

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): **June 5, 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 June 5, 2006, we provided an update for investors presenting information relating to our financial and operational outlook for the second quarter and full year 2006, and other information. The update 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.

By /s/ Jennifer L. Vogel

Jennifer L. Vogel

Senior Vice President, General Counsel,

Secretary and Corporate Compliance Officer

June 5, 2006

EXHIBIT INDEX

99.1 Investor Update

Investor Update

Issue Date: June 5, 2006

Current News

During May, Continental launched service to three new transatlantic destinations, completing its 2006 summer transatlantic expansion plans. With the addition of Copenhagen, Denmark (May 23), Barcelona, Spain (May 17), and Cologne/Bonn, Germany (May 10), Continental now serves 28 transatlantic destinations from its New York area hub at Liberty International Airport. The Company also launched service to Moncton, New Brunswick, making this the ninth Canadian city served by Continental. The addition of these new destinations is another important step in the international expansion of Continental's network.

Additionally, Continental recently announced new five year full content agreements with Worldspan, Expedia, Sabre Holdings, and Travelocity. These agreements allow Continental to benefit from Expedia's and Travelocity's online travel expertise and Worldspan's and Sabre's broad reach through their global distribution systems. The agreements help Continental in its goal of obtaining efficiencies in all distribution channels.

Advanced Bookings - Six Week Outlook

Mainline advanced bookings for the next six weeks continue to be slightly better than last year. For the second quarter, Continental expects that the mainline load factor will be up 2.5 - 3.5 points year-over-year (yoy) on a mainline capacity increase of 10.6% with moderate yield improvements anticipated.

Continental expects domestic mainline load factor for the second quarter will be up 3 - 4 points yoy on 4.9% more capacity, with solid yoy yield improvements anticipated.

Transatlantic mainline load factor for the second quarter is expected to be about flat yoy on a capacity increase of 20.0%, with moderate yoy yield improvements anticipated.

Latin mainline load factor for the second quarter is expected to be up 5.5 - 6.5 points yoy on a capacity increase of 17.0%, with moderate yoy yield improvements anticipated.

Pacific mainline load factor for the second quarter is expected to be up 1 - 2 points yoy on a capacity increase of 13.5% yoy, with moderate yoy yield improvements anticipated.

Regional second quarter load factor is expected to be up 7 - 8 points yoy on a capacity increase of 12.3%, with moderate yoy yield improvements anticipated.

2006 Pension Expense and Contributions

Continental estimates its 2006 pension plan contributions will be approximately \$258 million. Year-to-date the Company has contributed \$97 million to its defined benefit pension plans, of which \$6 million was contributed during the first quarter and \$91 million was contributed on April 11, 2006.

The Company estimates its non-cash pension expense will be approximately \$177 million for the year, which includes first quarter non-cash settlement charges of \$15 million related to lump-sum distributions from the pilot's frozen defined benefit plan. Similar settlement charges are expected for the remainder of 2006 but currently cannot be estimated.

Stock Option Expense

Continental expects to record stock option expense of \$5 million for the second quarter and \$24 million for the full year 2006.

Cargo, Mail and Other Revenue

Continental estimates cargo, mail and other revenue will be approximately \$265 million for the second quarter 2006.

Debt and Capital Leases

Scheduled debt and capital lease principal payments for the second quarter 2006 are estimated to be approximately \$83 million.

Fuel Hedges

As of June 1, 2006, Continental has hedged approximately 25% of its expected second quarter fuel requirements, using crude oil swaps, at an average price of \$66.69 per barrel. Additionally for the third quarter, Continental has hedged approximately 17% of its expected fuel requirements, using crude oil swaps, at an average price of \$72.96 per barrel.

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 agreement, please see the Company's 2005 Form 10-K.

Targeted Cash Balance

Continental anticipates ending the second quarter 2006 with an unrestricted cash and short-term investments balance of between \$2.4 and \$2.5 billion.

Operating Statistics

<u>ASMs (Available Seat Miles)</u>	2006 Estimated	
	<u>2nd Qtr.(E)</u>	<u>Full Year(E)</u>
Domestic	4.9%	4.9%
Latin America	17.0%	13.0%
Transatlantic	20.0%	16.0%
Pacific	13.5%	7.5%
Total Mainline	10.6%	8.7%
Regional	12.3%	12.5%
Consolidated	10.8%	9.1%

<u>Load Factor</u>	2006 Estimate	
	<u>2nd Qtr.(E)</u>	<u>Full Year(E)</u>
Continental	83 - 84%	80 - 81%
Regional	81 - 82%	78 - 79%

<u>Mainline Operating Statistics*</u>	2006 Estimate (cents)	
	<u>2nd Qtr.(E)</u>	<u>Full Year(E)</u>
CASM	10.62 - 10.67	10.51 - 10.56
Special items per ASM (a)	--	0.01
CASM Less Special Items (b)	10.62 - 10.67	10.52 - 10.57
Aircraft Fuel & Related Taxes per ASM	3.18	3.20
CASM Less Special Items and Aircraft Fuel & Related Taxes (c)	7.44 - 7.49	7.32 - 7.37

<u>Consolidated Operating Statistics*</u>	2006 Estimate (cents)	
	<u>2nd Qtr.(E)</u>	<u>Full Year(E)</u>
CASM	11.45 - 11.50	11.38 - 11.43
Special items per ASM (a)	--	0.01
CASM Less Special Items (b)	11.45 - 11.50	11.39 - 11.44
Aircraft Fuel & Related Taxes per ASM	3.41	3.44
CASM Less Special Items and Aircraft Fuel & Related Taxes (c)	8.04 - 8.09	7.95 - 8.00

*Based on current conditions, the Company's most recently prepared internal forecast for the full year 2006 contains an accrual for profit sharing which is reflected in the cost estimates above. There can be no assurance that the Company's forecast will approximate actual results or that the Company will earn a profit for 2006. The Company's accounting for profit sharing expense is a two-step analysis. First, the probability of achieving an annual profit is evaluated based on available information at the time of the evaluation. Second, if appropriate based upon that evaluation, profit sharing expense is then recorded each month based on the actual cumulative profits that would be earned to date. Profit sharing expense is not estimated for the entire year with the expense then being smoothed into income ratably throughout the year. Generally, the profit sharing plan provides for a profit sharing pool for eligible employees of 30% of the first \$250 million of pre-tax income (as defined in the profit sharing plan), 25% of the next \$250 million and 20% thereafter. An accrual for profit sharing expense during the year is no assurance that the Company will earn a profit for that year. Moreover, the Company's internal forecasts are based on numerous assumptions that materially affect the forecast, and there can be no assurance that any assumption will prove to be accurate. Consolidated is defined as mainline plus regional.

<u>Fuel Gallons Consumed</u>	2006 Estimate	
	<u>2nd Qtr.(E)</u>	<u>Full Year(E)</u>

<u>Fuel Gallons Consumed</u>	<u>2nd Qtr.(E)</u>	<u>Full Year(E)</u>
Mainline	376 Million	1,465 Million
Regional	83 Million	325 Million
<u>Fuel Price per Gallon (including fuel taxes)</u>	\$2.10	\$2.13

<u>Selected Expense Amounts</u>	<u>2006 Estimated Amounts (\$Millions)</u>	
	<u>2nd Qtr.(E)</u>	<u>Full Year(E)</u>
Aircraft Rent	\$248	\$995
Landing Fees & Other Rentals	\$193	\$764
Depreciation & Amortization	\$97	\$389
Net Interest Expense	\$64	\$258

Continental Airlines, Inc. Tax Computation

Due to accumulated losses, Continental has stopped recording income tax benefit on current and future book losses and does not expect to record a tax expense or pay cash taxes this year.

<u>Cash Capital Expenditures</u>	<u>2006 Estimate (\$Millions)</u>
Fleet Related	180
Non-Fleet	100
Rotable Parts & Capitalized Interest	45
Total	\$325
Net Purchase Deposits	25
Total Cash Capital Expenditures	\$350

EPS Estimated Share Count

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

Second Quarter 2006 (Millions)

<u>Quarterly Earnings Level</u>	<u>Number of Shares</u>		<u>Interest Addback</u>
	<u>Basic</u>	<u>Diluted</u>	
Over \$63	88.0	110.9	\$5.7
Between \$34 - \$63	88.0	106.8	\$3.2
Between \$17 - \$33	88.0	101.8	\$1.5
Under \$17	88.0	93.1	--
Net Loss	88.0	88.0	--

Full Year 2006 (Millions)

<u>Year-to-date Earnings Level</u>	<u>Number of Shares</u>		<u>Interest Addback</u>
	<u>Basic</u>	<u>Diluted</u>	
Over \$251	88.3	111.0	\$23.0
Between \$133 - \$251	88.3	106.8	\$12.8
Between \$65 - \$132	88.3	101.8	\$6.1
Under \$65	88.3	93.1	--
Net Loss	88.3	88.3	--

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 2005 Form 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. 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	<u>2nd Qtr. Range(E)</u>		<u>Full Year Range(E)</u>	
Operating Expenses - GAAP	\$ 2,638	\$ 2,651	\$ 10,248	\$ 10,297
Special Items (a)	-	-	<u>6</u>	<u>6</u>
Operating Expenses Excluding Special Items - Non-GAAP (b)	\$ 2,638	\$ 2,651	\$ 10,254	\$ 10,303
Aircraft Fuel & Related Taxes	<u>(790)</u>	<u>(790)</u>	<u>(3,120)</u>	<u>(3,120)</u>
Operating Expenses Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (c)	\$ 1,848	\$ 1,861	\$ 7,134	\$ 7,183
ASMs (millions)	24,843	24,843	97,415	97,415

Mainline CASM (cents)

CASM-GAAP	10.62	10.67	10.51	10.56
Special Items (a)	-	-	0.01	0.01
CASM Excluding Special Items - Non-GAAP (b)	10.62	10.67	10.52	10.57
Aircraft Fuel & Related Taxes per ASM	3.18	3.18	3.20	3.20
CASM Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (c)	7.44	7.49	7.32	7.37

Consolidated (Mainline plus Regional)

	<u>2nd Qtr. Range(E)</u>		<u>Full Year Range(E)</u>	
Operating Expenses - GAAP	\$ 3,233	\$ 3,248	\$ 12,618	\$ 12,674
Special Items (a)	-	-	<u>6</u>	<u>6</u>
Operating Expenses Excluding Special Items - Non-GAAP (b)	\$ 3,233	\$ 3,248	\$ 12,624	\$ 12,680
Aircraft Fuel & Related Taxes	<u>(964)</u>	<u>(964)</u>	<u>(3,813)</u>	<u>(3,813)</u>
Operating Expenses Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (c)	\$ 2,269	\$ 2,284	\$ 8,811	\$ 8,867
ASMs (millions)	28,240	28,240	110,880	110,880

Consolidated CASM (cents)

CASM-GAAP	11.45	11.50	11.38	11.43
Special Items (a)	-	-	0.01	0.01
CASM Excluding Special Items - Non-GAAP (b)	11.45	11.50	11.39	11.44
Aircraft Fuel & Related Taxes per ASM	3.41	3.41	3.44	3.44
CASM Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (c)	8.04	8.09	7.95	8.00

(a) Operating special items for the full year 2006 include a \$14 million credit reversal associated with all officers surrendering their restricted stock units that otherwise would have been paid out in the first quarter, a \$15 million first quarter settlement charge related to lump-sum pension payments to retiring pilots and a \$7 million net reduction of allowances related primarily to negotiated settlements on three leased MD-80 grounded aircraft.

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

(c) Cost per available seat mile excluding fuel, related taxes and special items 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 special items and fuel price volatility. Both the cost and availability of fuel are subject to many economic and political factors and therefore are beyond our control.