UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2007

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	(I.R.S. Employer
of incorporation or organization)	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 X 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 X 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 X

____

As of April 16, 2007, 97,127,746 shares of Class B common stock of the registrant were outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Three Months Ended March 31,	
	2007	2006
	(Unaudited)	
Operating Revenue:		
Passenger (excluding fees and taxes of $347 and $315)	$2,895	$2,683
Cargo	107	107
Other	177	157
	3,179	2,947
Operating Expenses:		
Wages, salaries and related costs	726	672
Aircraft fuel and related taxes	684	661
Regional capacity purchase, net	430	415
Aircraft rentals	248	245
Landing fees and other rentals	193	185
Distribution costs	161	160
Maintenance, materials and repairs	144	127
Depreciation and amortization	99	96
Passenger services	90	82
Special charges (credits)	11	(6)
Other	329	299
	3,115	2,936
Operating Income	64	11

Nonoperating Income (Expense):		
Interest expense	(96)	(101)
Interest capitalized	5	3
Interest income	36	25
Income from other companies	5	17
Gain on disposition of ExpressJet Holdings, Inc. shares	7	-
Other, net	1	5
	(42)	(51)
Income (Loss) before Income Taxes and Cumulative Effect of Change in Accounting Principle	22	(40)
Income Taxes	-	-
Income (Loss) before Cumulative Effect of Change in Accounting Principle	22	(40)
Cumulative Effect of Change in Accounting Principle	-	(26)
Net Income (Loss)	$ 22	$ (66)

(continued on next page)

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Three Months Ended March 31,	
	2007	2006
	(Unaudited)	
Earnings (Loss) per Share:		
Basic:		
Income (Loss) before Cumulative Effect of Change in Accounting Principle	$ 0.23	$ (0.46)
Cumulative Effect of Change in Accounting Principle	-	(0.30)
Net Income (Loss)	$ 0.23	$ (0.76)
Diluted:		
Income (Loss) before Cumulative Effect of Change in Accounting Principle	$ 0.21	$ (0.46)
Cumulative Effect of Change in Accounting Principle	-	(0.30)
Net Income (Loss)	$ 0.21	$ (0.76)
Shares Used for Computation:		
Basic	95	87
Diluted	109	87

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, 2007 (Unaudited)	December 31, 2006	March 31, 2006 (Unaudited)
Current Assets:			
Cash and cash equivalents	$ 2,285	$ 2,123	$ 1,807
Short-term investments	357	361	205
Total unrestricted cash, cash equivalents and short-term investments	2,642	2,484	2,012
Restricted cash	200	265	245
Accounts receivable, net	753	582	649
Spare parts and supplies, net	223	217	217
Deferred income taxes	170	165	159
Prepayments and other	515	416	451
Total current assets	4,503	4,129	3,733
Property and Equipment:			
Owned property and equipment:			
Flight equipment	7,102	6,973	6,709
Other	1,460	1,430	1,397
	8,562	8,403	8,106
Less: Accumulated depreciation	2,618	2,539	2,383
	5,944	5,864	5,723
Purchase deposits for flight equipment	214	183	216

Capital leases	296	303	340
Less: Accumulated amortization	84	87	111
	212	216	229
Total property and equipment, net	6,370	6,263	6,168
Routes	484	484	484
Airport operating rights, net	116	120	130
Investment in other companies	58	81	123
Intangible pension asset	-	-	60
Other assets, net	227	231	227
Total Assets	$11,758	$11,308	$10,925

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

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2007 (Unaudited)	December 31, 2006	March 31, 2006 (Unaudited)
Current Liabilities:			
Current maturities of long-term debt and capital leases	$ 386	$ 574	$ 769
Accounts payable	997	1,076	898
Air traffic and frequent flyer liability	2,274	1,712	1,949
Accrued payroll	235	233	232
Accrued other liabilities	355	360	314
Total current liabilities	4,247	3,955	4,162
Long-Term Debt and Capital Leases	4,823	4,859	4,671
Deferred Income Taxes	170	165	159
Accrued Pension Liability	1,096	1,149	1,100
Accrued Retiree Medical Benefits	217	203	34
Other	622	630	579
Commitments and Contingencies			
Stockholders' Equity:			
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, 400,000,000, 400,000,000 and 200,000,000 shares authorized; 96,528,423, 91,816,121 and 112,704,030 issued	1	1	1
Additional paid-in capital	1,557	1,370	1,660
Retained earnings (accumulated deficit)	11	(11)	340
Accumulated other comprehensive loss	(986)	(1,013)	(640)
Treasury stock - 0, 0 and 25,489,413 shares, at cost	-	-	(1,141)
Total stockholders' equity	583	347	220
Total Liabilities and Stockholders' Equity	$11,758	$ 11,308	$ 10,925

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, 2007	Three Months Ended March 31, 2006
	(Unaudited)	
Net Cash Provided by Operations	$ $ 299	$ 387
Cash Flows from Investing Activities:		
Capital expenditures	(78)	(68)
Purchase deposits paid in connection with future aircraft deliveries, net	(31)	(113)
Decrease (increase) in restricted cash, net	65	(4)
Proceeds from sale of ExpressJet Holdings shares, net	35	-
Sale of short-term investments, net	4	29
Proceeds from dispositions of property and equipment	1	2
Net cash used in investing activities	(4)	(154)

Cash Flows from Financing Activities:

Cash Flows from Financing Activities:

Payments on long-term debt and capital lease obligations	(166)	(178)
Proceeds from issuance of long-term debt	25	15
Proceeds from issuance of common stock pursuant to stock plans	8	14
Net cash used in financing activities	(133)	(149)
Net Increase in Cash and Cash Equivalents	162	84
Cash and Cash Equivalents - Beginning of Period	2,123	1,723
Cash and Cash Equivalents - End of Period	$2,285	$1,807
Investing and Financing Activities Not Affecting Cash:		
Common stock issued upon conversion of 4.5% Convertible Notes	$ 170	$ -
Property and equipment acquired through the issuance of debt	$ 95	$ -

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.

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 for the year ended December 31, 2006 (the "2006 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 - RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

We adopted the Financial Accounting Standards Board's Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"), effective January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements and requires the impact of a tax position to be recognized in the financial statements if that position is more likely than not of being sustained by the taxing authority. The adoption of FIN 48 did not have a material effect on our consolidated financial position or results of operations.

NOTE 2 - EARNINGS (LOSS) PER SHARE

The following table sets forth the components of basic and diluted earnings (loss) per share for the three months ended March 31 (in millions):

	2007	2006
Numerator:		
Numerator for basic and diluted earnings (loss) per share - net income (loss)	$ 22	$(66)
Effect of dilutive securities - interest expense on 5.0% Convertible Notes	1	-
Numerator for diluted earnings (loss) per share - net income (loss) after assumed conversions	$ 23	$(66)
Denominator:		
Denominator for basic and diluted earnings (loss) per share - weighted average shares	95	87
Effect of dilutive securities:		
5.0% Convertible Notes	9	-
Employee stock options	5	-
Dilutive potential common shares	14	-
Denominator for diluted earnings (loss) per share - weighted-average shares after assumed conversions	109	87

The adjustments to net income to determine the numerator for diluted earnings per share for the three months ended March 31, 2007 are net of the related effect of profit sharing.

Approximately 6 million and 18 million potential common shares related to convertible debt securities were excluded from the computation of diluted earnings per share in the three months ended March 31, 2007 and 2006, respectively, because they were antidilutive. In addition, approximately 13 million weighted average options to purchase shares of our common stock were excluded from the computation of diluted loss per share for the three months ended March 31, 2006 because the options' exercise price was greater than the average market price of the common shares or the effect of including the options would have been antidilutive.

NOTE 3 - FLEET INFORMATION

As of March 31, 2007, we owned or leased 367 mainline jets and 274 regional jets. All mainline jets are operated exclusively by us. Of the 274 regional jets that we own or lease, 238 are leased or subleased to ExpressJet Airlines, Inc. ("ExpressJet") and operated on our behalf under a capacity purchase agreement with ExpressJet (the "ExpressJet CPA"). The remaining 36 regional aircraft are subleased to ExpressJet, but are not operated on our behalf and, accordingly, are not included in the operating fleet table below. Additionally, our regional operating fleet includes 26 regional aircraft owned or leased by third parties that are operated on our behalf by other operators under capacity purchase agreements. See Note 9 for a discussion of our regional capacity purchase agreements.

The following table summarizes our operating fleet (aircraft operated by us and by others on our behalf) as of March 31, 2007:

Aircraft Type	Total	Owned	Leased	Third-Party Aircraft
Mainline:				
777-200ER	19	7	12	
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	
737-800	105	32	73	
737-700	36	12	24	
737-500	63	15	48	
737-300	48	22	26	
Total mainline	367	141	226	
Regional:				
ERJ-145XR	82	-	82	-
ERJ-145	130	18	108	4
ERJ-135	30	-	30	-
CRJ200LR	11	-	-	11
Q200	1	-	-	1
Beech1900	10	-	-	10
Total regional	264	18	220	26
Total	631	159	446	26

Fleet Activity. During the first quarter of 2007, we took delivery of, and placed into service, one new 777-200ER aircraft. Although we did not take delivery of any new regional aircraft, we began regional service with a third party who is operating 15 of their aircraft on our behalf. We also removed 34 regional aircraft from the ExpressJet CPA and we are now subleasing such aircraft to ExpressJet outside the scope of the ExpressJet CPA.

Firm Order and Option Aircraft. As of March 31, 2007, we had firm commitments for 86 new aircraft from Boeing (60 737 aircraft, one 777 aircraft and 25 787 aircraft), with an estimated aggregate cost of $5.0 billion including related spare engines. Our final 777-200ER aircraft on order was delivered on April 16, 2007. We are scheduled to take delivery of the 85 firm order Boeing aircraft between 2008 and 2013. In addition to our firm order aircraft, we have options to purchase a total of 82 additional Boeing aircraft.

On April 10, 2007, we obtained financing for 30 of the next 39 Boeing 737 aircraft scheduled to be delivered in 2008 and the first quarter of 2009. The aircraft financed will be 12 737-800s and 18 737-900ERs. Pass-through trusts raised $1.1 billion through the issuance of three classes of pass-through certificates. Class A certificates, with an aggregate principal amount of $757 million, bear interest at 5.983%, Class B certificates, with an aggregate principal amount of $222 million, bear interest at 6.903% and Class C certificates, with an aggregate principal amount of $168 million, bear interest at 7.339%. The proceeds from the sale of the certificates will be held in escrow by the trusts and not reported as debt on our consolidated balance sheet. As we take delivery of each aircraft, we will issue equipment notes to the trusts, which will purchase such notes with a portion of the escrowed funds. We will use the proceeds to finance the purchase of the aircraft and will record the principal am ount of the equipment notes that we issue as debt on our consolidated balance sheet. Principal payments on the equipment notes and the corresponding distribution of these payments to certificate holders will begin in April 2010 and will end in April 2022 for Class A and B certificates and April 2014 for Class C certificates. Additionally, the Class A and B certificates have the benefit of a liquidity facility under which a third party agrees to make three semiannual interest payments on the certificates if a payment default occurs.

Our final 777-200ER aircraft on order was delivered on April 16, 2007 and was financed under existing finance agreements, discussed in Note 4 below. We have manufacturer backstop financing for up to 24 (depending on the model selected) of the 30 737 aircraft scheduled to be delivered in 2009. However, we do not have backstop financing or any other financing currently in place for the remaining six 737 aircraft on order, nor do we have backstop financing or any other financing for the 25 787 aircraft on order. 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 our capital requirements other than the financing commitments we currently have in effect.

NOTE 4 - LONG-TERM DEBT

In January 2007, $170 million in principal amount of our 4.5% Convertible Notes due on February 1, 2007 was converted by the holders into 4.3 million shares of our Class B common stock at a conversion price of $40 per share. The remaining $30 million in principal amount was paid on February 1, 2007.

During the first quarter of 2007, we incurred $95 million of floating rate indebtedness pursuant to existing finance agreements secured by one 777-200ER aircraft that was delivered in March 2007. This indebtedness consists of $78 million of senior notes due in 2019 and $17 million of junior notes due in 2014. The loans bear interest at the London Interbank Offered Rate ("LIBOR") plus a blended margin of approximately 1.9% per year. On April 16, 2007, we incurred pursuant to the same finance agreements an additional $95 million of floating rate indebtedness secured by our final 777-200ER aircraft on order, which was delivered on that day. This indebtedness has terms identical to that discussed above. The commitments under the finance agreements are now fully funded.

NOTE 5 - STOCK PLANS AND AWARDS

Profit Based RSU Awards. During the first quarter of 2007, we issued 0.6 million profit based restricted stock unit ("RSU") awards pursuant to our Long-Term Incentive and RSU Program, which can result in cash payments to our officers upon the achievement of specified profit based performance targets. The performance targets require that we reach target levels of cumulative employee profit sharing under our enhanced employee profit sharing program during the period from January 1, 2007 through December 31, 2009, and that we have net income calculated in accordance with U.S. generally accepted accounting principles for the applicable fiscal year. To serve as a retention feature, payments related to the achievement of a performance target will generally be made in one-third annual increments to participants who remain continuously employed by us through each payment date. Payments also are conditioned on our having a minimum unrestricted cash, cash equivalents and short-term investments b alance of $2.0 billion at the end of the fiscal year preceding the date any payment is made. If we do not achieve the cash target applicable to a payment date, the payment will be deferred until the next payment date (March 31 of the next year), subject to a limit on the number of years payments may be carried forward. Payment amounts will be calculated based on the average price of our common stock during the 20 trading days preceding the payment date and the payment percentage set by the Human Resources Committee of our Board of Directors for achieving the applicable profit based performance target. Depending on the level of cumulative employee profit sharing achieved, the payment percentage can range from 0% to 200% of the underlying profit based RSU award.

We account for the profit based RSU awards as liability awards. Once it is probable that a performance target will be met, we measure the awards at fair value based on the current stock price. The related expense is recognized ratably over the required service period, which ends on each payment date, after adjustment for changes in the then-current market price of our common stock.

Cumulative Effect of Change in Accounting Principle. We adopted Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("SFAS 123R") effective January 1, 2006. Upon adoption, 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 otherwise would have paid out a total of $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.

SFAS 123R Expense. Excluding the cumulative effect of change in accounting principle and the special credit discussed above, total stock-based compensation expense related to SFAS 123R included in wages, salaries and related costs was $26 million and $17 million for the three months ended March 31, 2007 and 2006, respectively. As of March 31, 2007, $115 million of compensation cost attributable to future service related to profit based RSU awards that are probable of being achieved, unvested employee stock options and stock price based RSU awards had not yet been recognized. This amount will be recognized as expense over a weighted-average period of 1.9 years.

NOTE 6 - COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss) for the three months ended March 31 included the following (in millions):

	2007	2006

	2007	2006
Net income (loss)	$ 22	$(66)
Other comprehensive income (loss):		
Unrealized net gain on derivative instruments	43	7
Items related to employee benefit plans:		
Increase in net actuarial losses	(41)	-
Amortization of net actuarial losses	18	-
Amortization of prior service cost	7	-
Decrease in additional minimum pension liability	-	28
Comprehensive income (loss) adjustments	27	35
Total comprehensive income (loss)	$ 49	$(31)

NOTE 7 - EMPLOYEE BENEFIT PLANS

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

	Defined Benefit Pension		Retiree Medical Benefits	
	2007	2006	2007	2006
Service cost	$ 15	$ 15	$ 3	$ 3
Interest cost	40	37	3	3
Expected return on plan assets	(33)	(31)	-	-
Amortization of net actuarial loss	18	18	-	-
Amortization of prior service cost	2	2	5	4
Net periodic benefit expense	42	41	11	10
Settlement charge (included in special charges (credits))	5	15	-	-
Net benefit expense	$ 47	$ 56	$ 11	$ 10

During the first quarter of 2007, we contributed $106 million to our defined benefit pension plans. We contributed an additional $30 million to our defined benefit pension plans on April 10, 2007. We estimate that contributions to our defined benefit pension plans will total approximately $320 million during 2007, significantly exceeding our minimum funding requirements of approximately $183 million during that calendar year.

We recorded non-cash settlement charges totaling $5 million and $15 million in the first quarters of 2007 and 2006, respectively, related to lump sum distributions from our pilot-only defined benefit pension plan 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.

NOTE 8 - SPECIAL CHARGES (CREDITS)

Special charges (credits) for the three months ended March 31 were as follows (in millions):

	2007	2006
Pension settlement charges (see Note 7)	$ 5	$ 15
Aircraft-related charges	6	(7)
Surrender of stock price based RSU awards (see Note 5)	-	(14)
Total special charges	$11	$ (6)

NOTE 9 - REGIONAL CAPACITY PURCHASE AGREEMENTS

Presentation in Statements of Operations. Expenses related to our capacity purchase agreements are reported as regional capacity purchase, net, in our consolidated statements of operations. Our most significant capacity purchase agreement is with ExpressJet. Regional capacity purchase, net, includes all fuel expense on flights operated for us under capacity purchase agreements plus a margin on ExpressJet's fuel expense on flights flown for us up to a cap provided in the ExpressJet CPA 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.

ExpressJet. In December 2005, we gave notice to ExpressJet that we would withdraw 69 of the 274 regional jet aircraft from the ExpressJet CPA because we believe the rates charged to us by ExpressJet for regional capacity are above the current market. On May 5, 2006, ExpressJet notified us that it would retain all of the 69 regional jets (consisting of 44 ERJ-145XR and 25 ERJ-145 aircraft) covered by our withdrawal notice, as permitted by the ExpressJet CPA. Accordingly, ExpressJet must retain each of those 69 regional jets for the remaining term of the applicable underlying aircraft lease and, as each aircraft is withdrawn from the ExpressJet CPA, the implicit interest rate used to calculate the scheduled lease payments that ExpressJet will make to us under the applicable aircraft sublease is automatically increased by 200 basis points to compensate us for our continued participation in ExpressJet's lease financing arrangements. Once the aircraft are withdrawn from the ExpressJet CPA, we re cognize the related rental income we receive from ExpressJet as other revenue in our consolidated statements of operations.

The withdrawal of the 69 aircraft began in December 2006 and is expected to be completed in August 2007. As of March 31, 2007, 36 aircraft have been withdrawn. Under the ExpressJet CPA, ExpressJet has the option to fly any of the withdrawn aircraft it retains either (1) 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 agreement with us prohibiting ExpressJet from flying under its or another carrier's code in or out of our hub airports during the term of the ExpressJet CPA), or (2) under ExpressJet's own flight designator code, subject to its ability to obtain facilities and subject to the prohibition against ExpressJet flying into or out of our hubs. So long as we are ExpressJet's largest customer, if ExpressJet enters into an agreement with another major carrier (as defined in the ExpressJet CPA) to provide regional airline services on a capacity purchase or other similar economi c basis for more than ten aircraft, we are entitled to the same or comparable economic terms and conditions on a "most-favored-nations" basis.

In accordance with the ExpressJet CPA, ExpressJet has agreed to meet with us each year to review and set the block hour rates to be paid in the following year, in each case based on the methodology used to set the original block hour rates (including an initial 10% targeted operating margin). If we and ExpressJet cannot come to an agreement on these block hour rates, the ExpressJet CPA provides that the disagreement will be submitted to arbitration. We have been unable to reach an agreement on 2007 rates and have initiated binding arbitration. While the arbitration is ongoing, we are recognizing current year expense based on 2006 rates. We do not believe that the outcome of the arbitration will have a material adverse effect on our results of operations, financial condition or liquidity.

Chautauqua. In July 2006, we selected Chautauqua Airlines, Inc. ("Chautauqua"), a wholly-owned subsidiary of Republic Airways Holdings Inc., to provide and operate 44 50-seat regional jets as a Continental Express carrier to be phased in during 2007 under a new capacity purchase agreement (the "Chautauqua CPA"). As of March 31, 2007, 15 aircraft are being flown by Chautauqua for us. Under the Chautauqua CPA, we schedule and market all of our Continental Express regional jet service provided by Chautauqua. The Chautauqua CPA requires us to pay a fixed fee to Chautauqua, subject to specified reconciliations and annual escalations, for its operation of the aircraft. Chautauqua supplies the aircraft it operates under the agreement. The Chautauqua CPA has a five year term with respect to ten aircraft and an average term of 2.5 years for the balance of the aircraft. In addition, we have the unilateral right to extend the Chautauqua CPA on the same terms on an aircraft-by-aircraft basis for a p eriod of up to five years in the aggregate for 20 aircraft and for up to three years in the aggregate for 24 aircraft, subject to the renewal terms of the related aircraft lease.

Colgan. In February 2007, we selected Pinnacle Airlines Corp.'s subsidiary Colgan Air, Inc. ("Colgan"), to operate 15 74-seat Bombardier Q400 twin-turboprop aircraft on short and medium-distance routes from Newark Liberty International Airport ("New York Liberty") starting in early 2008. Colgan will operate the flights as a Continental Connection carrier under a new capacity purchase agreement. Colgan will supply the aircraft that it will operate under the agreement. The agreement has a ten year term.

NOTE 10 - INVESTMENT IN OTHER COMPANIES

At March 31, 2007, investment in other companies includes our investments in Copa Holdings, S.A. ("Copa") and ExpressJet Holdings, Inc. ("Holdings"), the parent company of ExpressJet.

Copa. At March 31, 2007, we held 4.4 million shares of Copa Class A common stock with a carrying value of $51 million and a market value of $225 million. This investment represents a 10% interest in Copa.

Holdings. In January 2007, we sold substantially all of our shares of Holdings common stock to third parties for cash proceeds of $35 million. We recognized a gain of $7 million in the first quarter of 2007 as a result of these sales. We sold the remaining shares of Holdings common stock in April 2007 and no longer own any shares of Holdings common stock.

NOTE 11 - 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):

	2007	2006
Operating Revenue:		
Mainline	$2,688	$2,448
Regional	491	499
Total Consolidated	$3,179	$2,947
Operating Income (Loss):		
Mainline	$ 141	$ 63
Regional	(77)	(52)
Total Consolidated	$ 64	$ 11
Net Income (Loss):		
Mainline	$ 102	$ (12)
Regional	(80)	(54)
Total Consolidated	$ 22	$ (66)

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 our regional carriers, and expenses include all activity related to the regional operations, regardless of whether such expenses were incurred by us directly or through our capacity purchase agreements.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Purchase Commitments. See Note 3 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 $146 million at March 31, 2007 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, 2007 in the amount of $55 million. These letters of credit and performance bonds have expiration dates through September 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 and the use or occupancy of the leased premises by regional carriers operating flights on our behalf. 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, 2007, we had $1.2 billion of floating rate debt and $304 million of fixed rate debt, with remaining terms of up to 11 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 11 years and an aggregate carrying value of $1.3 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 aircra ft 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 $32 million at March 31, 2007.

We may be required to make future payments under the foregoing indemnities and agreements due to unknown variables related to potential government changes in capital adequacy requirements, laws governing LIBOR based loans or tax laws, the amounts of which cannot be estimated at this time.

Bank Card Processing Agreement. Our U.S. bank 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 other companies, adjusted for special items) to fixed charges (interest and aircraft rentals) ratio for the preceding 12 months of 1.1 to 1.0. 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 0.29 to 1.0. The agreement also requires us to maintain a minimum senior unsecured debt rating of at least Caa3 as rated by Moody's and 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 $561 mill ion 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 that facility. During the first quarter of 2007, the bank card processor under this agreement returned $67 million of our collateral to us. If we cease to comply with the financial covenants discussed above or if our unrestricted cash and short-term investments balance falls below $2.0 billion, the bank card processor can require us to redeposit the collateral.

Employees. As of March 31, 2007, we had approximately 41,800 full-time equivalent employees. Although there can be no assurance that our generally good labor relations and high labor productivity will continue, the preservation of good relations with our employees is a significant component of our business strategy. Approximately 43% of our employees are represented by unions. None of our collective bargaining agreements becomes amendable before December 2008.

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.

In 1999, we purchased property located near our New York Liberty hub in Elizabeth, New Jersey from Honeywell International, Inc. ("Honeywell") with certain environmental indemnification obligations by us to Honeywell. We did not operate the facility located on or make any improvements to the property. In 2005, we sold the property to Catellus Commercial Group, LLC ("Catellus") and in connection with the sale, Catellus assumed certain environmental indemnification obligations in favor of us. On October 9, 2006, Honeywell provided us with a notice seeking indemnification from us in connection with a U.S. Environmental Protection Agency potentially responsible party notice to Honeywell involving the Newark Bay Study Area of the Diamond Alkali Superfund Site alleging hazardous substance releases from the property. We have notified Honeywell that, at this time, we have not agreed that we are required to indemnify Honeywell with respect to this matter. Honeywell's li ability with respect to releases from the property into the Newark Bay Study Area, if any, and our potential indemnification obligation, if any, remain under review, but cannot be determined at this time. We have sought indemnification from Catellus to the full extent to which we may be required to indemnify Honeywell, but Catellus has notified us that, at this time, it has not agreed that it is required to indemnify us with respect to this matter.

At March 31, 2007, we have a reserve for estimated costs of environmental remediation throughout our system of $40 million, based primarily on third-party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We do not have any receivables related to environmental insurance recoveries at March 31, 2007. 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 affect 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 domestic travel agents, and in 2002 we eliminated those base commissions. These actions were similar to those also taken by other air carriers. We are 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 commissions 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, 200 3 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. On September 14, 2006, the judge for the consolidated lawsuit issued an order dismissing 28 plaintiffs in the Swope case for their failure to properly opt-out of the Hall case. Consequently, a total of 90 travel agency plaintiffs remain in the two cases.

In each of these 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 effect on our results of operations, financial condition or liquidity.

We and/or certain of our subsidiaries are defendants in various other pending lawsuits and proceedings and are subject to various other claims arising in the normal course of our business, many of which are covered in whole or in part by insurance. Although the outcome of these lawsuits and proceedings (including the probable loss we might experience as a result of an adverse outcome) cannot be predicted with certainty at this time, we believe, after consulting with outside counsel, that the ultimate disposition of such suits will not have a material adverse effect on us.

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 Part I, Item 1A of our 2006 Form 10-K and Part II, Item 1A of this report, which identify important risk factors that could cause actual results to differ materially from those in the forward-looking statements, such as the consequences of our significant prior financial losses and high leverage, the significant cost of aircraft fuel, our high labor and pension costs, service interruptions at one of our hub airports, disruptions in our computer systems, and industry conditions, including the airline pricing environment, industry capacity decisions, industry consolidation, terrorist attacks, regulatory matters, excessive taxation, the availability and cost of insurance, public health threats and the seasonal nature of the airline business. 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.

OVERVIEW

We are a major United States air carrier engaged in the business of transporting passengers, cargo and mail. We are the world's fifth largest airline as measured by the number of scheduled miles flown by revenue passengers in 2006. Including our wholly-owned subsidiary, Continental Micronesia, Inc. ("CMI"), and regional flights operated on our behalf under capacity purchase agreements with other carriers, we operate more than 2,700 daily departures. As of March 31, 2007, we served 135 domestic and 126 international destinations and offered additional connecting service through alliances with domestic and foreign carriers.

General information about us can be found at our website, continental.com. 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.

First Quarter Financial Highlights

- We recorded net income of $22 million in the first quarter of 2007, representing the first time we have achieved net income in the first quarter since the terrorist attacks of September 2001. Due to the seasonal nature of the airline business, the first and fourth quarters are generally weaker than the second and third quarters.
- Passenger revenue grew 7.9% during the first quarter of 2007 as compared to the first quarter of 2006 due to higher load factors, more capacity and an increase in fares.
- Operating income increased $53 million during the first quarter of 2007 as compared to the first quarter of 2006 due to increased operating revenue, despite the negative impact of severe winter storms.
- We contributed $106 million in cash to our defined benefit pension plans.
- We sold substantially all of our remaining shares of Holdings common stock for cash proceeds of $35 million, resulting in a gain of $7 million.

First Quarter Operational Highlights

- Traffic increased 5.5% and capacity increased 4.3% during the first quarter of 2007 as compared to the first quarter of 2006.
- We posted a mainline completion factor of 98.8% and a U.S. Department of Transportation on-time arrival rate of 73%, both of which were adversely impacted by severe weather.

- We took delivery of our 19th Boeing 777 aircraft.
- We began the transition of a portion of our regional jet service from ExpressJet to Chautauqua.

Outlook

We currently intend to grow our mainline capacity approximately 5% in 2007 and between 5% and 7% annually over the next several years, although actual growth may differ from these targets in any given year. For example, we grew our mainline capacity 8.9% in 2006, due principally to new international destinations and our response to additional domestic demand stimulated by lower fares in the New York to Florida markets resulting from increased low-cost competition. We expect to begin nonstop flights between New York Liberty and Athens, Greece in June 2007 and between New York Liberty and Mumbai, India in October 2007, subject to government approvals. We also plan to inaugurate service from our Houston hub to London's Heathrow Airport on March 30, 2008, subject to government approval and our obtaining necessary slots and facilities at Heathrow Airport.

In February 2007, we selected Pinnacle Airlines Corp.'s subsidiary Colgan to operate 15 74-seat Bombardier Q400 twin-turboprop aircraft on short and medium-distance routes from New York Liberty starting in early 2008. Colgan will operate the flights as a Continental Connection carrier under a new capacity purchase agreement. Colgan will supply the aircraft that it will operate under the agreement. The agreement has a ten-year term.

Although the U.S. domestic network carrier environment has improved from its depressed condition after September 11, 2001 and we were profitable during 2006 and the three months ended March 31, 2007, we had previously suffered substantial losses following September 11, 2001. Our ability to sustain our profitability depends on, among other factors, continuing our efforts to implement and maintain a more competitive cost structure, continuing our profitable international growth, retaining our premium to the industry in domestic markets for passenger revenue per available seat mile (after adjusting for average flight length) and responding effectively to the factors that threaten the airline industry as a whole. We have attempted to return to sustained profitability by implementing $1.6 billion of annual cost-cutting and revenue-generating measures since 2002.

Many factors continue to threaten our ability to sustain our profitability. For example, competition from low-cost carriers in most of our domestic markets and our response to such competition is resulting in increased capacity and reduced yields in many of those markets. In addition, several of our domestic competitors have increased their international capacity, which is reducing yields and/or load factors in affected markets. The recent "open skies" agreement between the U.S. and the European Union, which becomes effective on March 30, 2008, could also result in increased competition from European and U.S. airlines in these international markets. Our ability to compete effectively in this new environment will depend in part on whether commercially viable operating slots and facilities are made available to us at London's Heathrow Airport.

We are also facing stronger competition from carriers operating under bankruptcy protection, such as Delta Air Lines and Northwest Airlines, and from carriers that have emerged from bankruptcy, including US Airways and United Airlines. 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, and may emerge from bankruptcy as more vigorous competitors with substantially lower costs than ours.

High fuel prices continue to contribute to higher costs and diminished profitability. Although we have experienced some success raising ticket prices in response to higher fuel costs, future increases in jet fuel prices or disruptions in fuel supplies could have a material adverse effect on our results of operations, financial condition and liquidity. Conversely, lower fuel prices may result in lower fares and the reduction or elimination of fuel surcharges. Additionally, lower fuel prices may result in increased industry capacity, especially to the extent that reduced fuel costs justify increased utilization by airlines of less fuel efficient aircraft that are unprofitable during periods of higher fuel prices. We believe that our young, fuel-efficient fleet continues to provide us with a competitive advantage relative to our peers. As of March 31, 2007, we had hedged approximately 35% and 10% of our projected fuel requirements for the second and third quarters of 2007, respectively, using a com bination of petroleum swap contracts with a weighted average swap price of $66.08 per barrel, heating oil swap contracts with a weighted average swap price of $1.65 per gallon, and heating oil option contracts forming zero cost collars with a weighted average call price of $1.87 per gallon and a weighted average put price of $1.70 per gallon.

Additionally, our ability to sustain our profitability could be adversely affected by additional terrorist attacks, or the fear of such attacks, or other international hostilities. The terrorist plot discovered in August 2006 targeting multiple airlines resulted in elevated national threat warnings, flight delays, and the imposition by the Transportation Security Administration and foreign security authorities of additional security measures significantly restricting the contents of baggage that may be carried on an aircraft. Elevated concerns about future terrorist attacks and the inconvenience of the additional security measures temporarily reduced the number of customer bookings on certain routes, including high-yield business travelers for whom the ability to carry on baggage is an important service amenity. The additional security measures also resulted in a material increase in checked baggage, increasing our costs.

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, 2007 as compared to the corresponding period in 2006.

Consolidated Results of Operations

Statistical Information. Certain statistical information for our consolidated operations for the three months ended March 31 is as follows:

	2007	2006	Increase
Passengers (thousands) (1)	16,176	15,594	3.7%
Revenue passenger miles (millions) (2)	21,450	20,336	5.5%
Available seat miles (millions) (3)	27,250	26,117	4.3%
Passenger load factor (4)	78.7%	77.9%	0.8 pts.
Passenger revenue per available seat mile (cents)	10.62	10.27	3.4%
Average yield (cents) (5)	13.50	13.19	2.4%

1. The number of 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.

Results of Operations. We recorded net income of $22 million in the first quarter of 2007 as compared to a net loss of $66 million for the first quarter of 2006. We consider a key measure of our performance to be operating income, which was $64 million for the first quarter of 2007, as compared to $11 million for the first quarter of 2006. Significant components of our consolidated operating results for the three months ended March 31 are as follows (in millions, except percentage changes):

	2007	2006	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	$3,179	$2,947	$232	7.9 %
Operating Expenses	3,115	2,936	179	6.1 %
Operating Income	64	11	53	481.8 %
Nonoperating Income (Expense)	(42)	(51)	(9)	(17.6)%
Income Taxes	-	-	-	-
Cumulative Effect of Change in Accounting Principle	-	(26)	26	NM
Net Income (Loss)	$ 22	$ (66)	$ 88	NM

NM - Not Meaningful

Each of these items is discussed in the following sections.

Operating Revenue. The table below shows components of operating revenue for the quarter ended March 31, 2007 and period to period comparisons for operating revenue, passenger revenue per available seat mile ("RASM") and available seat miles ("ASMs") by geographic region for our mainline and regional operations:

	Revenue (in millions)	Percentage Increase (Decrease) in First Quarter 2007 vs First Quarter 2006 Revenue	RASM	ASMs
Passenger revenue:				
Domestic	$1,295	3.3 %	(0.7)%	4.1 %
Trans-Atlantic	487	24.9 %	14.3 %	9.3 %
Latin America	388	19.0 %	14.4 %	4.0 %
Pacific	225	10.2 %	10.5 %	(0.3)%
Total Mainline	2,395	10.2 %	5.3 %	4.7 %
Regional	500	(2.0)%	(3.3)%	1.4 %
Total	2,895	7.9 %	3.4 %	4.3 %
Cargo	107	-		
Other	177	12.7 %		
Operating Revenue	$3,179	7.9 %		

Passenger revenue increased due to increased capacity and traffic and several fare increases. Consolidated RASM for the quarter increased year-over-year due to higher yields and load factors. The improved RASM reflects our actions taken to improve the mix of local versus flow traffic and reduce discounting, as well as stronger yields in the latter part of March 2007 related to pre-Easter traffic.

Other revenue increased due to higher revenue associated with sales of mileage credits in our OnePass frequent flyer program and rental income on aircraft leased to ExpressJet but not operated for us.

Operating Expenses. The table below shows period-to-period comparisons by type of operating expense for our consolidated operations for the three months ended March 31 (in millions, except percentage changes):

	2007	2006	Increase	% Increase
Wages, salaries and related costs	$ 726	$ 672	$ 54	8.0%
Aircraft fuel and related taxes	684	661	23	3.5%
Regional capacity purchase, net	430	415	15	3.6%
Aircraft rentals	248	245	3	1.2%
Landing fees and other rentals	193	185	8	4.3%
Distribution costs	161	160	1	0.6%
Maintenance, materials and repairs	144	127	17	13.4%
Depreciation and amortization	99	96	3	3.1%
Passenger services	90	82	8	9.8%
Special charges (credits)	11	(6)	17	NM
Other	329	299	30	10.0%
	$3,115	$2,936	$179	6.1%

Operating expenses increased 6.1% primarily due to the following:

- Wages, salaries and related costs increased primarily due to an increase of $20 million for profit sharing and on-time performance incentive expenses and an increase in employees necessary to support our growth. Additionally, stock-based compensation expense was $9 million higher in the first quarter of 2007 than in the comparable period of 2006 due to an increase in the accrual for profit based RSU awards to reflect a higher level of expected cumulative profit sharing, partially offset by the impact on expense for all RSU awards of a decrease in our common stock price at March 31, 2007 as compared to that at December 31, 2006.
- Aircraft fuel and related taxes increased due to an increase in flight activity. The average jet fuel price per gallon including related taxes decreased slightly from $1.90 in the first quarter of 2006 to $1.89 in the first quarter of 2007. Fuel expense in the first quarter of 2007 also includes a $14 million loss related to our fuel hedging program.
- Regional capacity purchase, net, includes expenses related to our capacity purchase agreements. Our most significant capacity purchase agreement is with ExpressJet. Regional capacity purchase, net includes all fuel expense on flights operated for us under capacity purchase agreements plus a margin on ExpressJet's fuel expense up to a cap provided in the ExpressJet CPA 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 leased to ExpressJet and flown for us. The net expense was higher in the first quarter of 2007 than in the corresponding quarter of 2006 due to a 1.4% increase in regional capacity.
- Maintenance, materials and repairs increased primarily due to a higher volume of scheduled airframe maintenance overhauls, which is driven by aircraft age. In addition, contractual engine repair rates escalated in accordance with their contracts due to the aging of our fleet.
- Other operating expenses increased primarily due to a greater number of international flights which resulted in increased air navigation fees and ground handling, security and related expenses.
- Special charges (credits) in the first quarter of 2007 consisted of a $5 million non-cash settlement charge related to lump sum distributions from our pilot-only defined benefit pension plan to pilots who retired and a $6 million aircraft-related charge. Special charges (credits) in the first quarter of 2006 consisted of a $15 million non-cash settlement charge related to lump sum distributions from our pilot-only defined benefit pension plan to pilots who retired, a $14 million credit related to our officers' voluntary surrender of stock price based RSU awards and a $7 million credit attributable to a reduction of our allowance for future lease payments and return conditions on permanently grounded MD-80 aircraft.

Nonoperating Income (Expense). Nonoperating income (expense) includes net interest expense (interest expense less interest income and capitalized interest), income from other companies and gains from dispositions of investments. Total nonoperating income (expense) decreased $9 million in the first quarter of 2007 compared to the first quarter of 2006 due to the following:

- Net interest expense decreased $18 million primarily as a result of increased interest income on our higher cash balances.
- Income from other companies, which includes our equity in the earnings of Copa and Holdings and income related to our tax sharing agreement with Holdings, was $12 million lower in 2007 as compared to 2006 as a result of our reduced ownership interests in Holdings and Copa and a decrease in income recognized from our tax sharing agreement with Holdings.
- We recognized a gain of $7 million in the first quarter of 2007 related to the sale of substantially all of our shares of Holdings common stock.

Income Taxes. We did not record any income tax expense related to our pretax income in the first quarter of 2007 due to the utilization of book net operating losses for which we had not previously recognized a benefit. We did not record any income tax benefit related to our pretax loss in the first quarter of 2006 due to our determination that it was more likely than not that the deferred tax assets arising from our pretax loss would ultimately not be realized.

Cumulative Effect of Change in Accounting Principle. Stock price based RSU awards made pursuant to our Long-Term Incentive and RSU Program result in cash payments to our officers if specified increases in our stock price are achieved over multi-year performance periods. Prior to our adoption of SFAS 123R on January 1, 2006, we had recognized no liability or expense related to our stock price based RSU awards 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. 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, which reduced earnings by $26 million. Subsequently, on February 1, 2006, our officers voluntarily surrendered their vested stock price based RSU awards with a performance period ending March 31, 2006, resulting in a $14 million reduction of special charges.

Segment Results of Operations

We have two reportable segments: mainline and regional. The mainline segment consists of flights to cities using jets with a capacity of greater than 100 seats while the regional segment currently consists of flights with a capacity of 50 or fewer seats. The regional segment is operated primarily by ExpressJet through a capacity purchase agreement. Under that agreement, we purchase all of ExpressJet's capacity related to aircraft covered by the contract, and are responsible for setting prices and selling all of the related 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.

Statistical Information. Certain statistical information for our segments' operations for the three months ended March 31 is as follows:

	2007	2006	Increase (Decrease)
Mainline Operations:			
Passengers (thousands)	11,945	11,486	4.0 %
Revenue passenger miles (millions)	19,090	18,018	5.9 %
Available seat miles (millions)	24,124	23,035	4.7 %
Passenger load factor	79.1%	78.2%	0.9 pts.
Cargo ton miles (millions)	254	263	(3.4)%
Passenger revenue per available seat mile (cents)	9.93	9.43	5.3 %
Total revenue per available seat mile (cents)	11.14	10.63	4.8 %
Average yield per revenue passenger mile (cents)	12.55	12.06	4.1 %
Average fare per revenue passenger	$202.29	$191.29	5.8 %
Cost per available seat mile, including special charges (credits) (cents) (1)	10.56	10.35	2.0 %
Average price per gallon of fuel, including fuel taxes (cents)	189.48	190.43	(0.5)%
Fuel gallons consumed (millions)	361	347	4.0 %
Actual aircraft in fleet at end of period	367	360	1.9 %
Average length of aircraft flight (miles)	1,417	1,400	1.2 %
Average daily utilization of each aircraft (hours)	11:10	10:42	4.3 %
Regional Operations:			
Passengers (thousands)	4,231	4,108	3.0 %
Revenue passenger miles (millions)	2,360	2,318	1.8 %
Available seat miles (millions)	3,126	3,082	1.4 %
Passenger load factor	75.5%	75.2%	0.3 pts.
Passenger revenue per available seat mile (cents)	15.99	16.54	(3.3)%
Average yield per revenue passenger mile (cents)	21.19	22.00	(3.7)%
Actual aircraft in fleet at end of period	264	270	(2.2)%

1. Includes special charges (credits) which represented 0.05 and (0.03) cents per available seat mile for the three months ended March 31, 2007 and 2006, respectively.

Mainline Results of Operations. Significant components of our mainline segment's operating results for the three months ended March 31 are as follows (in millions, except percentage changes):

	2007	2006	Increase	% Increase
Operating Revenue	$2,688	$2,448	$240	9.8 %
Operating Expenses:				
Wages, salaries and related costs	715	661	54	8.2 %
Aircraft fuel and related taxes	684	661	23	3.5 %
Aircraft rentals	169	169	-	-
Landing fees and other rentals	181	174	7	4.0 %
Distribution costs	138	134	4	3.0 %
Maintenance, materials and repairs	144	127	17	13.4 %
Depreciation and amortization	96	93	3	3.2 %
Passenger services	86	78	8	10.3 %
Special charges (credits)	11	(6)	17	NM

Other	323	294	29	9.9 %
	2,547	2,385	162	6.8 %
Operating Income	$ 141	$ 63	$ 78	123.8%

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

Regional Results of Operations. Significant components of our regional segment's operating results for the three months ended March 31 are as follows (in millions, except percentage changes):

	2007	2006	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	$491	$499	$ (8)	(1.6)%
Operating Expenses:				
Wages, salaries and related costs	11	11	-	-
Regional capacity purchase, net	430	415	15	3.6 %
Aircraft rentals	79	76	3	3.9 %
Landing fees and other rentals	12	11	1	9.1 %
Distribution costs	23	26	(3)	(11.5)%
Depreciation and amortization	3	3	-	-
Passenger services	4	4	-	-
Other	6	5	1	20.0 %
	568	551	17	3.1 %
Operating Loss	$(77)	$(52)	$ 25	48.1 %

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 revenue for the mainline segment as it feeds passengers from smaller cities into our 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. Capacity, as measured by available seat miles, for our regional operations increased by 1.4% in the first quarter of 2007 as compared to the first quarter of 2006.

Regional capacity purchase, net, was higher due to increased overall regional capacity, which includes new capacity provided by Chautauqua offset by reduced flying by ExpressJet. The net amounts consist of the following for the three months ended March 31 (in millions, except percentage changes):

	2007	2006	Increase (Decrease)	% Increase (Decrease)
Capacity purchase expenses	$414	$407	$ 7	1.7 %
Fuel and fuel taxes in excess of cap (71.2 cents per gallon for ExpressJet; no cap for other carriers)	94	90	4	4.4 %
Aircraft sublease income	(78)	(82)	(4)	(4.9)%
Regional capacity purchase, net	$430	$415	$15	3.6 %

LIQUIDITY AND CAPITAL RESOURCES

Current Liquidity

As of March 31, 2007, we had $2.6 billion in unrestricted cash, cash equivalents and short-term investments, which is $158 million higher than at December 31, 2006. At March 31, 2007, we also had $200 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, 2006 totaled $265 million.

Sources and Uses of Cash

Operating Activities. Cash flows provided by operations for the three months ended March 31, 2007 were $299 million compared to $387 million in the same period in 2006. The decrease in cash flows provided by operations in 2007 compared to 2006 is primarily the result of $111 million of profit sharing paid to our employees and $100 million of higher contributions to our defined benefit pension plans, both of which occurred in the first quarter of 2007, partially offset by an increase in operating income and advance ticket sales associated with increased capacity.

Investing Activities. Cash flows used in investing activities for the three months ended March 31 were as follows (in millions):

	2007	2006	Cash Increase (Decrease)
Capital expenditures	$(78)	$ (68)	$(10)
Purchase deposits paid in connection with future			

aircraft deliveries, net	(31)	(113)	82
Decrease (increase) in restricted cash, net	65	(4)	69
Proceeds from sale of Holdings shares	35	-	35
Other, net	5	31	(26)
	$ (4)	$(154)	$150

During the three months ended March 31, 2007, capital expenditures increased over the corresponding prior year period primarily due to infrastructure and equipment purchases and technology enhancements. Purchase deposits paid were lower as the result of pre-funding $103 million of purchase deposits on Boeing aircraft in the first quarter of 2006.

We have substantial commitments for capital expenditures, including for the acquisition of new aircraft. Net capital expenditures for the full year 2007 are expected to be $430 million, or $630 million after considering purchase deposits to be paid, net of purchase deposits to be refunded. Projected net capital expenditures for 2007 consist of $160 million of fleet expenditures, $215 million of non-fleet expenditures (primarily for ground service equipment and terminal enhancements) and $55 million for rotable parts and capitalized interest.

The decrease in restricted cash is the result of the return of $67 million cash collateral from our U.S. bank card processor, discussed in "Other Liquidity Matters" below.

In January 2007, we sold substantially all of our shares of Holdings common stock to third parties for cash proceeds of $35 million. We recognized a gain of $7 million in the first quarter of 2007 as a result of these sales. We contributed substantially all of the $35 million proceeds to our defined benefit pension plans in February 2007. We sold the remaining shares of Holdings common stock to third parties in April 2007 and no longer own any shares of Holdings common stock.

Financing Activities. Cash flows used in financing activities for the three months ended March 31 were as follows (in millions):

	2007	2006	Cash Increase (Decrease)
Payments on long-term debt and capital lease obligations	$ (166)	$ (178)	$12
Proceeds from issuance of long-term debt	25	15	10
Proceeds from issuance of common stock pursuant to stock plans	8	14	(6)
	$(133)	$(149)	$16

Cash flows used in financing activities decreased due to lower repayments in the first quarter of 2007. In January 2007, $170 million in principal amount of our 4.5% Convertible Notes due on February 1, 2007 was converted by the holders into 4.3 million shares of our Class B common stock at a conversion price of $40 per share. The remaining $30 million in principal amount was paid on February 1, 2007. Other payments on long-term debt during the first quarter of 2007 include pre-payments totaling $31 million which were due later in 2007 or in 2008. In March 2006, we elected to pre-pay $96 million of debt due in February 2007.

Proceeds from the issuance of long-term debt in the first quarter of 2007 relate to the refinancing of debt secured by three 737-500 aircraft. Proceeds from the issuance of long-term debt in the first quarter of 2006 relate to the funding of induction costs on five 757-300 aircraft that we leased from another carrier.

During the first quarter of 2007, we incurred $95 million of floating rate indebtedness pursuant to existing finance agreements secured by one 777-200ER aircraft that was delivered in March 2007. This indebtedness consists of $78 million of senior notes due in 2019 and $17 million of junior notes due in 2014. The loans bear interest at LIBOR plus a blended margin of approximately 1.9% per year. On April 16, 2007, we incurred pursuant to the same finance agreements an additional $95 million of floating rate indebtedness secured by our final 777-200ER aircraft on order, which was delivered on that day. This indebtedness has terms identical to that discussed above. The commitments under the finance agreements are now fully funded.

On April 10, 2007, we obtained financing for 30 of the next 39 Boeing 737 aircraft scheduled to be delivered in 2008 and the first quarter of 2009. The aircraft financed will be 12 737-800s and 18 737-900ERs. Pass-through trusts raised $1.1 billion through the issuance of three classes of pass-through certificates. Class A certificates, with an aggregate principal amount of $757 million, bear interest at 5.983%, Class B certificates, with an aggregate principal amount of $222 million, bear interest at 6.903% and Class C certificates, with an aggregate principal amount of $168 million, bear interest at 7.339%. The proceeds from the sale of the certificates will be held in escrow by the trusts and not reported as debt on our consolidated balance sheet. As we take delivery of each aircraft, we will issue equipment notes to the trusts, which will purchase such notes with a portion of the escrowed funds. We will use the proceeds to finance the purchase of the aircraft and will record the principal am ount of the equipment notes that we issue as debt on our consolidated balance sheet. Principal payments on the equipment notes and the corresponding distribution of these payments to certificate holders will begin in April 2010 and will end in April 2022 for Class A and B certificates and April 2014 for Class C certificates. Additionally, the Class A and B certificates have the benefit of a liquidity facility under which a third party agrees to make three semiannual interest payments on the certificates if a payment default occurs.

In addition, we have manufacturer backstop financing for up to 24 (depending on the model selected) of the 30 737 aircraft scheduled to be delivered in 2009. However, we do not have backstop financing or any other financing currently in place for the remaining six 737 aircraft on order, nor do we have backstop financing or any other financing for the 25 787 aircraft on order. 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 our capital requirements other than the financing commitments we currently have in effect.

Other Liquidity Matters

Financeable Assets. At March 31, 2007, we had approximately $5.2 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 interest in Copa, which had a market value of $225 million at March 31, 2007, is not pledged as collateral under any of our debt, although we are contractually limited in our ability to dispose of this asset prior to July 2008. We were in compliance with all debt covenants at March 31, 2007.

Credit Ratings. At March 31, 2007, our senior unsecured debt was rated B3 by Moody's and CCC+ by Standard & Poor's. While Moody's recently upgraded our senior unsecured debt rating from Caa1, our credit ratings remain significantly below-investment grade. Although we obtained favorable terms in the April 2007 issuance of $1.1 billion in pass through certificates (discussed above under "Sources and Uses of Cash"), our current credit ratings increase the costs we incur when issuing debt, adversely affect the terms of such debt and limit our financing options. Additional reductions in our credit ratings could further increase our borrowing costs 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 $151 million under our U.S. bank card processing agreement if our senior unsecured debt rating falls belo w 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 $24 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.

Bank Card Processing Agreement. Our U.S. bank 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 other companies, adjusted for special items) to fixed charges (interest and aircraft rentals) ratio for the preceding 12 months of 1.1 to 1.0. 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 0.29 to 1.0. 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 $561 million of cash collateral, which would adversely affect our liquidity. Depending on our unrestricted cash and short-term investments balance at the time, the pos ting 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 required under our $350 million secured term loan facility, resulting in a default under that facility. During the first quarter of 2007, the bank card processor under this agreement returned $67 million of our collateral to us. If we cease to comply with the financial covenants discussed above or if our unrestricted cash and short-term investments balance falls below $2.0 billion, the bank card processor can require us to redeposit the collateral.

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 2007, we contributed $106 million to our defined benefit pension plans. We contributed an additional $30 million to our defined benefit pension plans on April 10, 2007. We estimate that contributions to our defined benefit pension plans will total approximately $320 million during 2007, significantly exceeding our minimum funding requirements of approximately $183 million during that calendar year.

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 2006 Form 10-K except as follows:

Aircraft Fuel. As of March 31, 2007, we had hedged approximately 35% and 10% of our projected fuel requirements for the second and third quarters of 2007, respectively, using a combination of petroleum swap contracts with a weighted average swap price of $66.08 per barrel, heating oil swap contracts with a weighted average swap price of $1.65 per gallon, and heating oil option contracts forming zero cost collars with a weighted average call price of $1.87 per gallon and a weighted average put price of $1.70 per gallon. At March 31, 2007, the fair value of our fuel hedges was $25 million and is included in prepayments and other current assets in our consolidated balance sheet. We estimate that a 10% increase in the price of crude oil and heating oil at March 31, 2007 would increase the fair value related to the fuel hedges outstanding at that date by $27 million.

Foreign Currency. At March 31, 2007, we have forward contracts outstanding to hedge the following cash flows for the remainder of 2007:

- Approximately 47% of our projected British pound-denominated cash flows
- Approximately 18% of our projected euro-denominated cash flows

- Approximately 10% of our projected Canadian dollar-denominated cash flows

A uniform 10% strengthening in the value of the U.S. dollar relative to each foreign currency would have the following impact on our existing forward contacts at March 31, 2007 (in millions):

	Increase in Fair Value	Increase in Underlying Exposure	Resulting Net Loss
British pound	$ 7	$15	$(8)
Euro	1	7	(6)
Canadian dollar	1	8	(7)

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 provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. They concluded that the controls and procedures were effective as of March 31, 2007 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 timel y 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, 2007, 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 domestic travel agents, and in 2002 we eliminated those base commissions. These actions were similar to those also taken by other air carriers. We are 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 commissions 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. On September 14, 2006, the judge for the consolidated lawsuit issued an order dismissing 28 plaintiffs in the Swope case for their failure to properly opt-out of the Hall case. Consequently, a total of 90 travel agency plaintiffs remain in the two cases.

In each of these 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 effect on our results of operations, financial condition or liquidity.

Item 1A. Risk Factors

Part I, Item 1A, "Risk Factors," of our 2006 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 2006 Form 10-K.

The Airline Industry is Highly Competitive and Susceptible to Price Discounting. The U.S. airline industry is characterized by substantial price competition, especially in domestic markets. Carriers use discount fares to stimulate traffic during periods of slack demand or when they begin service to new cities or have excess capacity to generate cash flow and to establish or increase market share. Some of our competitors have substantially greater financial resources (including more favorable hedges against fuel price increases) and/or lower cost structures than we do. 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, which engage in substantial price discounting, has diminished the ability of the network carriers to maintain sufficient pricing structures in domestic markets to achieve profitab ility. 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 New York Liberty and destinations in Florida in 2005, and entered the New York to Houston market in 2006. 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. Additionally, the recent "open skies" agreement between the U.S. and the European Union will become effective on March 30, 2008 and could result in increased competition from European and U.S. airlines in these international markets. Our ability to compete effectively in this new environment will depend in part on the availability to us of commercially viable operating slots and facilities at London's Heathrow Airport. 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.

Delta and Northwest are currently operating under bankruptcy protection, and other carriers could file for bankruptcy or threaten to do so to reduce their costs. US Airways and United Airlines have emerged from bankruptcy, and Delta and Northwest have announced their plans to emerge from bankruptcy in the second quarter of 2007. 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.

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.

On April 16, 2007, we borrowed a total of $95 million under a senior loan agreement and subordinated loan agreement to finance a portion of the cost of acquiring a new Boeing model 777-200ER aircraft that was delivered to us the same day. We have entered into eight such senior loan agreements and eight such subordinated loan agreements to date under a senior loan finance agreement among the Company and a group of commercial lenders and a subordinated loan finance agreement among the Company and a group of financial institutions. The senior and subordinated loan finance agreements were entered into by the Company in July 2006 to provide for an aggregate of $394 million in debt financing to fund the acquisition of a total of six new Boeing model 737-800 aircraft in 2006 and two Boeing model 777-200ER aircraft in 2007.

We have now borrowed a total of $324 million under the eight senior loan agreements and $70 million under the eight subordinated loan agreements, for a total of $394 million. The commitments under the senior loan finance agreement and the subordinated loan finance agreement are now fully funded.

The loans are secured by mortgage and security agreements covering the applicable aircraft so financed. The loans bear interest at a floating rate equal to LIBOR plus a blended margin of approximately 1.9% per year. All of the senior loans secured by the six Boeing 737-800 aircraft will mature in July 2018 and all of the senior loans secured by the two Boeing 777-200ER aircraft will mature in January 2019. All of the subordinated loans have a term of approximately seven years. Each senior loan agreement for a particular aircraft contains cross default provisions to the subordinated loan agreement for that particular aircraft as well as to the senior loan agreements for the other aircraft, and each subordinated loan agreement contains similar cross default provisions. In addition, the loans are cross collateralized. The loan agreements contain customary events of default and remedies provisions for transactions of this nature, including provisions that entitle the lenders to accelerate their loan s if we, among other things, fail to make scheduled payments of principal and interest after designated grace periods or if we were to file for bankruptcy.

Item 6. Exhibits.

3.1	Amended and Restated Certificate of Incorporation of Continental, as amended through June 6, 2006 - incorporated by reference to Exhibit 3.1 to Continental's Annual Report on Form 10-K for the year ended December 31, 2006 (File no. 1-10323).
3.1(a)	Certificate of Designation of Series A Junior Participating Preferred Stock, included as Exhibit A

3.1(a) Certificate of Designation of Series A Junior Participating Preferred Stock, included as Exhibit A to Exhibit 3.1.

3.1(a)(i) Certificate of Amendment of Certificate of Designation of Series A Junior Participating Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2001 (File no. 1-10323).

3.1(b) Certificate of Designation of Series B Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2000 (File no. 1-10323).

3.1(c) Corrected Certificate of Designations of Series B Preferred Stock - incorporated by reference to the Exhibit 3.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File no. 1-10323).

3.2 Bylaws of Continental, as amended through November 30, 2006 - incorporated by reference to Exhibit 3.2 to Continental's Current Report on Form 8-K dated November 29, 2006.

10.1 Supplemental Agreement No. 5, dated March 12, 2007, to Purchase Agreement No. 2484, dated December 29, 2004, between Continental and The Boeing Company. (1)

10.2 Note Purchase Agreement, dated as of April 10, 2007, among Continental, Wilmington Trust Company, as Trustee, Wilmington Trust Company, as Subordination Agent, Wells Fargo Bank Northwest, National Association, as Escrow Agent, and Wilmington Trust Company, as Paying Agent - incorporated by reference to Exhibit 4.18 to Continental's Current Report on Form 8-K, dated April 10, 2007 (file no. 1-10323).

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.

32.1 Section 1350 Certifications.

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 19, 2007 by: /s/ Jeffrey J. Misner
Jeffrey J. Misner
Executive Vice President and
Chief Financial Officer
(On behalf of Registrant)

Date: April 19, 2007 by: /s/ Chris Kenny
Chris Kenny
Vice President and Controller
(Principal Accounting Officer)

**INDEX TO EXHIBITS
OF
CONTINENTAL AIRLINES, INC.**

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3.1(a)(i) Certificate of Amendment of Certificate of Designation of Series A Junior Participating Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2001 (File no. 1-10323).

3.1(b) Certificate of Designation of Series B Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2000 (File no. 1-10323).

3.1(c) Corrected Certificate of Designations of Series B Preferred Stock - incorporated by reference to the Exhibit 3.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File no. 1-10323).

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Supplemental Agreement No. 5

to

Purchase Agreement No. 2484

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 787 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of March 12, 2007, by and between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES, INC. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2484 dated December 29, 2004 (the Purchase Agreement), as amended and supplemented, relating to Boeing Model 787-8 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].**

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

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

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

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

WHEREAS, Boeing and Customer have mutually agreed to revise the notification period to acquire an Option Aircraft in Letter Agreement 6-1162-MSA-547 to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** prior to delivery for an Option Aircraft with a **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** prior to delivery for an Option Aircraft with a **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

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

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

WHEREAS, Boeing has agreed to update the number of training points to which Customer is entitled, based on the additional **[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. <u>Table of Contents, Articles, Tables and Exhibits</u>:

1.1 Remove and replace, in its entirety, the "<u>Table of Contents</u>," with the Table of Contents attached hereto, to reflect the changes made by this Supplemental Agreement No. 5.

1.2 Remove and replace, in its entirety, the "<u>Table 1</u>," with the Table 1 attached hereto, to reflect the changes made by this Supplemental Agreement No. 5, and to reflect the latest escalation forecast.

1.3 Remove and replace, in its entirety, the "<u>Exhibit A</u>," with the Exhibit A-1 and Exhibit A-2 attached hereto, to reflect the changes made by this Supplemental Agreement No. 5.

1.3 Remove and replace, in its entirety, the "<u>Supplemental Exhibit CS1</u>," with the Supplemental Exhibit CS1 attached hereto, to reflect the changes made by this Supplemental Agreement No. 5.

2. <u>Letter Agreements</u>:

2.1 Remove and replace, in its entirety, Letter Agreement 6-1162-MSA-546R2, "Open Configuration Matters," with the revised Letter Agreement 6-1162-MSA-546R3 attached hereto.

2.2 Remove and replace, in its entirety, Letter Agreement 6-1162-MSA-547R3, "Option Aircraft," with the revised Letter Agreement 6-1162-MSA-547R4 attached hereto.

2.3 Remove and replace, in its entirety, Letter Agreement 6-1162-MSA-551R1, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** with the revised Letter Agreement 6-1162-MSA-551R2 attached hereto and insert after the end of current Letter Agreement 6-1162-MSA-551R1 which includes a new attachment for the 787-9 performance guarantees.

2.4 Remove and replace, in its entirety, Letter Agreement 6-1162-MSA-552R4, "Special Matters," with the revised Letter Agreement 6-1162-MSA-552R4 attached hereto.

2.5 Remove and replace, in its entirety, Letter Agreement 6-1162-MSA-554R2, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** with the revised Letter Agreement 6-1162-MSA-554R3 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/Anthony J. Hicker By: /s/ Gerald Laderman

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

Finance and Treasurer

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

Table 1

Purchase Agreement 2484

Aircraft Delivery, Description, Price and Advance Payments

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Purchase Agreement 2484

Aircraft Delivery, Description, Price and Advance Payments

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

@PA/EXA#

AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

CONTINENAL AIRLINES, INC.

Exhibit A1 to Purchase Agreement Number 2484

AIRCRAFT CONFIGURATION

relating to

BOEING MODEL 787-8 AIRCRAFT

The Airframe Price in Table 1 was established utilizing the 787 Airplane Description and Selections 787B1-0227 Revision J dated December 15, 2006. The content of this Exhibit A1 will be defined pursuant to the provisions of Letter Agreement 6-1162-MSA-546R3, Open Configuration Matters, to the Purchase Agreement.

AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

CONTINENAL AIRLINES, INC.

Exhibit A2 to Purchase Agreement Number 2484

AIRCRAFT CONFIGURATION

relating to

BOEING MODEL 787-9 AIRCRAFT

The Airframe Price in Table 1 was established utilizing the 787 Airplane Description and Selections 787B1-0227 Revision J dated December 15, 2006. The content of this Exhibit A2 will be defined pursuant to the provisions of Letter Agreement 6-1162-MSA-546R3, Open Configuration Matters, to the Purchase Agreement.

787 CUSTOMER SUPPORT DOCUMENT

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Supplemental Exhibit CS1 to Purchase Agreement Number 2484

<u>This document contains</u>:

Part 1: Boeing Maintenance and Flight Training Programs; Operations Engineering Support

Part 2: Field Services and Engineering Support

Services

Part 3: Technical Information and Materials

Part 4: Alleviation or Cessation of Performance

Part 5: Protection of Proprietary Information and Proprietary Materials

787 CUSTOMER SUPPORT DOCUMENT

PART 1: BOEING MAINTENANCE AND FLIGHT TRAINING

PROGRAMS; OPERATIONS ENGINEERING SUPPORT

1. <u>Boeing Training Programs</u>.

Boeing will provide maintenance training, cabin attendant training, and flight training programs to support the introduction of the Aircraft into service as provided in this Supplemental Exhibit CS1.

1.1 Customer is awarded 2,385 points **(Training Points) [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**. At any time before 24 months after delivery of Customer's last Aircraft **(Training Program Period)** Customer may exchange Training Points for any of the training courses described on Attachment A at the point values described on Attachment A or for other training Boeing may identify at specified point values. At the end of the Training Program Period any unused Training Points will expire. For clarity, the Training Program Period is estimated to start no earlier than 6 months prior to Customer's initial Aircraft deliveries. Actual start dates and schedules will be coordinated at the planning conference, which per Article 2.1 below is estimated to occur approximately 12 months prior to Aircraft entry into service.

1.2 In addition to the training provided in Article 1.1, Boeing will provide to Customer the following training and services:

1.2.1 Flight dispatcher model specific instruction; 2 classes of 6 students;

1.2.2 Performance engineer model specific instruction in Boeing's regularly scheduled courses; schedules are published yearly.

1.2.3 Additional Flight Operations Services:

a. Boeing flight crew personnel to assist in ferrying the first Aircraft to Customer's main base;

b. Instructor pilots for 90 Man Days (as defined in Article 5.4, below) for revenue service training assistance;

c. An instructor pilot to visit Customer 6 months after revenue service training to review Customer's flight crew operations for a

2 week period.

If any part of the training described in this Article 1.2 is not completed by Customer within 24 months after the delivery of the last Aircraft, Boeing will have no obligation to provide such training.

2. <u>Training Schedule and Curricula</u>.

2.1 Customer and Boeing will together conduct planning conferences approximately 12 months before the scheduled delivery month of the first Aircraft of a model to define and schedule the maintenance, flight training and cabin attendant training programs. At the conclusion of each planning conference the parties will document Customer's course selection, training schedule, and, if applicable, Training Point application and remaining Training Point balance.

2.2 Customer may also request training by written notice to Boeing identifying desired courses, dates and locations. Within 15 days of Boeing's receipt of such request Boeing will provide written response to Customer confirming whether the requested courses are available at the times and locations requested by Customer.

3. <u>Location of Training</u>.

3.1 Boeing will conduct all training at any of its or its wholly-owned subsidiaries' training facilities equipped for the model of Aircraft. Customer shall decide on the location or mix of locations for training, subject to space being available in the desired courses at the selected training facility on the dates desired.

3.2 If requested by Customer, Boeing will conduct the classroom portions of the maintenance and flight training (except for the Performance Engineer training courses) at a mutually acceptable alternate training site, subject to the following conditions:

3.2.1 Customer will provide acceptable classroom space, simulators (as necessary for flight training) and training equipment required to present the courses;

3.2.2 Customer will pay Boeing's portal to portal actual expenses for lodging, ground transportation, laundry, baggage handling, communication costs and per diem meal charge for each Boeing instructor for each day, or fraction thereof, that the instructor is away from his home location, including travel time;

3.2.3 Customer will provide, or will reimburse Boeing for the actual costs of round-trip transportation for Boeing's instructors and the shipping costs of training Materials (as defined in Part 3 paragraph 1 of this Supplemental Exhibit CS1), which must be shipped to the alternate training site;

3.2.4 Customer will be responsible for all taxes, fees, duties, licenses, permits and similar expenses incurred by Boeing and its employees as a result of Boeing's providing training at the alternate site or incurred as a result of Boeing providing revenue service training; and

3.2.5 Those portions of training that require the use of training devices not available at the alternate site will be conducted at Boeing's facility or at some other alternate site. Customer will be responsible for additional expenses, if any, which result from the use of such alternate site.

4. <u>Training Materials</u>.

Boeing will provide training Materials will be provided for each student (Training Materials). In addition, if requested by Customer, one complete set of Training Materials will be provided for use in Customer's own training program. Training Materials may be used only for either (i) the individual student's reference during Boeing provided training and for review thereafter or (ii) Customer's provision of training to individuals directly employed by the Customer.

5. Additional Terms and Conditions.

5.1 All training will reflect an airplane configuration defined by (i) Boeing's standard configuration specification for 787 aircraft, (ii) Boeing's standard configuration specification for the minor model of 787 aircraft selected by Customer, and (iii) any Optional Features selected by Customer from Boeing's standard catalog of Optional Features. Upon Customer's request, Boeing may provide training customized to reflect other elements of Customer's Aircraft configuration subject to a mutually acceptable price, schedule, scope of work and other applicable terms and conditions.

5.2 All training will be provided in the English language. If translation is required, Customer will provide interpreters.

5.3 Customer will be responsible for all expenses of Customer's personnel except that in the Puget Sound region of Washington State Boeing will transport Customer's personnel between their local lodgings and Boeing's training facility.

5.4 Boeing flight instructor personnel will not be required to work more than 5 days per week, or more than 8 hours in any one 24-hour period (Man Day), of which not more than 5 hours per 8-hour workday will be spent in actual flying. These foregoing restrictions will not apply to ferry assistance or revenue service training services, which will be governed by FAA rules and regulations.

5.5 **Normal Line Maintenance** is defined as line maintenance that Boeing might reasonably be expected to furnish for flight crew training at Boeing's facility, and will include ground support and Aircraft storage in the open, but will not include provision of spare parts. Boeing will provide Normal Line Maintenance services for any Aircraft while the Aircraft is used for flight crew training at Boeing's facility in accordance with the Boeing Maintenance Plan (Boeing document D6-82076) and the Repair Station Operation and Inspection Manual (Boeing document D6-25470). Customer will provide such services if flight crew training is conducted elsewhere. Regardless of the location of such training, Customer will be responsible for providing all maintenance items (other than those included in Normal Line Maintenance) required during the training, including, but not limited to, fuel, oil, landing fees and spare parts.

5.6 If the training is based at Boeing's facility and the Aircraft is damaged during such training, Boeing will make all necessary repairs to the Aircraft as promptly as possible. Customer will pay Boeing's reasonable charge, including the price of parts and materials, for making the repairs. If Boeing's estimated labor charge for the repair exceeds **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**, Boeing and Customer will enter into an agreement for additional services before beginning the repair work.

5.7 If the flight training is based at Boeing's facility, several airports in the surrounding area may be used, at Boeing's option, which shall be identified by Boeing at the flight training planning conference. Unless otherwise agreed in the flight training planning conference, it will be Customer's responsibility to make arrangements for the use of such airports.

5.8 If Boeing agrees to make arrangements on behalf of Customer for the use of airports for flight training, Boeing will pay on Customer's behalf any landing fees charged by any airport used in conjunction with the flight training. At least 30 days before flight training, Customer will provide Boeing an open purchase order against which Boeing will invoice Customer for any landing fees Boeing paid on Customer's behalf. The invoice will be submitted to Customer approximately 60 days after flight training is completed, when all landing fee charges have been received and verified. Customer will pay the invoiced amount to Boeing within 30 days of the date of the invoice.

5.9 If requested by Boeing, in order to provide the flight training or ferry flight assistance, Customer will make available to Boeing an Aircraft after delivery to familiarize Boeing instructor or ferry flight crew personnel with such Aircraft. If flight of the Aircraft is required for any Boeing instructor or ferry flight crew member to maintain an FAA license for flight proficiency or landing currency, Boeing will be responsible for the costs of fuel, oil, landing fees and spare parts attributable to that portion of the flight.

787 CUSTOMER SUPPORT DOCUMENT

PART 2: FIELD AND ENGINEERING SUPPORT SERVICES

1. Field Service Representation.

Boeing will furnish field service representation to advise Customer with respect to the maintenance and operation of the Aircraft (**Field Service Representatives**).

1.1 Field Service Representatives will be available at or near Customer's main maintenance or engineering facility beginning before the scheduled delivery month of the first Aircraft and ending **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** after delivery of the last Aircraft covered by a specific purchase agreement.

1.2 When a Field Service Representative is positioned at Customer's facility, Customer will provide, at no charge to Boeing, suitable furnished office space and office equipment, including internet capability for electronic access of data, at the location where Boeing is providing Field Service Representatives. As required, Customer will assist each Field Service Representative with visas, work permits, customs, mail handling, identification passes and formal introduction to local airport authorities.

1.3 Boeing's Field Service Representatives are assigned to various airports and other locations around the world. Whenever Customer's Aircraft are operating through any such airport, the services of Boeing's Field Service Representatives are available to Customer.

2. Engineering Support Services.

2.1 Boeing will, if requested by Customer, provide technical advisory assistance from the Seattle area or at a base designated by Customer as appropriate for any Aircraft or Boeing Product (as defined in Part 1 of Exhibit C of the AGTA). Technical advisory assistance provided will include:

2.1.1 Analysis of the information provided by Customer to determine the probable nature and cause of operational problems and suggestion of possible solutions.

2.1.2 Analysis of the information provided by Customer to determine the nature and cause of unsatisfactory schedule reliability and the suggestion of possible solutions.

2.1.3 Analysis of the information provided by Customer to determine the nature and cause of unsatisfactory maintenance costs and the suggestion of possible solutions.

2.1.4 Analysis and commentary on Customer's engineering releases relating to structural repairs not covered by Boeing's Structural Repair Manual including those repairs requiring advanced composite structure design.

2.1.5 Analysis and commentary on Customer's engineering proposals for changes in, or replacement of, systems, parts, accessories or equipment manufactured to Boeing's detailed design. Boeing will not analyze or comment on any major structural change unless Customer's request for such analysis and comment includes complete detailed drawings, substantiating information (including any information required by applicable government agencies), all stress or other appropriate analyses, and a specific statement from Customer of the substance of the review and the response requested.

2.1.6 One (1) evaluation of Customer's technical facilities, tools and equipment for servicing and maintaining 787 aircraft, recommendation of changes where necessary and assistance in the formulation of an initial maintenance plan for the introduction of the first Aircraft into service.

2.1.7 Assistance with the analysis and preparation of performance data to be used in establishing operating practices and policies for Customer's operation of Aircraft.

2.1.9 Assistance with interpretation of the minimum equipment list, the definition of the configuration deviation list and the analysis of individual Aircraft performance.

2.1.9 Assistance with solving operational problems associated with delivery and route-proving flights.

2.1.10 Information regarding significant service items relating to Aircraft performance or flight operations.

2.1.11 Operations engineering support during the ferry flight of an Aircraft.

2.1.12 Assistance in developing an Extended Twin Operations (ETOPs) plan for regulatory approval.

2.2 Boeing will, if requested by Customer, perform work on an Aircraft after delivery but prior to the initial departure flight or upon the return of the Aircraft to Boeing's facility prior to completion of that flight. The following conditions will apply to Boeing's performance:

2.2.1 Boeing may rely upon the commitment authority of the Customer's personnel requesting the work.

2.2.2 As title and risk of loss has passed to Customer, the insurance provisions of Article 8.2 of the AGTA apply.

2.2.3 The provisions of the Boeing Warranty in Part 2 of Exhibit C of the AGTA apply.

2.2.4 Customer will pay Boeing for requested work not covered by the Boeing Warranty, if any.

2.2.5 The DISCLAIMER AND RELEASE and EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES provisions in Article 11 of Part 2 and Article 3.8 of Part 6 of Exhibit C of the AGTA apply.

2.3 Boeing may, at Customer's request, provide services other than those described in Articles 2.1 and 2.2 of this Supplemental Exhibit CS1 for an Aircraft after delivery, which may include, but not be limited to, retrofit kit changes (kits and/or information), training, flight services, maintenance and repair of Aircraft (Additional Services). Such Additional Services will be subject to a mutually acceptable price, schedule, scope of work and other applicable terms and conditions. The DISCLAIMER AND RELEASE and the EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES provisions in Article 11 of Part 2 of Exhibit C of the AGTA and the insurance provisions in Article 8.2 of the AGTA will apply to any such work. Title to and risk of loss of any such Aircraft will always remain with Customer.

787 CUSTOMER SUPPORT DOCUMENT

PART 3: TECHNICAL INFORMATION AND MATERIALS

1. General.

Materials are defined as any and all items that are created by Boeing or a third party, which are provided directly or indirectly from Boeing and serve primarily to contain, convey or embody information. Materials may include either tangible embodiments (for example, documents or drawings), or intangible embodiments (for example, software and other electronic forms) of information but excludes Aircraft Software. **Aircraft Software** is defined as software that is installed on and used in the operation of the Aircraft.

Customer Information is defined as that data provided by Customer to Boeing which falls into one of the following categories: (i) aircraft operational information (including, but not limited to, flight hours, departures, schedule reliability, engine hours, number of aircraft, aircraft registries, landings, and daily utilization and schedule interruptions for Boeing model aircraft); (ii) summary and detailed shop findings data; (iii) aircraft readiness log data; (iv) non-conformance reports; (v) line maintenance data; (vi) airplane message data, (vii) scheduled maintenance data, and (viii) service bulletin incorporation.

Upon execution by Customer of Boeing's standard form Customer Services General Terms Agreement and Supplemental Agreement for Electronic Access Boeing will provide to Customer through electronic access certain Materials to support the maintenance and operation of the Aircraft. Such Materials will, if applicable, be prepared generally in accordance with Air Transport Association of America (ATA) iSpec 2200, entitled "Specification for Manufacturers" Technical Data." Materials not covered by iSpec 2200 will be provided in a structure suitable for the Material's intended use. Materials will be in English and in the units of measure used by Boeing to manufacture an Aircraft.

2. Materials Planning Conferences.

Customer and Boeing will conduct planning conferences approximately **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** before the scheduled delivery month of the first Aircraft in order to mutually determine (i) the Materials to be furnished to Customer in support of the Aircraft, (ii) the Customer Information to be furnished by Customer to Boeing, (iii) the update cycles of the Materials to be furnished to Customer, (iv) the update cycles of the Customer Information to be furnished to Boeing, (v) any Customer preparations necessary for Customer's transmittal of Customer Information to Boeing, and (vi) any Customer preparations necessary for Customer's electronic access to the Materials.

3. Technical Data and Maintenance Information.

Boeing will provide technical data and maintenance information equivalent to that traditionally provided in the following manuals and documents. The format for this data and information is not yet determined in all cases. Whenever possible Boeing will provide such data and information through electronic access.

a) Flight Operations Information.

Airplane Flight Manual

Operations Manual and Checklist

Planning and Performance Manual

Weight and Balance Manual

Dispatch Deviation Procedures Guide and Master Minimum Equipment List

Flight Crew Training Manual

Fault Reporting Manual

Performance Engineer's Manual

Jet Transport Performance Methods

FMC Supplemental Data Document

Operational Performance Software

ETOPS Guide Vol. III

Flight Planning and Performance Manual

b) Maintenance Information.

Maintenance Manual

Wiring Diagram Manual

Systems Schematics Manual

Structural Repair Manual

Component Maintenance Manual

Standard Overhaul Practices Manual

Standard Wiring Practices Manual

Non-Destructive Test Manual

Service Bulletins and Index

Corrosion Prevention Manual

Fault Isolation Manual

Power Plant Buildup Manual (except Rolls Royce)

In Service Activity Report

All Operators Letters

Service Letters

Structural Item Interim Advisory

Combined Index

Maintenance Tips

Configuration Data Base Generator User Guide

Production Management Data Base

Baggage/Cargo Loading Manual

a. Maintenance Planning.

Maintenance Review Board Report

Maintenance Planning Data Document

Maintenance Task Cards and Index

Maintenance Inspection Intervals Report

ETOPS Guide Vol. II

Configuration Maintenance and Procedures for Extended Range Operations

d) Spares Information.

Illustrated Parts Catalog

Standards Books

e) Airplane & Airport Information.

Facilities and Equipment Planning Document

Special Tool & Ground Handling Equipment Drawings & Index

Supplementary Tooling Documentation

Illustrated Tool and Equipment List/Manual

Aircraft Recovery Document

Airplane Characteristics for Airport Planning Document

Airplane Rescue and Fire Fighting Document

Engine Ground Handling Document

ETOPS Guide Vol. I

f) Shop Maintenance.

Service Bulletins

Component Maintenance Manuals and Index

Publications Index

Product Support Supplier Directory

Supplier Product Support and Assurance Agreements

g) Fleet Statistical Data and Reporting.

Fleet Message and Fault Data views, charts, and reports

4. Advance Representative Materials.

Boeing will select all advance representative Materials from available sources and whenever possible will provide them through electronic access. Such advance Materials will be for advance planning purposes only.

5. Customized Materials.

All customized Materials will reflect the configuration of each Aircraft as delivered.

6. Revisions.

6.1 The schedule for updating certain Materials will be identified in the planning conference. Such updates will reflect changes to Materials developed by Boeing.

6.2 If Boeing receives written notice that Customer intends to incorporate, or has incorporated, any Boeing service bulletin in an Aircraft, Boeing will update Materials reflecting the effects of such incorporation into such Aircraft.

7. Supplier Technical Data.

7.1 For supplier-manufactured programmed airborne avionics components and equipment classified as Seller Furnished Equipment (**SFE**) or Seller Purchased Equipment (**SPE**) or Buyer Designated Equipment (**BDE**) which contain computer software designed and developed in accordance with Radio Technical Commission for Aeronautics Document No. RTCA/DO-178 dated January 1982, No. RTCA/DO-178A dated March 1985, or later as available, Boeing will request that each supplier of the components and equipment make software documentation available to Customer.

7.2 The provisions of this Article will not be applicable to items of BFE.

7.3 Boeing will furnish to Customer a document identifying the terms and conditions of the product support agreements between Boeing and its suppliers requiring the suppliers to fulfill Customer's requirements for information and services in support of the Aircraft.

8. Buyer Furnished Equipment Data.

Boeing will incorporate BFE line maintenance information into the customized Materials providing Customer makes the information available to Boeing at least six (6) months prior to the scheduled delivery month of each Aircraft. Boeing will incorporate such BFE line maintenance information into the Materials prior to delivery of each Aircraft reflecting the configuration of that Aircraft as delivered. Upon Customer's request, Boeing may provide update service after delivery to such information subject to the terms of Part 2, Article 2.3 relating to Additional Services. Customer agrees to furnish all BFE line maintenance information in Boeing's standard digital format.

9. Customer's Shipping Address.

From time to time Boeing may furnish certain Materials or updates to Materials by means other than electronic access. Customer will specify a single address and Customer shall promptly notify Boeing of any change to that address. Boeing will pay the reasonable shipping costs of the Materials. Customer is responsible for any customs clearance charges, duties, and taxes.

787 CUSTOMER SUPPORT DOCUMENT

PART 4: ALLEVIATION OR CESSATION OF PERFORMANCE

Boeing will not be required to provide any Materials, services, training or other things at a facility designated by Customer if any of the following conditions exist and those conditions would prevent Boeing from performing its services or make the performance of such services impracticable or inadvisable:

1. a labor stoppage or dispute in progress involving Customer;

2. wars or warlike operations, riots or insurrections in the country where the facility is located;

3. any condition at the facility which, in the opinion of Boeing, is detrimental to the general health, welfare or safety of its personnel or their families;

4. the United States Government refuses permission to Boeing personnel or their families to enter into the country where the facility is located, or recommends that Boeing personnel or their families leave the country; or

5. the United States Government refuses permission to Boeing to deliver Materials, services, training or other things to the country where the facility is located.

After the location of Boeing personnel at the facility, Boeing further reserves the right, upon the occurrence of any of such events, to immediately and without prior notice to Customer relocate its personnel and their families.

787 CUSTOMER SUPPORT DOCUMENT

PART 5: PROTECTION OF PROPRIETARY INFORMATION

AND PROPRIETARY MATERIALS

1. General.

All Materials provided by Boeing to Customer and not covered by a Boeing CSGTA or other agreement between Boeing and Customer defining Customer's right to use and disclose the Materials and included information will be covered by and subject to the terms of the AGTA as amended by the terms of the Purchase Agreement. Title to all Materials containing, conveying or embodying confidential, proprietary or trade secret information (Proprietary Information) belonging to Boeing or a third party (Proprietary Materials), will at all times remain with Boeing or such third party. Customer will treat all Proprietary Materials and all Proprietary Information in confidence and use and disclose the same only as specifically authorized in the AGTA as amended by the terms of the Purchase Agreement, or the CSGTA, and except to the extent required by law.

2. License Grant.

2.1 Boeing grants to Customer a perpetual worldwide, non-exclusive, non-transferable license to use and disclose Proprietary Materials in accordance with the terms and conditions of the AGTA as amended by the terms of the Purchase Agreement. Customer is authorized to make copies of Materials (except for Materials bearing the copyright legend of a third party), and all copies of Proprietary Materials will belong to Boeing and be treated as Proprietary Materials under the AGTA as amended by the terms of the Purchase Agreement. Customer will preserve all proprietary legends, and all copyright notices on all Materials and insure the inclusion of those legends and notices on all copies.

2.2 Customer grants to Boeing a perpetual, world-wide, non-exclusive, non-transferable license to use and disclose Customer Information or derivative works thereof in Boeing data and information products and services provided indicia identifying Customer Information as originating from Customer is removed from such Customer Information.

3. Use of Proprietary Materials and Proprietary Information.

Customer is authorized to use Proprietary Materials and Proprietary Information for the purpose of: (a) operation, maintenance, repair, or modification of Customer's Aircraft for which the Proprietary Materials and Proprietary Information have been specified by Boeing and (b) development and manufacture of training devices and maintenance tools for use by Customer.

4. Providing of Proprietary Materials to Contractors.

Customer is authorized to provide Proprietary Materials to Customer's contractors for the sole purpose of maintenance, repair, or modification of Customer's Aircraft for which the Proprietary Materials have been specified by Boeing. In addition, Customer may provide Proprietary Materials to Customer's contractors for the sole purpose of developing and manufacturing training devices and maintenance tools for Customer's use. Before providing Proprietary Materials to its contractor, Customer will first obtain a written agreement from the contractor by which the contractor agrees (a) to use the Proprietary Materials only on behalf of Customer, (b) to be bound by all of the restrictions and limitations of this Part 5, and (c) that Boeing is a third party beneficiary under the written agreement. Customer agrees to provide copies of all such written agreements to Boeing upon request. A sample agreement acceptable to Boeing is attached as Appendix VII to the AGTA.

5. Providing of Proprietary Materials and Proprietary Information to Regulatory Agencies.

5.1 When and to the extent required by a government regulatory agency having jurisdiction over Customer or an Aircraft, Customer is authorized to provide Proprietary Materials and to disclose Proprietary Information to the agency for use in connection with Customer's operation, maintenance, repair, or modification of such Aircraft. Customer agrees to take all reasonable steps to prevent the agency from making any distribution, disclosure, or additional use of the Proprietary Materials and Proprietary Information provided or disclosed. Customer further agrees to notify Boeing immediately upon learning of any (a) distribution, disclosure, or additional use by the agency, (b) request to the agency for distribution, disclosure, or additional use, or (c) intention on the part of the agency to distribute, disclose, or make additional use of Proprietary Materials or Proprietary Information.

5.2 In the event of an Aircraft or Aircraft systems-related incident, the Customer may suspend, or block access to Customer Information pertaining to its Aircraft or fleet. Such suspension may be for an indefinite period of time.

March 12, 2007

6-1162-MSA-546R3

Continental Airlines, Inc.

1600 Smith Street

Houston, Texas 77002

Subject: Open Configuration Matters

Reference: Purchase Agreement No. 2484 (the Purchase Agreement)

between The Boeing Company (Boeing) and Continental

Airlines, Inc. (Customer) relating to Model 787 aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Purchase Agreement. All terms used and 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 6-1162-MSA-546R2 dated, May 3, 2006.

1. Aircraft Configuration.

Due to the developing design of the 787 Aircraft and the long period of time between the Purchase Agreement signing and delivery of Customer's first Aircraft, the configuration of Customer's Aircraft has not yet been defined. The parties agree to complete defining the configuration of the Aircraft no later than **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**, using the configuration elements defined in 787 Airplane Description and Selections Document Number 787B1-0227, which includes available Optional Features for selection (Configuration).

2. Effect on Purchase Agreement.

By **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**, Boeing will provide Customer a written amendment to the Purchase Agreement reflecting the Configuration, including, without limitation, the effects of the Configuration on those portions of the Purchase Agreement described in Articles 2.1 through 2.4, below. In advance of the final Configuration by **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**, the parties agree to the following advanced configuration releases:

- **Preliminary Configuration** - LOPA YS5509 dated 10/4/04, used to define a preliminary Performance Guarantees release (reference Article 2.3 below). This has been completed per Supplemental Agreement No. 1 to the Purchase Agreement.
- **Interim Configuration** - to be released by September 2006, used to define the final Performance Guarantees release (reference Article 2.3 below) and update the pricing (reference Article 2.4 below).
- **Final Configuration** - to be released after September 2007, used to reflect Customer's actual configuration and reflect final build of the Aircraft. LOPA used to define a preliminary Performance Guarantee will also be used to define the final Performance Guarantee - per Supplemental Agreement No. 5.

2.1 Exhibit A. The Configuration will be incorporated into Exhibit A of the Purchase Agreement.

2.2 Basic Specification. Changes applicable to the basic Model 787 aircraft which are developed by Boeing between the date of signing of the Purchase Agreement and completion of the Configuration will be incorporated into Exhibit A of the Purchase Agreement.

2.3 **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**. Boeing will provide to Customer revisions to Letter Agreement 6-1162-MSA-551, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** to reflect the effects of the Configuration, if any, on **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

2.4 Price Adjustments. The Aircraft Basic Price and Advance Payment Base Price of each Aircraft set forth on Table 1 to the Purchase Agreement is based in part on an estimate of the value of the Optional Features and any related Seller Purchased Equipment. The Aircraft Basic Price and the Advance Payment Base Price of each Aircraft will be adjusted as required and agreed by the parties in a supplemental agreement to the Purchase Agreement to reflect the difference between such estimate and the actual price of such elements of the Configuration.

3. Other Letter Agreements.

Boeing and Customer acknowledge that as the definition of the Aircraft progresses, there will be a need to execute letter agreements addressing one or more of the following subjects:

3.1 Customer Software. Additional provisions relating to the loading of software owned by or licensed to Customer on the Aircraft at delivery.

3.2 Installation of Cabin Systems Equipment. Additional provisions relating to the terms on which Boeing will offer and install in-flight entertainment systems and cabin communications systems in the Aircraft.

3.3 Buyer Furnished Equipment (BFE) and Seller Purchased Equipment (SPE). Provisions relating to the terms on which Boeing may offer or install BFE and SPE in the Aircraft.

3.4 Onboard Broadband Offering. Provisions relating to the terms under which Boeing may offer or install an Onboard Broadband Aircraft Health and Information System in the Aircraft (originally envisioned as a Connexion by Boeing product).

Very truly yours,

THE BOEING COMPANY

By: /s/ Anthony J. Hicker

Its Attorney-In-Fact

ACCEPTED AND AGREED TO

Date: March 12, 2007

CONTINENTAL AIRLINES, INC.

By: /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

March 12, 2007

6-1162-MSA-547R4

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Subject: Option Aircraft

Reference: Purchase Agreement 2484 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 787 aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MSA-547R3 dated July 14, 2006. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

Boeing agrees to manufacture and sell to Customer up to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** additional Model 787-8 or Model 787-9 aircraft as **Option Aircraft**. The model, delivery months, number of aircraft, Advance Payment Base Price per aircraft and advance payment schedule are listed in Attachment A and Attachment B to this Letter Agreement (the Attachments).

1. Aircraft Description and Changes

1.1 Aircraft Description: The Option Aircraft are described by the Detail Specification listed in the Attachment, and subject to the items in section 1.2 below.

1.2 Changes: The Detail Specification will be revised to include:

(i) Changes applicable to the basic Model 787 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of the definitive agreement to purchase the Option Aircraft;

(ii) Changes required to obtain required regulatory certificates; and

(iii) Changes mutually agreed upon.

2. Price

2.1 The pricing elements of the Option Aircraft are listed in the Attachment.

2.2 Price Adjustments.

2.2.1 Optional Features. The Optional Features Prices selected for the Option Aircraft will be adjusted to Boeing's current prices as of the date of execution of the definitive agreement for the Option Aircraft.

2.2.2 Escalation Adjustments. The Airframe Price and the Optional Features Prices for Option Aircraft will be escalated on the same basis as the Aircraft, and will be adjusted to Boeing's then-current escalation provisions as of the date of execution of the definitive agreement for the Option Aircraft.

The engine manufacturer's current escalation provisions, listed in Exhibit Supplement EE1 to the Purchase Agreement, have been estimated to the months of scheduled delivery using commercial forecasts to calculate the Advance Payment Base Price listed in the Attachment to this Letter Agreement. The engine escalation provisions will be revised if they are changed by the engine manufacturer prior to the signing of a definitive agreement for the Option Aircraft.

2.2.3 Base Price Adjustments. The Airframe Price and the Engine Price of the Option Aircraft will be adjusted to Boeing's and the engine manufacturer's then current prices as of the date of execution of the definitive agreement for the Option Aircraft.

3. Payment.

3.1 Customer will pay a deposit to Boeing in the amount shown in the Attachments for each Option Aircraft (Option Deposit), on the date of this Letter Agreement. If Customer exercises an option, the Option Deposit will be credited against the first advance payment due. If Customer does not exercise an option, Boeing will retain the Option Deposit for that Option Aircraft.

3.2 If Customer exercises its option to acquire an Option Aircraft, advance payments in the amounts and at the times listed in the Attachment will be payable for that Option Aircraft. The remainder of the Aircraft Price for that Option Aircraft will be paid at the time of delivery.

4. Option Exercise.

4.1 For Option Aircraft delivering in 2010 and 2011, Customer may exercise an option to acquire an Option Aircraft by giving written notice to Boeing on or before the date **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** months prior to the first business day of the applicable delivery month listed in the Attachments (Option Exercise Date).

4.2 For Option Aircraft delivering after 2011, Customer may exercise an option to acquire an Option Aircraft by giving written notice to Boeing on or before the date 18 months prior to the first business day of the Option Exercise Date.

5. Contract Terms.

Boeing and Customer will use their best efforts to reach a definitive agreement for the purchase of an Option Aircraft, including the terms and conditions contained in this Letter Agreement, in the Purchase Agreement, and other terms and conditions as may be agreed upon to add the Option Aircraft to the Purchase Agreement as an Aircraft. If the parties have not entered into a definitive agreement within 30 days following option exercise, either party may terminate the purchase of such Option Aircraft by giving written notice to the other within 5 days. **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

Very truly yours,

THE BOEING COMPANY

By: /s/ Anthony J. Hicker

Its Attorney-In-Fact

ACCEPTED AND AGREED TO

Date: March 12, 2007

CONTINENTAL AIRLINES, INC.

By: /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

Attachments

Attachment A to

Option Aircraft Letter Agreement 6-1162-MSA-547R4

Option Aircraft Delivery, Description, Price and Advance Payments

(787-8 / **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** / 2006$s / **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT])**

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

Attachment B to

Option Aircraft Letter 6-1162-MSA-547R4

Option Aircraft Delivery, Description, Price and Advance Payments

(787-9 / **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** / 2006$s / **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**)

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

Attachment B to

Option aircraft Letter 6-1162-MSA-547R4

Option Aircraft Delivery, Description, Price and Advance Payments

(787-9 / **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** / 2006$s / **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**)

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

March 12, 2007

6-1162-MSA-551R2

Continental Airlines, Inc.

1600 Smith Street

Houston, Texas 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. 2484 (the Purchase Agreement)

between The Boeing Company (Boeing) and Continental

Airlines, Inc. (Customer) relating to Model 787 aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MSA-551R1 dated January 20, 2006. All terms used and not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

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

Boeing and Customer understand that certain information contained in this Letter Agreement, including any attachments hereto, 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/ Anthony J. Hicker

Its Attorney-In-Fact

ACCEPTED AND AGREED TO

Date: March 12, 2007

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]

March 12, 2007

6-1162-MSA-552R5

Continental Airlines, Inc.

1600 Smith Street

Houston, Texas 77002

Subject: Special Matters

Reference: Purchase Agreement No. 2484 (the Purchase Agreement)

between The Boeing Company (Boeing) and Continental

Airlines, Inc. (Customer) relating to Model 787 aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MSA-552R4 dated July 14, 2006. All terms used and not defined in this Letter Agreement have the same meaning as in the Purchase 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]**

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

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

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

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

9. Aircraft Invoices.

Upon Customer request, at the time of Aircraft delivery Boeing agrees to provide a separate invoice addressed to the owner/trustee of such Aircraft specifying the dollar amount to be received at the time of delivery. **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

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

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

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

13. Confidential Treatment.

Boeing and Customer understand that certain information contained in this Letter Agreement, including any attachments hereto, 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/ Anthony J. Hicker

Its Attorney-In-Fact

ACCEPTED AND AGREED TO

Date: March 12, 2007

CONTINENTAL AIRLINES, INC.

By: /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

March 12, 2007

6-1162-MSA-554R3

Continental Airlines, Inc.

1600 Smith Street

Houston, Texas 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. 2484 (the Purchase Agreement)

between The Boeing Company (Boeing) and Continental

Airlines, Inc. (Customer) relating to Model 787 aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MSA-554R2 dated May 3, 2006. All terms used and not defined in this Letter Agreement have the same meaning as in the Purchase 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]**

3. Confidential Treatment.

Boeing and Customer understand that certain information contained in this Letter Agreement, including any attachments hereto, 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/ Anthony J. Hicker

Its Attorney-In-Fact

ACCEPTED AND AGREED TO

Date: March 12, 2007

CONTINENTAL AIRLINES, INC.

By: /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

Attachments

Attachment A to

Model Substitution Letter 6-1162-MSA-554R3

Price

(787-9 / **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** / 2006$s **/ [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT])**

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

Attachment B to

Model Substitution Letter Agreement 6-1162-MSA-554R4

Price

(787-10 / **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** / 2006$s)

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

EXHBIT 31.1

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 19, 2007

/s/ Lawrence W. Kellner

Lawrence W. Kellner

Chairman of the Board and

Chief Executive Officer

EXHIBIT 31.2

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 19, 2007

/s/ Jeffrey J. Misner

Jeffrey J. Misner

Executive Vice President and

Chief Financial Officer

EXHIBIT 32.1

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, 2007 (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 19, 2007

/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