

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 18, 2007**

**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))

Item 7.01. Regulation FD Disclosure.

On January 18, 2007, we will provide an update for investors presenting information relating to our financial results for the fourth quarter and full year 2006 and our outlook for the first quarter and full year 2007, 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 18, 2007

By /s/ Lori A. Gobillot

Lori A. Gobillot

EXHIBIT INDEX

99.1 Investor Update

**Investor Update**

**Issue Date: January 18, 2007**

**Current News**

Continental Airlines today reported 2006 net income of \$343 million (\$3.30 diluted earnings per share). 2006 net income includes a \$92 million gain on the sale of a portion of the company's investment in Copa Airlines and a net charge from other special items of \$53 million. Excluding special items, Continental's net income for the full year was \$304 million (\$2.95 diluted earnings per share).

Continental reported a fourth quarter 2006 net loss of \$26 million (\$0.29 diluted loss per share), including a special charge of \$22 million related to lump-sum distributions from the pilot's frozen defined benefit pension plans. Excluding the special charge, Continental recorded a net loss of \$4 million (\$0.04 diluted loss per share).

**Pension Expense and Contributions**

Continental contributed \$246 million to its qualified pension plans in 2006, significantly exceeding its minimum funding requirement during that calendar year. Non-cash pension expense was \$159 million for calendar year 2006, which excludes settlement charges of \$59 million related to lump-sum distributions from the pilot's frozen defined benefit pension plans.

Last week, Continental contributed \$71 million to its qualified pension plans. The company plans to contribute approximately \$300 million to its qualified pension plans in 2007, which exceeds the estimated minimum funding requirements of \$180 million during 2007, after giving effect to the Pension Protection Act of 2006. Continental estimates its non-cash pension expense will be approximately \$192 million for calendar year 2007, which excludes future settlement charges related to lump-sum distributions from the pilot's frozen defined benefit pension plans. Settlement charges are expected for 2007 but currently cannot be estimated.

**Stock Option Expense**

Continental expects to record stock option expense of \$6 million for the first quarter 2007 and \$17 million for the full year 2007.

**Cargo, Mail and Other Revenue**

Continental estimates cargo, mail and other revenue will be between \$295 and \$305 million for the first quarter 2007.

During 2007, the sublease income we receive from ExpressJet for the aircraft covered by the capacity purchase agreement between the Company and ExpressJet will continue to be booked as an offset to the Regional capacity purchase, net line. However, the sublease income on the aircraft withdrawn from the capacity purchase agreement that ExpressJet elected to retain will be booked as Other Revenue. The Company estimates the sublease income from the withdrawn aircraft will be approximately \$7 million, \$21 million, \$26 million and \$26 million in the first, second, third and fourth quarters of 2007, respectively, and will be included as part of the Company's Cargo, Mail and Other Revenue guidance.

**Debt and Capital Leases**

Continental's total Debt and Capital Leases balance at year end was \$5.4 billion, of which \$5.2 billion was debt. Of the \$5.2 billion in debt, \$358 million is current and payable over the next twelve months.

Scheduled debt and capital lease principal payments for the first quarter 2007 are estimated to be approximately \$132 million.

The 2007 estimated debt payments assumes conversion of the 4-1/2% Convertible Notes due February 1, 2007, which have a conversion price of \$40 and a principal balance of \$200 million.

**Fuel Hedges**

As of January 17th, Continental had hedged approximately 55% of its projected fuel requirements for the first quarter, using a combination of petroleum swap contracts, of which 18% is in crude swaps averaging \$67.46 per barrel and 24% is in heating oil swaps averaging \$1.61 per gallon, and an additional 13% using zero cost collars on heating oil with an average call price of \$1.87 per gallon and an average put price of \$1.75 per gallon.

For the second quarter, the company had hedged approximately 21% of its projected fuel requirements through a combination of petroleum swap contracts of which 1.6% is in crude swaps averaging \$66.08 per barrel and another 10% is in heating oil swaps averaging \$1.65 per gallon, with an additional 10% of its second quarter fuel requirements hedged with zero cost collars on heating oil with an average call price of \$1.89 per gallon and an average put price of \$1.73 per gallon.

**Tax Sharing Agreement with ExpressJet Holdings, Inc.**

Continental expects to record income of approximately \$24 million for the full year 2007 (approximately \$6 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 first quarter of 2007 with an unrestricted cash and short-term investments balance of between \$2.4 and \$2.5 billion, exceeding the company's goal of maintaining an unrestricted cash and short term investments balance of \$2.0 billion. The anticipated first quarter balance assumes conversion of the 4-1/2% Convertible Notes due February 1, 2007, which have a conversion price of \$40 and a principal balance of \$200 million.

**Advanced Booked Seat Factor Six Weeks Outlook**

Mainline advanced booked seat factors, the percentage of available seats that are sold, for all regions for the next six weeks are in-line or slightly ahead of last year.

**Available Seat Miles (ASMs)**

2007 Estimate

Year-over-Year (YOY)% Change

1<sup>st</sup> Qtr.(E)

Domestic	4.7%
Latin America	3.5%
Transatlantic	9.6%
Pacific	(0.2)%
Total Mainline	5.0%
Regional	1.9%
Consolidated	4.6%

Continental expects its mainline ASMs for the full year 2007 to be up about 5% year-over-year ("YOY") with domestic ASMs up about 4.5% YOY and international ASMs up about 5.5% YOY. The company expects its full year 2007 regional ASMs to be down about 4% YOY with consolidated ASMs up about 4% YOY.

**Load Factor**

2007 Estimate

	<u>1<sup>st</sup> Qtr.(E)</u>	<u>Full Year (E)</u>
Domestic	82 - 83%	84 - 85%
Latin America	80 - 81%	80 - 81%
Transatlantic	74 - 75%	80 - 81%
Pacific	76 - 77%	76 - 77%
Total Mainline	80 - 81%	81 - 82%
Regional	76 - 77%	79 - 80%
Consolidated	79 - 80%	81 - 82%

Continental's month-to-date consolidated load factor is updated daily and can be found on the Financial and Traffic News Releases page under the Investor Relations section of continental.com.

### First Quarter Passenger Yield

For the first quarter, Continental expects Domestic yield will be down slightly year-over-year. On a year-over-year basis the company expects to see a strong improvement in Latin America yield, a modest improvement in Transatlantic yield, and a modest improvement in Pacific yield. Continental expects Regional yields to be weaker year-over-year mainly due to increased competition in the northeastern U.S. On a consolidated basis it is expected that yields for the first quarter will be down slightly year-over-year.

	2007 Estimate (cents)	
	1 <sup>st</sup> Qtr.(E)	Full Year(E)
<b>Mainline Operating Statistics</b>		
CASM	10.65 - 10.70	10.56 - 10.61
Special items per ASM	--	--
CASM Less Special Items (a)	10.65 - 10.70	10.56 - 10.61
Aircraft Fuel & Related Taxes per ASM	2.89	2.92
CASM Less Special Items and Aircraft Fuel & Related Taxes (b)	7.76 - 7.81	7.64 - 7.69

	2007 Estimate (cents)	
	1 <sup>st</sup> Qtr.(E)	Full Year(E)
<b>Consolidated Operating Statistics</b>		
CASM	11.48 - 11.53	11.39 - 11.44
Special items per ASM	--	--
CASM Less Special Items (a)	11.48 - 11.53	11.39 - 11.44
Aircraft Fuel & Related Taxes per ASM	3.10	3.13
CASM Less Special Items and Aircraft Fuel & Related Taxes (b)	8.38 - 8.43	8.26 - 8.31

### Profit Sharing

Based on current conditions, the Company's most recently prepared internal forecast for the full year 2007 contains an accrual for profit sharing. There can be no assurance that the Company's forecast will approximate actual results. 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, 25% of the next \$250 million, and 20% thereafter (with certain adjustments to pre-tax income as defined in the profit sharing plan). Profit sharing expense is accrued each quarter based on the actual cumulative profits earned to date. For more information regarding this plan, please see the Company's 2005 Form 10-K.

### Fuel Gallons Consumed

	2007 Estimate	
	1 <sup>st</sup> Qtr.(E)	Full Year(E)
Mainline	360 Million	1,533 Million
Regional	77 Million	312 Million

	2007 Estimate	2007 Estimate
	1 <sup>st</sup> Qtr.(E)	Full Year(E)
<b>Fuel Price per Gallon (including fuel taxes)</b>	\$1.94	\$1.96

### Selected Expense Amounts

	2007 Estimated Amounts (\$Millions)	
	1 <sup>st</sup> Qtr.(E)	Full Year(E)
Aircraft Rent	\$248	\$992
Landing Fees & Other Rentals	\$198	\$816
Depreciation & Amortization	\$99	\$412
Net Interest Expense	\$58	\$206

### Continental Airlines, Inc. Tax Computation

Due to accumulated losses, Continental has stopped recording income tax benefit on current and future book losses but does expect to record minimal tax expenses and pay minimal cash taxes in 2007 mainly attributable to the Alternative Minimum Tax and some State Taxes.

### Cash Capital Expenditures

	2007 Estimate	
	(\$Millions)	
Fleet Related	156	
Non-Fleet	215	
Rotable Parts & Capitalized Interest	54	
Total	\$425	
Net Purchase Deposits	195	
Total Cash Capital Expenditures	\$620	

### EPS Estimated Share Count

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

#### First Quarter 2007 (Millions)

Quarterly Earnings Level	Number of Shares		Interest Addback (net of profit sharing impact)
	Basic	Diluted	
Over \$66	95.5	115.3	\$4.6
Between \$36 - \$66	95.5	111.2	\$2.1
Between \$18 - \$35	95.5	109.5	\$1.5
Under \$18	95.5	100.7	--
Net Loss	95.5	95.5	--

#### Full Year 2007 (Millions)

Year-to-date Earnings Level	Number of Shares		Interest Addback (net of profit sharing impact)
	Basic	Diluted	
Over \$291	97.5	115.9	\$18.2
Between \$157 - \$291	97.5	111.8	\$7.2
Between \$77 - \$156	97.5	111.4	\$6.6
Under \$77	97.5	102.6	--
Net Loss	97.5	97.5	--

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

[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	\$ 2,576	\$ 2,588	\$ 10,865	\$ 10,916
Special Items	-	-	-	-
Operating Expenses Excluding Special Items - Non-GAAP (a)	\$ 2,576	\$ 2,588	\$ 10,865	\$ 10,916
Aircraft Fuel & Related Taxes	(698)	(698)	(3,005)	(3,005)
Operating Expenses Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (a)	\$ 1,878	\$ 1,890	\$ 7,860	\$ 7,911
ASMs (millions)	24,189	24,189	102,856	102,856
<b>Mainline CASM (cents)</b>				
CASM-GAAP	10.65	10.70	10.56	10.61
Special Items	-	-	-	-
CASM Excluding Special Items - Non-GAAP (a)	10.65	10.70	10.56	10.61
Aircraft Fuel & Related Taxes per ASM	2.89	2.89	2.92	2.92
CASM Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (b)	7.76	7.81	7.64	7.69

Consolidated (Mainline plus Regional)	1st Qtr. Range(E)		Full Year Range(E)	
Operating Expenses - GAAP	\$ 3,138	\$ 3,151	\$ 13,159	\$ 13,217
Special Items	-	-	-	-
Operating Expenses Excluding Special Items - Non-GAAP (a)	\$ 3,138	\$ 3,151	\$ 13,159	\$ 13,217
Aircraft Fuel & Related Taxes	(948)	(948)	(3,616)	(3,616)
Operating Expenses Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (a)	\$ 2,290	\$ 2,303	\$ 9,543	\$ 9,601
ASMs (millions)	27,331	27,331	115,550	115,550
<b>Consolidated CASM (cents)</b>				
CASM-GAAP	11.48	11.53	11.39	11.44
Special Items	-	-	-	-
CASM Excluding Special Items - Non-GAAP (a)	11.48	11.53	11.39	11.44
Aircraft Fuel & Related Taxes per ASM	3.10	3.10	3.13	3.13
CASM Excluding Special Items and Aircraft Fuel & Related Taxes - Non-GAAP (b)	8.38	8.43	8.26	8.31

The GAAP to Non-GAAP reconciliation posted on our website prior to today's earnings call was incorrect and has now been updated. Please see the investor relations area of continental.com for a revised GAAP to Non-GAAP reconciliation.

**Reconciliation of GAAP to Non-GAAP Financial Information**

**Full Year 2006**

(in millions except per share data)	Full Year 2006
GAAP Net Income/(Loss)	\$ 343
Adjustments for special items (c)	(39)
Non-GAAP Income/(Loss) excluding special items (a)	\$ 304
Shares Used for Computation:	111.4
Diluted Earnings (Loss) per Share excluding special items (a)	\$ 2.95

**Fourth Quarter 2006**

(in millions except per share data)	4 <sup>th</sup> Qtr 2006
GAAP Net Income/(Loss)	\$ (26)
Adjustments for special items (c)	22
Non-GAAP Income/(Loss) excluding special items (a)	\$ (4)
Shares Used for Computation:	91.2
Diluted Earnings (Loss) per Share excluding special items (a)	\$ (0.04)

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

(b) 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 excluding special items 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.

(c) During the fourth quarter of 2006, the company recorded special charges of \$22 million related to settlement charges for lump-sum distributions from the pilot pension plans. In 2006, the company recorded net special items of \$39 million, which consisted of \$59 million of settlement charges for lump-sum distributions from the pilot pension plans, a \$14 million credit associated with the officers' surrender of March 2006 restricted stock units, an \$18 million reduction of accruals related primarily to negotiated settlements on leased MD-80 grounded aircraft, a \$92 million gain on the sale of Copa Holdings, S.A. shares, and a \$26 million charge related to the cumulative effect of change in accounting principle.

**Fleet News**

**Continental Airlines Fleet Plan  
Includes Continental, Continental Micronesia and Continental Express  
December 31, 2006**

Firm Commitments Less Planned Retirements				
	Total	Net Inductions and Exits		Total
	YE 2006	2007E	2008E	YE 2008E
<b>Mainline Jets</b>				
777-200ER	18	2	--	20
767-400ER	16	-	--	16
767-200ER	10	-	--	10
757-300	17	-	--	17
757-200	41	-	--	41
737-900ER*	--	-	15	15
737-900	12	-	--	12
737-800*	105	-	15	120
737-700	36	-	--	36
737-500**	63	-	--	63
737-300**	48	-	(16)	32
<b>Total</b>	<b>366</b>	<b>2</b>	<b>14</b>	<b>382</b>
<b>Regional Jets</b>				
50 - Seat	242	(23)	-	219
37 - Seat	30	-	--	30
<b>Total</b>	<b>272</b>	<b>(23)</b>	<b>-</b>	<b>249</b>
<b>Total Count</b>	<b>638</b>	<b>(21)</b>	<b>14</b>	<b>631</b>