EXCELLENCE THE WORLD OVER

Continental Airlines 2005 Annual Report

2005 Accomplishments

Fly to Win

- Successfully launched service to more than a dozen new international destinations – the largest international expansion in Continental's history
- Reduced distribution costs by focusing on direct bookings. In 2005, sales on continental.com grew 38 percent
- Implemented e-Ticketing with additional carriers

Fund the Future

- Achieved substantially all of the $500 million in annual wage and benefit reductions targeted in late 2004 as part of a $1.6 billion annual cost-cutting and revenue-generating initiative
- Ended 2005 with a record $1.96 billion in unrestricted cash
- Contributed $354 million to employee pension plans
- Successfully raised more than $1.1 billion in the capital markets
- Continued to add winglets to 757-200 and 737-800 aircraft

Make Reliability a Reality

- No. 1 among network peers for fewest cancellations
- No. 1 among network peers for fewest mishandled bags
- No. 1 among network peers for fewest customer complaints
- No. 2 among network peers for best on-time performance

Working Together

- Offered jobs to substantially all furloughed employees and resumed hiring
- Held 15 CEO Exchanges – more than double the number in previous years – with more than 7,000 co-workers in attendance
- Named OAG Airline of the Year for the second year in a row
- Named *Fortune* magazine's America's Most Admired airline as well as the Most Admired global airline

Financial Highlights

(In millions, except per share data)	2005	2004	2003	2002	2001
Operating Revenue	$ 11,208	$ 9,899	$ 9,001	$ 8,511	$ 9,049
Operating Expenses	11,247	10,137	8,813	8,841	8,921
Operating Income (Loss)	(39)	(238)	188	(330)	128
Net Income (Loss)	(68)	(409)	28	(462)	(105)
Diluted Earnings (Loss) per Share	(0.97)	(6.25)	0.41	(7.19)	(1.89)
Cash and Short-Term Investments	2,198	1,669	1,600	1,342	1,132
Total Assets	10,529	10,511	10,620	10,615	9,778
Long-Term Debt and Capital Lease Obligations	5,057	5,167	5,558	5,471	4,448

Operating Statistics

(Mainline jet operations only, excluding regional jets operated by ExpressJet)	2005	2004	2003	2002	2001
Passengers (thousands) [a]	44,939	42,743	40,613	41,777	45,064
Revenue Passenger Miles (millions) [b]	71,261	65,734	59,165	59,349	61,140
Available Seat Miles "ASM" (millions) [c]	89,647	84,672	78,385	80,122	84,485
Passenger Load Factor [d]	79.5%	77.6%	75.5%	74.1%	72.4%
Passenger Revenue per ASM	9.32¢	8.82¢	8.79¢	8.67¢	9.03¢
Operating Cost per ASM	10.22¢	9.84¢	9.53¢	9.63¢	9.34¢
Operating Cost per ASM, excluding special items [e]	10.15¢	9.68¢	9.64¢	9.38¢	9.70¢
Average Price per Gallon of Fuel, including fuel taxes	177.55¢	119.01¢	91.40¢	74.01¢	82.48¢
Fuel Gallons Consumed (millions)	1,376	1,333	1,257	1,296	1,426
Aircraft in Fleet at End of Period [f]	356	349	355	366	352

[a] *Revenue passengers measured by each flight segment flown.*

[b] *The number of scheduled miles flown by revenue passengers.*

[c] *The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.*

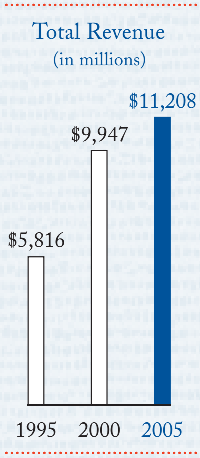
[d] *Revenue passenger miles divided by available seat miles.*

[e] *Excludes the mainline jet portion of special items that impact operating costs. See Note 7 of the Condensed Consolidated Financial Statements for a description of items.*

[f] *Excludes aircraft that were removed from service.*

To Our Co-workers, Customers and Stockholders:

2005 was a turning point for Continental and the U.S. airline industry. It brought hope for the 42,200 employees of Continental, while it brought despair to the employees of many of our network competitors. A combination of record high fuel prices, low domestic fares and rapidly growing low-cost competitors drove both Northwest Airlines and Delta Air Lines into bankruptcy. They joined United Airlines, completing its third year in bankruptcy, and US Airways, which filed for bankruptcy twice before merging with a troubled America West.

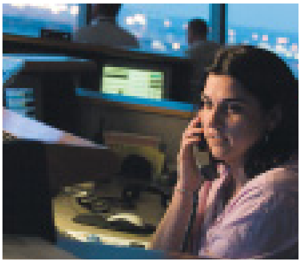


Not wanting to follow in the footsteps of our failing competitors, our co-workers agreed to substantially all of the $500 million in annual wage and benefit reductions that we needed in order to avoid a crisis ourselves. In addition to the annual wage and benefit reductions that we are now implementing, we continue to implement our previously announced $1.1 billion in annual cost-reduction and revenue-generating initiatives. By the end of 2005, we had already achieved over $1.0 billion of those initiatives.

Although our financial performance improved in 2005, and we were able to report two profitable quarters, we ended the year with a $68 million loss, including special items. Our 2005 loss was $205 million, excluding special items. The special items were principally gains on dispositions of a portion of our stock in the parent company of Copa Airlines and in ExpressJet Holdings, which operates Continental Express for us.

With the wage and benefit reductions behind us, our team is focused on returning to profitability. We have incentivized our co-workers to help us return to profitability, and sustain that profitability, with the best profit-sharing program in the industry, as well as stock options, which align employees' interests with one another, as well as with our stockholders.

New York, NY, USA



First Row Left › Right: Tony Verdisco – *Technician*, Mike Sandell – *Technician*, Paula McDonough – *Operations Manager* **Second Row Left › Right:** Darren Henderson – *737 First Officer*, Steve Holbert – *737 Captain*

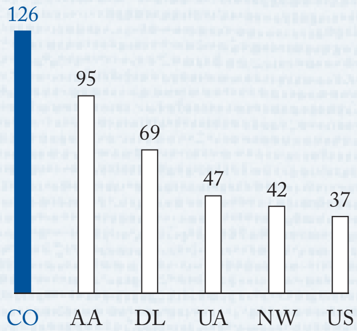
Buenos Aires, Argentina

First Row Left > Right: Gaynail Husdon – *Reservations Electronic Service Support*, Luzminda Villamor – *Chelsea Cold Food Production Associate*
Second Row Left > Right: Joan Reid – *Flight Attendant*, Betty Jo Prior – *Flight Attendant*, Ron M. White – *International Service Manager*, Lee Tarbox – *767 First Officer*, Paul Villery – *767 First Officer*

Go Forward Plan

Our Go Forward Plan continued to guide us in 2005, as it has in the past. It is a straightforward business plan that all our co-workers understand, with clear and measurable goals that we set and communicate every year. Our Go Forward Plan has four cornerstones – Fly to Win (our marketing plan), Fund the Future (our financial plan), Make Reliability a Reality (our product plan) and Working Together (our people plan).

International Destinations
December 2005
(number of international destinations)



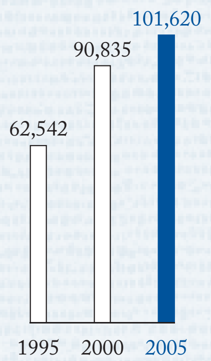
Let's review what we accomplished in 2005, and where we are headed in 2006:

Fly to Win

2005 marked the largest international expansion in Continental's history. But we aren't newcomers to the international scene. We've been growing our international mainline capacity at an average of over 9 percent per year over the past decade, and now have the highest percentage of mainline capacity (45 percent in the fourth quarter of 2005) dedicated to international flying of any U.S. airline. We expect that percentage will continue to increase in the years ahead. In 2005, we launched new service to 14 destinations in 11 countries, including non-stop service between our New York hub at Newark Liberty International Airport and Beijing, China, and Delhi, India. We also started flying between New York and Bristol, Belfast, Berlin, Hamburg and Stockholm, and we launched non-stop service between our Houston hub and Buenos Aires. We've already announced new service beginning in 2006 between our New York hub and Copenhagen, Barcelona and Cologne.

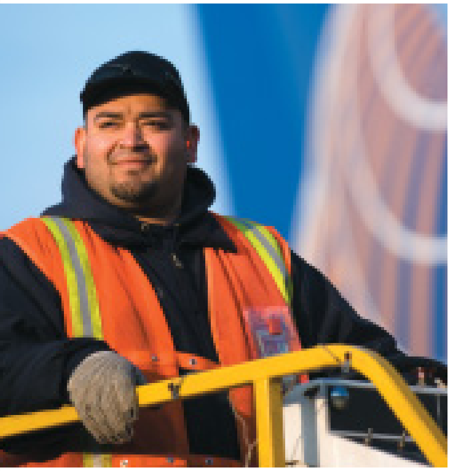
We can grow internationally because we have the right people, the right hub facilities and the right fleet and product mix. Our Global Gateway at Liberty, our new international facility in Houston and the expanded federal inspection and customs stations at both airports permit us to continue to grow our international flying. Moreover, our international fleet of Boeing 757, 767 and 777 aircraft, all of which are equipped to offer Continental's award-winning BusinessFirst product, permits us to match the aircraft with the mission with great precision. By adding winglets to our 757-200 fleet to extend their range, we can serve relatively small markets in Europe non-stop from New York. Our competitors, on the other hand, are forced to use larger and more expensive aircraft in order to make the mission from inland hubs like Atlanta or Chicago. This, coupled with the fact that we are the only network carrier with a full-service hub in the huge New York market, gives us a natural advantage to continue our international growth to Europe.

Consolidated Available Seat Miles
(in millions)



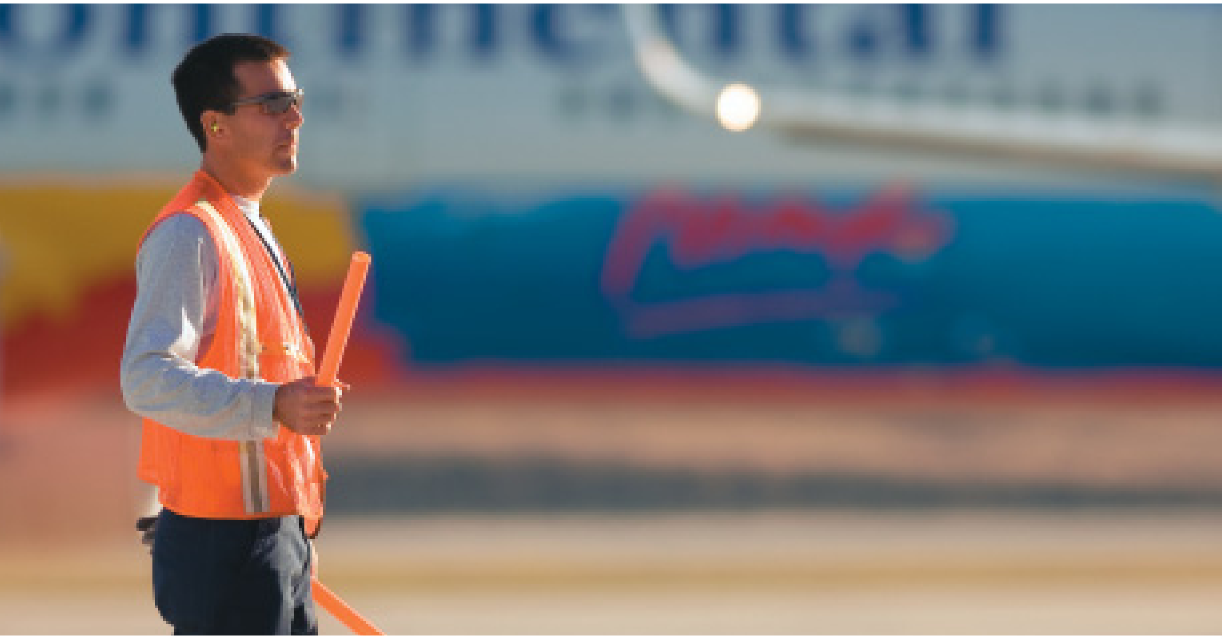
Additionally, we will maintain our domestic network to provide a broad choice of destinations and flights for our customers, as well as to feed our international growth. While the industry's domestic capacity is projected to shrink in 2006, we intend to grow our domestic mainline capacity more than 4 percent, and we expect to grow our consolidated capacity (that is, both domestic and international mainline, and Continental Express) by more than 8 percent. Beyond 2006, we intend to continue to grow our consolidated capacity at a 5 percent to 7 percent rate as we capitalize on our people, product and fleet advantages, as well as our hub geography advantage, in a rapidly changing industry.

Delhi, India



First Row Left >Right: Yashir Cordero – *Customer Service Agent*, Kenya Ross-Elliott – *Flight Attendant* **Second Row Left:** Joe Orenczak – *Customer Service Representative*

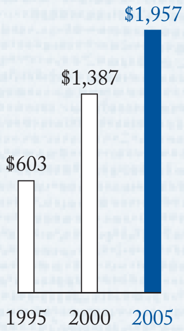
Mexico City, Mexico



First Row Left >Right: Andris Abreu – *Technician*, Wendy Stewart – *Flight Attendant* **Second Row:** Darren Almazan – *Customer Service Agent*

We continue to focus on making our product easy to purchase through any distribution channel our customers prefer, while reducing our distribution costs. Increasingly, our customers are buying their tickets directly from us, with our sales on continental.com growing 38 percent in 2005 to $2.1 billion, and our sales through our internal reservations group growing to $1.1 billion in 2005. We expect sales on continental.com alone to exceed $3 billion for 2006.

Year End Unrestricted Cash and Short-Term Investments
(in millions)



Fund the Future

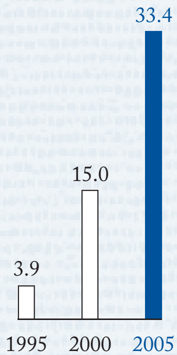
We ended 2005 with a record $1.96 billion in unrestricted cash and short-term investments, and had total cash and short term investments of $2.2 billion. Maintaining adequate liquidity in a time of record high fuel prices (at one point in October 2005, the price of jet fuel exceeded $130 per barrel) and fierce domestic competition is more important than ever.

In 2005, we successfully executed a number of financing transactions to assure we maintained adequate cash balances. In April, we raised $75 million by pre-selling OnePass miles to Chase as part of our co-branded credit card program with them. We borrowed $350 million in June, secured by the assets of our subsidiary, Continental Micronesia. In October, we sold 18 million shares of our common stock, raising $203 million. Finally, in December, we sold 9 million of our 21 million shares of the parent company of Copa Airlines for $172 million.

Unlike many of our competitors, we have lived up to the promise of retirement security that we made to our co-workers. In 2005, we contributed $354 million to our pension plans. We know how important a secure future is to our co-workers, and we remain committed to fulfilling the promises we've made, even in these hard times.

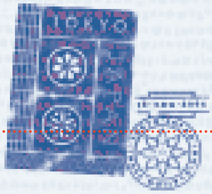
We also added to our fleet to accommodate our growth and the changing market. In 2005, we took delivery of seven Boeing 737-800 aircraft and six Boeing 757-300 aircraft. We are using the high-capacity, low-cost 757-300 on our high-demand, low-fare domestic routes to compete more effectively with low-cost carriers. Those aircraft free up winglet-equipped longer-range Boeing 757-200 aircraft for use in new European markets from our New York hub. We are retrofitting the BusinessFirst cabin of our 757-200 aircraft with the latest digital in-flight entertainment systems and 110-volt power ports for computers and other personal electronic devices. We expect to take delivery of six more Boeing 737-800s and two more Boeing 757-300 aircraft in 2006.

Young Fleet is Fuel Efficient
(percent growth in ASMs per fuel gallon vs. 1994)



We now have blended winglets on over half of our 132 Boeing 737-700 and -800 aircraft, and on 15 of our 41 Boeing 757-200 aircraft. Winglets increase the fuel efficiency of those aircraft by up to 5 percent, providing additional range.

Tokyo, Japan



First Row Left >Right: Shige Komatsu – *Customer Service Representative,* Miguel Belecazar Rodriguez – *Chelsea Transportation Agent*

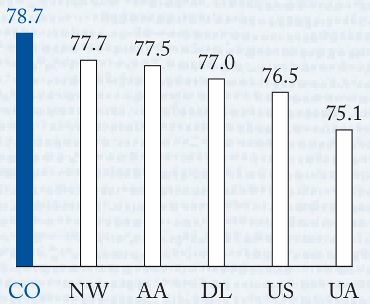
Paris, France

First Row Left >Right: Amanda Saenz – *Flight Attendant*, Julio Reyes – *Flight Attendant* **Second Row:** Michael Carrington – *Lead Cargo Sales Agent*

Make Reliability a Reality

Although 2005 brought some of the most devastating and disruptive weather we have ever faced, we still delivered solid operational performance for our customers. We had 100 zero-flight cancellation days in 2005, meaning that we completed every one of our more than 1,000 daily mainline flights 100 times without a single cancellation. Our DOT mainline segment completion factor for the year was 99.1 percent. This performance is even more impressive, given that we suffered three hurricanes affecting our primary markets during 2005, including one that closed our entire Houston hub for 36 hours. We couldn't be prouder of how our co-workers rallied together to continue to run our operations in the face of, and following, the hurricanes, and to bring relief to the areas affected by those storms.

On-time Performance
January 1996–December 2005 Average
(percentage)



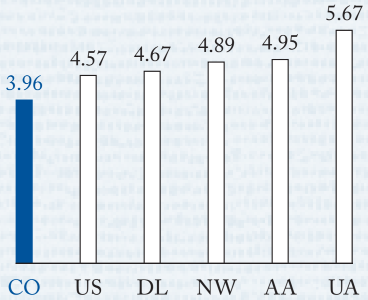
Derived from D.O.T. Air Travel Consumer Reports

Our on-time performance for 2005 was solid as well. We achieved a 76.9 percent DOT on-time arrival rate for the year. We continue to do well what we do every day — get our passengers where they want to go, safely, on time and with their bags.

We've made it so easy to check in for a flight online that on some days almost half of our domestic customers at our hubs in New York, Houston and Cleveland are checking in online, and more and more international customers are discovering the convenience of online check-in as well. Once checked in online, customers with bags to check can conveniently do so at our hubs with specially designated eService bag drop kiosks and be quickly on their way. For customers who prefer to check in at a kiosk at the airport, we now have over 1,000 kiosks, located at almost every airport we serve. We are also implementing highly advanced voice recognition software so that customers calling our reservations or OnePass numbers can conduct their business faster and more accurately, and at a lower cost to us.

We are also a leader in interline eTicketing, which permits our customers to travel on multiple airlines on the same itinerary, while checking their luggage through to their final destination, all with the convenience of an eTicket. We now have interline eTicketing with 42 carriers, including all of our SkyTeam partners, and will continue to increase that number during 2006. We expect to completely eliminate paper tickets well before the year-end 2007 mandate of the International Air Transport Association. The elimination of paper tickets and the infrastructure necessary to support them will save us significant costs, as well as bring greater convenience to our customers.

Mishandled Baggage
January 1996–December 2005 Average
(per 1,000 passengers)



Derived from D.O.T. Air Travel Consumer Reports

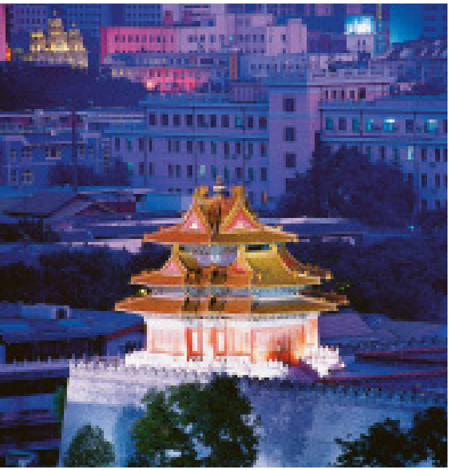
Working Together

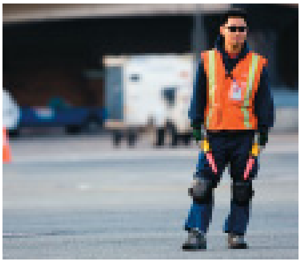
2005 demonstrated just how strong our culture of Working Together really is. Faced with a choice of doing what was needed to avert a crisis, or following in the footsteps of our failing competitors, our employees worked together and agreed to the wage and benefit reductions and work rule changes we needed. Their actions,

London, England

First Row Left >Right: Carlton Hicks – *Hub Customer Service Supervisor*, Darla Ramby – *Customer Service Agent* **Second Row:** Ivan Vargas – *Chelsea Transportation Agent*

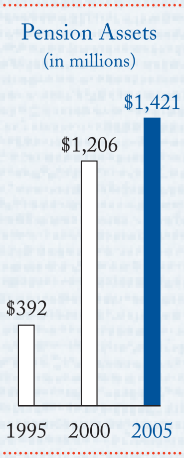
Beijing, China





First Row Left >Right: Tashi Dorjee – *Customer Service Agent*,
Denise Bright – *777 First Officer*

and the faith that they showed in each other and in the company, permitted us to survive, grow and move again toward profitability. We are now growing, while most of our competitors are shrinking. We are now hiring, while many of our competitors are furloughing. We are now growing our cash balance, while many of our competitors are burning cash at alarming rates. We are now focused on returning to profitability and expanding the opportunities for all of our employees, while many of our competitors are focused on bankers, lawyers and judges.

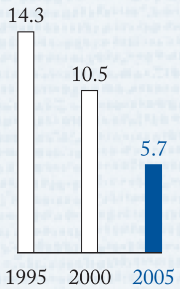


We achieved the needed pay and benefit reductions without the rancor that is occurring at our competitors, and without any service interruptions to our customers. In fact, our service continues to be ranked as the best in the business. In 2005, Continental won "Airline of the Year" and "Best Airline Based in North America" at the 2005 OAG Airline of the Year Awards for the second consecutive year, and "Best Executive/Business Class" for the third consecutive year. In its 2005 survey of airline industry leaders and analysts, FORTUNE magazine named Continental the No. 1 Most Admired Global Airline on its 2006 list of Most Admired Global Companies for the third straight year.

And our co-workers will share in our future success. Not only did we issue stock options to our co-workers who took pay and benefit cuts, but we also implemented the best profit-sharing program in the airline industry. We firmly believe that we all should win together or we will lose together — and we intend to win.

We also continued our on-time bonus program and our perfect attendance program during 2005, because they work. Our business depends on having employees who enjoy coming to work every day, who are proud of the job they do and who trust each other and management. Our culture of open and honest communication, treating each other with dignity and respect, and working together, is the magic that has gotten us through these difficult times, and will help us build a more secure future.

Distribution Costs
(percentage of passenger revenue)



Commissions, booking fees, credit card fees and other distribution costs divided by Consolidated Passenger Revenue

In Summary

We remain a focused, disciplined and nimble company. We are an aggressive competitor, with the best people and the best product in the industry. We will never lose our focus on the basics of our business, and the key to our success — delivering clean, safe and reliable air transportation, and offering the product that people want and are willing to pay for, delivered by employees who enjoy coming to work and working together.

2005 has proven to be the turning point we expected it to be when we wrote you last year. We have substantially achieved a cost structure that we believe will allow us to compete, and be successful, in the rapidly restructuring industry environment. Our people, our product and our assets continue to deliver a unit revenue premium compared to our competitors. Unlike our failing or failed competitors, we are excited about 2006 and the future. So, we once again ask you to stick with us as we stick with our plan.

Houston, TX, USA

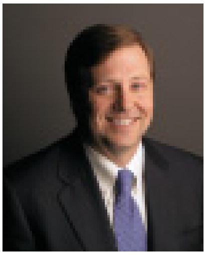
"We fly all around the world. We always come home to Houston."

Larry Kellner
Chairman and Chief Executive Officer

Jeff Smisek
President

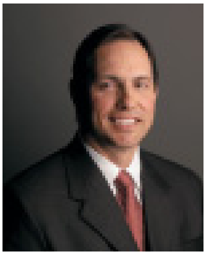
Senior Officers

Continental's senior management team has worked together for more than a decade through the airline's turnaround; the aftermath of September 11, 2001; and today's economic challenges. Together they hold more than 232 years of Continental experience.

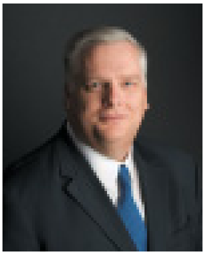


Jim Compton*
Executive
Vice President
Marketing
11 years

Jeff Misner*
Executive
Vice President
and Chief
Financial Officer
11 years

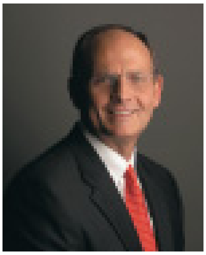


Mark Moran*
Executive
Vice President
Operations
12 years



Mike Bonds
Senior
Vice President
Human Resources
and Labor Relations
11 years

Rebecca Cox
Senior
Vice President
Government Affairs
17 years

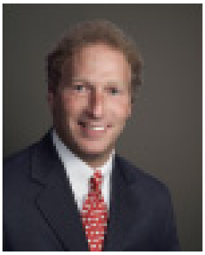


Mark Erwin
Senior
Vice President
Asia/Pacific
and Corporate
Development
30 years

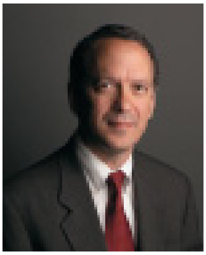
David Grizzle
Senior
Vice President
Customer
Experience
20 years

* *Designated as an executive officer of Continental*

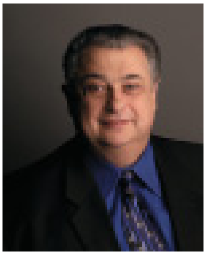
Senior Officers



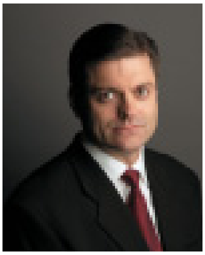
Dave Hilfman
Senior
Vice President
Sales
19 years



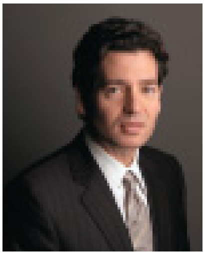
Gerry Laderman
Senior
Vice President
Finance and
Treasurer
17 years



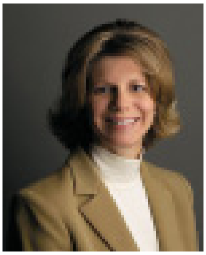
Dante Marzetta
Senior
Vice President
Technical Operations
and Purchasing
12 years



Bill Meehan
Senior
Vice President
Airport Services
22 years

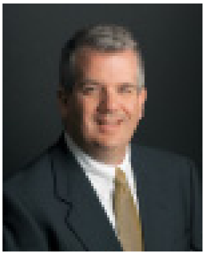


Holden Shannon
Senior
Vice President
Global Real Estate
and Security
11 years



Jennifer Vogel*
Senior
Vice President,
General Counsel,
Secretary and
Corporate
Compliance Officer
11 years

Ned Walker
Senior
Vice President
Worldwide
Corporate
Communications
19 years



Chris Kenny
Vice President
and Controller
9 years

* *Designated as an executive officer of Continental*

Board of Directors

Thomas J. Barrack, Jr. [b] [c]* [e]*
Chairman and Chief Executive Officer
Colony Capital, LLC

Kirbyjon H. Caldwell [b] [c]
Senior Pastor
The Windsor Village
United Methodist Church

Larry Kellner [d] [e]
Chairman and Chief Executive Officer
Continental Airlines, Inc.

Douglas H. McCorkindale [e]
Chairman
Gannett Co., Inc.

Henry L. Meyer III [a] [e]
Chairman, President and
Chief Executive Officer
KeyCorp

Oscar Munoz [a]
Executive Vice President and
Chief Financial Officer
CSX Corporation

George G. C. Parker [a]* [d]
Dean Witter Distinguished Professor
of Finance and Management,
Graduate School of Business,
Stanford University

Jeff Smisek [d]
President
Continental Airlines, Inc.

Karen Hastie Williams [d]*
Senior Counsel
Crowell & Moring LLP

Ronald B. Woodard [a] [b] [d]
Chairman
MagnaDrive Corporation

Charles A. Yamarone [b]* [c]
Executive Vice President
Libra Securities, LLC

(a) *Audit Committee*
(b) *Human Resources Committee*
(c) *Corporate Governance Committee*
(d) *Finance Committee*
(e) *Executive Committee*

(*) *Committee Chair*

Management's Discussion and Analysis

This discussion and analysis, as well as the financial statements and notes that follow, have been condensed from the full discussion and analysis and financial statements and notes included in our Form 10-K, as amended, for the year ended December 31, 2005 and our proxy statement for our 2006 annual stockholders' meeting.

Continental Airlines, Inc. is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. We are the world's sixth largest airline (as measured by the number of scheduled miles flown by revenue passengers, known as revenue passenger miles, in 2005). Together with ExpressJet Airlines, Inc. (operating as Continental Express and referred to as "ExpressJet"), a wholly-owned subsidiary of ExpressJet Holdings, Inc. ("Holdings"), from which we purchase seat capacity, and our wholly-owned subsidiary, Continental Micronesia, Inc. ("CMI"), we operate more than 2,500 daily departures. As of December 31, 2005, we flew to 132 domestic and 126 international destinations and offered additional connecting service through alliances with domestic and foreign carriers. We directly served 23 European cities, nine South American cities, Tel Aviv, Delhi, Hong Kong, Beijing and Tokyo as of December 31, 2005. In addition, we provide service to more destinations in Mexico and Central America than any other U.S. airline, serving 41 cities. Through our Guam hub, CMI provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier.

General information about us, including our Corporate Governance Guidelines and the charters for the committees of our Board of Directors, can be found at *http://www.continental.com/company/investor*. Our Board of Directors has adopted a code of ethics entitled "Principles of Conduct," which applies to all of our employees, officers and directors. Our board has also adopted a separate "Directors' Code of Ethics" for our directors. Copies of these codes can be found at *http://www.continental.com/company/investor*. Copies of our charters and codes are available in print to any stockholder who requests them. Written requests for such copies may be directed to our Secretary at Continental Airlines, Inc., P.O. Box 4607, Houston, Texas 77210-4607. 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 and exhibits 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 U.S. Securities and Exchange Commission. Information on our website is not incorporated into our annual report on Form 10-K or our other securities filings and is not a part of them.

This Annual Report contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. For examples of those risks and uncertainties, see the cautionary statements contained in our annual report on

Form 10-K for the year ended December 31, 2005 and our other security filings, including, with respect to the Form 10-K, the risk factors set forth in Item 1A. “Risk Factors – Risk Factors Relating to the Company” and “Risk Factors – Risk Factors Relating to the Airline Industry.” Also, in our annual report on Form 10-K, see Item 1. “Business” and Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Overview – Summary of Principal Risk Factors” for a discussion of trends and factors affecting us and our industry. 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.

Results of Operations

We recorded a net loss of $68 million for the year ended December 31, 2005, as compared to a net loss of $409 million and a net income of $28 million for the years ended December 31, 2004 and 2003, respectively. Our results for each of the last three years have been affected by a number of special items which are not necessarily indicative of our core operations or our future prospects, and impact comparability between years. These special items are discussed below. We would have incurred significant losses in 2005 and 2003 without the special items.

Primarily due to record-high fuel prices and the continued competitive domestic fare environment, the current U.S. domestic network carrier financial environment continues to be poor and could deteriorate further. During the third quarter of 2005, Hurricane Katrina and Hurricane Rita caused widespread disruption to oil production, refinery operations and pipeline capacity along certain portions of the U.S. Gulf Coast. As a result of these disruptions, the price of jet fuel increased significantly and the availability of jet fuel supplies was diminished. Additionally, Hurricane Rita forced us to suspend service for 36 hours at our largest hub, Houston’s Bush Intercontinental Airport, costing us an estimated $25 million.

As of December 31, 2005, we had $2.2 billion in consolidated cash, cash equivalents and short-term investments. At December 31, 2005, we had $241 million of restricted cash. We believe that under current conditions, absent adverse factors outside of our control, such as additional terrorist attacks, hostilities involving the United States, or further significant increases in jet fuel prices, our existing liquidity and projected 2006 cash flows will be sufficient to fund current operations and other financial obligations through 2006. Although we have significant financial obligations due in 2007, we also believe that under current conditions and absent adverse factors outside of our control, such as those described above, our projected 2007 cash flows from operations and access to capital markets will provide us with sufficient liquidity to fund our operations and meet our other obligations through the end of 2007.

Special Items. The comparability of our financial results between years is affected by a number of special items. Our results for each of the last three years included the following special items (in millions):

	Pre Tax Income (Expense)
2005	
Gain on sale of Copa Holdings, S.A. shares	$ 106
Gain on dispositions of ExpressJet stock	98
Pension curtailment/settlement charges	(83)
Reserve reduction on grounded aircraft	16
	$ 137
2004	
MD-80 aircraft retirement charges and other	$ (87)
Termination of United Micronesia Development Association Service Agreement	(34)
Frequent flyer reward redemption cost adjustment	(18)
	$ (139)
2003	
Security fee reimbursement	$ 176
Gain on dispositions of ExpressJet stock	173
Gain on Hotwire and Orbitz investments	132
MD-80 aircraft retirement and impairment charges	(86)
Revenue adjustment for change in expected redemption of frequent flyer mileage credits sold	24
Boeing 737 aircraft delivery deferral	(14)
	$ 405

Comparison of 2005 to 2004

Passenger revenue increased 13.2%, primarily due to higher traffic and capacity in all geographic regions, higher fares on international flights and more regional flying. Consolidated revenue passenger miles for 2005 increased 9.6% year-over-year on a capacity increase of 6.9%, which produced a consolidated load factor for 2005 of 78.9%, up 2.0 points over 2004. Consolidated yield increased 3.2% year-over-year. Consolidated revenue per available seat mile ("RASM") for 2005 increased 5.9% over 2004 due to higher load factor and yield. The improved RASM reflects recent fuel-driven fare increases and our efforts to manage the revenue associated with the emerging trend of customers booking closer to flight dates, an improved mix of local versus flow traffic and our efforts to reduce discounting. Cargo, mail and other revenue increased 13.5% in 2005 compared to 2004 primarily due to increases in revenue associated with sales of mileage credits in our OnePass frequent flyer program, passenger change fees and increases in freight fuel surcharges.

Wages, salaries and related costs decreased 6.0% primarily due to pay and benefit reductions and work rule changes, partially offset by a slight increase in the average number of employees. Aircraft fuel and related taxes increased 53.9% due to a significant rise in fuel prices, combined with an increase in flight activity. The average jet fuel price per gallon including related taxes increased 49.2% from $1.19 in 2004 to $1.78 in 2005. The impact of jet fuel prices in 2004 was partially offset by $74 million of gains from our fuel hedging activities. We had no fuel hedges in place during 2005. Payments made under our capacity purchase agreement are reported in ExpressJet capacity purchase, net. ExpressJet capacity purchase, net includes all of ExpressJet's fuel expense plus a margin on ExpressJet's fuel expense up to a cap provided in the capacity purchase agreement 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. The net expense was higher in 2005 than 2004 due to increased flight activity at ExpressJet, a larger fleet and increased fuel prices, offset in part by lower rates effective January 1, 2005 under the capacity purchase agreement. Aircraft rentals increased due to new mainline and regional aircraft delivered in 2005. Landing fees and other rentals were higher primarily due to the completion of our new international Terminal E and related facilities at Bush Intercontinental. Distribution costs increased primarily due to higher credit card fees and reservation costs related to the increase in revenue. Maintenance, materials and repairs increased primarily due to higher contractual repair rates associated with a maturing fleet. The lower depreciation and amortization in 2005 resulted from discontinued depreciation related to the permanent grounding of MD-80 aircraft in 2003 and 2004. Other operating expenses increased primarily due to higher number of international flights which resulted in increased air navigation, ground handling, security and related expenses. In 2005, we recorded special charges of $67 million which consisted primarily of a curtailment charge of $43 million related to the freezing of the portion of our defined benefit pension plan attributable to pilots, a $40 million settlement charge related to lump-sum distributions from the pilot pension plans, and a $16 million reversal of a portion of our reserve for exit costs related to permanently grounded aircraft. In 2004, we recorded special charges of $121 million. Included in these charges were $87 million associated with future obligations for rent and return conditions related to 16 leased MD-80 aircraft which were permanently grounded and a non-cash charge of $34 million related to the termination of a 1993 service agreement with United Micronesia Development Association. In the fourth quarter of 2004, we recorded a change in expected future costs for frequent flyer reward redemptions on alliance carriers, resulting in a one-time increase to other operating expenses of $18 million.

Nonoperating expense decreased $182 million in 2005 compared to 2004 primarily due to gains of $98 million in 2005 related to the contribution of 12.1 million shares of Holdings common stock to our primary defined benefit pension plan and a $106 million gain related to the sale of a portion of our investment in Copa Holdings, S.A. ("Copa"), the parent of Copa Airlines. Beginning in the first quarter of 2004, due to our continued losses, we concluded that we were required to provide a valuation allowance for deferred tax assets because we had determined that it was more likely than not that such deferred tax assets would ultimately not be realized. As a result, our 2005 losses and the majority of our 2004 losses were not reduced by any tax benefit.

Comparison of 2004 to 2003

The deconsolidation of Holdings from our financial statements effective November 12, 2003, more fully described in the notes to our condensed consolidated financial statements, impacts the comparability of our results to those of prior years.

Passenger revenue increased during 2004 as compared to 2003, due to higher traffic and capacity in all geographic regions combined with the negative impact of the hostilities in Iraq and SARS on the prior year results. However, in spite of the increase in load factors, the continuing erosion of fares in the domestic and Caribbean markets resulted in a decrease in yields for 2004 compared to 2003. Wages, salaries and related costs decreased $237 million largely due to the impact of deconsolidating Holdings, which was offset by an increase in the average number of employees, primarily due to increased flight activity, and higher wage rates. Aircraft fuel and related taxes increased due to a significant rise in fuel prices, combined with an increase in flight activity. The average jet fuel price per gallon including related taxes increased 30.2% from 91.40 cents in 2003 to 119.01 cents in 2004. The impact of higher jet fuel prices in 2004 was partially offset by $74 million of gains from our fuel hedging activities. Such gains were immaterial in 2003. In 2004, obligations under our capacity purchase agreement are reported as ExpressJet capacity purchase, net. In addition to the obligations for the purchased capacity, ExpressJet capacity purchase, net also includes ExpressJet's fuel expense in excess of the cap provided in the capacity purchase agreement and a related fuel purchase agreement (71.2 cents per gallon, including fuel taxes) and is net of our rental income on aircraft we lease to ExpressJet. In 2003 (through November 12), intercompany transactions between us and Holdings or ExpressJet under the capacity purchase agreement were eliminated in the consolidated financial statements. The actual obligations under the capacity purchase agreement were higher in 2004 than in 2003 due to ExpressJet's larger fleet and a 23.6% increase in regional available seat miles. Our effective tax rates differ from the federal statutory rate of 35% primarily due to increases in the valuation allowance, certain expenses that are not deductible for federal income tax purposes, state income taxes and the accrual in 2003 of income tax expense on our share of Holdings' net income. Due to our continued losses, we were required to provide a valuation allowance on the deferred tax assets recorded on losses beginning in the first quarter of 2004. As a result, the majority of our 2004 losses were not reduced by any tax benefit.

Condensed Consolidated Statements of Operations

(In millions, except per share data)	YEAR ENDED DECEMBER 31, 2005	2004	2003
Operating Revenue:			
Passenger (excluding fees and taxes of $1,176, $1,046 and $904)	$ 10,235	$ 9,042	$ 8,179
Cargo, mail and other	973	857	822
	11,208	9,899	9,001
Operating Expenses:			
Wages, salaries and related costs	2,649	2,819	3,056
Aircraft fuel and related taxes	2,443	1,587	1,319
ExpressJet capacity purchase, net	1,572	1,351	153
Aircraft rentals	928	891	896
Landing fees and other rentals	708	654	632
Distribution costs	588	552	525
Maintenance, materials and repairs	455	414	509
Depreciation and amortization	389	415	447
Passenger servicing	332	306	297
Security fee reimbursement	–	–	(176)
Special charges	67	121	100
Other	1,116	1,027	1,055
	11,247	10,137	8,813
Operating Income (Loss)	(39)	(238)	188
Nonoperating Income (Expense):			
Interest expense, net	(326)	(346)	(350)
Income from affiliates	90	118	40
Gain on sale of Copa Holdings, S.A. shares	106	–	–
Gain on dispositions of ExpressJet Holdings shares	98	–	173
Other, net	3	17	135
	(29)	(211)	(2)
Income (Loss) before Income Taxes and Minority Interest	(68)	(449)	186
Income Tax Benefit (Expense)	–	40	(109)
Minority Interest	–	–	(49)
Net Income (Loss)	$ (68)	$ (409)	$ 28
Earnings (Loss) per Share:			
Basic	$ (0.96)	$ (6.19)	$ 0.43
Diluted	$ (0.97)	$ (6.25)	$ 0.41
Shares Used for Computation:			
Basic	70.3	66.1	65.4
Diluted	70.3	66.1	65.6

Condensed Consolidated Balance Sheets

	December 31,	
(In millions)	2005	2004
ASSETS		
Current Assets:		
Unrestricted cash, cash equivalents and short-term investments	$ 1,957	$ 1,458
Restricted cash	241	211
Accounts receivable, net of allowance for doubtful receivables of $15 and $22	515	472
Spare parts and supplies, net of allowance for obsolescence of $95 and $93	201	214
Prepayments and other	513	469
Total Current Assets	3,427	2,824
Property and Equipment, net	6,086	6,314
Routes and Airport Operating Rights, net	617	851
Other assets, net	399	522
Total Assets	$ 10,529	$ 10,511
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt and capital leases	$ 546	$ 670
Accounts payable	846	766
Air traffic and frequent flyer liability	1,475	1,157
Accrued payroll	234	281
Accrued other liabilities	298	251
Total Current Liabilities	3,399	3,125
Long-Term Debt and Capital Leases	5,057	5,167
Deferred Income Taxes	154	378
Accrued Pension Liability	1,078	1,132
Other	615	554
Commitments and Contingencies		
Stockholders' Equity:		
Class B common stock	1	1
Additional paid-in capital	1,635	1,408
Retained earnings	406	474
Accumulated other comprehensive loss	(675)	(587)
Treasury stock, at cost	(1,141)	(1,141)
Total Stockholders' Equity	226	155
Total Liabilities and Stockholders' Equity	$ 10,529	$ 10,511

Condensed Consolidated Statements of Cash Flows

(In millions)	YEAR ENDED DECEMBER 31, 2005	2004	2003
Cash Flows from Operating Activities:			
Net income (loss)	$ (68)	$ (409)	$ 28
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Deferred income taxes	–	(40)	96
Depreciation and amortization	389	415	447
Special charges	67	121	100
Gains on dispositions of investments	(204)	–	(305)
Undistributed equity in the income of affiliates	(62)	(66)	(23)
Other, net	(18)	(73)	(36)
Changes in operating assets and liabilities:	353	425	35
Net cash provided by operating activities	457	373	342
Cash Flows from Investing Activities:			
Capital expenditures	(185)	(162)	(205)
Purchase deposits (paid) refunded in connection with aircraft deliveries, net	(3)	111	52
Sale of short-term investments, net	46	34	35
Proceeds from sale of Copa Holdings, S.A, net.	172	–	–
Proceeds from sales of ExpressJet Holdings, net	–	–	134
Proceeds from sales of Internet-related investments	–	98	76
Proceeds from sales of property and equipment	53	16	16
Increase in restricted cash, net	(30)	(41)	(108)
Other	(2)	(3)	53
Net cash provided by investing activities	51	53	53
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt, net	436	67	559
Payments on long-term debt and capital lease obligations	(662)	(447)	(549)
Proceeds from issuance of common stock, net	227	5	5
Other	36	11	–
Net cash (used in) provided by financing activities	37	(364)	15
Impact on cash of ExpressJet deconsolidation	–	–	(225)
Net Increase in Cash and Cash Equivalents	545	62	185
Cash and Cash Equivalents – Beginning of Period	1,178	1,116	931
Cash and Cash Equivalents – End of Period	$ 1,723	$ 1,178	$ 1,116

Condensed Consolidated Statements of Cash Flows (continued)

(In millions)	YEAR ENDED DECEMBER 31, 2005	2004	2003
Supplemental Cash Flows Information:			
Interest paid	$ 385	$ 372	$ 374
Income taxes paid (refunded)	$ 2	$ (4)	$ 13
Investing and Financing Activities Not Affecting Cash:			
Property and equipment acquired through the issuance of debt	$ –	$ 226	$ 120
Capital lease obligations incurred	$ 1	$ 1	$ 22
Contribution of ExpressJet Holdings stock to pension plan	$ 130	$ –	$ 100

Notes to Condensed Consolidated Financial Statements

NOTE 1. BASIS OF PRESENTATION

The Company follows accounting principles generally accepted in the United States. Certain of the principles involve selections among alternatives and choices of methods, which are described in the notes to the Company's audited consolidated financial statements included in the Proxy Statement for the 2006 Annual Meeting of Stockholders' (Proxy Statement).

The accompanying condensed consolidated financial information and the notes below are a summary of those contained in the Company's audited consolidated financial statements included in the Proxy Statement.

NOTE 2. LONG-TERM DEBT

Long-term debt as of December 31 is summarized as follows (in millions):

	2005	2004
SECURED		
Notes payable, interest rates of 5.0% to 8.5%, payable through 2019	$ 2,832	$ 3,147
Floating rate notes, interest rates of LIBOR plus 0.45% to 7.5%; payable through 2016	1,684	1,435
Other	79	17
UNSECURED		
Convertible junior subordinated debentures, interest rate of 6.0%, payable in 2030	248	248
Convertible notes, interest rate of 4.5%, payable in 2007	200	200
Senior notes payable, interest rate of 8.0%, payable in 2005	–	195
Convertible notes, interest rate of 5.0%, callable beginning in 2010	175	175
Other	112	120
	5,330	5,537
Less: current maturities	524	642
Total	$ 4,806	$ 4,895

Maturities of long-term debt due over the next five years are as follows (in millions):

Year ending December 31,	
2006	$ 524
2007	937
2008	632
2009	460
2010	602

Substantially all of our property and equipment, spare parts inventory, certain routes, and the outstanding common stock and substantially all of the other assets of our wholly-owned subsidiaries Air Micronesia, Inc. ("AMI") and CMI are subject to agreements securing our indebtedness. We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade.

In June 2005, we and our two wholly-owned subsidiaries, AMI and CMI, closed on a $350 million secured loan facility. AMI and CMI have unconditionally guaranteed the loan made to us, and we and AMI have unconditionally guaranteed the loan made to CMI. The facility consists of two loans, both of which have a term of six years and are non-amortizing, except for certain mandatory prepayments described below. The loans accrue interest at a floating rate determined by reference to the three-month London Interbank Offered Rate, known as LIBOR, plus 5.375% per annum. The loans and guarantees are secured by certain of our U.S.-Asia routes and related assets, all of the outstanding common stock of AMI and CMI and substantially all of the other assets of AMI and CMI, including route authorities and related assets. The loan documents require us to maintain a minimum balance of unrestricted cash and short-term investments of $1.0 billion dollars at the end of each month. The loans may become due and payable immediately if we fail to maintain the monthly minimum cash balance and upon the occurrence of other customary events of default under the loan documents. If we fail to maintain a minimum balance of unrestricted cash and short-term investments of $1.125 billion, we and CMI will be required to make a mandatory aggregate $50 million prepayment of the loans. In addition, if the ratio of the outstanding loan balance to the value of the collateral securing the loans, as determined by periodic appraisals, is greater than 48%, we and CMI will be required to post additional collateral or prepay the loans to reestablish a loan-to-collateral value ratio of not greater than 48%. We are currently in compliance with these covenants.

Convertible Debt Securities. In November 2000, Continental Airlines Finance Trust II, a Delaware statutory business trust (the "Trust") of which we own all the common trust securities, completed a private placement of five million 6% Convertible Preferred Securities, Term Income Deferrable Equity Securities or "TIDES." The TIDES have a liquidation value of $50 per preferred security and are convertible at any time at the option of the holder into shares of common stock at a conversion rate of $60 per share of common stock (equivalent to approximately 0.8333 share of common stock for each preferred security). Distributions on the preferred securities are payable by the Trust at an annual rate of 6% of the liquidation value of $50 per preferred security. The sole assets of the trust are 6% Convertible Junior Subordinated Debentures ("Convertible Subordinated Debentures") with an aggregate principal amount of $248 million as of December 31, 2005 issued by us and which mature on November 15, 2030.

The $200 million of 4.5% convertible notes due February 1, 2007 are convertible into our common stock at an initial conversion price of $40 per share. The notes are redeemable at our option at specified redemption prices.

The $175 million of 5% Convertible Notes due 2023 are convertible into our common stock at an initial conversion price of $20 per share, subject to certain conditions on conversion. The notes are redeemable for cash at our option on or after June 18, 2010 at par plus accrued and unpaid interest, if any. Holders of the notes may require us to repurchase the notes on June 15 of 2010, 2013 or 2018, or in the event of certain changes in control at par plus accrued and unpaid interest, if any.

NOTE 3. LEASES

We lease certain aircraft and other assets under long-term lease arrangements. Other leased assets include real property, airport and terminal facilities, maintenance facilities, training centers and general offices. Most aircraft leases include both renewal options and purchase options. The purchase options are generally effective at the end of the lease term at the then-current fair market value. Our leases do not include residual value guarantees. At December 31, 2005, the scheduled future minimum lease payments under capital leases and the scheduled future minimum lease rental payments required under operating leases, that have initial or remaining noncancelable lease terms in excess of one year, are as follows (in millions):

		Operating Leases	
(Year ending December 31,)	Capital Leases	Aircraft	Non-aircraft
2006	$ 39	$ 1,003	$ 429
2007	40	966	400
2008	46	955	377
2009	16	910	374
2010	16	924	364
Later years	457	6,310	4,987
Total minimum lease payments	614	$ 11,068	$ 6,931
Less: amount representing interest	341		
Present value of capital leases	273		
Less: current maturities of capital leases	22		
Long-term capital leases	$ 251		

At December 31, 2005, we had 482 aircraft under operating leases and three aircraft under capital leases, including aircraft subleased to ExpressJet. These operating leases have remaining lease terms ranging up to 19 years. Projected sublease income to be received from ExpressJet through 2022, not included in the above table, is approximately $3.0 billion.

NOTE 4. STOCK PLANS AND AWARDS

Stock Options. The table below summarizes stock option transactions pursuant to our plans (share data in thousands):

	2005		2004		2003	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of year	6,175	$ 17.10	6,469	$ 17.86	6,871	$ 18.28
Granted	8,648	$ 11.91	729	$ 11.99	296	$ 15.00
Exercised	(1,178)	$ 15.52	(181)	$ 14.62	(306)	$ 15.62
Cancelled	(935)	$ 19.12	(842)	$ 19.10	(392)	$ 24.82
Outstanding at end of year	12,710	$ 13.57	6,175	$ 17.10	6,469	$ 17.86
Options exercisable at end of year	3,896	$ 17.17	4,837	$ 17.91	5,018	$ 18.27

Employee Stock Purchase Plan. All of our employees (including CMI employees) are eligible to participate in the 2004 Employee Stock Purchase Plan. At the end of each fiscal quarter, participants may purchase shares of our common stock at a discount of 15% off the fair market value of the stock on either the first day or the last day of the quarter (whichever is lower), subject to a minimum purchase price of $10 per share. This discount is reduced to zero as the fair market value approaches $10 per share. If the fair market value is below the $10 per share minimum price on the last day of a quarter, then the participants will not be permitted to purchase common stock for such quarterly purchase period and we will refund to those participants the amount of their unused payroll deductions. In the aggregate, 3,000,000 shares may be purchased under the plan. These shares may be originally issued shares, treasury shares or a combination thereof. During 2005 and 2004, 573,848 shares and 249,160 shares, respectively, of common stock were issued to participants at a weighted-average purchase price of $10.06 and $10.00 per share, respectively.

NOTE 5. EMPLOYEE BENEFIT PLANS

We have defined benefit pension and defined contribution (including 401(k) savings) plans. Substantially all of our domestic employees are covered by one or more of these plans. The benefits under our defined benefit pension plans are based on years of service and an employee's final average compensation. Our pension obligations are measured as of December 31 of each year.

Defined Benefit Pension Plans. Under the new collective bargaining agreement with our pilots ratified on March 30, 2005, which we refer to as the "pilot agreement," future defined benefit accruals for pilots ceased and retirement benefits accruing in the future are provided through two new pilot-only defined contribution plans. As required by the pilot agreement, defined benefit pension assets and obligations related to pilots in our primary defined benefit pension plan (covering substantially all U.S. employees other than Chelsea Food Services ("Chelsea") and CMI employees) were spun out into a separate pilot-only defined benefit pension plan, which we refer to as the "pilot defined benefit pension plan." Subsequently, on May 31, 2005, future benefit accruals for pilots ceased and the pilot defined benefit pension plan was "frozen." As of that freeze date, all existing accrued benefits for pilots (including the right to receive a lump sum payment upon retirement) were preserved in the pilot defined benefit pension plan. Accruals for non-pilot employees under our primary defined benefit pension plan continue.

The following table sets forth the defined benefit pension plans' change in projected benefit obligation at December 31 (in millions):

	2005	2004
Accumulated benefit obligation	$ 2,494	$ 2,412
Projected benefit obligation at beginning of year	$ 2,863	$ 2,362
Service cost	86	151
Interest cost	151	152
Plan amendments	7	(6)
Actuarial losses	105	310
Benefits paid	(310)	(113)
Plan curtailment	(272)	–
Other	–	7
Projected benefit obligation at end of year	$ 2,630	$ 2,863

The following table sets forth the defined benefit pension plans' change in the fair value of plan assets at December 31 (in millions):

	2005	2004
Fair value of plan assets at beginning of year	$ 1,281	$ 1,280
Actual gain on plan assets	69	113
Employer contributions	381	1
Benefits paid	(310)	(113)
Fair value of plan assets at end of year	$ 1,421	$ 1,281

The following actuarial assumptions were used to determine the actuarial present value of our projected benefit obligation at December 31:

	2005	2004
Weighted average assumed discount rate	5.68%	5.75%
Weighted average rate of compensation increase	2.25%	3.0%

NOTE 6. INCOME TAXES

For financial reporting purposes, income tax benefits recorded on losses result in deferred tax assets for financial reporting purposes. We are required to provide a valuation allowance for deferred tax assets to the extent management determines that it is more likely than not that such deferred tax assets will ultimately not be realized. Due to our continued losses, we were required to provide a valuation allowance on deferred tax assets beginning in the first quarter of 2004. As a result, all of our 2005 losses and the majority of our 2004 losses were not reduced by any tax benefit. Furthermore, we expect to be required to provide additional valuation allowance in conjunction with deferred tax assets recorded on losses in the future.

At December 31, 2005, we had estimated tax NOLs of $4.1 billion for federal income tax purposes that will expire beginning in 2006 through 2025.

During 2005, we entered into a final settlement agreement with the Internal Revenue Service ("IRS") resolving all matters raised by the IRS during its examination of our federal income tax returns through the year ended December 31, 1999. As a result of the settlement with the IRS and the associated deferred tax account reconciliation, deferred tax liabilities and long-term assets (primarily routes and airport operating rights, which values were established upon our emergence from bankruptcy in April 1993) were reduced by $215 million to reflect the ultimate resolution of tax uncertainties existing at the point we emerged from bankruptcy. The composition of the individual elements of deferred taxes recorded on the balance sheet was also adjusted; however, the net effect of these changes was entirely offset by an increase in the deferred tax valuation allowance due to our prior determination that it is more likely than not that our net deferred tax assets will ultimately not be realized. The settlement did not have a material impact on our results of operations, financial condition or liquidity.

NOTE 7. SPECIAL ITEMS

In 2005, we recorded special charges of $67 million. In the first quarter of 2005, we recorded a $43 million non-cash curtailment charge relating to the freezing of the portion of our defined benefit pension plan attributable to pilots. In the third and fourth quarters of 2005, we recorded non-cash settlement charges totaling $40 million related to lump sum distributions from our pilot defined benefit pension plans to pilots who retired. Also in 2005, we reduced our allowance for future lease payments and return conditions related to permanently grounded aircraft by $16 million following negotiated settlements with the aircraft lessors in an improved aircraft market. In December 2005, we completed the sale of 9.1 million shares of common stock in the initial public offering ("IPO") of Copa. The sale decreased our percentage ownership in Copa from 49% to 27%, resulting in a $17 million decrease in the associated goodwill balance. We received $172 million cash from the sale and recognized a gain of $106 million. On January 6, 2005, we contributed 6.0 million shares of Holdings common stock to our defined benefit pension plan. We recognized a gain of $51 million in the first quarter of 2005 related to this transaction. On April 7, 2005, we contributed an additional 6.1 million shares of Holdings common stock to our defined benefit pension plan. We recognized a gain of $47 million in the second quarter of 2005 related to this transaction.

In 2004, we recorded special charges of $87 million primarily associated with future obligations for rent and return conditions related to 16 leased MD-80 aircraft that were permanently grounded during the period. Our last two active MD-80 aircraft were permanently grounded in January 2005. We also recorded a non-cash charge of $34 million related to the termination of a 1993 service agreement with United Micronesia Development Association in the first quarter of 2004.

In 2003, we recorded fleet impairment losses and other special charges of $100 million. In the first quarter of 2003, we recorded fleet impairment losses and the special charges of $65 million. This charge includes a $44 million additional impairment of our fleet of owned MD-80s, which was initially determined to be impaired and written down to then current fair value in 2002. The remainder of the charge consisted primarily of the write-down to market value of spare parts inventory for permanently grounded fleets. The charge reflected the impact of the war in Iraq and the resulting deterioration of the already weak revenue environment for the U.S. airline industry. These write-downs were necessary because the fair market values of the MD-80 and spare parts inventory had declined as a result of the difficult financial environment and further reductions in capacity by U.S. airlines. In the second quarter of 2003, we recorded a special charge of $14 million relating to the deferral of aircraft deliveries. In December 2003, we determined five previously grounded leased MD-80 aircraft to be permanently grounded and recorded a charge of $21 million associated with future obligations for rent and return conditions, net of estimated sublease income, on those aircraft.

In May 2003, we received and recognized in earnings $176 million in cash from the United States government pursuant to the Emergency Wartime Supplemental Appropriations Act enacted in April 2003. This amount is reimbursement for our proportional share of passenger security and air carrier security fees paid or collected by U.S. air carriers as of the date of enactment of the law, together with other items.

During the third quarter of 2003, we sold approximately 9.8 million shares of our Holdings common stock to Holdings, reducing our ownership interest in Holdings from 53.1% to 44.6%. In a subsequent transaction in the third quarter of 2003, we contributed approximately 7.4 million shares of Holdings common stock to our defined benefit pension plan, further reducing our ownership of Holdings to below 31%. We recognized gains totaling $173 million in 2003 as a result of these transactions.

On December 19, 2003, we sold approximately 28% of our investment in Orbitz in connection with its IPO, reducing our interest in Orbitz from approximately 13% to 9%, for proceeds of $34 million, net of underwriting discount. Subsequent to the IPO in 2003, we accounted for our investment in Orbitz in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." We designated the remaining investment as a "trading security," based on our intention to dispose of the securities of Orbitz that we owned. Therefore, the remaining investment was carried at its fair value, with changes in the fair value reported in our statement of operations. In November 2003, we sold all of our investment in Hotwire, Inc. for $42 million in cash. The resulting gains from all these Orbitz and Hotwire transactions, net of related compensation expense was $132 million in 2003.

NOTE 8. INVESTMENT IN EXPRESSJET AND REGIONAL CAPACITY PURCHASE AGREEMENT

Investment in ExpressJet. As of December 31, 2005, we owned 4.7 million shares of Holdings common stock which represented an 8.6% interest in Holdings. We do not currently intend to remain a stockholder of Holdings over the long term. Subject to market conditions, we intend to sell or otherwise dispose of all of our shares of Holdings common stock in the future.

We continue to consolidate Holdings because, under FIN 46, we were the primary beneficiary until November 12, 2003, when, as a result of sales of Holdings shares to unrelated parties by our defined benefit pension plan, the combined amount of Holdings common stock owned by us and our defined benefit pension plan fell below 41%, the point at which we no longer were the primary beneficiary under FIN 46. Therefore, in accordance with FIN 46, we deconsolidated Holdings as of November 12, 2003 and began to account for our interest in Holdings using the equity method of accounting. As a result, after deconsolidation, we continue to record the related passenger revenue and related expenses, with payments under the capacity purchase agreement reflected as a separate operating expense. Prior to November 12, 2003, expenses under the capacity purchase agreement were eliminated in consolidation and the portion of Holdings' net income attributable to the equity of Holdings that we did not own was reported as minority interest in our consolidated statement of operations. After deconsolidation, nonoperating income has increased due to our equity in Holdings' earnings and earnings under our tax sharing agreement with Holdings. Additionally, after deconsolidation, we no longer record minority interest on either our balance sheet or statement of operations.

Capacity Purchase Agreement with ExpressJet. Under our capacity purchase agreement (the "agreement"), ExpressJet currently flies all of its aircraft (which consist entirely of regional jet aircraft) on our behalf, and we handle scheduling, ticket prices and seat inventories for these flights. In exchange for ExpressJet's operation of the flights and performance of other obligations under the agreement, we pay them 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 passenger ticket processing expenses.

Under the agreement, we pay ExpressJet a base fee for each scheduled block hour based on a formula that was in place through December 31, 2005. The formula was designed to provide ExpressJet with an operating margin of approximately 10% before taking into account variations in some costs and expenses that are generally controllable by them, the most significant of which is wages, salaries and benefits. In addition, ExpressJet's prevailing margin, which is the operating margin excluding certain revenues and costs as specified in the agreement, will be capped at 10% before certain incentive payments. Pursuant to the terms of the agreement, the block hour rate portion of the compensation we pay to ExpressJet is re-negotiated annually.

In December 2005, we gave notice to ExpressJet that we would withdraw 69 of the 274 regional jet aircraft (including 2006 deliveries) from the capacity purchase agreement because we believe the rates charged by ExpressJet for regional capacity are above the current market. While our discussions with ExpressJet continue, we have requested proposals from numerous regional jet operators to provide regional jet service to replace the withdrawn capacity. Any transition of service from ExpressJet to a new operator would begin in January 2007 and be completed during the summer of 2007. Under our agreement with ExpressJet, once we have given notice of withdrawal of aircraft from the agreement, ExpressJet will have the option to decide, within nine months of that notice, to (1) fly any of the withdrawn aircraft 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 arrangement with us that prohibits ExpressJet during the term of the agreement from flying under its or another carrier's code in or out of our hub airports), (2) fly any of the withdrawn aircraft under ExpressJet's own flight designator code, subject to its ability to obtain facilities and subject to ExpressJet's arrangement with us respecting our hubs, or (3) decline to fly any of the withdrawn aircraft, return the aircraft to us and cancel the related subleases with us. If ExpressJet elects to retain the aircraft, the implicit interest rate used to calculate the scheduled lease payments under our aircraft subleases with ExpressJet will automatically increase by 200 basis points to compensate us for our continued participation in ExpressJet's lease financing arrangements. Should ExpressJet retain the withdrawn aircraft, we anticipate that the new operator will supply any aircraft needed for its operations for us. So long as we are ExpressJet's largest customer, if ExpressJet enters into an agreement with another major airline (as defined in the agreement) to provide regional airline services on a capacity purchase or other similar economic basis for ten or more aircraft on terms and conditions that are in the aggregate less favorable to ExpressJet than the terms and conditions of the capacity purchase agreement, we will be entitled to amend our capacity purchase agreement to conform the economic terms and conditions of the capacity purchase agreement to the economic terms and conditions of the agreement with the other major airline.

The agreement currently expires on December 31, 2010 but allows us to terminate the agreement at any time after December 31, 2006 upon 12 months' notice, or at any time without notice for cause (as defined in the agreement). We may also terminate the agreement at any time upon a material breach by ExpressJet that does not constitute cause and continues for 90 days after notice of such breach, or without notice or opportunity to cure if we determine that there is a material safety concern with ExpressJet's flight operations. We have the option to extend the term of the agreement with 24 months' notice for up to four additional five-year terms through December 31, 2030.

NOTE 9. SEGMENT REPORTING

Information concerning operating revenue by principal geographic area for the year ended December 31 is as follows (in millions):

	2005	2004	2003
Domestic (U.S.)	$ 6,914	$ 6,570	$ 6,181
Atlantic	1,993	1,489	1,203
Latin America	1,427	1,139	1,050
Pacific	874	701	567
	$ 11,208	$ 9,899	$ 9,001

NOTE 10. COMMITMENTS AND CONTINGENCIES

Purchase Commitments. We have substantial commitments for capital expenditures, including the acquisition of new aircraft and related spare engines. As of December 31, 2005, we had firm commitments for 52 new aircraft from Boeing, with an estimated cost of $2.5 billion, and options to purchase 30 additional Boeing aircraft. We are scheduled to take delivery of six new 737-800 aircraft in 2006, with delivery of the remaining 46 new Boeing aircraft occurring from 2007 through 2011. In addition, we are scheduled to take delivery of two used 757-300 aircraft in 2006 under operating leases.

We have backstop financing for six 737-800 aircraft to be delivered in 2006 and two 777-200ER aircraft to be delivered in 2007. By virtue of these agreements, we have financing available for all Boeing aircraft scheduled to be delivered through 2007. However, we do not have backstop financing or any other financing currently in place for the remainder of the aircraft. 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 the aircraft on order or other related capital expenditures, or for our capital expenditures in general.

As of December 31, 2005, ExpressJet had firm commitments for the final eight regional jets currently on order from Embraer with an estimated cost of approximately $0.2 billion. ExpressJet currently anticipates taking delivery of these regional jets in 2006. ExpressJet does not have an obligation to take any of these firm Embraer aircraft that are not financed by a third party and leased to either ExpressJet or us. Under the capacity purchase agreement between us and ExpressJet, we have agreed to lease as lessee and sublease to ExpressJet the regional jets that are subject to ExpressJet's firm purchase commitments. In addition, under the capacity purchase agreement with ExpressJet, we generally are obligated to purchase all of the capacity provided by these new aircraft as they are delivered to ExpressJet.

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. These bonds, issued by various municipalities and other governmental entities, 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.

Credit Card Processing Agreement. Our bank-issued credit 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 affiliates, adjusted for special items) to fixed charges (interest and aircraft rentals) ratio of 0.9 to 1.0 through June 30, 2006 and 1.1 to 1.0 thereafter. 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 of .27 to 1.0 through June 30, 2006 and .29 to 1.0 thereafter. The agreement also requires that we must maintain a debt rating of at least Caa3 as rated by Moody's or 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 $330 million 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 such facility.

Employees. As of December 31, 2005, we had approximately 42,200 employees, or 39,530 full-time equivalent employees, consisting of approximately 16,895 customer service agents, reservations agents, ramp and other airport personnel, 8,570 flight attendants, 5,925 management and clerical employees, 4,420 pilots, 3,610 mechanics and 110 dispatchers. While there can be no assurance that our generally good labor relations and high labor productivity will continue, we have established as a significant component of our business strategy the preservation of good relations with our employees, approximately 44% of whom are represented by unions.

Legal Proceedings. We and/or certain of our subsidiaries are defendants in various other lawsuits, including suits relating to certain environmental claims, and proceedings arising in the normal course of business. Although the outcome of these lawsuits and proceedings cannot be predicted with certainty and could have a material adverse effect on our results of operations, financial condition or liquidity, it is our opinion, after consulting with outside counsel, that the ultimate disposition of such suits will not have a material adverse effect on our results of operations, financial condition or liquidity.

Report of Independent Registered Public Accounting Firm

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Continental Airlines, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of operations, common stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005 (not presented separately herein) and in our report dated February 24, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

Houston, Texas
February 24, 2006

Aircraft in Service at December 31, 2005

Aircraft Type	Total Aircraft	Owned	Leased	Firm Orders	Seats in Standard Configuration	Average Age (In Years)
787-8	–	–	–	10	TBD	–
777-200ER	18	6	12	2	283	6.4
767-400ER	16	14	2	–	235	4.3
767-200ER	10	9	1	–	174	4.8
757-300	13	9	4	4	222	3.1
757-200	41	13	28	–	172	8.9
737-900	12	8	4	3	167	4.3
737-800	99	26	73	22	155	4.8
737-700	36	12	24	15	124	7.0
737-500	63	15	48	–	114	9.7
737-300	48	15	33	–	124	19.2
Mainline jets	356	127	229	56		8.3
ERJ-145XR	96	–	96	8	50	2.0
ERJ-145	140	18	122	–	50	5.6
ERJ-135	30	–	30	–	37	5.3
Regional jets	266	18	248	8		4.3
Total	622	145	477	64		6.6

Non-GAAP Financial Measures Reconciliation

For the non-GAAP financial measures included in this Annual Report, we have included the following reconciliation to GAAP information.

Mainline Operations	2005	2004	2003	2002	2001
Operating Cost per Available Seat Mile (cents)	10.22	9.84	9.53	9.63	9.34
Adjustments (cents per available seat mile):					
Less: Fleet impairment and other special charges	(0.07)	(0.16)	(0.11)	(0.25)	(0.14)
Add: Security fee reimbursement	–	–	0.22	–	–
Add: Stabilization Act grant	–	–	–	–	0.50
Operating Cost per Available Seat Mile, excluding special items (cents) [a]	10.15	9.68	9.64	9.38	9.70

	2005
Net loss, as reported	$ (68)
Adjustments (net of income taxes):	
Less: Gain on sale of Copa Holdings, S.A. shares	106
Less: Gain on disposition of ExpressJet stock	98
Add: Pension curtailment/settlement charges	(83)
Less: Reserve reduction on grounded aircraft	16
Net loss, excluding special items [a]	$ (205)

[a] *The financial measures provide management and investors the ability to measure and monitor Continental's performance on a more consistent basis.*

Stockholder Information

Headquarters

Continental Airlines, Inc.
1600 Smith Street
Houston, TX 77002
(713) 324-5000

Investor Information

To obtain a Form 10-K or other financial information, visit the company's Web site at: continental.com/company or write:
Investor Relations
Continental Airlines, Inc.
P.O. Box 4607
Houston, TX 77210-4607

Transfer Agent and Registrar

Mellon Investor Services LLC
480 Washington Boulevard
Jersey City, NJ 07310-1900
Attn: Shareholder Services
melloninvestor.com/isd
(888) 711-6201

Independent Auditors

Ernst & Young LLP
5 Houston Center
1401 McKinney
Houston, TX 77010

NYSE Corporate Governance Matters

Our Chief Executive Officer, as required under Section 303A.12(a) of the New York Stock Exchange (NYSE) Listed Company Manual, must certify to the NYSE each year whether or not he is aware of any violation by the company of NYSE Corporate Governance listing standards as of the date of the certification. On July 12, 2005, our Chief Executive Officer submitted such a certification to the NYSE which stated that he was not aware of any violation by Continental of the NYSE Corporate Governance listing standards. On February 28, 2006, Continental filed its 2005 Form 10-K with the SEC, which included as Exhibits 31.1 and 31.2 the Chief Executive Officer and Chief Financial Officer certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

Stockholder Information

Common Stock

Our common stock trades on the New York Stock Exchange under the symbol CAL. The table below shows the high and low sales prices for our common stock as reported in the consolidated transaction reporting system during 2005 and 2004.

2005	HIGH	LOW
4th Quarter	$ 21.97	$ 9.62
3rd Quarter	$ 16.60	$ 9.03
2nd Quarter	$ 15.60	$ 11.08
1st Quarter	$ 14.19	$ 8.50

2004	HIGH	LOW
4th Quarter	$ 14.01	$ 7.63
3rd Quarter	$ 11.68	$ 7.80
2nd Quarter	$ 13.93	$ 9.05
1st Quarter	$ 18.70	$ 10.85

As of February 24, 2006, there were approximately 20,594 holders of record of our common stock. We have paid no cash dividends on our common stock and have no current intention of doing so. Under our agreement with the union representing our pilots, we have agreed that we will not declare a cash dividend or repurchase our outstanding common stock for cash until we have contributed at least $500 million to the pilots' defined benefit plan, measured from March 30, 2005. Through December 31, 2005, we had made $112 million of such contributions to that plan.

Our certificate of incorporation provides that no shares of capital stock may be voted by or at the direction of persons who are not United States citizens unless the shares are registered on a separate stock record. Our bylaws further provide that no shares will be registered on the separate stock record if the amount so registered would exceed United States foreign ownership restrictions. United States law currently limits the voting power in us (and other U.S. airlines) of persons who are not citizens of the United States to 25%.

Continental Airlines®

SKYTEAM®

Work Hard. Fly Right.®