a copy of the Program or the Incentive Plan 2000, please contact _____.

CONTINENTAL AIRLINES, INC.

By: _____

[Authorized Officer]

62538

Supplemental Agreement No. 37

to

Purchase Agreement No. 1951

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of

March 30, 2006, by and between THE BOEING COMPANY (Boeing) and Continental Airlines, Inc. (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement), as amended and supplemented, relating to Boeing Model 737-500, 737-600, 737-700, 737-800, and 737-900 aircraft (the Aircraft);

WHEREAS, Buyer wishes to exercise its **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

WHEREAS, Boeing and Buyer have agreed to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

WHEREAS, Boeing has established certain pricing terms offered to Buyer for the 737-900 extended range aircraft (the 737-900ER Aircraft).

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:

1. Table of Contents, Articles, Tables and Exhibits:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the Table of Contents attached hereto, to reflect the changes made by this Supplemental Agreement No. 37.

1.2 Add page T-2-3 of Table 1 entitled, "Aircraft Deliveries and Descriptions, Model 737-700 Aircraft", attached hereto, to reflect the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

2. Letter Agreements:

2.1 Remove and replace, in its entirety, Letter Agreement 6-1162-GOC-131R4, "Special Matters", with the revised Letter Agreement 6-1162-GOC-131R5 attached hereto.

The Agreement will be deemed to be supplemented to the extent herein provided as of the date hereof and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first written above.

THE BOEING COMPANY Continental Airlines, Inc.

By: /s/Michael S. Anderson By: /s/ Gerald Laderman

TABLE OF CONTENTS

Page SA

Number Number

ARTICLES

1. Subject Matter of Sale 1-1 SA 5
2. Delivery, Title and Risk of Loss 2-1
3. Price of Aircraft 3-1 SA 31
4. Taxes 4-1
5. Payment 5-1
6. Excusable Delay 6-1
7. Changes to the Detail Specification 7-1 SA 5
8. Federal Aviation Requirements and Certificates and Export License 8-1 SA 5
9. Representatives, Inspection, Flights and Test Data 9-1
10. Assignment, Resale or Lease 10-1
11. Termination for Certain Events 11-1
12. Product Assurance; Disclaimer and Release; Exclusion of Liabilities; Customer Support; Indemnification And Insurance 12-1
13. Buyer Furnished Equipment and Spare Parts 13-1
14. Contractual Notices and Requests 14-1 SA 17
15. Miscellaneous 15-1

-

TABLE OF CONTENTS

Page SA

Number Number

TABLES

1. Aircraft Deliveries and Descriptions - 737-500 T-1 SA 3
- Aircraft Deliveries and Descriptions - 737-700 T-2 SA 37
- Aircraft Deliveries and Descriptions - 737-800 T-3 SA 33
- Aircraft Deliveries and Descriptions - 737-600 T-4 SA 4
- Aircraft Deliveries and Descriptions - 737-900 T-5 SA 31

-

EXHIBITS

A-1 Aircraft Configuration - Model 737-724
(Aircraft delivering through July 2004) SA 26

A-2 Aircraft Configuration - Model 737-824
(Aircraft delivering through July 2004) SA 26

A-3 Aircraft Configuration - Model 737-624 SA 1

A-4 Aircraft Configuration - Model 737-524 SA 3

A-5 Aircraft Configuration - Model 737-924
(Aircraft delivering through July 2004) SA 26

A-6 Aircraft Configuration - Model 737-724
(Aircraft delivering in or after
August 2004) SA 31

A-7 Aircraft Configuration - Model 737-824
(Aircraft delivering in or after
August 2004) SA 31

A-8 Aircraft Configuration - Model 737-924
(Aircraft delivering in or after
August 2004) SA 31

B Product Assurance Document SA 1

TABLE OF CONTENTS

SA

Number

EXHIBITS (continued)

C Customer Support Document - Code Two -
Major Model Differences SA 1

C1 Customer Support Document - Code Three -
Minor Model Differences SA 1

D Aircraft Price Adjustments - New
Generation Aircraft (1995 Base Price -
Aircraft delivering through July 2004) SA 1

D1 Airframe and Engine Price Adjustments -
Current Generation Aircraft SA 1

D2 Aircraft Price Adjustments - New
Generation Aircraft (1997 Base Price - Aircraft
delivering through July 2004) SA 5

D3 Aircraft Price Adjustments - New
Generation Aircraft (July 2003 Base Price -
Aircraft delivering in or after August 2004) SA 31

E Buyer Furnished Equipment
Provisions Document SA 20

F Defined Terms Document SA 5

SA

Number

LETTER AGREEMENTS

1951-1 Not Used

1951-2R3 Seller Purchased Equipment SA 5

1951-3R21 Option Aircraft-Model 737-824 Aircraft SA 35

1951-4R1 Waiver of Aircraft Demonstration SA 1

1951-5R2 Promotional Support - New Generation
Aircraft SA 5

1951-6 Configuration Matters

1951-7R1 Spares Initial Provisioning SA 1

1951-8R2 Escalation Sharing - New Generation
Aircraft SA 4

1951-9R17 Option Aircraft-Model 737-724 Aircraft SA 36

1951-11R1 Escalation Sharing-Current Generation
Aircraft SA 4

1951-12R7 Option Aircraft - Model 737-924 Aircraft SA 32

1951-13 Configuration Matters - Model 737-924 SA 5

1951-14 Installation of Cabin Systems Equipment SA 22

-

TABLE OF CONTENTS

SA

Number

RESTRICTED LETTER AGREEMENTS

6-1162-MMF-295 Performance Guarantees - Model
737-724 Aircraft

6-1162-MMF-296 Performance Guarantees - Model
737-824 Aircraft

6-1162-MMF-308R3 Disclosure of Confidential
Information SA 5

6-1162-MMF-309R1 [CONFIDENTIAL MATERIAL OMITTED AND FILED
SEPARATELY WITH THE SECURITIES AND EXCHANGE
COMMISSION PURSUANT TO A REQUEST FOR
CONFIDENTIAL TREATMENT] SA 1

6-1162-MMF-311R4 [CONFIDENTIAL MATERIAL OMITTED AND FILED
SEPARATELY WITH THE SECURITIES AND EXCHANGE
COMMISSION PURSUANT TO A REQUEST FOR
CONFIDENTIAL TREATMENT] SA 22

6-1162-MMF-312R1 Special Purchase Agreement
Provisions SA 1

6-1162-MMF-319 Special Provisions Relating to the

Rescheduled Aircraft

6-1162-MMF-378R1 Performance Guarantees - Model

737-524 Aircraft SA 3

6-1162-GOC-015R1 [CONFIDENTIAL MATERIAL OMITTED AND FILED

SEPARATELY WITH THE SECURITIES AND EXCHANGE

COMMISSION PURSUANT TO A REQUEST FOR

CONFIDENTIAL TREATMENT] SA 31

6-1162-GOC-131R5 Special Matters SA 37

6-1162-DMH-365 Performance Guarantees - Model

737-924 Aircraft SA 5

6-1162-DMH-624 [CONFIDENTIAL MATERIAL OMITTED AND FILED

SEPARATELY WITH THE SECURITIES AND EXCHANGE

COMMISSION PURSUANT TO A REQUEST FOR

CONFIDENTIAL TREATMENT] SA 8

6-1162-DMH-680 Delivery Delay Resolution Program SA 9

6-1162-DMH-1020 [CONFIDENTIAL MATERIAL OMITTED AND FILED

SEPARATELY WITH THE SECURITIES AND EXCHANGE

COMMISSION PURSUANT TO A REQUEST FOR

CONFIDENTIAL TREATMENT] SA 14

6-1162-DMH-1035 [CONFIDENTIAL MATERIAL OMITTED AND FILED

SEPARATELY WITH THE SECURITIES AND EXCHANGE

COMMISSION PURSUANT TO A REQUEST FOR

CONFIDENTIAL TREATMENT] SA 15

6-1162-DMH-1054 [CONFIDENTIAL MATERIAL OMITTED AND FILED

SEPARATELY WITH THE SECURITIES AND EXCHANGE

COMMISSION PURSUANT TO A REQUEST FOR

CONFIDENTIAL TREATMENT] SA 16

6-1162-CHL-048 Rescheduled Aircraft Agreement SA 26

6-1162-CHL-195 Restructure Agreement for Model

737NG and 757-300 Aircraft SA 30

TABLE OF CONTENTS

SUPPLEMENTAL AGREEMENTS DATED AS OF:

Supplemental Agreement No. 1 October 10, 1996

Supplemental Agreement No. 2 March 5, 1997

Supplemental Agreement No. 3 July 17, 1997

Supplemental Agreement No. 4 October 10, 1997

Supplemental Agreement No. 5 May 21, 1998

Supplemental Agreement No. 6 July 30, 1998

Supplemental Agreement No. 7 November 12, 1998

Supplemental Agreement No. 8 December 7, 1998
Supplemental Agreement No. 9 February 18, 1999
Supplemental Agreement No. 10 March 19, 1999
Supplemental Agreement No. 11 May 14, 1999
Supplemental Agreement No. 12 July 2, 1999
Supplemental Agreement No. 13 October 13, 1999
Supplemental Agreement No. 14 December 13, 1999
Supplemental Agreement No. 15 January 13, 2000
Supplemental Agreement No. 16 March 17, 2000
Supplemental Agreement No. 17 May 16, 2000
Supplemental Agreement No. 18 September 11, 2000
Supplemental Agreement No. 19 October 31, 2000
Supplemental Agreement No. 20 December 21, 2000
Supplemental Agreement No. 21 March 30, 2001

TABLE OF CONTENTS

—
SUPPLEMENTAL AGREEMENTS DATED AS OF:

Supplemental Agreement No. 22 May 23, 2001
Supplemental Agreement No. 23 June 29, 2001
Supplemental Agreement No. 24 August 31, 2001
Supplemental Agreement No. 25 December 31, 2001
Supplemental Agreement No. 26 March 29, 2002
Supplemental Agreement No. 27 November 6, 2002
Supplemental Agreement No. 28 April 1, 2003
Supplemental Agreement No. 29 August 19, 2003
Supplemental Agreement No. 30 November 4, 2003
Supplemental Agreement No. 31 August 20, 2004
Supplemental Agreement No. 32 December 29, 2004
Supplemental Agreement No. 33 December 29, 2004
Supplemental Agreement No. 34 June 22, 2005
Supplemental Agreement No. 35 June 30, 2005
Supplemental Agreement No. 36 July 21, 2005
Supplemental Agreement No. 37 March 30, 2006

—
—
—
—
—

Table 1 to Purchase Agreement 1951
Aircraft Deliveries and Descriptions

Model 737-700 Aircraft

-

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

March 30, 2006

6-1162-GOC-131R5

-

-

Continental Airlines, Inc.

1600 Smith Street

Houston, Texas 77002

-

Subject: Letter Agreement No. 6-1162-GOC-131R5 to

Purchase Agreement No. 1951 - Special

Matters

-

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated as of July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-GOC-131R4 dated June 22, 2005.

All terms used herein and in the Agreement, and not defined herein, will have the same meaning as in the Agreement.

1. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Advance Payment Schedule.

2.1 Firm Aircraft. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.2 Option Aircraft. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

3. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4. Option Aircraft.

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

5. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

7. Confidential Treatment.

Boeing and Buyer understand that certain information contained in this Letter Agreement, including any attachments hereto, are considered by both parties to be confidential. Notwithstanding the provisions of Letter Agreement 6-1162-MMF-308R2, Boeing and Buyer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

Very truly yours,

THE BOEING COMPANY

-

-

By /s/ Micheal S. Anderson

Its Attorney-In-Fact

-

ACCEPTED AND AGREED TO this

Date: March 30, 2006

CONTINENTAL AIRLINES, INC.

-

-

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

-

-

Supplemental Agreement No. 12

to

Purchase Agreement No. 2061

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 777 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of

March 17, 2006, by and between THE BOEING COMPANY (Boeing) and Continental Airlines, Inc. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2061 dated October 10, 1997, (the Purchase Agreement) relating to Boeing Model 777-200ER Aircraft (the Aircraft);

WHEREAS, Boeing and Customer have agreed to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Purchase Agreement as follows:

1. Table of Contents:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the "Table of Contents" attached hereto, to reflect the changes made by this Supplemental Agreement No. 12.

2. Letter Agreements:

5.1 Remove and replace, in its entirety, Letter Agreement 2061-6 **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** with the revised Letter Agreement 2061-6R1 attached hereto.

The Purchase Agreement will be deemed to be supplemented to the extent herein provided as of the date hereof and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first written above.

THE BOEING COMPANY Continental Airlines, Inc.

By: /s/ Michael S. Anderson By: /s/ Gerald Laderman

Its: Attorney-In-Fact Its: Senior Vice President -

Finance and Treasurer

TABLE OF CONTENTS

ARTICLES Revised By:

1. Quantity, Model and Description SA No. 11
2. Delivery Schedule SA No. 11
3. Price SA No. 11
4. Payment SA No. 11
5. Miscellaneous SA No. 11

TABLE

1. Aircraft Information Table 1 SA No. 5
2. Aircraft Information Table 2 SA No. 9
3. Aircraft Information Table 3 SA No. 11

EXHIBIT

- A. Aircraft Configuration
- B. Aircraft Delivery Requirements and Responsibilities

SUPPLEMENTAL EXHIBITS

AE1. Escalation Adjustment/Airframe and Optional Features SA No. 11

(applicable to Table 3 Aircraft)

BFE1. BFE Variables

CS1. Customer Support Variables

EE1. Engine Escalation/Engine Warranty and Patent Indemnity

EE2. Engine Escalation/Engine Warranty and Patent Indemnity SA No. 9

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

LETTER AGREEMENTS Revised By:

2061-1R8 Option Aircraft SA No. 11

2061-2 Demonstration Flights

2061-3 Installation of Cabin Systems Equipment

2061-4 Spares Initial Provisioning

2061-5 Flight Crew Training Spares

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] SA No. 12

CONFIDENTIAL LETTER AGREEMENTS Revised By:

6-1161-GOC-087 Aircraft Performance Guarantees

6-1162-GOC-088 Promotion Support

6-1162-GOC-089R2 Special Matters SA No. 11

6-1162-GOC-172 Additional Matters SA No. 1

6-1162-CHL-048 Rescheduled Aircraft Agreement SA No. 9
6-1162-CHL-195 Restructure Agreement for Model SA No. 10
737NG and 757-300 Aircraft

TABLE OF CONTENTS

SUPPLEMENTAL AGREEMENTS Dated as of:

Supplemental Agreement No. 1 December 18, 1997
Supplemental Agreement No. 2 July 30, 1998
Supplemental Agreement No. 3 September 25, 1998
Supplemental Agreement No. 4 February 3, 1999
Supplemental Agreement No. 5 March 26, 1999
Supplemental Agreement No. 6 May 14, 1999
Supplemental Agreement No. 7 October 31, 2000
Supplemental Agreement No. 8 June 29, 2001
Supplemental Agreement No. 9 June 25, 2002
Supplemental Agreement No. 10 November 4, 2003
Supplemental Agreement No. 11 July 28, 2005
Supplemental Agreement No. 12 March 17, 2006
March 17, 2006
2061-6R1

Continental Airlines, Inc.
1600 Smith Street
Houston, TX 77002

Subject: **[CONFIDENTIAL MATERIAL OMITTED AND FILED
SEPARATELY WITH THE SECURITIES AND EXCHANGE
COMMISSION PURSUANT TO A REQUEST FOR
CONFIDENTIAL TREATMENT]**

Reference: Purchase Agreement No. 2061 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 777-200ER aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 2061-6 dated October 10, 1997.

1. **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**. It will be the responsibility of Customer to obtain concurrence of the cognizant aviation authorities to use the AFM and its appendices.

To confirm, the Program described herein is applicable only for the Aircraft of the Purchase Agreement. **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

2. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

3. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4. Sale or Lease of Aircraft by Customer.

Customer agrees to provide Boeing written notification [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] days prior, or as soon as practical, to ceasing to operate an Aircraft (Disposed Aircraft), which will result [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

5. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

7. Confidentiality.

Boeing and Customer understand that certain information contained in this Letter Agreement, including any attachments hereto and the reports required hereunder, is considered by both parties to be confidential. Boeing and Customer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

Very truly yours,

THE BOEING COMPANY

By /s/ Michael S. Anderson

Its Attorney-in-Fact

ACCEPTED AND AGREED TO this

Date: March 17, 2006

CONTINENTAL AIRLINES, INC.

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

The following definitions apply:

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Example Calculation [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Step 1. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Step 2. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Step 3. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Step 4. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Step 5. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Step 6. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

CERTIFICATION

I, Lawrence W. Kellner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 20, 2006

/s/ Lawrence W. Kellner

Lawrence W. Kellner

Chairman of the Board and

Chief Executive Officer

CERTIFICATION

I, Jeffrey J. Misner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 20, 2006

/s/ Jeffrey J. Misner

Jeffrey J. Misner

Executive Vice President and

Chief Financial Officer

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Continental Airlines, Inc. and will be retained by Continental Airlines, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: April 20, 2006

/s/ Lawrence W. Kellner

Lawrence W. Kellner
Chairman of the Board and
Chief Executive Officer

/s/ Jeffrey J. Misner

Jeffrey J. Misner
Executive Vice President and
Chief Financial Officer