

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): **July 11, 2008**

**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)

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(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 2.02. Results of Operations and Financial Condition.

The information set forth in Item 2.05 of this Current Report on Form 8-K is incorporated by reference into this Item 2.02.

Item 2.05. Costs Associated with Exit or Disposal Activities.

On June 5, 2008, Continental Airlines, Inc. (the "Company") issued a press release announcing capacity reductions and related matters. The Company decided to implement those capacity reductions due to unprecedented high fuel costs and other challenges facing the airline industry. In connection with the capacity reductions, the Company announced that it would record accounting charges, including aircraft and spare parts inventory impairments, severance and other employee termination costs, contract termination costs and other associated costs.

In conjunction with such capacity reductions, the Company concluded that the value of its Boeing 737-300 and 737-500 aircraft fleets was impaired. Consequently, during the second quarter of 2008, the Company recorded a non-cash charge of approximately \$51 million to write these and certain related assets down to their estimated fair value. No portion of the impairment charge will result in future cash expenditures.

In connection with the Company's previously announced capacity reductions, the Company also anticipates that it will record additional accounting charges in the third quarter of 2008 and beyond relating to future costs of those reductions, including lease costs on grounded aircraft, severance and continuing medical coverage for employees accepting early retirement packages and furloughed employees and other associated costs. The Company is not able at this time to estimate the amount and timing of these future charges.

On July 11, 2008, the Company issued a press release detailing second quarter 2008 special items, including the \$51 million non-cash charge referenced above. This press release is filed herewith as Exhibit 99.1 and incorporated in this Item 2.05 by reference.

Item 2.06. Material Impairments.

The information set forth in Item 2.05 of this Current Report on Form 8-K is incorporated by reference into this Item 2.06.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release dated July 11, 2008

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.

July 11, 2008

By /s/ Lori A. Gobillot

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Lori A. Gobillot

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Staff Vice President and Assistant General  
Counsel

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EXHIBIT INDEX

99.1 Press Release dated July 11, 2008



# News Release

**Contact:** Corporate Communications

**Houston:** 713.324.5080

**Email:** corpcomm@coair.com

**News archive:** [continental.com/company/news/](http://continental.com/company/news/) **Address:** P.O. Box 4607, Houston, TX 77210-4607

## CONTINENTAL AIRLINES ANNOUNCES

### SECOND QUARTER SPECIAL ITEMS

HOUSTON, July 11, 2008 -- Continental Airlines, Inc. (NYSE: CAL) today announced that it has recorded a number of special items during the second quarter of 2008. The special gains (losses) are as follows (in millions):

Operating special charge (pretax)	\$(58)
Non-operating items (pretax):	
Gain on sale of COPA stock	78
Write down of student loan-related auction rate securities	(29)
Total non-operating gains	<u>49</u>
Income taxes:	
Special tax credit	28
Tax effect of special items	<u>3</u>
Total special items (after tax)	<u>\$22</u>

The operating special charge of \$58 million mainly represents impairment charges recorded for owned aircraft and related spare parts. In conjunction with capacity reductions planned for the fall of 2008, the company concluded that the value of its Boeing 737-300 and 737-500 aircraft fleets was impaired. Consequently, during the second quarter of 2008, the company recorded a non-cash charge of approximately \$51 million to write these and certain related assets down to their estimated fair value. No portion of the impairment charge will result in future cash expenditures. In connection with Continental's previously announced capacity reductions, Continental also anticipates that it will record additional accounting charges in the third quarter of 2008 and beyond relating to future costs of those reductions, including lease costs on grounded aircraft, severance and continuing medical coverage for employees accepting early retirement packages and furloughed employees and other associated costs. Continental is not able at this time to estimate the amount and timing of these future charges.

In May 2008, Continental sold its remaining interest in COPA for net proceeds of \$149 million in cash and recognized a gain of \$78 million.

At June 30, 2008, Continental held student loan-related auction rate securities with a par value of \$293 million. These securities are secured by pools of student loans guaranteed by state-designated guaranty agencies and reinsured by the U.S. government. Auctions for these securities began failing in the first quarter of 2008 and have continued to fail throughout the second quarter. Additionally, a liquid secondary market for these securities has not developed. Given the uncertainty about if or when these securities will be salable for par value, the company determined that the decline in the market value of these securities is not temporary. As a result, Continental recorded a loss of \$29 million in the second quarter to reflect these securities at their fair value.

Continental recorded a special non-cash income tax credit of \$28 million in the second quarter of 2008 resulting from higher utilization of net operating loss carryforwards (NOLs) than had been previously anticipated. These NOLs, if not used, expire from 2008 through 2010.

In addition to the special items identified above, Continental also recognized fuel hedge ineffectiveness gains of \$33 million in the second quarter of 2008. As of June 30, 2008, Continental had hedged approximately 55% of its projected consolidated fuel requirements for the remainder of 2008 and 11% of its projected requirements for the first quarter of 2009. At June 30, 2008, these hedges had a fair value of \$174 million. The ineffectiveness was caused by Continental's non-jet fuel based derivatives experiencing a higher relative increase in value than the jet fuel being hedged.

Continental will conduct a quarterly telephone briefing to discuss the second quarter and year-to-date 2008 results and the company's financial and operating outlook with the financial community and news media on July 17, 2008 at 9:30 a.m. CDT/ 10:30 a.m. EDT.

### Corporate Background

Continental Airlines is the world's fifth largest airline. Continental, together with Continental Express and Continental Connection, has more than 3,100 daily departures throughout the Americas, Europe and Asia, serving 145 domestic and 138 international destinations. More than 550 additional points are served via SkyTeam alliance airlines. With more than 45,000 employees, Continental has hubs serving New York, Houston, Cleveland and Guam, and together with Continental Express, carries approximately 69 million passengers per year.

Continental consistently earns awards and critical acclaim for both its operation and its corporate culture. For the fifth consecutive year, FORTUNE magazine named Continental the No. 1 World's Most Admired Airline on its 2008 list of World's Most Admired Companies. For more company information, visit [continental.com](http://continental.com).

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