

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

FORM 8-K

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

Date of Report (Date of earliest event reported): **January 17, 2006**

CONTINENTAL AIRLINES, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE

(State or Other Jurisdiction of Incorporation)

1-10323

(Commission File Number)

74-2099724

(IRS Employer Identification No.)

1600 Smith Street, Dept. HQSEO, Houston, Texas

(Address of Principal Executive Offices)

77002

(Zip Code)

(713) 324-2950

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

<input type="checkbox"/>	Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
<input type="checkbox"/>	Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
<input type="checkbox"/>	Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
<input type="checkbox"/>	Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

On January 17, 2006, we provided an update for investors presenting information relating to our financial results for the fourth quarter and full year 2005 and our outlook for first quarter and full year 2006, as well as other information. The letter is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Investor Update

SIGNATURE

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

CONTINENTAL AIRLINES, INC.

January 17, 2006

By /s/ Jennifer L. Vogel

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Jennifer L. Vogel

Senior Vice President, General Counsel,

Secretary and Corporate Compliance Officer

EXHIBIT INDEX

99.1 Investor Update

Investor Update

Issue Date: January 17, 2006

Current News

Fourth Quarter: Continental Airlines today reported a fourth quarter 2005 net loss of \$43 million (\$0.53 diluted loss per share), including a gain of \$106 million related to the sale of Copa stock and other special charges of \$21 million. Excluding these special items, Continental recorded a net loss of \$128 million for the quarter or \$1.58 diluted loss per share, which compares favorably to the First Call mean estimate of a loss of \$1.68 per share.

Continental incurred a net loss of \$68 million for the full year 2005 (\$0.97 diluted loss per share), including all 2005 special items. Excluding those special items, Continental recorded a net loss of \$205 million for the full year 2005 (\$2.93 diluted loss per share).

Continental announced that it expects to record a significant loss for the first quarter 2006 due to the expectation of a continued weak domestic fare environment and high fuel costs.

Cargo, Mail and Other Revenue: Continental estimates cargo, mail and other revenue will be approximately \$250 million for the first quarter 2006.

Debt and Capital Leases: Debt and capital lease principal payments for the first quarter 2006 are estimated to be approximately \$81 million.

2006 Pension Expense and Contributions

Continental estimates its contributions during 2006 to its pension plans, net of an estimated pension expense, will be approximately \$58 million. This amount includes estimated non-cash pension expense of approximately \$200 million and estimated contributions of \$258 million. The estimated 2006 contribution amount does not assume any pension reform.

Fuel Hedges

Continental does not currently have any fuel hedges.

Tax Sharing Agreement with ExpressJet Holdings, Inc.

Continental expects to record income of approximately \$26 million for the full year 2006 (approximately \$6.5 million per quarter) related to the tax-sharing agreement with ExpressJet. For more information regarding this tax-sharing agreement, please see our 2004 Form 10-K/A.

Targeted Cash Balance

Continental anticipates ending the first quarter 2006 with an unrestricted cash and short-term investments balance of between \$1.8 and \$1.9 billion.

Advanced Bookings - Six Week Outlook

Mainline advanced bookings continue to be a bit softer than last year but the Company is comfortable that the gap will close and the mainline load factor for the first quarter will be about flat year-over-year ("yoy"). Continental is seeing many customers book closer to the date of travel, as many of the advantages of booking early have been eroded by competitors' pricing actions.

Continental expects mainline Domestic first quarter load factor will be up 1-2 points yoy on 4.7% more capacity yoy, with moderate yoy yield improvements.

For the first quarter, the mainline Transatlantic load factor is expected to be down slightly yoy on a capacity increase of about 22% yoy, with strong yoy yield improvements expected.

Mainline Latin load factor for the first quarter is expected to be down slightly yoy on a capacity increase of about 9%, with yields slightly up yoy.

Pacific first quarter load factor is expected to be down 1-2 points yoy on a capacity increase of about 16% yoy, with yields down slightly yoy.

Regional first quarter load factor is expected to be up 1.5-2.5 points yoy on a capacity increase of 12.8%, with solid yoy yield improvements.

ASMs (Available Seat Miles)	2006 Estimated Year-over-Year %Change	
	<u>1st Qtr.(E)</u>	<u>Full Year(E)</u>
Domestic	4.7%	3.6%
Latin America	9.0%	12.0%
Transatlantic	22.0%	15.0%
Pacific	16.0%	7.5%
Total Mainline	9.7%	7.6%
Regional	12.8%	11.9%
Consolidated	10.1%	8.1%

Load Factor	2006 Estimate	
	<u>1st Qtr.(E)</u>	<u>Full Year(E)</u>
Continental	77 - 78%	80 - 81%
Regional	73 - 74%	76 - 77%

Mainline Operating Statistics	2006 Estimate (cents)	
	<u>1st Qtr.(E)</u>	<u>Full Year(E)</u>
CASM	10.43 - 10.48	10.32 - 10.37
Aircraft Fuel & Related Taxes per ASM	2.86	3.00
CASM Less Aircraft Fuel & Related Taxes (a)	7.57 - 7.62	7.32 - 7.37

Consolidated Operating Statistics*	2006 Estimate (cents)	
	<u>1st Qtr.(E)</u>	<u>Full Year(E)</u>
CASM	11.29 - 11.34	11.16 - 11.21
Aircraft Fuel & Related Taxes per ASM	3.10	3.24
CASM Less Aircraft Fuel & Related Taxes (a)	8.19 - 8.24	7.92 - 7.97

*Consolidated is defined as mainline plus regional.

Fuel Gallons Consumed	2006 Estimate	
	<u>1st Qtr.(E)</u>	<u>Full Year(E)</u>
Mainline	343 Million	1446 Million
Regional	78 Million	334 Million
Fuel Price per Gallon (including fuel taxes)	\$1.91	\$2.00

Selected Expense Amounts	2006 Estimated Amounts (\$Millions)	
	<u>1st Qtr.(E)</u>	<u>Full Year(E)</u>
Aircraft Rent	\$245	\$995
Landing Fees & Other Rentals	\$184	\$750
Depreciation & Amortization	\$95	\$385
Net Interest Expense	\$74	\$278

Continental Airlines, Inc. Tax Computation

Due to accumulated losses, Continental has stopped recording income tax benefit on current and future book losses.

Cash Capital Expenditures2006 Estimate
(\$Millions)

Fleet Related	\$83
Non-Fleet	100
Rotable Parts & Capitalized Interest	<u>44</u>
Total	\$227
Net Purchase Deposits	<u>25</u>
Total Cash Capital Expenditures	\$252

EPS Estimated Share Count

Share count estimates for calculating basic and diluted earnings per share at different income levels are as follows:

First Quarter 2006 (Millions)

Quarterly Earnings Level	Number of Shares		Interest Addback
	Basic	Diluted	
Over \$93	86.5	110.9	\$8.5
Between \$50 - \$93	86.5	106.7	\$4.8
Between \$17 - \$49	86.5	101.7	\$2.3
Under \$17	86.5	89.8	--
Net Loss	86.5	86.5	--

Full Year 2006 (Millions)

Year-to-date Earnings Level	Number of Shares		Interest Addback
	Basic	Diluted	
Over \$247	87.2	109.6	\$23.0
Between \$130 - \$247	87.2	105.5	\$12.8
Between \$63 - \$129	87.2	100.5	\$6.1
Under \$63	87.2	91.7	--
Net Loss	87.2	87.2	--

These share count charts are based upon several assumptions including market stock price and number of shares outstanding. The number of shares used in the actual EPS calculation will likely be different from those set forth above.

This update contains forward-looking statements that are not limited to historical facts, but reflect the company's current beliefs, expectations or intentions regarding future events. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. For examples of such risks and uncertainties, please see the risk factors set forth in the company's 2004 10-K and its other securities filings, including any amendments thereto, which identify important matters such as the consequences of its 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. In addition to the foregoing risks, there can be no assurance that the company will be able to obtain the needed pay and benefit reductions from its flight attendants or that the ratified agreements and the pay and benefit reductions and work rule changes from other work groups will enable the company to achieve the cost reductions expected, which will depend, upon other matters, on timely and effective implementation of new work rules, actual productivity improvement, employee attrition, technology implementation, our level of business activity, relations with employees generally and the ultimate accuracy of certain assumptions on which our cost savings are based. The company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this update.

[tables attached]

Reconciliation of GAAP to Non-GAAP Financial Information
(millions except CASM data)

Mainline	1st Qtr. Range(E)		Full Year Range(E)	
Operating Expenses - GAAP	\$ 2,386	\$ 2,397	\$ 9,953	\$ 10,002
Special Items	=	=	=	=
Operating Expenses Excluding Special Items - Non-GAAP	\$ 2,386	\$ 2,397	\$ 9,953	\$ 10,002
Aircraft Fuel & Related Taxes	(655)	(655)	(2,892)	(2,892)
Operating Expenses Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (a)	\$ 1,731	\$ 1,742	\$ 7,061	\$ 7,110

ASMs (millions)	22,870	22,870	96,455	96,455
<u>Mainline CASM (cents)</u>				
CASM-GAAP	10.43	10.48	10.32	10.37
Special Items	-	-	-	-
CASM Excluding Special Items - Non-GAAP	10.43	10.48	10.32	10.37
Aircraft Fuel & Related Taxes per ASM	2.86	2.86	3.00	3.00
CASM Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (a)	7.57	7.62	7.32	7.37

Consolidated (Mainline plus Regional)	<u>1st Qtr. Range(E)</u>		<u>Full Year Range(E)</u>	
Operating Expenses - GAAP	\$ 2,930	\$ 2,943	\$ 12,264	\$ 12,319
Special Items	-	-	-	-
Operating Expenses Excluding Special Items - Non-GAAP	\$ 2,930	\$ 2,943	\$ 12,264	\$ 12,319
Aircraft Fuel & Related Taxes	(804)	(804)	(3,560)	(3,560)
Operating Expenses Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (a)	\$ 2,126	\$ 2,139	\$ 8,704	\$ 8,759

ASMs (millions)	25,961	25,961	109,850	109,850
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<u>Consolidated CASM (cents)</u>				
CASM-GAAP	11.29	11.34	11.16	11.21
Special Items	-	-	-	-
CASM Excluding Special Items - Non-GAAP	11.29	11.34	11.16	11.21
Aircraft Fuel & Related Taxes per ASM	3.10	3.10	3.24	3.24
CASM Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (a)	8.19	8.24	7.92	7.97

(a) Cost per available seat mile excluding fuel, and related taxes is computed by multiplying fuel price per gallon, including fuel taxes, by fuel gallons consumed and subtracting that amount from operating expenses then dividing by available seat miles. This statistic provides management and investors the ability to measure and monitor Continental's cost performance absent fuel price volatility. Both the cost and availability of fuel are subject to many economic and political factors and therefore are beyond our control.

Reconciliation of GAAP to Non-GAAP Financial Information

(in millions except per share data)	<u>4th Qtr 2005</u>	<u>Full Year 2005</u>
GAAP Net Income/(Loss)	\$ (43)	\$ (68)
Adjustments for special items (b)	(85)	(137)
Non-GAAP Income/(Loss) excluding special items (c)	\$ (128)	\$ (205)
Shares Used for Computation:	80.8	70.3
Diluted Earnings (Loss) per Share excluding special items (c)	\$(1.58)	\$(2.93)

(b) The \$85 million special gain in the fourth quarter includes \$106 million related to the sale of approximately nine million shares of common stock in the initial public offering of Copa Holdings, S.A. ("COPA"), offset by a \$21 million special charge, which is primarily a non-cash settlement charge related to the lump-sum distributions from the pilot pension plans. The \$137 million special item for the Full Year 2005 includes \$106 million gain related to the sale of approximately nine million shares of common stock in COPA 's initial public offering, \$98 million gain related to the disposition of ExpressJet shares, offset by special charges of \$43 million related to the freezing of the portion of our defined benefit pension plan attributable to pilots, a \$40 million settlement charge related to lump-sum distributions from the pilot pension plans, and a \$16 million reversal of previously recorded charge related to permanently grounded aircraft.

(c) These financial measures provide management and investors the ability to measure and monitor Continental's performance on a consistent basis.

Fleet News

Continental Airlines Fleet Plan Includes Continental, Continental Micronesia and Continental Express December 31, 2005

Firm Commitments Less Planned Retirements				
	Total	Net Inductions and Exits		Total
Mainline	YE 2005	2006E	2007E	YE 2007E
777-200ER	18	-	2	20
767-400ER	16	--	--	16
767-200ER	10	--	--	10
757-300	13	4	--	17
757-200	41	--	--	41
737-900	12	--	--	12
737-800	99	6	--	105
MD-80	0	--	--	--
737-700	36	--	--	36
737-300	48	--	--	48
737-500	63	--	--	63
Total	356	10	2	368
Regional				
ERJ-145XR	96	8	-	104
ERJ-145	140	--	--	140
ERJ-135	30	--	--	30
Total	266	8	-	274
Total Count	622	18	2	642

