# DELTA AIR LINES INC /DE/

## FORM 10-K405

(Annual Report (Regulation S-K, item 405))

Filed 09/27/99 for the Period Ending 06/30/99

| | |
|---|---|
| Address | HARTSFIELD ATLANTA INTL AIRPORT<br>1030 DELTA BLVD<br>ATLANTA, GA 30354-1989 |
| Telephone | 4047152600 |
| CIK | 0000027904 |
| Symbol | DAL |
| SIC Code | 4512 - Air Transportation, Scheduled |
| Industry | Airline |
| Sector | Transportation |
| Fiscal Year | 12/31 |

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| Sector | Transportation |
| Fiscal Year | 12/31 |

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-K

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 1999

OR

**[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

*Commission file number 1-5424*

# DELTA AIR LINES, INC.
(Exact name of registrant as specified in its charter)

| Delaware | 58-0218548 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| Hartsfield Atlanta International Airport<br>Post Office Box 20706<br>Atlanta, Georgia | 30320 |
| (Address of principal executive offices) | (Zip code) |

Registrant's telephone number, including area code: (404) 715-2600

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, par value $1.50 per share | New York Stock Exchange |
| Preferred Stock Purchase Rights | New York Stock Exchange |
| 8 1/8% Notes Due July 1, 2039 | New York Stock Exchange |

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark whether the 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of August 31, 1999, was approximately $7,038,312,000. As of August 31, 1999, 138,756,756 shares of the registrant's common stock were outstanding.

**Documents Incorporated By Reference**

Parts I and II of this Form 10-K incorporate by reference certain information from the registrant's 1999 Annual Report to Shareowners. Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement dated September 24, 1999, for its Annual Meeting of Shareowners to be held on October 28, 1999.

# PART I

## ITEM 1. BUSINESS

### General Description

Delta Air Lines, Inc. ("Delta" or the "Company") is a major air carrier that provides scheduled air transportation for passengers, freight and mail throughout the United States and around the world. Based on calendar 1998 data, Delta is the largest United States airline in terms of aircraft departures and passengers enplaned, and the third largest United States airline as measured by operating revenues and revenue passenger miles flown. As of August 1, 1999, Delta (including its wholly owned subsidiary, Atlantic Southeast Airlines, Inc.) served 184 domestic cities in 44 states, the District of Columbia, Puerto Rico and the United States Virgin Islands, as well as 42 cities in 29 foreign countries.

An important characteristic of Delta's domestic route system is its four hub airports in Atlanta, Cincinnati, Dallas-Fort Worth and Salt Lake City. Each of these hub operations includes Delta flights that gather and distribute traffic from markets in the geographic region surrounding the hub to other major cities and to other Delta hubs. These hubs also provide connecting passengers with access to Delta's international gateway at New York's Kennedy Airport and its Pacific gateway in Portland, Oregon.

Delta conducts operations in various foreign countries. Operating revenues from the Company's international operations were approximately $2.64 billion, $2.64 billion and $2.57 billion in the years ended June 30, 1999, 1998 and 1997, respectively.

For the year ended June 30, 1999, passenger revenues accounted for 91% of Delta's operating revenues. Cargo revenues, which include freight and mail, accounted for 4% of Delta's operating revenues, and other sources accounted for 5% of the Company's operating revenues.

Delta's operating results for any interim period are not necessarily indicative of operating results for an entire year because of seasonal variations in the demand for air travel. In general, demand for air travel is higher in the June and September quarters, particularly in international markets, because there is more vacation travel during these periods than during the remainder of the year. Demand for air travel is also affected by factors such as economic conditions and fare levels.

Delta is managed as a single business unit. For additional information on this subject, see Note 13 of the Notes to the Consolidated Financial Statements on page 54 of Delta's 1999 Annual Report to Shareowners.

Delta is incorporated under the laws of the State of Delaware. Its principal executive offices are located at Hartsfield Atlanta International Airport, Atlanta, Georgia 30320, and its telephone number is (404) 715-2600.

**Regulatory Environment**

While the United States Department of Transportation (the "DOT") and the Federal Aviation Administration (the "FAA") exercise regulatory authority over air carriers under the Federal Aviation Act of 1958, as amended (the "Act"), most domestic economic regulation of passenger and freight services was eliminated pursuant to the Airline Deregulation Act of 1978 and other statutes amending the Act. The DOT has jurisdiction over international tariffs and pricing; international routes; computer reservations systems; disabled passenger transportation; and certain economic and consumer protection matters such as advertising, denied boarding compensation, baggage liability and smoking aboard aircraft. The FAA regulates flying operations generally, including control of navigable air space, flight personnel, aircraft certification and maintenance, and other matters affecting air safety. The United States Department of Justice has jurisdiction over airline competition matters, including mergers and acquisitions.

Any air carrier which the DOT finds "fit" to operate is given unrestricted authority to operate domestic air transportation (including the carriage of passengers and cargo). Authority to operate international routes continues to be regulated by the DOT and by the foreign governments involved. International route awards are also subject to the approval of the President of the United States for conformance with national defense and foreign policy objectives.

The economic deregulation of the industry permits unfettered competition with respect to domestic routes, services, fares and rates, and Delta faces significant competition on its routes. Except for constraints imposed by the Act's Essential Air Service provisions, which are applicable to certain small communities, airlines may terminate service to a city without restriction.

On April 6, 1998, the DOT published a proposed statement of enforcement policy to address DOT concerns that major carriers are taking actions designed to exclude new carriers in certain airline markets, particularly at hub airports. Information on this subject is set forth under "Governmental Matters" on page 33 of Delta's 1999 Annual Report to Shareowners, and is incorporated herein by reference.

The FAA has implemented a number of requirements which are incorporated into Delta's maintenance programs. These matters relate to, among other things, inspection and maintenance of aging aircraft, and corrosion control.

Delta is also subject to various other federal, state, local and foreign laws and regulations. The United States Postal Service has authority over certain aspects of the transportation of mail, and rates for the carriage of domestic mail are determined through negotiations or competitive bidding. The Communications Act of 1934, as amended, governs Delta's use and operation of radio facilities. Labor relations in the airline industry are generally governed by the Railway Labor Act. Environmental matters (including noise pollution) are regulated by various federal, state and local governmental entities.

**Fares and Rates**

Airlines are permitted to set domestic ticket prices without governmental regulation, and the industry is characterized by substantial price competition. International fares and rates are subject to the jurisdiction of the DOT and governments of the foreign countries involved. Most international markets are characterized by significant price competition and substantial commissions, overrides and discounts to travel agents, brokers and wholesalers.

Delta's system passenger mile yield remained virtually flat in fiscal 1999 compared to fiscal 1998. The Company's domestic passenger mile yield increased 1% due to the full-year effect of a domestic fare increase implemented in September 1997 and improved asset utilization, partially offset by increased low-fare competition and matching sale fares implemented by a competitor after its pilot strike. Delta's international passenger mile yield decreased 6% as a result of increased competitive pressures due to industry-wide capacity growth in the Atlantic and Latin American markets.

Delta expects that low-fare competition will continue in domestic and international markets. If price reductions are not offset by increases in traffic or changes in the mix of traffic that improve the passenger mile yield, Delta's operating results will be adversely affected.

**Competition and Route Authority**

All domestic routes served by Delta are subject to competition from both new and existing carriers, and service over virtually all of Delta's domestic routes is highly competitive. On most of its principal domestic routes, the Company competes with at least one, and usually more than one, major airline. Delta also competes with regional and national carriers, all-cargo carriers, charter airlines and, particularly on its shorter routes, with surface transportation. Service over most of Delta's international routes is also highly competitive.

Certain major United States airlines have established marketing alliances with each other. These include the alliances between Continental Airlines, Inc. and Northwest Airlines, Inc., and between American Airlines, Inc. and US Airways, Inc. Delta and United Air Lines, Inc. began reciprocal frequent flyer program participation on September 1, 1998 (see "Frequent Flyer Program" on pages 9-10 of this Form 10-K for additional information on this subject), but have discontinued discussions to establish code-sharing arrangements between the two airlines.

International alliances between domestic and foreign carriers, such as the marketing and code-sharing arrangements between Northwest Airlines, Inc. and KLM-Royal Dutch Airlines, and among United Air Lines, Inc., Lufthansa German Airlines, Scandinavian Airline Systems and certain other foreign airlines, have significantly increased competition in international markets. Through code-sharing arrangements with United States carriers, foreign carriers have obtained access to interior United States passenger traffic. Similarly, United States carriers have increased their ability to sell international transportation such as transatlantic services to and beyond European cities.

On June 22, 1999, Delta and Air France entered into a long-term marketing agreement which will include code-sharing arrangements, reciprocal frequent flyer programs and coordinated cargo operations. Aeromexico recently announced that it will join this alliance, which will compete with other international alliances.

Delta's flight operations are authorized by certificates of public convenience and necessity and, to a limited extent, by exemptions issued by the DOT. The requisite approvals of other governments for international operations are provided by bilateral agreements with, or permits issued by, foreign countries. Because international air transportation is governed by bilateral or other agreements between the United States and the foreign country or countries involved, changes in United States or foreign government aviation policies could result in the alteration or termination of such agreements, diminish the value of Delta's international route authorities or otherwise affect Delta's international operations. Bilateral agreements between the United States and various foreign countries served by Delta are subject to renegotiation from time to time.

Certain of Delta's international route authorities are subject to periodic renewal requirements. Delta requests extension of these authorities when and as appropriate. While the DOT usually renews temporary authorities on routes where the authorized carrier is providing a reasonable level of service, there is no assurance of this result. Dormant authority may not be renewed in some cases, especially where another United States carrier indicates a willingness to provide service.

**Code-Sharing**

Delta has entered into marketing agreements with certain foreign carriers to maintain or improve Delta's access to international markets. Under these code-sharing arrangements, Delta and the foreign carriers publish their respective airline designator codes on a single flight operation, thereby allowing Delta and the foreign carrier to provide joint service with one aircraft rather than operating separate services with two aircraft.

Many of Delta's international code-sharing arrangements operate in discrete international city pairs. Delta purchases seats that are marketed under Delta's "DL" designator code and sells seats that are marketed under the foreign carrier's two-letter designator code pursuant to these code-sharing arrangements.

**Airport Access**

Operations at four major United States and certain foreign airports served by Delta are regulated by governmental entities through "slot" allocations. Each slot represents the authorization to land at or take off from the particular airport during a specified time period. In the United States, the FAA regulates slot allocations at Kennedy Airport in New York, La Guardia Airport in New York, Ronald Reagan National Airport in Washington, D. C., and O'Hare International Airport in Chicago. Delta's operations at those four airports generally require slot allocations. Certain foreign airports also have slot allocations.

Delta currently has sufficient slot authorizations to operate its existing flights, and has generally been able to obtain slots to expand its operations and to change its schedules. There is no assurance, however, that Delta will be able to obtain slots for these purposes in the future because, among other reasons, slot allocations are subject to changes in governmental policies.

**Delta Express**

Delta Express is the Company's low-fare, leisure-oriented operation which provides service from certain cities in the Northeast and Midwest to Orlando and four other Florida destinations. On October 1, 1996, Delta Express initiated service, operating a fleet of 12 737-200 aircraft with 62 daily departures to 13 cities. Since that time, Delta Express has expanded its operations and currently operates a fleet of 37 737-200 aircraft with 168 daily flights to 22 cities.

**Delta Shuttle**

The Delta Shuttle is the Company's high-frequency specialty product providing service targeted to the Northeast business traveler. It provides hourly service between New York's LaGuardia Marine Terminal and each of Washington, D.C.'s Ronald Reagan National Airport and Boston's Logan International Airport. Effective June 1, 1999, the Delta Shuttle began nonstop service between Boston and Washington, D.C.

**The Delta Connection Program**

During fiscal 1999, Delta acquired ASA Holdings, Inc., the parent of Atlantic Southeast Airlines, Inc. ("ASA"). As a result of this acquisition, ASA became a wholly owned subsidiary of Delta. ASA operates in the Southeast through Atlanta and in the Southwest through Dallas-Fort Worth. It uses Delta's "DL" code on its flights and exchanges connecting traffic with Delta.

Delta has marketing agreements with four other regional carriers that use Delta's "DL" code on some or all of their flights, and also exchange connecting traffic with Delta. These carriers are Business Express, Inc., Comair, Inc. ("Comair"), SkyWest Airlines, Inc. ("SkyWest") and Trans States Airlines. At June 30, 1999, Delta held equity interests in

Comair Holdings, Inc. (the parent of Comair) and SkyWest, Inc. (the parent of SkyWest) of 22% and 13%, respectively.

In September 1999, Delta entered into an agreement with Atlantic Coast Airlines Holdings, Inc. ("ACA") under which a new business unit of ACA will operate regional jet aircraft as a Delta Connection carrier.

**Computer Reservation System Partnership**

Delta owns 40% of WORLDSPAN, L.P. ("WORLDSPAN"), a Delaware limited partnership which operates and markets a computer reservation system ("CRS") and related systems for the travel industry. Northwest Airlines, Inc., and Trans World Airlines, Inc. own 34% and 26%, respectively, of WORLDSPAN.

CRS services are used primarily by travel agents to book airline, hotel, car rental and other travel reservations and issue airline tickets. CRS services are provided by several companies in the United States and worldwide. In the United States, other CRS competitors are SABRE (owned primarily by AMR Corporation), Galileo International, Inc. (owned by United Air Lines, Inc., US Airways, Inc. and certain foreign carriers) and AMADEUS (owned by Continental Airlines, Inc., and certain foreign carriers). CRS vendors are subject to regulations promulgated by the DOT and certain foreign governments.

The CRS industry is highly competitive. Delta believes that, based on the number of travel agents in the United States using a CRS, WORLDSPAN ranks third, behind SABRE and Galileo International, Inc. in market share among travel agents in the United States.

**Fuel**

Delta's results of operations could be significantly impacted by changes in the price and availability of jet fuel. The following table shows Delta's jet fuel consumption and costs for fiscal years 1995-1999.

| Fiscal Year | Gallons Consumed (Millions) | Cost (Millions) | Average Price Per Gallon | Percent of Operating Expenses* |
|---|---|---|---|---|
| 1995 | 2,533 | $1,370 | 54.09(cents) | 12% |
| 1996 | 2,500 | 1,464 | 58.53 | 13 |
| 1997 | 2,599 | 1,722 | 66.23 | 14 |
| 1998 | 2,664 | 1,507 | 56.54 | 12 |
| 1999 | 2,730 | 1,360 | 49.83 | 11 |

* Excludes restructuring and other non-recurring charges.

Aircraft fuel expense decreased 10% in fiscal 1999 compared to fiscal 1998, with the average fuel price per gallon falling 12% to 49.83(cents). Total gallons consumed increased 2% due to increased operations on a 3% rise in capacity.

Changes in jet fuel prices have industry-wide impact and benefit or harm Delta's competitors as well as Delta. Accordingly, lower jet fuel prices may be offset by increased price competition and lower revenues for all air carriers. Moreover, there can be no assurance that Delta will be able to increase its fares in response to any future increases in fuel prices.

Delta's jet fuel purchase contracts do not provide material protection against price increases or for assured availability of supplies. The Company purchases most of its jet fuel from petroleum refiners under contracts which establish the price based on various market indices. The Company also purchases aircraft fuel on the spot market, from off-shore sources and under contracts which permit the refiners to set the price and give the Company the right to terminate upon short notice if the price is unacceptable.

Delta uses options and other non-leveraged, over-the-counter instruments to manage the risk associated with changes in aircraft fuel prices. Information regarding Delta's fuel hedging program is set forth in Note 4 of the Notes to the Consolidated Financial Statements on page 45 of Delta's 1999 Annual Report to Shareowners, and is incorporated herein by reference.

Although Delta is currently able to obtain adequate supplies of jet fuel, it is impossible to predict the future availability or price of jet fuel. Political disruptions in oil producing countries, changes in government policy concerning aircraft fuel production, transportation or marketing, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events may result in fuel supply shortages and fuel price increases in the future. Such shortages and price increases could have a material adverse effect on Delta's business.

**Personnel**

Delta's average number of full-time equivalent employees increased to 74,000 (including 2,500 ASA full-time equivalent personnel) for fiscal 1999 compared to 67,400 for fiscal 1998. Information concerning Delta's personnel is set forth under "Personnel Matters" on pages 31-33 of Delta's 1999 Annual Report to Shareowners, and is incorporated herein by reference.

Delta's relations with labor unions in the United States are governed by the Railway Labor Act. Under the Railway Labor Act, a labor union seeking to represent a craft or class of employees is required to file with the National Mediation Board ("NMB") an application alleging a representation dispute, along with representation cards signed by at least 35% of the employees in that craft or class. The NMB then investigates the dispute and, if it finds the labor union has obtained a sufficient number of representation cards, will conduct an election to determine whether to certify the labor union as the collective bargaining representative of that craft or class.

On September 23, 1999, Delta announced that the Company and the Negotiating Committee of the Delta Air Line Pilots Association ("ALPA") reached a tentative agreement which, among other things, sets pilot pay rates and work rules for 777 and 767-400 aircraft. The tentative agreement is subject to the approval of the Delta ALPA Master Executive Council ("MEC") and, if approved by the MEC, ratification by Delta pilots. The outcome of these matters cannot presently be determined.

The preceding paragraph supplements the information under "777-200 Negotiations" and "767-400 Negotiations" on pages 32-33 of Delta's 1999 Annual Report to Shareowners.

**Environmental Matters**

The Airport Noise and Capacity Act of 1990 (the "ANCA") requires the phase-out of Stage 2 aircraft by December 31, 1999, subject to certain exceptions. In 1991, the FAA issued regulations which implement the ANCA by requiring air carriers to reduce (by modification or retirement) the number of Stage 2 aircraft operated by 25% by December 31, 1994, 50% by December 31, 1996, 75% by December 31, 1998, and 100% by December 31, 1999. Alternatively, a carrier may satisfy the regulations by operating a fleet that is at least 55%, 65%, 75% and 100% Stage 3 by the respective dates set forth in the preceding sentence.

Delta complied with the ANCA's December 31, 1994, 1996 and 1998 requirements. As of August 31, 1999, Delta operated 547 Stage 3 aircraft, constituting 94% of its fleet. The Company expects to comply with the ANCA's December 31, 1999 requirement by hushkitting or retiring its 36 remaining Stage 2 aircraft: 28 727-200 aircraft and 8 737-200 aircraft. ASA is in compliance with the December 31, 1999 Stage 3 deadline.

The ANCA recognizes the rights of operators of airports with noise problems to implement local noise abatement procedures so long as such procedures do not interfere unreasonably with interstate or foreign commerce or the national air transportation system. It generally provides that local noise restrictions on Stage 3 aircraft first effective after October 1, 1990, require FAA approval, and establishes a regulatory notice and review process for local restrictions on Stage 2 aircraft first proposed after October 1, 1990. While Delta has had sufficient scheduling flexibility to accommodate local noise restrictions in the past, the Company's operations could be adversely impacted if locally-imposed regulations become more restrictive or widespread.

The United States Environmental Protection Agency (the "EPA") is authorized to regulate aircraft emissions. The engines on Delta's and ASA's aircraft comply with the applicable EPA standards.

In February 1998, the EPA and the FAA signed a Memorandum of Agreement ("MOA") to develop a voluntary process with the airline industry to reduce emissions that lead to ozone formation. The MOA includes a proposal with a voluntary engine retrofit program to reduce emissions from aircraft engines. As a result of the MOA, air carriers, the EPA, the FAA and local and state regulators have had discussions regarding the scope and content of a voluntary emissions reductions program, but no agreement has been reached.

Delta has been identified by the EPA as a potentially responsible party (a "PRP") with respect to certain Superfund Sites, and has entered into consent decrees regarding some of these sites. Delta's alleged disposal volume at each of these sites is small when compared to the total contributions of all PRPs at each site. Delta is aware of soil and/or ground water contamination present on its current or former leaseholds at several domestic airports; to address this contamination, the Company has a program in place to investigate and, if appropriate, remediate these sites. Management believes that the resolution of these matters is not likely to have a material adverse effect on Delta's consolidated financial statements.

**Frequent Flyer Program**

Delta, like other major airlines, has established a frequent flyer program offering incentives to maximize travel on Delta. This program allows participants to accrue mileage for travel awards while flying on Delta, the Delta Connection carriers and participating airlines. Mileage credit may also be accrued for the use of certain services offered by program partners such as hotels, car rental agencies and credit card companies. Delta reserves the right to terminate the program with six months advance notice, and to change the program's terms and conditions at any time without notice.

Mileage credits earned can be redeemed for free or upgraded air travel on Delta and participating airline partners, for membership in Delta's Crown Room Club and for other program partner awards. Travel awards are subject to certain transfer restrictions and, in most cases, blackout dates and capacity controlled seating. Miles earned prior to May 1, 1995 do not expire so long as Delta has a frequent flyer program. Miles earned on or after May 1, 1995 will not expire as long as, at least once every three years, the participant (1) takes a qualifying flight on Delta or a Delta Connection carrier; (2) earns miles through one of Delta's program partners; or (3) redeems miles for any program award.

On September 1, 1998, Delta and United Air Lines, Inc. ("United") introduced a reciprocal frequent flyer program. Each carrier's frequent flyer members may (1) accrue miles in either carrier's program when they fly on Delta or United operated domestic flights; and (2) effective October 15, 1998, redeem frequent flyer awards on domestic flights operated by either carrier.

Delta accounts for its frequent flyer program obligations by recording a liability for the estimated incremental cost of flight awards the Company expects to be redeemed. The estimated incremental cost associated with a flight award does not include any contribution to overhead or profit. Such incremental cost is based on Delta's system average cost per passenger for fuel, food and other direct passenger costs. Delta does not record a liability for mileage earned by participants who have not reached the level to become eligible for a free travel award. Delta believes this exclusion is immaterial and appropriate because the large majority of these participants are not expected to earn a free flight award. Delta does not record a liability for the expected redemption of miles for non-travel awards since the cost of these awards to Delta is negligible.

Delta estimated the potential number of round-trip flight awards outstanding to be 9.1 million at June 30, 1997, 9.6 million at June 30, 1998 and 10.6 million at June 30, 1999. Of these earned awards, Delta expected that approximately 6.0 million, 7.2 million and 8.0 million, respectively, would be redeemed. At June 30, 1997, 1998 and 1999, Delta had recorded a liability for these awards of $122 million, $140 million and $172 million, respectively. The difference between the round-trip awards outstanding and the awards expected to be redeemed is the estimate, based on historical data, of awards which will (1) never be redeemed; or (2) be redeemed for something other than a free trip.

Frequent flyer program participants flew 1.7 million, 1.9 million and 2.0 million free round-trips on Delta in fiscal years 1997, 1998 and 1999, respectively. These round-trips accounted for approximately 6%, 7% and 7% of the total passenger miles flown for the respective periods. Delta believes that the low percentage of free passenger miles and the restrictions applied to free travel awards minimize the displacement of revenue passengers.

The DOT is conducting a review of the frequent flyer programs of the larger U.S. airlines. The focus of the review relates to limitations placed by the carriers on the availability of award seats and the adequacy of consumer notices concerning such limitations. The outcome of this matter cannot presently be determined.

**Civil Reserve Air Fleet Program**

Delta is a participant in the Civil Reserve Air Fleet Program pursuant to which the Company has agreed to make available, during the period beginning October 1, 1999 and ending September 30, 2000, up to 75 of its international range aircraft for use by the United States military under certain stages of readiness related to national emergencies.

## ITEM 2. PROPERTIES

**Flight Equipment**

Information relating to Delta's and ASA's aircraft fleet is set forth on page 18, in the charts titled "Aircraft Fleet at June 30, 1999" and "Aircraft Delivery Schedules at June 30, 1999" on page 21, under "Personnel Matters" on pages 31-33, and in Notes 6 and 7 of the Notes to the Consolidated Financial Statements on pages 48-49, of Delta's 1999 Annual Report to Shareowners, and is incorporated herein by reference.

**Ground Facilities**

Delta leases most of the land and buildings that it occupies. The Company's largest aircraft maintenance base, various computer, cargo, flight kitchen and training facilities and most of its principal offices are located at or near Hartsfield Atlanta International Airport in Atlanta, Georgia, on land leased from the City of Atlanta under long-term leases. Delta owns a portion of its principal offices, its Atlanta reservations center and other improved and unimproved real property in Atlanta, as well as a limited number of radio transmitting and receiving sites and certain other facilities.

The City of Atlanta, with the support of Delta and other airlines, intends to undertake a ten year capital improvement program (the "CIP") at Hartsfield Atlanta International Airport. Implementation of the CIP should increase the number of flights that may operate at the airport, reduce flight delays and enable Hartsfield Atlanta International Airport to remain one of the preeminent airports in the world. The CIP includes, among other things, a new approximately 9,000 foot full-service runway (targeted for completion in December 2004), related airfield improvements, additional terminal and gate capacity, new cargo and other support facilities and roadway and other infrastructure improvements. If fully implemented, the CIP is currently estimated to cost approximately $5.4 billion. The CIP runs through 2010, with individual projects scheduled to be constructed at different times. A combination of federal grants, passenger facility charge revenues, increased user rentals and fees, and other airport funds are expected to be used to pay CIP costs directly and through the payment of debt service on bonds. There is no assurance the CIP will be implemented on schedule and within budget, or that it will be fully implemented. Some of the factors potentially impacting implementation of the CIP are the need to obtain certain environmental approvals as well as the ability of the City of Atlanta to acquire public property from certain local governments and to obtain their consent to condemn private property. Failure to implement certain portions of the CIP in a timely manner could adversely impact Delta's operations at Hartsfield Atlanta International Airport.

Delta leases ticket counter and other terminal space, operating areas and air cargo facilities in most of the airports which it serves. These leases generally run for periods of less than one year to thirty years or more, and contain provisions for periodic adjustment of lease rates. At most airports which it serves, Delta has entered into use agreements which provide for the non-exclusive use of runways, taxiways, and other facilities; landing fees under these agreements normally are based on the number of landings and weight of aircraft. The Company also leases aircraft maintenance facilities at certain airports, generally under long-term leases which cover the cost of providing, operating and maintaining such facilities. In addition, Delta leases marketing, ticket and reservations offices in certain major cities which it serves; these leases are generally for shorter terms than the airport leases. Additional information relating to Delta's ground facilities is set forth in Notes 6 and 7 of the Notes to the Consolidated Financial Statements on page 48-49 of Delta's 1999 Annual Report to Shareowners, and is incorporated herein by reference.

In recent years, some airports have increased or sought to increase the rates charged to airlines to levels that, in the airlines' opinion, are unreasonable. The extent to which such charges are limited by statute or regulation and the ability of airlines to contest such charges has been subject to litigation and to administrative proceedings before the DOT. If the limitations on such charges are relaxed or the ability of airlines to challenge such charges is restricted, the rates charged by airports to airlines may increase substantially.

**ITEM 3. LEGAL PROCEEDINGS**

Certain Antitrust Actions. In June 1999, two purported class action antitrust lawsuits were filed in the United States District Court for the Eastern District of Michigan against Delta, US Airways, Inc., Northwest Airlines, Inc. and the Airlines Reporting Corporation, an airline-owned company that operates a centralized clearinghouse for travel agents to report and account for airline ticket sales.

In the first case, the plaintiffs allege, among other things: (1) that the defendants and certain other airlines conspired with Delta in violation of Section 1 of the Sherman Act to restrain competition and assist Delta in fixing and maintaining anti-competitive prices for air passenger service to and from its Atlanta and Cincinnati hubs; and (2) that Delta violated Section 2 of the Sherman Act by exercising monopoly power to establish such prices in an anti-competitive or exclusionary manner. The complaint asserts that, for purposes of plaintiffs' damages claims, the purported plaintiff class consists of all persons who purchased a Delta full fare ticket from June 11, 1995 to the present on routes (1) that start or end at Delta's hubs in Atlanta or Cincinnati; (2) on which Delta has over a 50% market share; (3) that are longer than 150 miles; and (4) that have total annual traffic of over 30,000 passengers.

In the second case, the plaintiffs assert similar allegations and claims under Sections 1 and 2 of the Sherman Act with respect to US Airways' pricing practices at its Pittsburgh and Charlotte hubs ("US Airways Hubs"). The complaint asserts, among other things, that Delta, the other defendants and certain other airlines conspired with US Airways to restrain competition and assist US Airways in fixing and maintaining prices for air passenger service to and from the US Airways Hubs.

In both cases, plaintiffs have requested a jury trial, and are seeking injunctive relief; costs and attorneys' fees; unspecified damages, to be trebled under the antitrust laws; and such further relief as the Court deems appropriate. Delta believes that the allegations and claims asserted against it in these cases are without merit and it intends to defend these lawsuits vigorously.

ASA Holdings Shareholder Litigation. On February 25, 1999, two individual shareholders of ASA Holdings, Inc. ("ASA Holdings"), on behalf of themselves and other shareholders of ASA Holdings, filed a purported class action complaint in the Superior Court of Fulton County in the state of Georgia against ASA Holdings, its directors (collectively, the

"ASA Holdings Defendants") and Delta. The complaint seeks (1) to enjoin Delta's acquisition of ASA Holdings or to rescind the acquisition if consummated; (2) unspecified compensatory and rescissory damages; and (3) costs and disbursements of the action. The complaint alleges, among other things: (1) that the ASA Holdings Defendants violated their fiduciary duties to shareholders of ASA Holdings by entering into an acquisition agreement with Delta and by recommending the acquisition; and (2) that Delta is a controlling shareholder of ASA Holdings, violated its fiduciary duties to shareholders of ASA Holdings because it "wrongfully used its superior position and control to bring to bear pressure on the [Board of Directors of ASA Holdings]," and caused the ASA Holdings Defendants to accept an inadequate price for Delta's purchase of ASA Holdings.

On March 9, 1999, the parties entered into a memorandum of understanding ("Memorandum of Understanding") setting forth the terms of an agreement-in-principle to settle this litigation. Under the Memorandum of Understanding, which was agreed to by the ASA Holdings Defendants and Delta solely to avoid the burden, expense and distraction of further litigation, Delta and ASA Holdings amended the acquisition agreement to eliminate the $5 million termination fee that would otherwise have been payable to Delta if the acquisition agreement was terminated as a result of ASA Holdings receiving and accepting a superior acquisition offer. The proposed settlement is subject to certain conditions, including completion by plaintiffs of appropriate discovery reasonably satisfactory to plaintiffs' counsel; the preparation and execution of definitive settlement documents; and final court approval of the settlement, which would be binding upon a class consisting of all shareholders of ASA Holdings from February 15, 1999 through May 11, 1999. ASA Holdings has agreed to pay the fees and expenses of plaintiffs' counsel up to an aggregate amount of $400,000, subject to final court approval of the settlement.

Other Matters. Delta is a defendant in certain other legal actions relating to alleged employment discrimination practices, antitrust matters, environmental issues and other matters concerning Delta's business. Although the ultimate outcome of these matters cannot be predicted with certainty, management believes that the resolution of these actions is not likely to have a material adverse effect on Delta's consolidated financial statements.

For a discussion of certain environmental matters, see "ITEM 1. Business - Environmental Matters" on pages 8-9 of this Form 10-K.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

Not applicable.

**EXECUTIVE OFFICERS OF THE REGISTRANT**

Certain information concerning Delta's executive officers follows. Unless otherwise indicated, all positions shown are with Delta. There are no family relationships between any of Delta's executive officers.

| | |
|---|---|
| Leo F. Mullin | President and Chief Executive Officer, August 14, 1997 to date. Mr. Mullin was Vice Chairman of Unicom Corporation and its principal subsidiary, Commonwealth Edison Company, from 1995 through August 13, 1997. He was an executive of First Chicago Corporation from 1981 to 1995, serving as that company's President and Chief Operating Officer from 1993 to 1995, and as Chairman and Chief Executive Officer of American National Bank, a subsidiary of First Chicago Corporation, from 1991 to 1993. Age 56. |
| Maurice W. Worth | Chief Operating Officer, August 14, 1997 to date; Acting Chief Executive Officer, August 1, 1997 through August 13, 1997; Executive Vice President - Customer Service and Acting Chief Operating Officer, May 12, 1997 through July 31, 1997; Executive Vice President - Customer Service, September 13, 1995 through May 11, 1997; Senior Vice President - Personnel, May 1991 through September 12, 1995. Mr. Worth is retiring from Delta on October 1, 1999. Age 59. |
| Malcolm B. Armstrong | Executive Vice President - Operations, October 1998 to date; Vice President - Corporate Safety and Compliance, June 1997 through September 1998. Mr. Armstrong was Vice President - Corporate Safety and Compliance of US Airways, Inc. from July 1995 to June 1997. He served as a Lieutenant General in the United States Air Force from May 1992 to June 1995. Age 57. |
| Robert L. Colman | Executive Vice President - Human Resources, October 2, 1998 to date. Mr. Colman was Vice President - Human Resources for General Electric Aircraft Engines Business from October 1993 to October 1998. Age 54. |
| Vicki B. Escarra | Executive Vice President - Customer Service, July 1998 to date; Senior Vice President - Airport Customer Service, November 1996 through June 1998; Vice President - Airport Customer Service, August 1996 through October 1996; Vice President - Reservation Sales and Distribution Planning, May 1996 through July 1996; Vice President - Reservation Sales, November 1994 to May 1996; Director - Reservations Sales, October 1994 to November 1994; Director - In-Flight Service Operations, May 1992 to October 1994. Age 47. |

| | |
|---|---|
| Frederick W. Reid | Executive Vice President and Chief Marketing Officer, July 1, 1998 to date. Mr. Reid was an executive of Lufthansa German Airlines from 1991 to 1998, serving as that company's President and Chief Operating Officer from April 1997 to June 1998, as Executive Vice President from 1996 to March 1997, and as Senior Vice President, The Americas, from 1991 to 1996. Age 49. |
| Edward H. West | Executive Vice President and Chief Financial Officer, September 16, 1999 to date; Chief Financial Officer, September 7, 1999 through September 15, 1999; Senior Vice President - Corporate Strategy and Business Development, July 1999 through September 6, 1999; Vice President - Financial Planning and Analysis, April 1998 through June 1999; Chief Financial Officer (Acting), December 1997 to April 1998; Vice President - Financial Planning and Analysis, June 1997 through November 1997; Controller, November 1996 through May 1997; Director - Corporate Finance, December 1995 through October 1996; General Manager - Corporate Finance, January 1995 through November 1995; Assistant to the Senior Vice President - Finance and Chief Financial Officer, June 1994 through December 1994. Prior to joining Delta in 1994, Mr. West had a seven year career in corporate banking. Age 33. |

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information required by this item is set forth under "Common Stock", "Number of Shareowners" and "Market Prices and Dividends" on page 62 of Delta's 1999 Annual Report to Shareowners, and is incorporated herein by reference.

Under the Delta Air Lines, Inc. Directors' Deferred Compensation Plan ("Plan"), members of the Company's Board of Directors may defer for a specified period all or any part of their cash compensation earned as a director. A participating director may choose an investment return on the deferred amount from among certain of the investment return choices available under the Delta Family-Care Savings Plan, a qualified defined contribution pension plan for eligible Delta personnel. One of the investment return choices under the Delta Family-Care Savings Plan that a participating director may select is a fund invested primarily in Delta's common stock ("Delta Common Stock Fund"). During the quarter ended June 30, 1999, a participant in the Plan deferred $17,125 in the Delta Common Stock Fund investment return choice (equivalent to 264 shares of Delta common stock at prevailing market prices). These transactions were not registered under the Securities Act of 1933, as amended, in reliance on Section 4(2) of such Act.

**ITEM 6. SELECTED FINANCIAL DATA**

Information required by this item is set forth on pages 60-61 of Delta's 1999 Annual Report to Shareowners, and is incorporated herein by reference.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Information required by this item is set forth on pages 26-35 of Delta's 1999 Annual Report to Shareowners, and is incorporated herein by reference
(except for the first and second paragraphs on page 26.)

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Information required by this item is set forth under "Market Risks Associated With Financial Instruments" on pages 34-35, and in Notes 2 and 4 of the Notes to the Consolidated Financial Statements on pages 43-44 and page 45, respectively, of Delta's 1999 Annual Report to Shareowners, and is incorporated herein by reference.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Information required by this item is set forth on pages 36-57, and in "Report of Independent Public Accountants" on page 58, of Delta's 1999 Annual Report to Shareowners, and is incorporated herein by reference.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Information required by this item is set forth on pages 7-9, and under "Section 16(a) Beneficial Ownership Reporting Compliance" on page 24, of Delta's Proxy Statement dated

September 24, 1999, and is incorporated herein by reference. Certain information regarding executive officers is contained in Part I of this Form 10-K.

**ITEM 11. EXECUTIVE COMPENSATION**

Information required by this item is set forth on page 6, and on pages 17-24, of Delta's Proxy Statement dated September 24, 1999, and is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Information required by this item is set forth under "Beneficial Ownership of Securities" on pages 10-12 of Delta's Proxy Statement dated September 24, 1999, and is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Additional information required by this item is set forth on page 24 of Delta's Proxy Statement dated September 24, 1999, and is incorporated herein by reference.

## PART IV

**ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K**

(a)(1), (2). The financial statements and schedule required by this item are listed in the Index to Consolidated Financial Statements and Schedule on page 20 of this Form 10-K.

(3). The exhibits required by this item are listed in the Exhibit Index on page 25-28 of this Form 10-K. The management contracts and compensatory plans or arrangements required to be filed as an exhibit to this Form 10-K are listed as Exhibits 10.6 to 10.19 in the Exhibit Index.

(b). During the quarter ended June 30, 1999, Delta did not file any Current Reports on Form 8-K.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 27th day of September, 1999.

**DELTA AIR LINES, INC.**

*By: /s/ Leo F. Mullin*
*Leo F. Mullin*
*President and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 27th day of September, 1999 by the following persons on behalf of the registrant and in the capacities indicated.

| Signature | Title |
| --- | --- |
| Edwin L. Artzt*<br>Edwin L. Artzt | Director |
| Henry A. Biedenharn, III*<br>Henry A. Biedenharn, III | Director |
| James L. Broadhead*<br>James L. Broadhead | Director |
| Edward H. Budd*<br>Edward H. Budd | Director |
| R. Eugene Cartledge*<br>R. Eugene Cartledge | Director |

| Signature | Title |
| --- | --- |
| Mary Johnston Evans*<br>Mary Johnston Evans | Director |
| David R. Goode*<br>David R. Goode | Director |
| Gerald Grinstein*<br>Gerald Grinstein | Non-executive Chairman of the Board |
| /s/ Leo F. Mullin<br>Leo F. Mullin | President and Chief Executive Officer and a Director (Principal Executive Officer) |
| Andrew J. Young*<br>Andrew J. Young | Director |
| /s/ Edward H. West<br>Edward H. West | Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) |

*By: /s/ Leo F. Mullin
Leo F. Mullin
Attorney-In-Fact

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS - Incorporated herein by reference to "Report of Independent Public Accountants" on page 58 of Delta's 1999 Annual Report to Shareowners.

FINANCIAL STATEMENTS - All of which are incorporated herein by reference to Delta's 1999 Annual Report to Shareowners.

**Consolidated Balance Sheets - June 30, 1999 and 1998**

Consolidated Statements of Operations for the years ended June 30, 1999, 1998 and 1997

Consolidated Statements of Cash Flows for the years ended June 30, 1999, 1998 and 1997

Consolidated Statements of Shareowners' Equity for the years ended June 30, 1999, 1998 and 1997

**Notes to the Consolidated Financial Statements - June 30, 1999, 1998 and 1997**

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE**

**SCHEDULE SUPPORTING FINANCIAL STATEMENTS:**

| Schedule Number | |
|---|---|
| II | Valuation and Qualifying Accounts for the fiscal years ended June 30, 1999, 1998 and 1997 |

All other schedules have been omitted as not applicable.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

**To Delta Air Lines, Inc.:**

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in Delta Air Lines, Inc.'s annual report to shareowners incorporated by reference in this Form 10-K and have issued our report thereon dated August 13, 1999. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in the accompanying index is the responsibility of the Company's management, is presented for purposes of complying with the Securities and Exchange Commission's rules, and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**ARTHUR ANDERSEN LLP**

Atlanta, Georgia
August 13, 1999

## SCHEDULE II

## DELTA AIR LINES, INC.
## VALUATION AND QUALIFYING ACCOUNTS
## FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(Amounts in Millions)

| Column A | Column B | Column C | | Column D | Column E |
|---|---|---|---|---|---|
| | | Additions | | | |
| Description | Balance at Beginning of Period | Charged to Costs and Expenses | Charged to Other Accounts-Describe | Deductions-Describe | Balance at End of Period |
| DEDUCTION (INCREASE) IN THE BALANCE SHEET FROM THE ASSET TO WHICH IT APPLIES: | | | | | |
| Allowance for uncollectible accounts receivable: | $ 36 | $ 19 | -- | $ 25(a) | $ 30 |
| Allowance for unrealized gains on marketable equity securities: | $(144) | -- | $ (99)(b) | -- | $(243) |
| Reserve for restructuring and other non-recurring charges: | $ 36 | -- | -- | $ 10(c) | $ 26 |

(a) Represents write-off of accounts considered to be uncollectible, less collections.

(b) Represents increase in unrealized gain resulting from changes in market values.

(c) Represents payments made against restructuring reserves.

## SCHEDULE II

# DELTA AIR LINES, INC.
# VALUATION AND QUALIFYING ACCOUNTS
# FOR THE FISCAL YEAR ENDED JUNE 30, 1998

(Amounts in Millions)

| Column A | Column B | Column C | | Column D | Column E |
|---|---|---|---|---|---|
| | | Additions | | | |
| Description | Balance at Beginning of Period | Charged to Costs and Expenses | Charged to Other Accounts-Describe | Deductions-Describe | Balance at End of Period |
| DEDUCTION (INCREASE) IN THE BALANCE SHEET FROM THE ASSET TO WHICH IT APPLIES: | | | | | |
| Allowance for uncollectible accounts receivable: | $ 48 | $ 23 | -- | $ 35 (a) | $ 36 |
| Allowance for unrealized gains on marketable equity securities: | $(166) | -- | -- | $ 22 (b) | $(144) |
| Reserve for restructuring and other non-recurring charges: | $ 88 | -- | -- | $ 52 (c) | $ 36 |

(a) Represents write-off of accounts considered to be uncollectible, less collections.

(b) Represents decrease in unrealized gain resulting from changes in market values.

(c) Represents payments made against restructuring reserves.

# SCHEDULE II

## DELTA AIR LINES, INC.
## VALUATION AND QUALIFYING ACCOUNTS
## FOR THE FISCAL YEAR ENDED JUNE 30, 1997

(Amounts in Millions)

| Column A | Column B | Column C | | Column D | Column E |
|---|---|---|---|---|---|
| | | Additions | | | |
| Description | Balance at Beginning of Period | Charged to Costs and Expenses | Charged to Other Accounts- Describe | Deductions- Describe | Balance at End of Period |
| DEDUCTION (INCREASE) IN THE BALANCE SHEET FROM THE ASSET TO WHICH IT APPLIES: | | | | | |
| Allowance for uncollectible accounts receivable: | $ 44 | $ 30 | -- | $ 26 (a) | $ 48 |
| Allowance for unrealized gains on marketable equity securities: | $(206) | -- | -- | $ 40 (b) | $(166) |
| Reserve for restructuring and other non-recurring charges: | $ 69 | $ 52 | -- | $ 33 (c) | $ 88 |

(a) Represents write-off of accounts considered to be uncollectible, less collections.

(b) Represents decrease in unrealized gain resulting from changes in market values.

(c) Represents payments made against restructuring reserves.

## EXHIBIT INDEX

3.1 Delta's Certificate of Incorporation (Filed as Exhibit 3.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).*

3.2 Delta's By-Laws.

4.1 Rights Agreement dated as of October 24, 1996, between Delta and First Chicago Trust Company of New York, as Rights Agent, as amended by Amendment No. 1 thereto dated as of July 22, 1999 (Filed as Exhibit 1 to Delta's Form 8-A/A Registration Statement dated November 4, 1996, and Exhibit 3 to Delta's Amendment No. 1 to Form 8-A/A Registration Statement dated July 30, 1999).*

4.2 Certificate of Designations, Preferences and Rights of Series B ESOP Convertible Preferred Stock and Series D Junior Participating Preferred Stock (Filed as part of Exhibit 3.1 of this Form 10-K).

4.3 Indenture dated as of March 1, 1983, between Delta and The Citizens and Southern National Bank, as trustee, as supplemented by the First and Second Supplemental Indentures thereto dated as of January 27, 1986 and May 26, 1989, respectively (Filed as Exhibit 4 to Delta's Registration Statement on Form S-3 (Registration No. 2-82412), Exhibit 4(b) to Delta's Registration Statement on Form S-3 (Registration No. 33-2972), and Exhibit 4.5 to Delta's Annual Report on Form 10-K for the year ended June 30, 1989).*

4.4 Agreement dated May 31, 1989, among Delta, The Citizens and Southern National Bank and The Citizens and Southern National Bank of Florida relating to the appointment of a successor trustee under the Indenture dated as of March 1, 1983, as supplemented, between Delta and The Citizens and Southern National Bank (Filed as Exhibit 4.6 to Delta's Annual Report on Form 10-K for the year ended June 30, 1989).*

4.5 Third Supplemental Indenture dated as of August 10, 1998, between Delta and The Bank of New York, as successor trustee, to the Indenture dated as of March 1, 1983, as supplemented, between Delta and The Citizens and Southern National Bank of Florida, as predecessor trustee (Filed as Exhibit 4.5 to Delta's Annual Report on Form 10-K for the year ended June 30, 1998).*

4.6 Indenture dated as of April 30, 1990, between Delta and The Citizens and Southern National Bank of Florida, as trustee (Filed as Exhibit 4 (a) to Amendment No. 1 to Delta's Registration Statement on Form S-3 (Registration No. 33-34523)).*

4.7 First Supplemental Indenture dated as of August 10, 1998, between Delta and The Bank of New York, as successor trustee, to the Indenture dated as of April 30, 1990, between Delta and The Citizens and Southern National Bank of Florida, as predecessor trustee (Filed as Exhibit 4.7 to Delta's Annual Report on Form 10-K for the year ended June 30, 1998).*

4.8 Indenture dated as of May 1, 1991, between Delta and The Citizens and Southern National Bank of Florida, Trustee (Filed as Exhibit 4 to Delta's Registration Statement on Form S-3 (Registration No. 33-40190)).*

4.9 Credit Agreement dated as of May 2, 1997, by and among Delta, Certain Banks and NationsBank, N.A. (South), as Agent Bank (Filed as Exhibit 4.7 to Delta's Annual Report on Form 10-K for the year ended June 30, 1997).*

4.10 Note Purchase Agreement dated February 22, 1990, among the Delta Family-Care Savings Plan, Issuer, Delta, Guarantor, and Various Lenders relating to the Guaranteed Serial ESOP Notes (Filed as Exhibit 10 to Delta's Current Report on Form 8-K dated April 25, 1990).*

4.11 Amendment No. 1 dated July 27, 1999, to the Note Purchase Agreement dated February 22, 1990, among the Delta Family-Care Savings Plan, Issuer, Delta, Guarantor, and Various Lenders relating to the Guaranteed Serial ESOP Notes.

4.12 Indenture of Trust dated as of August 1, 1993, among Delta, Fidelity Management Trust Company, ESOP Trustee, and Wilmington Trust Company, Trustee, relating to the Guaranteed Serial ESOP Notes (Filed as Exhibit 4.12 to Delta's Annual Report on Form 10-K for the year ended June 30, 1993).*

Delta is not filing any other instruments evidencing any indebtedness because the total amount of securities authorized under any single such instrument does not exceed 10% of the total assets of Delta and its subsidiaries on a consolidated basis. Copies of such instruments will be furnished to the Securities and Exchange Commission upon request.

10.1 Stock Purchase Agreement dated July 10, 1989, between Delta and Swissair, Swiss Air Transport Company Ltd. (Filed as Exhibit 10.2 to Delta's Current Report on Form 8-K dated July 24, 1989).*

10.2 Stock Purchase Agreement dated August 21, 1989, between Delta and Swissair, Swiss Air Transport Company Ltd.(Filed as Exhibit 10.9 to Delta's Annual Report on Form 10-K for the year ended June 30, 1989).*

10.3 Stock Purchase Agreement dated October 26, 1989, between Singapore Airlines Limited and Delta (Filed as Exhibit 10.1 to Delta's Current Report on Form 8-K dated November 2, 1989).*

10.4 Stock Purchase Agreement dated October 26, 1989, between Delta and Singapore Airlines Limited (Filed as Exhibit 10.2 to Delta's Current Report on Form 8-K dated November 2, 1989).*

10.5 Sixth Amended and Restated Limited Partnership Agreement of WORLDSPAN, L.P. dated as of April 30, 1993 (Filed as Exhibit 10.6 to Delta's Annual Report on Form 10-K for the year ended June 30, 1993).*

10.6 Delta's Incentive Compensation Plan, as amended (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).*

10.7 Delta's 1989 Stock Incentive Plan, as amended (Filed as Appendix A to Delta's Proxy Statement dated September 15, 1997.)*

10.8 Delta's Executive Deferred Compensation Plan, as amended (Filed as Exhibit 10.2 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).*

10.9 Directors' Deferred Compensation Plan (Filed as Exhibit 10.12 to Delta's Annual Report on Form 10-K for the year ended June 30, 1996).*

10.10 Directors' Charitable Award Program (Filed as Exhibit 10.3 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).*

10.11 1991 Delta Excess Benefit Plan, The Delta Supplemental Excess Benefit Plan and Form of Senior Officer Excess Benefit Plan Agreement (Filed as Exhibit 10.18 to Delta's Annual Report on Form 10-K for the year ended June 30, 1992, and Exhibit 10.17 to Delta's Annual Report on Form 10-K for the year ended June 30, 1998).*

10.12 Delta's Non-employee Directors' Stock Plan (Filed as Exhibit 4.5 to Delta's Registration Statement on Form S-8 (Registration No. 33-65391)).*

10.13 Delta's Non-employee Directors' Stock Option Plan and Form of Award Agreement dated October 22, 1998 (Filed as Exhibit 10 to Delta's Quarterly Report on Form 10-Q for the quarter ended December 31, 1998).*

10.14 Form of Stock Option and Restricted Stock Award Agreements under Delta's 1989 Stock Incentive Plan (Filed as Exhibit 10.17 to Delta's Annual Report on Form 10-K for the year ended June 30, 1996).*

10.15 Forms of Executive Retention Protection Agreements for Certain Officers (Filed as Exhibit 10.16 of Delta's Annual Report on Form 10-K for the year ended June 30, 1997).*

10.16 Employment Agreement dated as of August 14, 1997 between Delta and Leo F. Mullin (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997).*

10.17 Employment Agreement dated March 23, 1998 between Delta and Warren C. Jenson (Filed as Exhibit 10.19 to Delta's Annual Report on Form 10-K for the year ended June 30, 1998).*

10.18 Employment Agreement dated June 5, 1998 between Delta and Frederick W. Reid (Filed as Exhibit 10.20 to Delta's Annual Report on Form 10-K for the year ended June 30, 1998).*

10.19 Employment Agreement dated September 17, 1998 between Delta and Robert L. Colman (Filed as Exhibit 10 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).*

10.20 Purchase Agreement No. 2022 between The Boeing Company and Delta relating to Boeing Model 737-632/-732/-832 Aircraft (Filed as Exhibit 10.3 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).*/**

10.21 Purchase Agreement No. 2025 between The Boeing Company and Delta relating to Boeing Model 767-432ER Aircraft (Filed as Exhibit 10.4 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).*/**

10.22 Letter Agreements related to Purchase Agreements No. 2022 and/or No. 2025 between The Boeing Company and Delta (Filed as Exhibit 10.5 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).*/**

10.23 Aircraft General Terms Agreement AGTA-DAL between The Boeing Company and Delta (Filed as Exhibit 10.6 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).*/**

10.24 Agreement dated April 29, 1996, between Delta and The Air Line Pilots in the service of Delta as represented by the Air Line Pilots Association, International (Filed as Exhibit 10 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996).*

12. Statement regarding computation of ratio of earnings to fixed charges for the years ended June 30, 1999, 1998, 1997, 1996 and 1995.

13. Portions of Delta's 1999 Annual Report to Shareowners.

23. Consent of Arthur Andersen LLP.

24. Powers of Attorney.

27. Financial Data Schedule.

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*Incorporated herein by reference
** Portions of this exhibit have been omitted and filed separately with the Commission pursuant to Delta's request for confidential treatment.

**EXHIBIT 3.2**

# DELTA AIR LINES, INC.

## BY-LAWS

**AS AMENDED**
**THROUGH**
SEPTEMBER 24, 1999

**INCORPORATED**
**UNDER THE LAWS OF**
**DELAWARE**

## TABLE OF CONTENTS

## BY-LAWS

BY-LAWS OF

DELTA AIR LINES, INC.

# ARTICLE I.
# NAME, INCORPORATION AND LOCATION OF OFFICES

SECTION 1.1 NAME AND INCORPORATION.
The name of this corporation is DELTA AIR LINES, INC. It is incorporated under the laws of Delaware in perpetuity.

SECTION 1.2 LOCATION OF REGISTERED AGENT AND OFFICES.
The name of the registered agent of the corporation is the Corporation Trust Co., and its address and the address of the corporation's principal office in Delaware is No. 100 West 10th Street, Wilmington, Delaware 19801. Said registered agent and office may be changed as provided by the General Corporation law of Delaware, as now or hereafter in effect.
The corporation may also have an office in Atlanta, Georgia, and may have offices at such other places as the business of the corporation may require.

# ARTICLE II.

# CAPITAL STOCK

SECTION 2.1 AMOUNT AND CLASS AUTHORIZED.
Until otherwise provided by amendment to its Certificate of Incorporation, the authorized capital stock of the corporation shall consist of 470,000,000 shares, of which 450,000,000 shall be common stock of the par value of $1.50 per share and 20,000,000 shall be preferred stock of the par value of $1.00 per share. Shares of such authorized $1.50 par value common stock, in addition to the shares now outstanding, up to the authorized maximum of 450,000,000 shares, may be issued at such times, and from time to time, and may be sold for such considerations, not less than the par value thereof, as shall be fixed and determined by the board of directors. Shares of such authorized preferred stock up to the authorized maximum of 20,000,000 shares may be issued at such times, and from time to time, in such series and with such rights, including voting rights, preferences, and limitations, and may be sold for such considerations, not less than the par value thereof, as shall be fixed and determined by the board of directors.

SECTION 2.2 STOCK CERTIFICATES.
Certificates evidencing the stock of the corporation shall be in such forms as shall be authorized and approved by the board of directors. Such certificates shall be signed by the chairman of the board, the president or a vice president and by the secretary or an assistant secretary of the corporation, and the seal of the corporation shall be affixed thereto. The seal of the corporation and any or

all the signatures on such certificate may be facsimile engraved, stamped or printed.
If any officer, transfer agent or registrar who has signed, or whose facsimile signature has been used on, a certificate has ceased to be an officer, transfer agent or registrar or if any officer who has signed has had a change in title before the certificate is delivered, such certificate may nevertheless be issued and delivered by the corporation as though the officer, transfer agent or registrar who signed or whose facsimile signature shall have been used had not ceased to be such officer, transfer agent or registrar or such officer had not had such change in title.

SECTION 2.3 TRANSFER AGENTS AND REGISTRARS.
The board of directors may appoint transfer agents and co-transfer agents and registrars and co-registrars for the stock of the corporation and, if it so elects, may appoint a single agency to serve as both transfer agent and registrar, and may require all certificates evidencing stock to bear the signature or signatures of any of them.

SECTION 2.4 TRANSFERS OF STOCK.
Transfers of stock of the corporation shall be made only on the books of the corporation by the registered holder thereof in person or by attorney thereunto duly authorized in writing. Powers of attorney to transfer stock of the corporation shall be filed with the duly authorized transfer agent of the corporation, when appointed, and the certificates evidencing the stock to be transferred shall be surrendered to such transfer agent for cancellation, and shall be cancelled by it at the time of transfer.
Until transfer shall have been made as provided above, possession of a certificate evidencing stock of the corporation shall not vest any ownership of such certificate, or of the stock evidenced thereby, in any person other than the person in whose name said stock stands registered on the books of the corporation and the corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder thereof in fact and shall not be bound to recognize any equitable or other claim to or interest in any such share or shares on the part of any other person, whether or not it shall have express or other notice thereof. Notwithstanding the foregoing, the corporation shall have the power and is authorized to effect through the duly authorized transfer agent and registrar or otherwise transfers of stock of the corporation to various states or appropriate state authorities when applicable state laws of escheat or abandonment so require.

SECTION 2.5 LOST OR DESTROYED CERTIFICATES.
In case of the loss or destruction of an outstanding certificate of stock, another certificate for a like number of shares may be issued in place of the lost or destroyed certificate upon proof satisfactory to the board of directors or its delegate, and upon payment of the expenses, if any, incident to the issuance of such new certificate; provided, however, that the board of directors or its delegate, if it sees fit, may require that such lost or destroyed certificate be established as by the laws of Delaware in such cases made and provided, and further provided that, any provision of law to the contrary notwithstanding, the board of directors or its delegate may require the owner of such lost or destroyed certificate, or the legal representative of such owner, to give the corporation a bond sufficient, in the opinion of the board of directors or its delegate, to indemnify the corporation against and hold it harmless from any and all loss, damage, liability and claims (whether or not such claims be meritorious) on account of and with respect to such lost or destroyed certificate

and the stock evidenced thereby and the issuance or establishment of such new certificate.

SECTION 2.6 NO PREEMPTIVE RIGHTS.
No holder of any stock of the corporation which shall at any time be outstanding shall have any preemptive rights to subscribe for or purchase additional shares of stock of the corporation of any class which at any time may be authorized or issued.

**ARTICLE III.**

**MEETINGS OF STOCKHOLDERS**

SECTION 3.1 ANNUAL MEETING.
The annual meeting of stockholders shall be held on the fourth Thursday in October of each year or at such other time as the board of directors shall specify, at such place, either within or without the State of Delaware, as may be designated by the board of directors from time to time, for the purpose of electing directors and for the transaction of only such other business as is properly brought before the meeting in accordance with these By-Laws.
To be properly brought before the meeting, business must be either
(a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board, (b) otherwise properly brought before the meeting by or at the direction of the board, or (c) otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided that if the board calls the annual meeting for a date that is not within 30 days before or after such anniversary date, notice by the stockholder to be timely must be so delivered or mailed and received not later than the close of business on the 10th business day following the day on which the board gave such notice or made such public disclosure of the date of the annual meeting, whichever first occurs. Such stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of capital stock of the corporation which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business. Notwithstanding anything in the By-Laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Article III, provided, that nothing in this Article III shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting. If business is not properly brought before the meeting in accordance with the provisions of this Article III, the Presiding Officer at an annual meeting shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

SECTION 3.2 SPECIAL MEETINGS.
Special meetings of the stockholders shall be held at such times, and at such places, either within or without the State of Delaware, as shall be designated in the notice of call of the meeting, and may be called by the chairman of the board or the president at any time and must be called by the chairman of the board or the president whenever requested in writing by a majority of the board of directors.

SECTION 3.3 NOTICES OF MEETINGS.
Written or printed notices of every annual or special meeting of the stockholders shall be mailed to each stockholder of record at the close of business on the record date hereinafter provided for, at the address shown on the stock book of the corporation or its transfer agents, not less than ten nor more than sixty days prior to the date of such meeting. Notices of special meetings shall briefly state or summarize the purpose or purposes of such meetings, and no business except that specified in the notice shall be transacted at any special meeting. It shall not be necessary that notices of annual meetings specify the business to be transacted at such annual meetings, and any business of the corporation may be transacted at any annual meeting of the stockholders to the extent not prohibited by applicable law, the Certificate of Incorporation or these By-Laws.

SECTION 3.4 RECORD DATE.
It shall not be necessary to close the stock transfer books of the corporation for the purpose of determining the stockholders entitled to notice of and to participate in and vote at any meeting of the stockholders. In lieu of closing the stock transfer books of the corporation, and for all purposes that might be served by closing the stock transfer books, the board of directors may fix and declare a date not less than ten days nor more than sixty days prior to the date of any annual or special meeting as the record date for the determination of stockholders entitled to notice of and to participate in and vote at such meeting of the stockholders and any adjournment thereof; and the corporation and its transfer agents may continue to receive and record transfers of stock after any record date as so provided. In any such case, such stockholders, and only such stockholders as shall have been stockholders of record at the close of business on the record date shall be entitled to notice and to participate in and vote at any such meeting of the stockholders, notwithstanding any transfers of stock which may have been made on the books of the corporation or its transfer agents after such record date.

SECTION 3.5 QUORUM AND ADJOURNMENT.
Except as otherwise provided or required by law, by the Certificate of Incorporation or by these By-Laws, a quorum at any meeting of the stockholders shall consist of the holders of shares representing a majority of the number of votes entitled to be cast by the holders of all shares of stock then outstanding and entitled to vote, present in person or by proxy. If a quorum is not present at any duly called meeting, the Presiding Officer or the holders of a majority of the votes present may adjourn the meeting from day to day, or to a fixed date, without notice other than announcement at the meeting, but no other business may be transacted until a quorum is present; provided, however, that any meeting at which directors are to be elected shall be adjourned only from day to day until such directors have been elected, and further provided that those who attend the second of such adjourned meetings, although less than a quorum as fixed hereinabove, shall nevertheless constitute a quorum for the purpose of electing directors.

The stockholders present at a duly organized meeting at which a quorum is present at the outset may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to result in less than a quorum or the refusal of any stockholder present to vote.
The Presiding Officer may in his discretion defer voting on any proposed action and adjourn any meeting of the stockholders until a later date, provided such actions are otherwise permitted by law and are not inconsistent with the Certificate of Incorporation or other provisions of these By-Laws.

SECTION 3.6 VOTING RIGHTS AND PROXIES.
At all meetings of stockholders, whether annual or special, the holder of each share of common stock which is then outstanding and entitled to vote shall be entitled to one vote for each share held and the holder of each share of any series of preferred stock which is then outstanding shall be entitled to such voting rights, if any, and such number of votes, as shall be specified in the resolution or resolutions of the board of directors providing for the issuance of such series. Stockholders may vote at all such meetings in person or by proxy duly authorized in writing or by a transmission permitted by law filed in accordance with the procedures established for the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. Except as otherwise specifically provided by law, by the Certificate of Incorporation or by these By-Laws, a majority of the valid votes present shall be necessary and sufficient to decide any question which shall come before any meeting of the stockholders. In case of any challenge of the right of a given stockholder to vote in person or by proxy, the Presiding Officer hereinafter provided for shall be authorized to make the appropriate determination, and his decision shall be final.

SECTION 3.7 PRESIDING OFFICER.
All meetings of the stockholders shall be presided over by the chairman of the board or, in the absence or disability of the chairman, by the president, or in his absence or disability, by the vice chairman, if any, or, in his absence or disability, by the senior director (in terms of length of service on the board of directors) present.

SECTION 3.8 LIST OF STOCKHOLDERS ENTITLED TO VOTE.
A complete list of the stockholders entitled to vote, arranged in alphabetical order and indicating the number of shares held by each, shall be prepared by the secretary and shall be available at the place where any stockholders' meeting is being held, and shall be open to the examination of any stockholder for any proper purpose during the whole of such meeting.

## ARTICLE IV.

## BOARD OF DIRECTORS

SECTION 4.1 POWER AND AUTHORITY.
All of the corporate powers of this corporation shall be vested in and the business, property and affairs of the corporation shall be managed by, or under

the direction of, the board of directors; and the board of directors shall be, and hereby is, fully authorized and empowered to exercise all of the powers of the corporation and to do, and to authorize, direct and regulate the doing of, any and all things which the corporation has the lawful right to do which are not by statute, the Certificate of Incorporation or these By-Laws expressly directed or required to be exercised or done by the stockholders.

SECTION 4.2 NUMBER, NOMINATION AND ELECTION OF DIRECTORS.

The board of directors shall consist of not less than five nor more than nineteen directors who shall be stockholders of the corporation. The members of the board of directors shall be elected by the stockholders at the annual meeting of stockholders, or at a duly convened adjournment thereof or at a special meeting of stockholders duly called and convened for that purpose, provided, however, that only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the board of the corporation at the annual meeting or a duly convened adjournment thereof may be made by or at the direction of the board of directors, by any nominating committee or person appointed by the board, or by any stockholder of the corporation entitled to vote for the election of directors at the meeting or a duly convened adjournment thereof who complies with the notice procedures set forth in this Article IV. Such nominations, other than those made by or at the direction of the board, or by any nominating committee or person appointed by the board, shall be made pursuant to timely notice in writing to the secretary of the corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided that if the board calls the annual meeting for a date that is not within 30 days before or after such anniversary date, notice by the stockholder to be timely must be so delivered or mailed and received not later than the close of business on the 10th business day following the day on which the board gave such notice or made such public disclosure of the date of the meeting, whichever first occurs. Such stockholder's notice to the secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the corporation which are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Securities Exchange Act of 1934, as amended; and (b) as to the stockholder giving the notice, (i) the name and record address of the stockholder and (ii) the class and number of shares of capital stock of the corporation which are beneficially owned by the stockholder. The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the qualifications of such proposed nominee to serve as director of the corporation. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth herein.

If a nomination is made that is not in accordance with the foregoing procedure, the Presiding Officer at an annual meeting shall so declare to the meeting and the defective nomination shall be disregarded.

SECTION 4.2.1 ELIGIBILITY, TENURE AND VACANCIES.

A nomination to serve as a director shall be accepted and votes cast for a nominee shall be counted only if the secretary has received, at least thirty days before the annual or a special meeting of stockholders, a statement signed by

the nominee advising that he or she consents to being a nominee and, if elected, intends to serve as a director, and further provided that:
(a) Directors who are full-time employees of the company shall resign from the board coincident with their retirement from full-time employment.
(b) The age limit for directors not covered by subparagraph (a), above, or who, after resigning from the board upon retirement from full-time employment are re-elected to the board, shall be seventy-two, and such directors shall retire from the board as of the date and time of the annual meeting of stockholders which next follows their attainment of age seventy-two. Each member of the board of directors shall hold office from the time of his election and qualification until the next annual meeting of the stockholders and until his successor shall have been elected and qualified; provided, however, that any member of the board of directors may be removed from such office by the stockholders at any time, with or without cause, at any meeting of the stockholders, duly called for such purpose, in which event a successor may be elected by the stockholders at such meeting or at any subsequent meeting of the stockholders duly called for such purpose. The number of members of the board of directors may be increased or decreased at any time and from time to time to not less than five nor more than nineteen members by resolution adopted by the board of directors and in such event, and in the event any vacancy on the board of directors shall occur by death, resignation, retirement, disqualification or otherwise, additional or successor members of the board of directors may be elected by majority vote of the remaining members of the board of directors present in person at any duly convened meeting of said board. Any director may resign at any time upon written notice to the corporation.

SECTION 4.3 REGULAR MEETINGS OF THE BOARD OF DIRECTORS.

The first organizational meeting of each newly-elected board shall be held at such time and place, either within or without the State of Delaware, as shall be fixed by the outgoing board of directors at or before its last regular meeting preceding the annual meeting of the stockholders, and no notice of such meeting shall be necessary to the newly-elected directors in order to constitute the meeting legally, provided that a majority of the whole board shall be present, and further provided that such newly-elected board may meet at such other place and time as shall be fixed by the consent in writing of all of the said directors.

At such organizational meeting the board, by a vote of a majority of all of the members thereof, shall elect a chairman from among its members. The chairman shall preside over all meetings of the board of directors, if present, and shall have such other powers and perform such other duties as may be assigned to him by the board from time to time. In his capacity as chairman of the board he shall not necessarily be an officer of the corporation but he shall be eligible to serve, in addition, as an officer pursuant to Section 5.1 of these By-Laws.

All meetings of the directors shall be presided over by the chairman of the board or, in his absence or disability, by the chief executive officer of the corporation if he is a member of the Board or, in his absence or disability, by the president if he is a member of the Board or, in his absence or disability, by the vice chairman, if any, or, in his absence or disability, by the senior director (in terms of length of service on the board of directors) present.

Regular meetings of the board of directors shall be held during the months of January, April, June and July, on such dates and at such places as the board by resolution or, failing such resolution, as the chairman of the board or, during his absence or disability, the president or the secretary of the corporation may determine, and if not previously specified in a board resolution, each director shall be advised in writing of the date, place and time of each such meeting at least two days in advance, unless such notice be waived in writing.

SECTION 4.4 SPECIAL MEETINGS.
Special meetings of the board of directors shall be held at such time and place, within or without the State of Delaware, as shall be designated in the call and notice of the meeting; and may be called by the chairman of the board, or in his absence or disability by the president or the secretary of the company, at any time, and must be called by the chairman, or in his absence or disability by the president or the secretary of the corporation, whenever so requested in writing by three or more members of the board. Notices of special meetings shall be given to each member of the board not less than twenty-four hours before the time at which each such meeting is to convene. Such notices may be given by telephone or by any other form of written or verbal communication. It shall not be necessary that notices of special meetings state the purposes or the objects of the meetings, and any business which may come before any duly called and convened special meeting of the board may be transacted at such meeting.
The members of the board of directors, before or after any meeting of the board, may waive notice thereof and, if all members of the board be present in person at any meeting or waive notice of the meeting, the fact that proper notice of the meeting was not given shall not in any way affect the validity of the meeting or the business transacted at the meeting.

SECTION 4.5 COMMITTEES APPOINTED BY THE BOARD.
A majority of the whole board may from time to time appoint (a) committees of the board, the membership of which shall consist entirely of board members and (b) other committees, the membership of which may be either a mixture of board and non-board members or entirely non-members of the board. All committees so appointed shall elect a chairman and keep regular minutes of their meetings and transactions and such minutes shall be accessible to all members of the board at all reasonable times.
No such committee shall have the power or authority to amend the Certificate of Incorporation (except that a committee may, to the extent authorized in a resolution of the board of directors providing for the issuance of shares of stock, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series); to adopt an agreement of merger or consolidation; to recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets; to recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution; to amend the By-Laws of the corporation; or, unless a resolution of the board of directors, the By-Laws or the Certificate of Incorporation expressly so provides, to declare a dividend or authorize the issuance of stock.

SECTION 4.6 MEETINGS OF COMMITTEES APPOINTED BY THE BOARD.
Meetings of any committee appointed by the Board shall be called by the secretary or any assistant secretary of the corporation (or, in the case of committees appointed by the board whose membership does not consist exclusively of board members, by such employee of the corporation as has been designated pursuant to By-Law 5.7 to record the votes and the minutes of such committee) upon the request of the chairman of the committee, the chairman of

the Board, the chief executive officer of the corporation, or any two members of the committee. Notice of each such meeting shall be given in the same manner specified in Section 4.4 for special meetings of the board of directors.

SECTION 4.7 QUORUM AND VOTING.
A majority of the members of the board of directors or of any committee appointed by the board shall be present at any meeting of the board or such committee in order to constitute a quorum, and a majority of the members present at any duly constituted meeting of the board or such committee may decide any question which properly may come before the meeting, unless a different vote is specifically required by these By-Laws, the Certificate of Incorporation or applicable law.

SECTION 4.8 MEETING BY CONFERENCE TELEPHONE.
Members of the board of directors or any committee appointed by the board may participate in a meeting by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and participation in such meeting in such manner shall constitute presence in person at such meeting.
Notwithstanding the notice provisions of Sections 4.3, 4.4 and 4.6 above, participation in a meeting by means of conference telephone by a member of the board of directors or a committee appointed by the board shall constitute waiver of notice of the meeting by such director.

SECTION 4.9 ACTION WITHOUT MEETING.
Any action required or permitted to be taken at any meeting of the board of directors or any committee appointed by the board may be taken without a meeting if all of the directors or all of the members of such a committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board of directors or of such committee.

SECTION 4.10 COMPENSATION.
A director shall receive such reasonable compensation for his services as a director or as a member of a committee appointed by the board of directors (including service as chairman of the board or as chairman of a committee of the board) as may be fixed from time to time by the board of directors and shall be reimbursed for his reasonable expenses, if any, in attending any meeting of the board of directors or such a committee. A director shall not be barred from also serving the corporation in any other capacity and receiving reasonable compensation therefor.

## ARTICLE V.

## OFFICERS

SECTION 5.1 ELECTION, QUALIFICATION, TENURE AND COMPENSATION.
The officers of the corporation shall be elected by the board of directors and shall include a president, one or more vice presidents (one or more of whom may be designated as an executive vice president or senior vice president), a secretary, a comptroller, a treasurer and such other officers, including a vice chairman, as from time to time the board of directors shall

deem necessary or desirable. At the discretion of the board, the chairman of the board may also be elected under the same title as an officer of the corporation.

The chairman of the board and president (and the vice chairman, if any) shall be, and the other officers may be but need not be, members of the board of directors and stockholders.

Unless otherwise provided by the board of directors, each officer shall hold office from the time of his election until his successor shall have been elected and qualified, provided, however (except as otherwise provided in a contract duly authorized by the board of directors), any officer may be removed from office by the board of directors at any time, with or without cause, and any officer may resign at any time upon written notice to the corporation. Any two offices may be united in any one person, provided that no person shall act in more than one capacity in any one transaction.

The compensation of all officers shall be fixed and determined by the board of directors or pursuant to its delegated authority.

From time to time the board of directors, or its delegates, may appoint such other agents, for such terms and with such rights, powers and authorities, on such conditions, subject to such limitations and restrictions and at such compensation as shall seem right and proper to it or them, and any such agent may be removed from office by the board of directors or its delegates at any time, with or without cause.

SECTION 5.2 CHIEF EXECUTIVE OFFICER.

From time to time the board of directors shall designate by resolution either the chairman of the board, if elected as an officer of the corporation, or the president to act as the chief executive officer of the corporation. The chief executive officer shall have responsibility for the active and general management of the corporation and such authorities and duties as are usually incident to the office of chief executive officer and as from time to time shall be specified by the board of directors. He shall prescribe the duties of all subordinate officers, agents and employees of the company to the extent not otherwise prescribed by the Certificate of Incorporation, the By-Laws or the board of directors. Such designation shall continue in full force and effect until modified or rescinded by further resolution of the board.

SECTION 5.3 CHAIRMAN OF THE BOARD.

The chairman of the board shall preside over all meetings of the board of directors and the stockholders of the corporation. He shall have such other authorities and duties as are usually incident to the office of chairman of the board and as from time to time shall be specifically directed by the board of directors. Except where by law the signature of the president is required, the chairman of the board shall possess the same power as the president to sign all certificates, contracts and other instruments of the corporation which may be authorized by the board of directors. During the absence or disability of the president, if the chairman has been elected as an officer of the corporation he shall exercise all of the powers and discharge all of the duties of the president. If the chairman has not been elected as an officer of the corporation, then the provisions of Section 5.6 shall apply.

SECTION 5.4 PRESIDENT.

Subject to the powers and duties hereinbefore delegated to the chairman of the board, and to the powers and duties hereinbefore delegated to the chief executive officer if the chairman of the board is designated by the board of directors to act as chief executive officer, the president shall direct the operations of the company. He shall have such other authorities and duties as are usually incident to the office of president and as, from time to time, shall be specifically directed by the board of directors. During the absence or disability of the chairman, the president shall exercise all of the powers and discharge all of the duties of the chairman.

SECTION 5.5 VICE CHAIRMAN OF THE BOARD.
The vice chairman of the board, if any, who shall be an officer of the corporation, shall have such specific powers, duties and authority, and shall perform such administrative and executive duties as, from time to time, may be assigned by the board of directors, or the chief executive officer.

SECTION 5.6 ABSENCE OR DISABILITY OF CHAIRMAN AND PRESIDENT.
In the absence or disability of both the chairman of the board if he has been elected an officer of the corporation, and the president, or in the absence or disability of the president if the chairman has not been elected as an officer of the corporation, the vice chairman, if any, or if there is no vice chairman, an officer previously designated in writing by the chief executive officer or, in the absence of such designation, an officer designated by the board of directors, shall exercise all of the powers and discharge all of the duties of the said officer or officers until one or both return to active duty or until the board of directors authorizes another person or persons to act in their capacities.

SECTION 5.7 SECRETARY.
The secretary or an assistant secretary shall record the votes and the minutes, in books to be kept for that purpose, of all meetings of the stockholders, of the board of directors, and of those committees of the board of directors whose membership is confined to members of the board, provided, however, that in the absence of the secretary and the assistant secretaries the chairman of any such meeting may designate another officer of the company to act as secretary of that meeting. Any employee of the corporation may be designated by committees which are appointed by the board, but whose membership is not confined to members of the board, to record the votes and minutes of the proceedings of such committees in books to be kept for that purpose. The secretary or an assistant secretary shall give or cause to be given, notice of all meetings of the stockholders, the board of directors and committees of the board of directors. The secretary and assistant secretaries shall keep in safe custody the seal of the corporation and shall affix the same to any instrument requiring it and, when required, it shall be attested by his signature or by the signature of an assistant secretary. In the absence or disability of the secretary and all assistant secretaries, the seal may be affixed and the instrument attested by any vice president. The secretary also shall perform such other duties as may be assigned to him by the board of directors, or the chief executive officer.

SECTION 5.8 ASSISTANT SECRETARIES.
In the absence or disability of the secretary, an assistant secretary, if specifically designated and directed by the chairman of the board or the president, shall perform the prescribed duties and functions of the secretary. The assistant secretaries also shall have such specific powers and authorities and shall perform such other duties and functions as from time to time may be assigned by the board of directors, or the chief executive officer.

SECTION 5.9 COMPTROLLER.
The comptroller shall cause to be kept full and accurate books and accounts of all assets, liabilities and transactions of the corporation. The comptroller shall establish and administer an adequate plan for the control of operations, including systems and procedures required to properly maintain internal controls on all financial transactions of the corporation. The comptroller shall prepare, or cause to be prepared, statements of the financial condition of the corporation and proper profit and loss statements covering the operations of the corporation and such other and additional financial statements, if any, as the chief executive officer or the board of directors from time to time shall require. The comptroller also shall perform such other duties as may be assigned to him by the board of directors, or the chief executive officer.

SECTION 5.10 TREASURER.
The treasurer shall be responsible for the custody and care of all the funds and securities of the corporation and shall cause to be kept full and accurate books and records of account of all receipts and disbursements of the corporation. The treasurer shall cause all money and other valuable effects of the corporation to be deposited in the name and to the credit of the corporation in such depositories as shall be designated from time to time by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, or the chief executive officer. The treasurer also shall perform such other duties as may be assigned to him by the board of directors, or the chief executive officer.

SECTION 5.11 ASSISTANT TREASURERS.
In the absence or disability of the treasurer, an assistant treasurer, if any, or any other officer of the corporation, if specifically designated and directed by the chairman of the board or the president, shall perform the prescribed duties and functions of the treasurer. Any such assistant treasurer also shall have such specific powers and authorities and shall perform such other duties and functions as from time to time shall be assigned by the board of directors, or the chief executive officer of the corporation.

SECTION 5.12 BONDS.
Any officer or agent of the corporation shall furnish to the corporation such bond or bonds, with security for the faithful performance of his duties, as from time to time may be required by the board of directors.

## ARTICLE VI.

## CORPORATE SEAL

SECTION 6.1 CORPORATE SEAL.
The corporate seal shall have inscribed thereon the name of the corporation, the word "SEAL" and the word "Delaware". Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

## ARTICLE VII.

## FISCAL YEAR

SECTION 7.1 FISCAL YEAR.
The fiscal year of the corporation shall commence on the first day of July of each year and shall end on the thirtieth day of June of the next following year.

## ARTICLE VIII.

## DIVIDENDS

SECTION 8.1 $1.50 PAR VALUE COMMON STOCK.
Dividends may be paid on the $1.50 par value common stock of the corporation in such amounts and at such times as the board of directors shall determine.

SECTION 8.2 RECORD DATE FOR PAYMENT OF DIVIDENDS.
It shall not be necessary to close the stock transfer books of the corporation for the purpose of determining the stockholders entitled to receive payment of any dividend on the stock of the corporation; but in lieu of closing the stock transfer books, and for all purposes that might be served by closing the stock transfer books, the board of directors, in declaring any dividend on the common stock, shall fix either the date on which the dividend is declared or a date between that date and the date on which the dividend is to be paid as the record date for determining stockholders entitled to receive payment of said dividend; and the corporation and its transfer agents may continue to receive and record transfers of stock after the record date so fixed and determined but, in any such case, such stockholders and only such stockholders as shall have been stockholders of record at the close of business on the record date so fixed and determined by the board of directors shall be entitled to receive payment of said dividend, notwithstanding any transfer of any stock which may have been made on the books of the corporation or its transfer agents after said record date.

## ARTICLE IX.

## FINANCIAL TRANSACTIONS AND EXECUTION OF INSTRUMENTS IN WRITING

SECTION 9.1 DEPOSITORIES.
The funds and securities of the corporation shall be deposited, in the name of and to the credit of the corporation, in such banks, trust companies and other financial institutions as shall from time to time be determined and designated by the board of directors or its delegate.

SECTION 9.2 WITHDRAWALS AND PAYMENTS.
All checks and orders for the withdrawal or payment of funds of the corporation, shall be signed in the name of the corporation in such manner and form and by such officer, officers or other employees as from time to time may be authorized and provided by the board of directors or its delegate. Facsimile signatures may be used when authorized by the board or its delegate.
It shall be the duty of the secretary, an assistant secretary or the corporation's official in charge of internal auditing to certify to the designated depositories of the funds and securities of the corporation the names and signatures of the officers and other employees of the corporation who, from time to time, are authorized to sign checks, drafts or orders for the withdrawal of funds and/or securities. No check, drafts or order for the withdrawal or payment of funds of the corporation shall be signed in blank.

SECTION 9.3 EVIDENCE OF INDEBTEDNESS AND INSTRUMENTS UNDER SEAL.
Unless otherwise authorized by the board of directors, all notes, bonds, and other evidences of indebtedness of the corporation, and all deeds, indentures, contracts and other instruments in writing required to be executed under the seal of the corporation, shall be signed in the name and on behalf of the corporation by the chairman of the board, the president, the vice chairman, if any, or a vice president of the corporation and shall be attested by the secretary or an assistant secretary.

## ARTICLE X.

## BOOKS AND RECORDS

SECTION 10.1 LOCATION.
The books, accounts and records of the corporation, except as may be otherwise required by the laws of the State of Delaware, may be kept outside of the State of Delaware, at such place or places as the board of directors may from time to time appoint.

SECTION 10.2 INSPECTION.
Except as otherwise required by law, the board of directors or its delegate shall determine whether and to what extent the books, accounts and records of the corporation, or any of them other than the stock books, shall be open to the inspection of the stockholders.

## ARTICLE XI.

## TRANSACTIONS WITH OFFICERS AND DIRECTORS

SECTION 11.1 VALIDATION.
Contracts and all other transactions, including but not limited to purchases and sales, by and between this corporation and one or more of its officers or directors, or by and between this corporation and any firm, partnership, association or corporation of which one or more of the officers or directors of this corporation shall be members, partners, officers or directors or in which one or more of the officers or directors of this corporation shall be interested, shall be valid, binding and enforceable, and shall not be voidable by this corporation or its stockholders notwithstanding the participation of any such interested director in any meeting of the board of directors of this corporation at which such contract or other transaction shall be considered, acted upon or authorized, and notwithstanding the participation of any such interested officer or director in the making or performance of such contract or transaction, if the material facts of such interest shall be disclosed to or be known by the members of the board of directors of this corporation who shall be present at the meeting of said board at which such contract or transaction, and such participation therein, shall be authorized or approved and if the board in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum.

## ARTICLE XII.

## AMENDMENT, REPEAL OR ALTERATION

SECTION 12.1 AMENDMENT, REPEAL OR ALTERATION.
These By-Laws may be amended, repealed or altered, in whole or in part, by a majority of the valid votes cast at any duly convened regular annual meeting of the stockholders or at any duly convened special meeting of stockholders when such object shall have been announced in the call and notice of the meeting. These By-Laws also may be amended, repealed or altered by vote of a majority of the whole board of directors at any duly convened meeting of the board of directors; provided, however, that any such action of the board of directors may be repealed by the stockholders. The repeal of any such action of the board of directors by the stockholders, however, shall not invalidate or in anywise affect the validity of any act or thing done in reliance upon said action of the board of directors.

## EMERGENCY BY-LAWS

## ADOPTED OCTOBER 27, 1967

Subject to repeal or change by the stockholders, and notwithstanding any different provision contained in the Delaware Corporation Law or in the Certificate of Incorporation or By-Laws of this corporation, the following emergency by-laws shall be operative in any emergency arising from an attack on the United States or on a locality in which the corporation conducts its business or customarily holds meetings of its board of directors or stockholders, or during any atomic or nuclear disaster or during the existence of any catastrophe or other similar emergency condition as a result of which a quorum of the board of directors cannot readily be convened for action.

1. In the event of emergency or disaster as described above, an emergency board of directors shall forthwith assume direction and control of the affairs of the corporation.

2. Such emergency board of directors shall consist of all living directors, and meetings of the emergency board may be called by the chairman of the board, the president, the vice chairman or the secretary or, in the event of the death or inability of any of the four to act, by any surviving director with the capacity and ability to act.

3. To the extent possible, notice of emergency board meetings shall be given in each instance to each known living member of the board at his last known business address, either orally or in writing delivered personally or by mail, telegraph, telephone or radio, or by publication; provided however, that if notice by such means is impossible insofar as specific individual directors are concerned, then the person calling the meeting shall give such directors such notice as is reasonably possible under the circumstances.

4. At any properly called meeting of the emergency board a quorum shall not be necessary, and the acts of a majority of the members of the emergency board present shall be and shall constitute the acts of the emergency board.

5. During its existence, the emergency board shall have the following powers:

(a) To appoint officers and agents of the corporation and to determine their compensation and duties;

(b) To borrow money and to issue bonds, notes or other obligations and evidence of indebtedness therefor;

(c) To determine questions of general policy with respect to the business of the corporation;

(d) To call stockholders' meetings; and

(e) To take all actions and to do all things necessary to preserve the corporation as an operating entity, and to direct and control its affairs and operations, until the regular board of directors has been reconstituted, either by the passage of time, by action of the stockholders, or otherwise in accordance with law.

6. No officer, director or employee acting in accordance with these emergency by-laws shall be liable to the corporation or its stockholders with respect to action taken under power granted herein except for willful misconduct.

7. As soon as reasonably possible following the creation of an emergency board of directors, if it appears clear that such action is required because of the number of directors killed or indefinitely incapacitated, the emergency board shall call a regular or special meeting of the stockholders of the corporation for the election of a new board of directors, or otherwise to reconstitute the board, and upon the election and qualification or reconstitution of such board, the emergency board established pursuant to these emergency by-laws shall cease and terminate and the direction and control of the affairs of the corporation shall vest in such new or reconstituted board of directors.

8. To the extent not inconsistent with these emergency by-laws, the regular by-laws of the corporation shall remain in effect during the emergency.

**EXHIBIT 4.11**

**DELTA FAMILY-CARE**
**SAVINGS PLAN**

**AMENDMENT NO. 1**
to the
**NOTE PURCHASE AGREEMENT**

among

**DELTA FAMILY-CARE SAVINGS**
**SAVINGS PLAN,**

**Issuer**

**DELTA AIR LINES, INC.,**

**Guarantor**

and

the

**PARTY NAMED HEREIN AS THE PURCHASER,**

**Purchaser**

**Dated as of July 27, 1999**

THIS AMENDMENT (the "AMENDMENT"), dated as of July 27, 1999 to the Note Purchase Agreement (the "NOTE PURCHASE AGREEMENT") dated as of February 22, 1990 among the Delta Family-Care Savings Plan and the trust established thereunder (together, the "ESOP"), Delta Air Lines, Inc., a Delaware corporation (together with its successors and assigns, the "COMPANY"), and the party identified on the signature page hereof as the Purchaser (the "PURCHASER").

**RECITALS**

WHEREAS, the ESOP has previously issued $481,400,000 aggregate principal amount of Guaranteed Serial ESOP Notes (the "NOTES") in three series pursuant to several Note Purchase Agreements, each dated February 22, 1990, among the ESOP, as issuer, the Company, as guarantor, and the respective purchasers named therein, (collectively, including the Note Purchase Agreement, the "NOTE PURCHASE AGREEMENTS");

WHEREAS, the ESOP has repaid in whole the Series A Notes and the Series B Notes issued under the Note Purchase Agreements, and there is currently outstanding $290,194,981 aggregate principal amount of Series C Notes under the Note Purchase Agreements;

WHEREAS, the Purchaser is the holder of record as of 5:00 p.m., New York City time, on July 8, 1999 (such time and date, the "RECORD DATE") of the principal amount of Series C Notes issued under the Note Purchase Agreement as set forth opposite its name on the signature page hereto;

WHEREAS, the Company desires to execute and deliver this Amendment for the purpose of eliminating from the Note Purchase Agreements certain negative covenants applicable to the Company, and the ESOP has consented to this Amendment;

WHEREAS, Section 14.3 of each of the Note Purchase Agreements provides that the Note Purchase Agreements may be amended, subject to certain exceptions specified in such Section 14.3, which are not applicable to the Amendment, with the consent of the ESOP, the Company and the holders of at least two-thirds of the aggregate principal amount of the Notes of all series outstanding at the time of a determination required under the Note Purchase Agreements (the "REQUISITE CONSENTS");

WHEREAS, contemporaneously with this Amendment, the ESOP and the Company propose to enter into similar agreements with the other holders of Series C Notes in order to obtain the Requisite Consents to amend the Note Purchase Agreements as set forth in Article 1 of this Amendment (the "PROPOSED AMENDMENT");

WHEREAS, the ESOP, the Company and the Purchaser have agreed that the Note Purchase Agreement be amended in the manner provided for in this Amendment;

WHEREAS, all other conditions and requirements necessary to make this Amendment valid and binding in accordance with its terms and the terms of the Note Purchase Agreement have been satisfied.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the ESOP, the Company and the Purchaser hereby covenant and agree as follows:

All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Note Purchase Agreement.

**ARTICLE 1**

**AMENDMENTS TO CERTAIN PROVISIONS OF THE NOTE PURCHASE AGREEMENT**

SECTION 1.1. Amendment of Certain Provisions of the Note Purchase Agreement. The Note Purchase Agreement is hereby amended in the following respects:

The Section headings and the text of each of Sections 6.1 and 6.2, and all references thereto, are hereby deleted in their entirety and replaced with the following:

"[Intentionally Deleted by Amendment]".

**ARTICLE 2**

**SUNDRY PROVISIONS**

SECTION 2.1. Effect of Amendment. Subject to Section 3.01 of this Amendment, upon the execution and delivery of this Amendment by the ESOP, the Company and the Purchaser, the Note Purchase Agreement shall be modified in accordance herewith, and this Amendment shall form a part of the Note Purchase Agreement for all purposes; and every holder of Notes issued under the Note Purchase Agreement shall be bound thereby. Subject to Section 3.01 of this Amendment, upon the execution of this Amendment, the Proposed Amendment shall automatically take effect.

SECTION 2.2. Note Purchase Agreement Remains in Full Force and Effect. Except as amended hereby, all provisions in the Note Purchase Agreement shall remain in full force and effect.

SECTION 2.3. Note Purchase Agreement and Amendment Construed Together. The Note Purchase Agreement and this Amendment shall henceforth be read and construed together.

## ARTICLE 3

## MISCELLANEOUS

SECTION 3.1. Effectiveness. The effectiveness of this Amendment is conditioned upon the Required Holders having executed an amendment to the Note Purchase Agreements in substantially the form hereof. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

SECTION 3.2. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 3.3. Separability Clause. In case any provision in this Amendment shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 3.4. Governing Law. This Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of New York, without giving effect to the principles of conflict of law thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their duly authorized officers as of the date first above written.

**Guarantor:**
**DELTA AIR LINES, INC.**

By:

Name:

Title:

**Issuer:**
**DELTA FAMILY-CARE SAVINGS PLAN**

By: FIDELITY MANAGEMENT TRUST COMPANY, as ESOP Trustee

By:

Name:

Title:

```
                                       -----------------------------------
Outstanding principal
amount of Notes held
on the Record Date:                    Purchaser:

$
 -------------------------------       By:
                                          -------------------------------
                                          Name:
```

Title:

**Exhibit 12**

**DELTA AIR LINES, INC.**
**STATEMENT REGARDING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**
(In millions, except ratios)

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Earnings (loss): | | | | | |
| Earnings (loss) before income taxes and cumulative effect of accounting change | $ 1,826 | $ 1,648 | $ 1,415 | $ 276 | $ 494 |
| Add (deduct): | | | | | |
| Fixed charges from below | 728 | 669 | 673 | 582 | 665 |
| Interest capitalized | (46) | (38) | (33) | (26) | (30) |
| Interest offset on Guaranteed Serial ESOP Notes | -- | -- | -- | (2) | (4) |
| Earnings (loss) as adjusted | $ 2,508 | $ 2,279 | $ 2,055 | $ 830 | $ 1,125 |
| Fixed charges: | | | | | |
| Interest expense | $ 199 | $ 186 | $ 207 | $ 269 | $ 292 |
| Portion of rental expense representative of the interest factor | 529 | 483 | 466 | 311 | 369 |
| Additional interest on Guaranteed Serial ESOP Notes | -- | -- | -- | 2 | 4 |
| Total fixed charges | $ 728 | $ 669 | $ 673 | $ 582 | $ 665 |
| Ratio of earnings to fixed charges | 3.45 | 3.41 | 3.05 | 1.43 | 1.69 |

**EXHIBIT 13**

Portions of 1999 Annual Report to Shareowners
**DELTA'S AIRCRAFT FLEET**

**DELTA AIRCRAFT FLEET AT JUNE 30, 1999**

(For information regarding ASA's fleet, see page 21 of this report.)

| Aircraft Type | Average Age | Owned | Leased Capital | Leased Operating | Total |
|---|---|---|---|---|---|
| B-727-200 | 21.9 | 110 | -- | 10 | 120 |
| B-737-200 | 14.6 | 1 | 45 | 8 | 54 |
| B-737-300 | 12.6 | -- | 3 | 23 | 26 |
| B-737-800 | 0.6 | 7 | -- | -- | 7 |
| B-757-200 | 9.6 | 59 | -- | 41 | 100 |
| B-767-200 | 16.1 | 15 | -- | -- | 15 |
| B-767-300 | 9.4 | 4 | -- | 24 | 28 |
| B-767-300ER | 4.1 | 43 | -- | 8 | 51 |
| B-777-200 | 0.3 | 2 | -- | -- | 2 |
| L-1011-1 | 19.9 | 13 | -- | -- | 13 |
| L-1011-250 | 16.7 | 6 | -- | -- | 6 |
| L-1011-500 | 18.4 | 11 | -- | -- | 11 |
| MD-11 | 5.4 | 8 | -- | 7 | 15 |
| MD-88 | 9.0 | 63 | -- | 57 | 120 |
| MD-90 | 3.6 | 16 | -- | -- | 16 |
| Totals | 12.3 | 358 | 48 | 178 | 584 |

**AIRCRAFT DELIVERY SCHEDULES AT JUNE 30, 1999**

| Aircraft on Firm Order | Delivery in Year Ending June 30 2000 | 2001 | 2002 | 2003 | After 2003 | Total |
|---|---|---|---|---|---|---|
| B-737-600/700/800 | 17 | 17 | 12 | 11 | 43 | 100 |
| B-757-200 | 11 | 8 | -- | -- | -- | 19 |
| B-767-300/300ER | 7 | 1 | -- | -- | -- | 8 |
| B-767-400 | 2 | 19 | -- | -- | -- | 21 |
| B-777-200(*) | 5 | -- | 1 | 1 | 4 | 11 |
| Total | 42 | 45 | 13 | 12 | 47 | 159 |

(*) Delivery of B-777's have been deferred indefinitely (see "Pilot Collective Bargaining Agreement" on page 32 of this report).

**AIRCRAFT ON OPTION**

| Aircraft on Option(*) | Delivery in Year Ending June 30 2000 | 2001 | 2002 | 2003 | After 2003 | Total | Rolling Options |
|---|---|---|---|---|---|---|---|
| B-737-600/700/800 | -- | 9 | 7 | 7 | 37 | 60 | 267 |
| B-757-200 | -- | 2 | 8 | 10 | -- | 20 | 80 |
| B-767-300/300ER | -- | 2 | 2 | 2 | 5 | 11 | 16 |
| B-767-400 | -- | -- | 12 | 5 | 7 | 24 | 25 |
| B-777-200 | -- | 1 | 5 | 5 | 9 | 20 | 30 |
| Total | -- | 14 | 34 | 29 | 58 | 135 | 418 |

(*) Aircraft options have scheduled delivery slots, while rolling options replace options and are assigned delivery slots as options expire or are exercised.

## ATLANTIC SOUTHEAST AIRLINES (ASA)

Atlantic Southeast Airlines (ASA) became a wholly owned subsidiary of Delta on May 11, 1999. Through more closely integrated schedules, Delta and ASA will offer customers better connections and service. ASA service is being enhanced by the introduction of operational improvements that have been successful at Delta. These improvements will produce positive results in the areas of on-time performance, baggage handling and other customer service activities. Delta's acquisition of ASA also enables both airlines to allocate aircraft more efficiently across their respective route systems.

**[GRAPHIC]**

### AIRCRAFT FLEET AT JUNE 30, 1999

| Aircraft Type | Average Age | Owned | Leased Capital | Leased Operating | Total |
|---|---|---|---|---|---|
| EMB-120 | 10.0 | 56 | -- | 1 | 57 |
| ATR-72 | 5.7 | 4 | -- | 8 | 12 |
| CRJ-200 (Regional Jet) | 0.9 | 2 | -- | 21 | 23 |
| Total | 7.2 | 62 | -- | 30 | 92 |

### AIRCRAFT DELIVERY SCHEDULES AT JUNE 30, 1999

| | Delivery in Year Ending June 30 | | | | | |
|---|---|---|---|---|---|---|
| Aircraft on Firm Order | 2000 | 2001 | 2002 | 2003 | After 2003 | Total |
| CRJ-200 (Regional Jet) | 12 | 10 | -- | -- | -- | 22 |
| CRJ-700 (Regional Jet) | -- | -- | 5 | 7 | -- | 12 |
| Total | 12 | 10 | 5 | 7 | -- | 34 |

ASA has options to purchase 45 CRJ-200 aircraft and eight CRJ-700 aircraft. On August 9, 1999, ASA entered into a memorandum of understanding to lease seven ATR-72 aircraft during fiscal 2000.

### ASA HIGHLIGHTS

- Atlanta's largest regional airline with service to 44 markets
- Dallas/Fort Worth hub serves 17 markets
- Average number of full-time equivalent employees: 2,500

### CANADAIR REGIONAL JET (CRJ) SERVICE

- As of August 1, 1999, ASA provided CRJ service to 32 cities from Atlanta. Most recent additions include:

Austin, Texas
Daytona Beach, Florida
Houston (Hobby), Texas
Long Island/Islip, New York
Melbourne, Florida
Montgomery, Alabama
San Antonio, Texas

- By the end of calendar 1999, additional CRJ service is planned for:

Des Moines, Iowa
Fort Wayne, Indiana
Toledo, Ohio

See ASA's route map on back cover foldout of this Annual Report.

**FINANCIAL REVIEW INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**DELTA AIR LINES, INC.**

Consistently superior financial performance is an integral part of our goal to become the world's greatest airline. For Delta, "consistently superior financial performance" means that our management team is focused on executing business strategies that increase shareowner value and provide the resources needed to reinvest in our business.

Using the capital generated by our business in fiscal 1999, we are laying the foundation to continue producing strong financial results by concentrating reinvestment on high-priority business initiatives. Current initiatives include network growth, customer service and technology enhancements and partnering with employees. Focus on these initiatives in fiscal 1999 contributed to financial results that were the best in Delta's 70-year history.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**RESULTS OF OPERATIONS**
**FISCAL 1999 COMPARED TO FISCAL 1998**

**Net Income and Earnings per Share**

For the year ended June 30, 1999, our Company reported record net income of $1.1 billion, a 10% increase from our previous record of $1.0 billion reported for fiscal 1998. Our fiscal 1999 results include the results of operations for ASA Holdings, Inc. (ASA Holdings) for the period April 1, 1999 through June 30, 1999 (see Note 17 of the Notes to the Consolidated Financial Statements).

| Diluted EPS* In Dollars | |
|---|---|
| 95 | $2.72 |
| 96 | 5.60 |
| 97 | 5.73 |
| 98 | 6.34 |
| 99 | 7.20 |

* Excludes restructuring and other non-recurring charges and cumulative effects of changes in accounting standards.

Basic earnings per share totaled $7.63 in fiscal 1999, compared to $6.64 in fiscal 1998, a 15% increase. Diluted EPS was $7.20 for fiscal 1999, a 14% increase from fiscal 1998 diluted EPS of $6.34. EPS for years prior to fiscal 1999 has been restated to reflect our two-for-one common stock split, which became effective in November 1998. Excluding restructuring and other non- recurring charges and cumulative effects of changes in accounting standards, diluted EPS has grown over 150% over the past four fiscal years.

**Operating Revenues**

Operating revenues were $14.7 billion for fiscal 1999, increasing 4% from $14.1 billion in fiscal 1998.

Passenger revenue growth of 3% reflects a 3% increase in RPMs on 3% capacity growth. Passenger mile yield remained virtually flat at 12.83 cents.

| Operating Revenues In Millions of Dollars | |
|---|---|
| 95 | $12,194 |
| 96 | 12,455 |
| 97 | 13,594 |
| 98 | 14,138 |
| 99 | 14,711 |

* Excludes restructuring and other non-recurring charges and cumulative effects of changes in accounting standards.

Domestic Passenger Revenues -- Domestic passenger revenues grew 4% to $11.1 billion, driven by a 3% increase in RPMs on capacity growth of 2%. The increase in RPMs is a result of favorable economic conditions and increased traffic (including the effects of pilot labor actions at two of our competitors), as well as our reallocation of aircraft to higher-demand markets. Passenger mile yield rose 1% due to the full-year effect of a domestic fare increase in September 1997 and improved asset utilization, partially offset by increased low-fare competition and matching sale fares implemented by a competitor after its pilot strike.

International Passenger Revenues -- International passenger revenues remained flat at $2.3 billion during fiscal 1999. A 5% increase in RPMs on capacity growth of 7% was offset by a 6% decline in passenger mile yield. The increase in RPMs reflects the addition of new Atlantic routes, continued expansion into Latin America and implementation of additional service to Japan. The decline in passenger mile yield is a result of increased competitive pressures due to industry-wide capacity growth in the Atlantic and Latin American markets.

Cargo Revenues and Other Revenues -- Cargo revenues fell 4% to $557 million, reflecting a 3% decrease in cargo ton miles and a 1% decrease in ton mile yield. The decrease in cargo ton miles reflects an industry-wide decrease in demand in the Atlantic freight market. Mail volume also decreased as the U.S. Postal Service shifted certain business from major passenger carriers to ground service and dedicated air freight carriers. The decrease in ton mile yield is due to competitive pricing strategies.

Other revenues increased 31% to $737 million, mainly a result of higher revenues from frequent flyer programs. During fiscal 1999, we initiated programs with new frequent flyer partners and expanded programs with existing partners. Other revenues also increased due to higher revenue from code-sharing programs and other fee-based income.

**Operating Expenses**

Operating expenses totaled $12.8 billion for fiscal 1999, increasing 3% from $12.4 billion in fiscal 1998. Operating capacity rose 3% to 144 billion ASMs. CASM remained flat year over year. Non-fuel CASM grew 2% to 7.97 cents.

Salaries and related costs increased 3% during fiscal 1999. We increased the number of full-time equivalent employees to implement our customer service initiatives and support our growth. On January 1, 1999, we implemented a general salary increase for most domestic employees. The increase in salary expense due to our increase in staffing and the general salary increase is partially offset by lower retirement and survivor expense, mainly due to higher returns on plan assets.

Aircraft fuel expense decreased 10% in fiscal 1999, with the average fuel price per gallon falling 12% to 49.83 cents. Total gallons consumed increased 2% due to increased operations on a 3% rise in capacity. Passenger commissions expense declined 12%, reflecting lower effective commission rates and increased utilization of low-cost distribution channels, partially offset by higher passenger volume. Depreciation and amortization expense rose 12% due to the acquisition of additional aircraft and ground equipment, partially offset by an increase in the useful lives of certain aircraft types (see Note 1 of the Notes to the Consolidated Financial Statements).

Contracted services expense grew 11% due to expanded operations into new and existing markets, rate increases in ground handling and cabin cleaning contracts, and higher passenger volume. Other selling expenses increased 11%, resulting from increased advertising and promotional activities, as well as an increase in credit card charges due to higher passenger volume. Landing fees and other rents increased 9% primarily due to increased terminal rentals, resulting from our expansion into new and existing markets.

Aircraft rental expense increased 7% due to an increased number of leased aircraft. Aircraft maintenance materials and outside repair expense grew 13% due to the expiration of certain engine warranties and other costs associated with the maturation of the fleet. Passenger service expense increased 11% due to higher food costs, which are associated with higher passenger volume and product upgrades. Other costs increased 7% due to higher expenses associated with enhanced customer loyalty programs, supplies, and communications expense, partially offset by lower insurance costs.

| Operating Income* In Millions of Dollars | |
|---|---|
| 95 | $ 661 |
| 96 | 1,294 |
| 97 | 1,583 |
| 98 | 1,694 |
| 99 | 1,870 |

* Excludes restructuring and other non-recurring charges.

**Operating Income and Operating Margin**

Operating income totaled $1.9 billion for fiscal 1999, which represented an increase of 10% over fiscal 1998. Delta has nearly tripled operating income (excluding restructuring and other non-recurring charges) over the past four fiscal years.

Our revenue growth combined with our focus on cost management resulted in a fiscal 1999 record operating margin of 12.7%, a 6% increase from the prior year.

| Operating Margin* | |
|---|---|
| 95 | 5.4% |
| 96 | 10.4% |
| 97 | 11.6% |
| 98 | 12.0% |
| 99 | 12.7% |

* Excludes restructuring and other non-recurring charges.

**Other Income (Expense)**

Other expense decreased 4% to $44 million during fiscal 1999. Higher interest expense, due to higher average outstanding debt balances, and lower interest income, due to lower average balances in short-term investments, were offset by a $34 million increase in miscellaneous income. Miscellaneous income increased primarily due to a $26 million gain on the sale of a portion of our interest in Equant N.V., an international data network services company.

**FISCAL 1998 COMPARED TO FISCAL 1997**

**Net Income and Earnings per Share**

Net income grew 17% during fiscal 1998, from $854 million reported in fiscal 1997. Basic EPS was $6.64 in fiscal 1998 and $5.70 in fiscal 1997. Diluted EPS was $6.34 for fiscal 1998, compared to $5.52 for fiscal 1997. Fiscal 1997 operating results include pretax restructuring and other non-recurring charges of $52 million ($32 million after-tax or $0.22 basic and $0.21 diluted EPS) related to the realignment of our transatlantic and European operations.

**Operating Revenues**

Fiscal 1998 operating revenues rose 4% over fiscal 1997. Passenger revenues increased 4%, reflecting a 3% rise in RPMs on ASM growth of 2%. Passenger mile yield increased slightly to 12.85(cent).

**FINANCIAL REVIEW INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**DELTA AIR LINES, INC.**

Domestic Passenger Revenues -- During fiscal 1998, domestic passenger revenues grew 4% to $10.7 billion, driven by a 3% rise in RPMs on a 2% increase in capacity, and 1% passenger mile yield growth. We experienced greater demand for air traffic and favorable economic conditions in fiscal 1998, and allocated more aircraft to higher-demand markets. Passenger mile yield increased due to a domestic fare increase implemented during the September 1997 quarter, offset by more low-fare competition and the full-year impact of the U.S. transportation excise tax.

International Passenger Revenues -- As a result of our efforts to expand our global reach, international passenger revenues increased 3% to $2.3 billion during fiscal 1998. RPMs grew 6% on a 5% increase in ASMs. The growth in RPMs was offset by a 3% decline in passenger mile yield. The increase in RPMs is due to our addition of new routes to Latin America and other markets, strong demand in the Atlantic market and improved asset utilization. The decline in passenger mile yield was mainly due to overall industry capacity growth in the Atlantic market.

Cargo Revenues and Other Revenues -- Cargo revenues grew 5% during fiscal 1998, reflecting a 14% increase in cargo ton miles and an 8% decline in ton mile yield. Other revenues increased 5%, mainly due to higher revenues from frequent flyer programs and fee-based income.

**Operating Expenses**

In fiscal 1998, operating expenses grew to $12.4 billion, up 3% from $12.1 billion in fiscal 1997. Operating capacity increased 2% to 140 billion ASMs. CASM increased 1% during fiscal 1998. Non-fuel CASM increased 3% to 7.80(cent). The increase in operating expenses resulted from higher salaries and related costs due to headcount growth and compensation enhancements, increased technology spending, onboard passenger enhancements and increased passenger volume, offset by lower fuel expense.

**Operating Income and Operating Margin**

During fiscal 1998, operating income grew to $1.7 billion, an 11% increase. Operating margin increased from 11.3% in fiscal 1997 to 12.0% in fiscal 1998.

**Other Income (Expense)**

Other expense for fiscal 1998 decreased $70 million to $46 million, primarily a result of lower interest expense and higher interest income.

**FINANCIAL CONDITION AND LIQUIDITY**
**FISCAL YEAR 1999**

Cash and cash equivalents and short-term investments totaled $1.1 billion at June 30, 1999, compared to $1.6 billion at June 30, 1998. The decrease in cash and cash equivalents and short-term investments is due to aircraft acquisitions and common stock repurchases during fiscal 1999. Our principal sources and uses of cash are detailed below.

**Sources:**

- Generated $2.9 billion of cash from operations.

- Borrowed $500 million under our 1999 Bank Credit Agreement to finance a portion of our purchase of ASA Holdings. These borrowings are due on March 22, 2001 (see Note 5 of the Notes to the Consolidated Financial Statements).

- Issued $300 million of Medium-Term Notes, a portion of which were used to fund our purchase of ASA Holdings. These notes mature during fiscal 2004 (see Note 5 of the Notes to the Consolidated Financial Statements).

- Received $325 million from the sale of a defined pool of our accounts receivable, accelerating our cash flows at a low effective rate (see Note 16 of the Notes to the Consolidated Financial Statements).

- Issued 3.2 million shares of common stock for $165 million (including an income tax benefit of $34 million for stock options exercised). These shares were primarily issued under our broad-based stock option plans (see Note 15 of the Notes to the Consolidated Financial Statements).

**Uses:**

- Invested $2.3 billion in flight equipment and $561 million in ground property and equipment.

- Repurchased 15.1 million shares of common stock for $885 million as part of our share repurchase programs (see Note 11 of the Notes to the Consolidated Financial Statements).

- Paid $700 million to acquire ASA Holdings (see Note 17 of the Notes to the Consolidated Financial Statements).

- Repaid $431 million of long-term and short-term debt and capital lease obligations.

- Paid $43 million in cash dividends on our preferred and common stock.

| Cash Used in Investing Activities In Millions of Dollars | |
|---|---|
| 95 | $ 495 |
| 96 | 888 |
| 97 | 1,941 |
| 98 | 2,324 |
| 99 | 2,791 |

Cash flows from operations for fiscal 1999 totaled $2.9 billion, a slight increase over the prior year and a new record for our Company.

We have reinvested cash generated during fiscal 1999 in future growth opportunities by purchasing ASA Holdings, implementing fleet initiatives, upgrading airport and administrative technology and investing in customer service improvements. We have increased the amount of cash used in investing activities every year since fiscal 1995, highlighting our emphasis on business reinvestment and growth opportunities.

As of June 30, 1999, our Company had a negative working capital position of $2.7 billion, compared to negative working capital of $1.2 billion at June 30, 1998. The increase results from our use of cash for aircraft acquisitions and common stock repurchases, as well as increased current maturities of long-term debt.

A negative working capital position is normal for us, primarily due to our air traffic liability, and does not indicate a lack of liquidity. We expect to meet our obligations as they become due through available cash, short-term investments and internally generated funds, supplemented as necessary by debt financings and proceeds from sale and leaseback transactions. At August 13, 1999, we had $1.25 billion of credit available under our 1997 Bank Credit Agreement (see Note 5 of the Notes to the Consolidated Financial Statements).

Long-term debt and capital lease obligations, including current maturities, totaled $2.7 billion at June 30, 1999, compared to $1.9 billion at June 30, 1998. The increase in debt is a result of borrowings to finance our acquisition of ASA Holdings. Shareowners' equity was $4.5 billion at June 30, 1999, compared to $4.0 billion at June 30, 1998. Our debt-to-equity position, including current maturities, was 36% debt and 64% equity at June 30, 1999, compared to 32% debt and 68% equity at June 30, 1998.

In July 1999, we issued $538 million of 8.125% notes in a public offering. We will use the proceeds of this offering for general corporate purposes. The notes mature on July 1, 2039, but may be redeemed at par on or after July 1, 2004.

At August 13, 1999, $290 million in Delta Family-Care Savings Plan's Series C Guaranteed Serial ESOP Notes were outstanding. Delta guarantees the Series C ESOP Notes and is required to purchase these notes in certain circumstances (see Note 5 of the Notes to the Consolidated Financial Statements).

**PRIOR YEARS**
**FISCAL 1998**

During fiscal 1998, our principal source of funds was $2.9 billion of cash from operations. We invested $1.8 billion in flight equipment and $531 million in ground property and equipment, and made payments of $307 million on long-term debt and capital lease obligations. Delta also repurchased $354 million of common stock and paid cash dividends of $43 million to our preferred and common shareowners.

**FISCAL 1997**

In fiscal 1997, our principal source of funds was $2.0 billion of cash from operations. We invested $1.6 billion in flight equipment and $350 million in ground property and equipment. We made payments of $196 million on long-term debt and capital lease obligations. We also repurchased $379 million of common stock and paid cash dividends of $44 million to our preferred and common shareowners.

**COMMITMENTS**

Estimated future expenditures for aircraft and engines on firm order as of August 13, 1999 total approximately $10 billion. In addition, we have authorized capital expenditures of approximately $794 million for fiscal 2000 to be used for facilities improvements, aircraft modifications and the purchase of ground equipment and other assets. See Notes 6 and 7 of the Notes to the Consolidated Financial Statements for additional information on our lease obligations and purchase commitments.

**OTHER MATTERS**
**YEAR 2000 READINESS**
**BACKGROUND**

Many computer systems in use today were designed and developed using two digits, rather than four, to specify the year. As a result, these systems may recognize the year 2000 as "00." This could cause many computer applications to fail or to create errors unless corrective measures are taken.

## OUR YEAR 2000 PROGRAM

Our Company's flight operations, flight support units and other business support units depend on internal and external computer systems and equipment that may be affected by the Year 2000 issue. Accordingly, achieving Year 2000 readiness is one of our top priorities. We have implemented a Year 2000 program for our internal systems and equipment which has four phases:

1. identification;

2. assessment of issues (including prioritization);

3. remediation, which includes the modification, upgrading and replacement of noncompliant systems; and

4. testing of remediated systems, including monitoring.

We are also reviewing the Year 2000 readiness of third parties who provide goods or services essential to our operations. In addition, we have revised our existing business interruption contingency plans to address issues that could arise from the Year 2000 problem. Senior management and the Board of Directors receive regular status updates on our Year 2000 program.

**SAFETY-OF-FLIGHT SYSTEMS**

We have completed our review of the potential impact of Year 2000 issues on our aircraft fleet and onboard flight support systems, and have determined that there are no safety-of-flight issues with this equipment or these systems. We have also completed all phases of our Year 2000 program for onboard flight management systems. These management systems help us to operate efficiently but are not essential to the safe operation of flights.

We use ground-based, safety-related computer systems and equipment that are vital to the maintenance of aircraft and the control of flight operations. All Year 2000 program phases for these systems and equipment are complete.

Selective testing of safety-of-flight systems will continue through December 31, 1999 as part of normal systems maintenance. In addition, we will monitor remediated and tested systems well into calendar year 2000 to confirm that these systems operate correctly.

**CRITICAL INTERNAL BUSINESS SYSTEMS**

Our critical internal business systems and equipment include computer hardware, software and related equipment essential for the following functions:

- customer reservations

- ticketing

- flight scheduling

- seat inventory management

- airport customer services

- finance administration

- internal voice and data communications

- aircraft ground handling

- baggage handling

- facility management

- security

We have completed the identification and assessment phases for all of our critical internal business systems and equipment. Remediation is in process for one of our vendor-supported baggage handling systems, and we expect to complete its remediation and testing by October 1999. We have completed the remediation and testing phases for all other critical internal business systems and equipment. We will continue selective testing of our critical internal business systems through December 31, 1999 as part of normal systems maintenance. We will monitor remediated and tested systems well into calendar year 2000 to confirm that our hardware and software operates correctly.

We are replacing customer service hardware that is currently installed at our airport facilities with upgraded, Year 2000 compliant hardware. We began this effort in September 1998 and expect to complete installation during the December 1999 quarter.

**INTERFACES WITH THIRD PARTIES**

Our Company has communicated with, and continues to review, third parties that provide essential goods or services to our Company in order to:

1. determine the extent to which we are vulnerable to the failure of these third parties to remediate their Year 2000 issues, and

2. resolve any problems discovered to the extent practicable.

These third parties include suppliers of infrastructure critical to the airline industry, such as air traffic control and related systems of the U.S. Federal Aviation Administration and international aviation authorities, the U.S. Department of Transportation (DOT) and local airport authorities. Other critical third parties include other airlines as well as suppliers of aircraft fuel, utilities, external computer reservations services and communication services. We are actively involved in airline industry Year 2000 review efforts led by the Air Transport Association (ATA), the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA). This review has identified potential Year 2000 compliance issues at several international locations. Delta, along with other airlines and the ATA, ICAO and IATA, is continuing to assess these specific situations. We will make future flight schedule revisions if necessary to ensure safe operations.

**ESTIMATED YEAR 2000 COSTS**

Our Company estimates the total cost of achieving Year 2000 readiness for our internal systems and equipment is approximately $105 million to $120 million, of which $91 million has been recognized as expense in the Consolidated Statements of Operations through June 30, 1999. The majority of the estimated Year 2000 compliance costs have been funded by reallocating existing resources rather than incurring incremental costs.

**CONTINGENCY PLANNING**

We revised our existing business interruption contingency plans to address internal and external issues specific to the Year 2000 problem. These plans are intended to enable us to continue to operate, to the extent that we can do so safely. Our contingency plans include performing processes manually, repairing or obtaining replacement systems, changing suppliers and reducing or suspending operations.

We believe, however, that due to the widespread nature of potential Year 2000 issues, the contingency planning process is ongoing and will require further modifications as we receive information about the results of the Year 2000 programs of Delta and of third parties.

**POSSIBLE CONSEQUENCES OF YEAR 2000 PROBLEMS**

Management believes that completed and planned modifications and conversions of our Company's internal systems and equipment will allow us to be Year 2000 compliant in a timely manner. There can be no assurance, however, that our internal systems or equipment or those of the third parties on whom we rely will be Year 2000 compliant in a timely manner, or that our Company's or third parties' contingency plans will mitigate the effects of issues that arise. The failure of our systems or equipment or of an essential third party (whose failure we believe is the most reasonably likely worst-case scenario) could result in the reduction or suspension of our operations and could have a material adverse effect on our business or consolidated financial statements.

**OTHER MATTERS**

The section above entitled "Year 2000 Readiness" is a "Year 2000 Readiness Disclosure" within the meaning of the Year 2000 Information and Readiness Disclosure Act (Public Law 105-271) enacted in October 1998.

This "Year 2000 Readiness" section includes forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Our Company uses the words "believes," "expects," "estimates" and similar expressions to identify forward-looking statements. See the "Forward-Looking Information" section on page 35.

**PRICELINE.COM**

During fiscal 1999, Delta entered into an agreement with priceline.com Incorporated. Under this agreement, ticket inventory provided by Delta is sold through priceline.com's Internet-based e-commerce system. As part of this agreement, we received warrants to purchase up to 18.6 million shares of priceline.com's common stock for $0.93 per share. These warrants are exercisable beginning when certain performance thresholds are met and ending December 31, 2005. Delta has now met the performance thresholds relating to the exercise of the warrants. These warrants, and the shares issuable when the warrants are exercised, are not registered under the Securities Act of 1933. We have certain demand and piggyback registration rights relating to the shares.

On August 10, 1999, priceline.com filed a registration statement with the SEC for a proposed public offering of its common stock. On August 17, 1999, we exercised 1.8 million of our warrants and sold the related shares in the public offering. The exercise of the warrants and the sale of the related stock resulted in a pretax gain of approximately $115 million.

**ALLIANCE AGREEMENTS**

On June 22, 1999, we entered into a long-term marketing agreement with Air France which facilitates our growth in Atlantic markets. The alliance will include code-sharing arrangements, reciprocal frequent flyer programs and coordinated cargo operations.

**PERSONNEL MATTERS**

**COMPENSATION CHANGES**

During fiscal 1999, we changed the compensation program for most of our domestic, noncontract employees. On January 1, 1999, we discontinued our broad-based employee profit-sharing program. We converted the annual profit-sharing payout, of up to 6% of annual base salary, to a 6% base salary increase for all eligible employees. On the same date, we also increased base salaries by an additional 2% for all eligible personnel. In January 1999, eligible employees received a profit-sharing payment equal to 6% of their base salary for the period July 1, 1998 through December 31, 1998. Our Company made similar compensation program changes for our pilots and flight superintendents.

## FINANCIAL REVIEW INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## DELTA AIR LINES, INC.

## COLLECTIVE BARGAINING AGREEMENTS

| Group of Employees | Approximate Number of Employees | Representing Union | Amendable Date of Collective Bargaining Agreement |
|---|---|---|---|
| Delta Pilots | 9,000 | Air Line Pilots Association, International (ALPA) | May 2000 |
| Delta Flight Superintendents | 210 | Professional Airline Flight Controllers Association | January 2003 |
| ASA Pilots | 770 | ALPA | September 2002 |
| ASA Flight Attendants | 370 | Association of Flight Attendants | September 2002 |
| ASA Flight Dispatchers | 30 | Transport Workers' Union of America (TWU) | (*) |

(*) In November 1998, the National Mediation Board (NMB) certified the TWU as the collective bargaining representative of ASA's flight dispatchers. Negotiations for the initial collective bargaining agreement between ASA and TWU have not yet begun.

No other domestic employees of our Company are represented by unions.

In March 1999, the TWU filed an application with the NMB to represent Delta's approximately 110 pilot ground training instructors. On August 9, 1999, the NMB authorized an election to determine whether to certify the TWU as the collective bargaining representative of this group of employees. Unions are currently seeking to become the collective bargaining representative of various groups of our employees. None of these unions other than the TWU has filed an application with the NMB. The outcome of these matters cannot presently be determined.

## PILOT COLLECTIVE BARGAINING AGREEMENT

In May 1996, our Company and ALPA entered into a new collective bargaining agreement that establishes the pay rates and working conditions for Delta pilots. This agreement becomes amendable on May 2, 2000. It provides in part that, if we operate an aircraft type for which the pay rates and working conditions are not set forth in the collective bargaining agreement: (1) our Company and ALPA will negotiate the pay rates and working conditions for the new aircraft type; (2) Delta pilots will fly the new aircraft type whether or not these matters have been agreed to; but (3) the obligation of Delta pilots to fly the new aircraft type will end six months after we place that new aircraft type in service if an agreement has not been reached on pay rates and working conditions.

In October 1997, we entered into aircraft purchase agreements with Boeing under which we agreed to purchase various aircraft, including the following three types that we had not previously operated: the 737-600/700/800, the 777-200 and the 767-400. The May 1996 collective bargaining agreement with ALPA does not cover the pay rates and working conditions for these aircraft types.

## 737-600/700/800 NEGOTIATIONS

Our Company and ALPA began negotiations on pilot pay rates and working conditions for the 737-600/700/ 800 aircraft types in October 1997. In July 1998, we and ALPA reached an agreement, subject to ratification by Delta pilots, that established industry-leading pilot pay rates for these new aircraft types. In October 1998, ALPA announced that 60% of voting Delta pilots approved this agreement.

## 777-200 NEGOTIATIONS

In February 1999, Delta and ALPA began negotiations on pay rates and working conditions for 777 aircraft, but the parties remain far apart. We have offered to provide industry-leading pay rates for 777 pilots; ALPA is seeking pay rates significantly higher than our offer, as well as work rules that would further increase our cost of operating 777 aircraft.

During fiscal 1999, our Company accepted delivery of two 777 aircraft, which we placed in service on May 1, 1999. We have orders to purchase 11 additional 777 aircraft. The scheduled delivery dates for these aircraft are as follows:
five in fiscal 2000; one in each of fiscal 2002 and fiscal 2003; and four in fiscal 2005.

ALPA has announced plans to request Delta pilots not to fly 777 aircraft as early as November 1, 1999 - six months after we initially placed that aircraft type in service - unless an agreement on pay rates and working conditions for 777 aircraft is reached by that time. In June 1999, Delta pilots authorized ALPA to assess pilots 3.5% of their gross pay for up to nine months to finance a contingency fund for pilots who would have flown 777 aircraft.

In June 1999, our Company announced that we would indefinitely defer the delivery of the eleven 777 aircraft on order, and would remove from service on November 1, 1999 the two 777 aircraft we currently operate. We made this decision to protect our customers against schedule disruptions that would result if Delta pilots stopped flying 777 aircraft. We published our winter 1999/2000 flight schedule, which begins November 1, 1999, in computer reservations systems on or about August 1, 1999. ALPA had previously informed us that a tentative agreement on 777 pay rates and working conditions would have to be reached by May 28, 1999 to achieve a pilot-ratified 777 agreement by August 1, 1999. Accordingly, 777 aircraft are not included in our winter flight schedule.

Delta intends to continue to negotiate in good faith with ALPA on 777 pay rates and working conditions. Concurrently, we are marketing the two 777 aircraft we own and are reviewing our alternatives regarding the 11 remaining 777 aircraft on order.

**767-400 NEGOTIATIONS**

In August 1999, our Company and ALPA began negotiations on pay rates and working conditions for 767-400 aircraft. We have 21 767-400 aircraft on order, which are scheduled to be delivered beginning in May 2000.

**OTHER PERSONNEL MATTERS**

Our Company will begin negotiations with ALPA in September 1999 on a new collective bargaining agreement to replace the existing contract that becomes amendable on May 2, 2000.

The outcome of our negotiations with ALPA regarding 777 aircraft, 767-400 aircraft and a new collective bargaining agreement cannot presently be determined.

**NEW ACCOUNTING STANDARDS**

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use," which defines the type of costs related to internal use software that should be capitalized, versus those that should be expensed as incurred.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," which requires all costs related to the start-up of a new business or business segment to be expensed as incurred. Any start-up costs which have been capitalized are required to be expensed when SOP 98-5 is adopted.

Delta is required to adopt SOP 98-1 and SOP 98-5 in fiscal 2000. The adoption of these statements will not have a material impact on our Company's consolidated financial statements.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivatives and hedging activities. We are required to adopt SFAS 133 during fiscal 2001. We are currently evaluating whether the implementation of SFAS 133 will have a material impact on our consolidated financial statements.

**GOVERNMENTAL MATTERS**

During fiscal 1999, the ATA and the major U.S. airlines worked with Congressional leaders to create a voluntary program to improve customer service. Under this program, known as the "Airline Customer Service Commitment," each major carrier will develop a plan for achieving stated goals. These goals include providing customers with timely information concerning flight delays and cancellations, on-time baggage delivery, meeting customers' needs during lengthy delays and being responsive to customer complaints.

Each major U.S. carrier agreed to file its customer service plan with the DOT by September 15, 1999 and implement its plan by December 15, 1999. The DOT will audit carriers for compliance starting on June 15, 2000 and will issue its first assessment on December 15, 2000.

On April 6, 1998, the DOT published a proposed statement of enforcement policy to address DOT concerns that major air carriers were taking actions designed to exclude new carriers in certain airline markets, particularly at hub airports. The proposed guidelines focus on unreasonable price cuts and/or capacity increases by major carriers in response to entry by new carriers at hub airports, and on whether the major carriers could have pursued a more reasonable alternative strategy for competing with new entrants. The proposed policy, if adopted, could adversely affect our ability to respond to competitive challenges by new entrant carriers.

**COMPETITIVE ENVIRONMENT AND SEASONALITY**

We expect low-fare competition to continue in domestic and international markets. If price reductions are not offset by increases in traffic or changes in the mix of traffic that improve our passenger mile yield, our operating results will be adversely affected.

**FINANCIAL REVIEW INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**DELTA AIR LINES, INC.**

There are seasonal variations in the demand for air travel. Therefore, operating results for an interim period do not necessarily indicate results for an entire year. In general, demand for air travel is higher in the June and September quarters, particularly in international markets, because there is more vacation travel during these periods than during the remainder of the year. Demand is also affected by factors such as economic conditions and fare levels.

## ENVIRONMENTAL AND LEGAL CONTINGENCIES

Delta is a defendant in legal actions relating to alleged employment discrimination practices, antitrust matters, environmental issues and other matters concerning our business. Although the ultimate outcome of these matters cannot be predicted with certainty, we believe that the resolution of these actions is not likely to have a material adverse effect on our consolidated financial statements.

## MARKET RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Our Company has market risk exposure related to aircraft fuel prices, stock prices, interest rates and foreign currency exchange rates. The market risk is the potential negative impact of adverse changes in these prices or rates on our consolidated financial statements.

To manage the volatility relating to these exposures, our Company enters into derivative transactions pursuant to our stated policies. See Note 4 of the Notes to the Consolidated Financial Statements for further discussion of our policies for managing such exposures.

The following sensitivity analyses do not consider the effects that an adverse change would have on demand for air travel, the economy as a whole, or additional actions by management to mitigate our exposure to that risk. For these and other reasons, the actual results of adverse changes in these prices or rates may differ materially from the following hypothetical results.

### AIRCRAFT FUEL PRICE RISK

Our Company's results of operations could be significantly impacted by changes in the price and availability of aircraft fuel. During fiscal 1999, aircraft fuel accounted for 11% of our operating expenses. Based on our projected fiscal 2000 aircraft fuel consumption of 2.8 billion gallons, a 10% increase in our projected jet fuel prices would increase our aircraft fuel expense by approximately $31 million for fiscal 2000. This analysis includes the effects of fuel hedging instruments in place at June 30, 1999. Based on our fiscal 1999 aircraft fuel consumption of 2.7 billion gallons, a 10% rise in our jet fuel prices would have increased our aircraft fuel expense by approximately $25 million in fiscal 1999. This analysis includes the effects of fuel hedging instruments in place at June 30, 1998.

For additional information regarding our aircraft fuel price risk management program, see Note 4 of the Notes to the Consolidated Financial Statements.

### EQUITY SECURITIES RISK

At June 30, 1999, the estimated fair value of our marketable equity investments in Comair Holdings, Inc., Singapore Airlines Limited, SAirGroup and SkyWest, Inc. totaled $962 million. The aggregate unrealized gain from these investments was $568 million at June 30, 1999. At June 30, 1998, the estimated fair value of our equity investments totaled $1.3 billion, with an aggregated unrealized gain of $785 million. The decrease in fair value of these investments at June 30, 1999 compared to June 30, 1998 is due to the inclusion of our equity interest in ASA Holdings at June 30, 1998. ASA Holdings was not included in these investments at June 30, 1999, because it was consolidated into our Company as a wholly owned subsidiary during fiscal 1999 (see Note 17 of the Notes to the Consolidated Financial Statements). The market risk associated with these investments is the potential loss in fair value resulting from a decrease in the stock prices of these companies.

We also have exposure to foreign currency exchange rate risk relating to our investments in Singapore Airlines and SAirGroup. We believe the foreign currency exchange rate risk related to these investments is not material to our Company. See Notes 2 and 4 of the Notes to the Consolidated Financial Statements.

We are a member of the SITA Foundation, whose principal asset is its equity interest in Equant, N.V., an international data network services company. The market risk relating to our remaining investment in Equant is the potential reduction in the value of our investment resulting from decreases in Equant's stock price. For further discussion of our membership in the SITA Foundation, see Note 2 of the Notes to the Consolidated Financial Statements.

At June 30, 1999, we had warrants to purchase approximately 18.6 million shares of the common stock of priceline.com. Our market risk associated with these warrants is the potential loss of gain based on decreases in the price of the common stock of priceline.com. For additional information regarding these warrants, see "Priceline.com" on page 31 and Note 2 of the Notes to the Consolidated Financial Statements.

**INTEREST RATE RISK**

Our exposure to market risk due to changes in interest rates relates to our long-term debt obligations and cash investment portfolio.

Market risk associated with our long-term debt is the potential change in fair value resulting from a change in interest rates. A 10% adverse change in assumed interest rates would increase the estimated fair value of our long-term debt by $100 million and $117 million at June 30, 1999 and June 30, 1998, respectively. A 10% increase in average annual interest rates would not have had a material impact on our interest expense for fiscal 1999 or fiscal 1998.

Based on our average balance of cash and cash equivalents and short-term investments during fiscal 1999, a 10% decrease in average annual interest rates would not have a material impact on our interest income.

**FOREIGN CURRENCY EXCHANGE RATE RISK**

Our Company is subject to foreign currency exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated transactions. Based on our average annual net currency positions in fiscal 1999 and 1998, a 10% adverse change in average annual foreign currency exchange rates would not have been material to our consolidated financial statements for the years ending June 30, 1999 or 1998.

We use foreign currency options and forward contracts with maturities of up to 12 months to manage our foreign currency exchange rate risk.

In fiscal 1998, we used foreign currency forward contracts, generally with maturities of less than two months, to mitigate foreign currency risk. We did not use foreign currency option contracts in fiscal 1998. For additional information regarding our foreign currency exchange rate risk management program, see Note 4 of the Notes to the Consolidated Financial Statements.

**FORWARD-LOOKING INFORMATION**

This Annual Report to Shareowners includes forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. We may also make forward-looking statements about our Company and our business either verbally or in writing. We use the words "believes," "expects," "estimates" and similar expressions to identify forward-looking statements.

All forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from projected results. Factors and events that could cause these differences include, but are not limited to:

- general economic conditions;

- competitive factors, such as the airline pricing environment, international alliances, code-sharing programs and capacity decisions by competitors;

- outcomes of negotiations on collective bargaining agreements;

- changes in aircraft fuel prices;

- fluctuations in foreign currency exchange rates;

- actions by the United States and foreign governments; and

- the willingness of customers to travel.

In addition, the following factors relate to our Year 2000 program:

- the ability to identify and remediate all date-sensitive lines of computer code or to replace embedded computer chips in affected systems or equipment;

- the availability of qualified information technology personnel and other information technology resources; and

- the actions of governmental agencies or other third parties with respect to Year 2000 problems.

**CONSOLIDATED BALANCE SHEETS**
JUNE 30, 1999 AND 1998
**DELTA AIR LINES, INC.**

| ASSETS | 1999 | 1998 |
|---|---|---|
| (In Millions) | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 1,124 | $ 1,077 |
| Short-term investments | 19 | 557 |
| Accounts receivable, net of allowance for uncollectible accounts of $30 at June 30, 1999 and $36 at June 30, 1998 | 602 | 938 |
| Deferred income taxes | 403 | 464 |
| Prepaid expenses and other | 524 | 326 |
| Total current assets | 2,672 | 3,362 |
| PROPERTY AND EQUIPMENT: | | |
| Flight equipment | 13,389 | 11,180 |
| Less: Accumulated depreciation | 4,405 | 3,895 |
| | 8,984 | 7,285 |
| Flight equipment under capital leases | 515 | 515 |
| Less: Accumulated amortization | 264 | 216 |
| | 251 | 299 |
| Ground property and equipment | 3,862 | 3,285 |
| Less: Accumulated depreciation | 2,123 | 1,854 |
| | 1,739 | 1,431 |
| Advance payments for equipment | 493 | 306 |
| Total property and equipment | 11,467 | 9,321 |
| OTHER ASSETS: | | |
| Marketable equity securities | 523 | 424 |
| Investments in associated companies | 300 | 326 |
| Cost in excess of net assets acquired, net of accumulated amortization of $121 at June 30, 1999 and $112 at June 30, 1998 | 782 | 265 |
| Leasehold and operating rights, net of accumulated amortization of $220 at June 30, 1999 and $209 at June 30, 1998 | 113 | 124 |
| Other noncurrent assets | 687 | 781 |
| Total other assets | 2,405 | 1,920 |
| Total assets | $16,544 | $14,603 |

| LIABILITIES AND SHAREOWNERS' EQUITY | 1999 | 1998 |
|---|---|---|
| (In Millions, Except Share Data) | | |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | $ 660 | $ 67 |
| Current obligations under capital leases | 39 | 63 |
| Accounts payable and miscellaneous accrued liabilities | 2,144 | 2,025 |
| Air traffic liability | 1,819 | 1,667 |
| Accrued rent | 195 | 202 |
| Accrued salaries and vacation pay | 470 | 553 |
| Total current liabilities | 5,327 | 4,577 |
| NONCURRENT LIABILITIES: | | |
| Long-term debt | 1,756 | 1,533 |
| Postretirement benefits | 1,894 | 1,873 |
| Accrued rent | 720 | 651 |
| Capital leases | 196 | 249 |
| Deferred income taxes | 820 | 262 |
| Other | 470 | 511 |
| Total noncurrent liabilities | 5,856 | 5,079 |
| Deferred Credits: | | |
| Deferred gain on sale and leaseback transactions | 642 | 694 |
| Manufacturers' and other credits | 76 | 55 |
| Total deferred credits | 718 | 749 |
| COMMITMENTS AND CONTINGENCIES (NOTES 4, 5, 6, 7 AND 8) | | |
| EMPLOYEE STOCK OWNERSHIP PLAN PREFERRED STOCK: | | |
| Series B ESOP Convertible Preferred Stock, $1.00 par value, $72.00 stated and liquidation value; issued and outstanding 6,547,495 shares at June 30, 1999 and 6,603,429 shares at June 30, 1998 | 471 | 475 |
| Unearned compensation under employee stock ownership plan | (276) | (300) |
| Total Employee Stock Ownership Plan Preferred Stock | 195 | 175 |
| SHAREOWNERS' EQUITY: | | |
| Common stock, $1.50 par value; authorized 450,000,000 shares; issued 179,763,547 shares at June 30, 1999 and 176,566,178 shares at June 30, 1998 | 270 | 265 |
| Additional paid-in capital | 3,208 | 3,034 |
| Retained earnings | 2,756 | 1,687 |
| Accumulated other comprehensive income | 149 | 89 |
| Treasury stock at cost, 41,209,828 shares at June 30, 1999 and 26,115,784 shares at June 30, 1998 | (1,935) | (1,052) |
| Total shareowners' equity | 4,448 | 4,023 |
| Total liabilities and shareowners' equity | $ 16,544 | $ 14,603 |

The accompanying notes are an integral part of these Consolidated Balance Sheets.

**CONSOLIDATED STATEMENTS OF OPERATIONS**
**FOR THE YEARS ENDED JUNE 30, 1999, 1998 AND 1997**

**DELTA AIR LINES, INC.**

| (In Millions, Except Per Share Data) | 1999 | 1998 | 1997 |
|---|---|---|---|
| OPERATING REVENUES: | | | |
| Passenger | $13,417 | $12,994 | $12,505 |
| Cargo | 557 | 582 | 554 |
| Other, net | 737 | 562 | 535 |
| Total operating revenues | 14,711 | 14,138 | 13,594 |
| OPERATING EXPENSES: | | | |
| Salaries and related costs | 4,993 | 4,850 | 4,534 |
| Aircraft fuel | 1,360 | 1,507 | 1,722 |
| Passenger commissions | 867 | 980 | 1,017 |
| Depreciation and amortization | 961 | 860 | 710 |
| Contracted services | 772 | 694 | 630 |
| Other selling expenses | 755 | 681 | 677 |
| Landing fees and other rents | 707 | 649 | 649 |
| Aircraft rent | 590 | 552 | 547 |
| Aircraft maintenance materials and outside repairs | 561 | 495 | 434 |
| Passenger service | 500 | 450 | 389 |
| Restructuring and other non-recurring charges | -- | -- | 52 |
| Other | 775 | 726 | 702 |
| Total operating expenses | 12,841 | 12,444 | 12,063 |
| OPERATING INCOME | 1,870 | 1,694 | 1,531 |
| OTHER INCOME (EXPENSE): | | | |
| Interest expense | (199) | (186) | (207) |
| Interest capitalized | 46 | 38 | 33 |
| Interest income | 52 | 79 | 63 |
| Miscellaneous income (expense), net | 57 | 23 | (5) |
| Total other income (expense) | (44) | (46) | (116) |
| INCOME BEFORE INCOME TAXES | 1,826 | 1,648 | 1,415 |
| INCOME TAXES PROVIDED | (725) | (647) | (561) |
| NET INCOME | 1,101 | 1,001 | 854 |
| PREFERRED STOCK DIVIDENDS | (11) | (11) | (9) |
| NET INCOME AVAILABLE TO COMMON SHAREOWNERS | $ 1,090 | $ 990 | $ 845 |
| BASIC EARNINGS PER SHARE | $ 7.63 | $ 6.64 | $ 5.70 |
| DILUTED EARNINGS PER SHARE | $ 7.20 | $ 6.34 | $ 5.52 |

The accompanying notes are an integral part of these consolidated statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED JUNE 30, 1999, 1998 AND 1997**

**DELTA AIR LINES, INC.**

| (In Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | $ 1,101 | $ 1,001 | $ 854 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | |
| Restructuring and other non-recurring charges | -- | -- | 52 |
| Depreciation and amortization | 961 | 860 | 710 |
| Deferred income taxes | 418 | 294 | 240 |
| Rental expense in excess of (less than) rent payments | 10 | (17) | (58) |
| Pension, postretirement and postemployment expense in excess of payments | 34 | 179 | 92 |
| Changes in certain current assets and liabilities: | | | |
| Decrease in accounts receivable | 339 | 5 | 25 |
| (Increase) decrease in prepaid expenses and other current assets | (176) | 15 | (31) |
| Increase in air traffic liability | 152 | 249 | 4 |
| Increase in other payables and accrued expenses | 12 | 330 | 186 |
| Other, net | 78 | -- | (35) |
| Net cash provided by operating activities | 2,929 | 2,916 | 2,039 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Property and equipment additions: | | | |
| Flight equipment, including advance payments | (2,258) | (1,760) | (1,598) |
| Ground property and equipment | (561) | (531) | (350) |
| Decrease (increase) in short-term investments, net | 568 | (43) | (1) |
| Proceeds from sale of flight equipment | 30 | 10 | 8 |
| Acquisition, net of cash acquired | (570) | -- | -- |
| Net cash used in investing activities | (2,791) | (2,324) | (1,941) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Payments on long-term debt and capital lease obligations | (154) | (307) | (196) |
| Payments on notes payable | (277) | -- | -- |
| Cash dividends | (43) | (43) | (44) |
| Issuance of long-term obligations | 324 | 125 | -- |
| Issuance of short-term obligations | 779 | -- | -- |
| Issuance of common stock | 131 | 318 | 38 |
| Income tax benefit from exercise of stock options | 34 | 84 | -- |
| Repurchase of common stock | (885) | (354) | (379) |
| Net cash used in financing activities | (91) | (177) | (581) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 47 | 415 | (483) |
| Cash and cash equivalents at beginning of year | 1,077 | 662 | 1,145 |
| Cash and cash equivalents at end of year | $ 1,124 | $ 1,077 | $ 662 |

The accompanying notes are an integral part of these consolidated statements.

**CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY**
**FOR THE YEARS ENDED JUNE 30, 1999, 1998 AND 1997**

**DELTA AIR LINES, INC.**

| (In Millions, Except Share Data) | Common Stock | Additional Paid-In Capital | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income | Treasury Stock | Total |
|---|---|---|---|---|---|---|
| BALANCE AT JUNE 30, 1996 | $ 217 | $ 2,627 | $ (119) | $ 126 | $ (311) | $ 2,540 |
| Fiscal Year 1997: | | | | | | |
| Net income | -- | -- | 854 | -- | -- | 854 |
| Dividends on common stock ($0.10 per share) | -- | -- | (15) | -- | -- | (15) |
| Dividends on Series B ESOP Convertible Preferred Stock allocated shares | -- | -- | (9) | -- | -- | (9) |
| Issuance of 1,496,984 shares of common stock under dividend reinvestment and stock purchase plan and stock options ($32.61 per share*) | 2 | 47 | -- | -- | (7) | 42 |
| Issuance of 21,258,930 shares of common stock on conversions of Series C Preferred Stock ($32.19 per share*) | 32 | (32) | -- | -- | -- | -- |
| Repurchase of 10,757,400 common shares ($35.27 per share*) | -- | -- | -- | -- | (379) | (379) |
| Accumulated other comprehensive income | -- | -- | -- | (25) | -- | (25) |
| Other | -- | 3 | -- | -- | (4) | (1) |
| BALANCE AT JUNE 30, 1997 | 251 | 2,645 | 711 | 101 | (701) | 3,007 |
| Fiscal Year 1998: | | | | | | |
| Net income | -- | -- | 1,001 | -- | -- | 1,001 |
| Dividends on common stock ($0.10 per share) | -- | -- | (15) | -- | -- | (15) |
| Dividends on Series B ESOP Convertible Preferred Stock allocated shares | -- | -- | (11) | -- | -- | (11) |
| Issuance of 9,276,084 shares of common stock under dividend reinvestment and stock purchase plan and stock options ($34.28 per share*) | 14 | 304 | -- | -- | -- | 318 |
| Repurchase of 6,316,746 common shares ($56.04 per share*) | -- | -- | -- | -- | (354) | (354) |
| Income tax benefit from exercise of stock options | -- | 84 | -- | -- | -- | 84 |
| Transfer of 99,082 shares of common stock from treasury under stock incentive plan ($38.59 per share*) | -- | -- | -- | -- | 3 | 3 |
| Accumulated other comprehensive income | -- | -- | -- | (12) | -- | (12) |
| Other | -- | 1 | 1 | -- | -- | 2 |
| Balance at June 30, 1998 | 265 | 3,034 | 1,687 | 89 | (1,052) | 4,023 |
| Fiscal Year 1999: | | | | | | |
| Net income | -- | -- | 1,101 | -- | -- | 1,101 |
| Dividends on common stock ($0.10 per share) | -- | -- | (14) | -- | -- | (14) |
| Dividends on Series B ESOP Convertible Preferred Stock allocated shares | -- | -- | (11) | -- | -- | (11) |
| Issuance of 3,197,369 shares of common stock under dividend reinvestment and stock purchase plan and stock options ($41.01 per share*) | 5 | 126 | -- | -- | -- | 131 |
| Repurchase of 15,149,658 common shares ($58.45 per share*) | -- | -- | -- | -- | (885) | (885) |
| Income tax benefit from exercise of stock options | -- | 34 | -- | -- | -- | 34 |
| Transfer of 55,614 shares of common stock from treasury under stock incentive plan ($36.54 per share*) | -- | -- | -- | -- | 2 | 2 |
| Accumulated other comprehensive income | -- | -- | -- | 60 | -- | 60 |
| Other | -- | 14 | (7) | -- | -- | 7 |
| BALANCE AT JUNE 30, 1999 | $ 270 | $ 3,208 | $ 2,756 | $ 149 | $ (1,935) | $ 4,448 |

(*) Average price per share.

The accompanying notes are an integral part of these consolidated statements.

**DELTA AIR LINES, INC.**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS -- Delta Air Lines, Inc. (a Delaware corporation) is a major air carrier that provides air transportation for passengers, freight and mail throughout the United States and around the world. As of August 1999, we served 184 domestic cities in 44 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, as well as 42 cities in 29 international countries.

BASIS OF PRESENTATION -- Our consolidated financial statements contain information for Delta Air Lines, Inc. and our wholly owned subsidiaries (Delta or our Company). We have eliminated all significant intercompany account balances and transactions. We have also reclassified certain amounts from prior years to be consistent with the presentation in our 1999 financial statements.

USE OF ESTIMATES -- Preparing our financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in our financial statements and the accompanying footnotes. Actual results could differ from those estimates.

NEW ACCOUNTING STANDARDS -- During fiscal 1999, we adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (see Note 12) and SFAS 131, "Disclosures about Segments of an Enterprise and Related Information" (see Note 13). During fiscal 1998, we adopted SFAS 128, "Earnings Per Share" (see Note 14) and SFAS 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" (see Note 9). During fiscal 1997, we adopted SFAS 123, "Accounting for Stock-Based Compensation" (see Note 15).

CASH AND CASH EQUIVALENTS -- We classify short-term, highly liquid investments with original maturities of three months or less as cash and cash equivalents. These investments are stated at cost, which approximates fair value.

DEPRECIATION AND AMORTIZATION -- Owned flight equipment is depreciated on a straight-line basis over the estimated service lives, which range from 15 to 25 years, to a residual value ranging from 5% to 10% of cost. We amortize flight equipment under capital leases on a straight-line basis over the original terms of the leases, which range from 6 to 13 years. Ground property and equipment is depreciated on a straight-line basis over the estimated service lives, which range from 3 to 30 years. Costs assigned to the purchase of lease-hold rights and landing slots are amortized over the lives of the leases at the associated airports. We amortize purchased international route authorities over the lives of the authorities as determined by their expiration dates. Permanent route authorities with no stated expiration dates are amortized over 40 years. Our cost in excess of net assets acquired (goodwill) is amortized over 40 years and is primarily related to our acquisition of ASA Holdings, Inc. (ASA Holdings) in March 1999 and Western Air Lines, Inc. in December 1986. ASA Holdings is the parent of Atlantic Southeast Airlines, Inc. (ASA).

As of July 1, 1998, we increased the depreciable lives of certain aircraft types from 20 to 25 years. The change in estimate reduced depreciation expense by $92 million ($0.64 basic and $0.60 diluted earnings per share) for fiscal 1999.

INTEREST CAPITALIZED -- Interest paid on funds used to acquire new aircraft and to construct ground facilities is capitalized as an additional cost of the related assets. We capitalize interest at our weighted average interest rate on long-term debt or, if applicable, the interest rate related to specific borrowings. Interest capitalization ends when the property or equipment is ready for service or its intended use.

INVESTMENTS IN ASSOCIATED COMPANIES -- The equity method of accounting is used for our investments in WORLDSPAN, L.P., a computer reservations system partnership, and Comair Holdings, Inc., the parent of Comair, Inc. We own a 40% interest in WORLDSPAN and a 22% interest in Comair Holdings. Our equity earnings in these investments totaled $54 million in fiscal 1999, $39 million in fiscal 1998 and $39 million in fiscal 1997. We accounted for our investment in ASA Holdings under the equity method until April 1, 1999, when we began to consolidate its results (see Note 17). We acquired a majority interest in ASA Holdings on March 22, 1999 and completed the acquisition on May 11, 1999. Its results of operations for the period March 22, 1999 through March 31, 1999 were not material to our consolidated financial statements.

FREQUENT FLYER PROGRAM -- The estimated incremental cost of providing free travel awards earned under our SkyMiles((R)) frequent flyer program is accrued as our customers achieve free travel award levels. The accrued cost is included in accounts payable and miscellaneous accrued liabilities on our Consolidated Balance Sheets. Delta also sells mileage credits to participating partners in the SkyMiles((R)) program, such as hotels, car rental agencies and credit card companies, and recognizes the resulting revenue as other operating revenue at the time of sale.

PASSENGER AND CARGO REVENUES -- We record sales of passenger tickets and cargo services as air traffic liability on our Consolidated Balance Sheets. Passenger and cargo revenues are recognized and the related air traffic liability is reduced when we provide the transportation. Periodically, we evaluate the estimated air traffic liability based on statistical and other reviews. Any resulting adjustments, which can be significant, are included in our Consolidated Statements of Operations in the period that the evaluations are completed.

DEFERRED GAINS ON SALE AND LEASEBACK TRANSACTIONS -- Deferred gains on the sale and lease-back of property and equipment under operating leases are amortized over the lives of these leases. The gains are reflected as a reduction in rent expense. Gains on the sale and leaseback of property and equipment under capital leases reduce the carrying value of the related assets.

MANUFACTURERS' CREDITS -- Delta periodically receives credits in connection with the acquisition of aircraft and engines. These credits are deferred until the aircraft and engines are delivered, then applied on a pro rata basis as a reduction to the cost of the related equipment.

ADVERTISING COSTS -- We expense advertising costs as other selling expense in the fiscal year incurred. Advertising expense for fiscal 1999, 1998 and 1997 totaled $136 million, $105 million and $121 million, respectively.

FOREIGN CURRENCY REMEASUREMENT -- Assets and liabilities denominated in foreign currencies are generally remeasured using exchange rates in effect on the balance sheet date. We recognize the resulting foreign exchange gains and losses as a component of miscellaneous income (expense). Fixed assets and the related depreciation or amortization charges are recorded at the exchange rates in effect on the date we acquired the assets.

STOCK-BASED COMPENSATION -- Stock-based compensation plans are accounted for in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Under APB 25, we do not recognize compensation expense for a stock option grant if the exercise price at the measurement date is equal to or greater than the fair market value of our common stock on the grant date (see Note 15).

STOCK SPLIT -- On October 22, 1998, our shareowners approved an amendment to the Certificate of Incorporation to increase our authorized common stock from 150 million shares to 450 million shares, and to decrease the par value of our common stock from $3.00 to $1.50 per share. As part of this amendment, which became effective on November 2, 1998, our shareowners also approved a two-for-one split of the issued common stock. All references in this annual report to the number of shares of common stock (including references to our broad-based employee stock option programs and our common stock repurchase programs), our earnings per share and our per share common stock prices have been restated to reflect the stock split.

## 2. FINANCIAL INSTRUMENTS

Our financial instruments, except long-term debt and certain investments, are carried at fair value or have a carrying value which approximates fair value.

LONG-TERM DEBT -- The following table shows the estimated fair value and carrying value of long-term debt, including current maturities, at June 30, 1999 and 1998:

| (In Billions) | 1999 | 1998 |
|---|---|---|
| Fair value | $2.6 | $1.9 |
| Carrying value | $2.4 | $1.6 |

Fair values are estimated based on quoted market prices, where available, or on discounted cash flow analyses. Changes in assumptions or estimation methods may significantly affect these fair value estimates.

MARKETABLE EQUITY SECURITIES -- On July 1, 1997, we began accounting for our investment in SkyWest, Inc. under the cost method due to a decrease in our ownership percentage. Our investments in Singapore Airlines Limited, SAirGroup and SkyWest are classified as available-for-sale securities and are recorded at fair value. The following table summarizes these investments:

| (In Millions) | Quoted Fair Value | | Cost Basis | Unrealized Gain (Loss) | |
|---|---|---|---|---|---|
| | June 30, 1999 | June 30, 1998 | | June 30, 1999 | June 30, 1998 |
| Singapore Airlines | $335 | $165 | $181 | $154 | $(16) |
| SAirGroup | $110 | $172 | $ 85 | $ 25 | $ 87 |
| SkyWest | $ 78 | $ 87 | $ 14 | $ 64 | $ 73 |

Accumulated other comprehensive income reflects the aggregate unrealized gains of these investments, net of the related deferred tax provision, at June 30, 1999 and 1998. Our right to vote, transfer or acquire additional shares of stock of Singapore Airlines and SAirGroup is subject to certain restrictions.

SHORT-TERM INVESTMENTS -- Delta invests cash in excess of operating requirements in short-term, highly liquid investments. These investments are classified as available-for-sale securities under SFAS 115 and are stated at fair value. The aggregate fair value of short-term investments totaled $19 million at June 30, 1999 and $557 million at June 30, 1998. Accumulated other comprehensive income reflects unrealized gains and losses from these investments, net of related deferred taxes. The unrealized gains and losses on our short-term investments were not material at June 30, 1999 and 1998.

CONVERTIBLE SECURITIES -- During fiscal 1999, we entered into an agreement with priceline.com Incorporated. Under this agreement, ticket inventory provided by Delta is sold through priceline.com's Internet-based e-commerce system. As part of this agreement, we received warrants to purchase up to 18.6 million shares of priceline.com's common stock for $0.93 per share. The warrants are exercisable beginning when certain performance thresholds are met and ending December 31, 2005. We have now met the performance thresholds relating to the exercise of the warrants. These warrants, and the shares issuable when the warrants are exercised, are not registered under the Securities Act of 1933; accordingly, the fair value of these warrants is not reflected on our Consolidated Balance Sheets as of June 30, 1999.

The value of the priceline.com common stock underlying our warrants is $1.2 billion, based upon the NASDAQ closing price as quoted on August 13, 1999. However, due to the nature of our equity interest in priceline.com, the fair value of our unexercised warrants in priceline.com cannot be readily determined.

Subsequent to June 30, 1999 we executed a registration rights agreement with priceline.com which gives us certain demand and piggyback registration rights for the priceline.com common stock underlying our warrants. We are currently evaluating which portion of the warrants will become readily available within the next year. Upon completion of this evaluation during the first quarter of fiscal 2000, we will record the estimated fair value of these warrants on our Consolidated Balance Sheets.

We are a member of the SITA Foundation, whose principal asset is its equity interest in Equant, N.V., an international data network services company. In February 1999, SITA sold a portion of its interest in Equant and distributed the proceeds on a pro rata basis to members that elected to participate in the offering. We sold approximately one-third of our ownership in Equant as part of this offering, resulting in a pretax gain of $26 million. We now hold depository certificates that may become convertible into 816,228 shares of Equant, N.V. Our equity interest is not recorded on our Consolidated Balance Sheets at June 30, 1999. The shares underlying the value of these certificates had an estimated fair market value of $72 million at August 13, 1999.

## 3. INCOME TAXES

Deferred income taxes reflect the net tax effect of timing differences between the carrying amounts of assets and liabilities for financial reporting and for income tax purposes. The table below shows significant components of our deferred tax assets and liabilities at June 30, 1999 and 1998:

| (In Millions) | 1999 | 1998 |
|---|---|---|
| Deferred Tax Assets: | | |
| Postretirement benefits | $ 766 | $ 756 |
| Other employee benefits | 335 | 405 |
| Gains on sale and leaseback transactions (net) | 278 | 257 |
| Rent expense | 206 | 200 |
| Spare parts repair expense | 151 | 139 |
| Alternative minimum tax credit carryforwards | 27 | 107 |
| Other | 157 | 159 |
| Total deferred tax assets | $1,920 | $2,023 |
| Deferred Tax Liabilities: | | |
| Depreciation and amortization | $1,960 | $1,446 |
| Other | 377 | 375 |
| Total deferred tax liabilities | $2,337 | $1,821 |

Income taxes provided in fiscal 1999, 1998 and 1997 consisted of:

| (In Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Current taxes | $(307) | $(353) | $(321) |
| Deferred taxes | (423) | (298) | (244) |
| Tax benefit of dividends on allocated Series B ESOP Convertible Preferred Stock | 5 | 4 | 4 |
| Income taxes provided | $(725) | $(647) | $(561) |

The following table shows the difference between the income tax provision recorded for fiscal 1999, 1998 and 1997 and the amount that would result if we applied the federal statutory tax rate to pretax income:

| (In Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Income before income taxes | $ 1,826 | $ 1,648 | $ 1,415 |
| Items not deductible for tax purposes: | | | |
| Meals and entertainment | 41 | 42 | 39 |
| Amortization of goodwill | 11 | 9 | 9 |
| Other, net | (20) | (27) | (17) |
| Adjusted pretax income | 1,858 | 1,672 | 1,446 |
| Federal statutory tax rate | 35% | 35% | 35% |
| Federal income tax provision at statutory rate | (650) | (585) | (506) |
| State and other income taxes | (75) | (62) | (55) |
| Income taxes provided | $ (725) | $ (647) | $ (561) |

==========================================================================

Our income tax payments, net of income tax refunds, totaled $242 million in fiscal 1999, $244 million in fiscal 1998 and $336 million in fiscal 1997.

4. RISK MANAGEMENT

FUEL PRICE RISK MANAGEMENT - Our Company uses options and other non-leveraged, over-the-counter instruments, which have maturities of up to 36 months, to manage the risk associated with changes in aircraft fuel prices. In fiscal 1998, we primarily entered into swap contracts to manage fiscal 1999 risk. The changes in the market value of fuel hedging contracts have a high correlation to changes in aircraft fuel prices. Gains and losses from fuel hedging contracts are recognized as part of fuel expense when we use the underlying fuel hedged. Premiums paid to enter into hedging contracts are recorded as prepaid expenses and amortized to fuel expense over the contract settlement period. We do not enter into fuel hedging contracts for trading purposes.

At June 30, 1999, we had entered into hedge agreements for a total of 4.6 billion gallons of our projected aircraft fuel requirements for fiscal years 2000 through 2002, including approximately 80% of our projected fiscal 2000 fuel requirements. At June 30, 1999, these contracts had an estimated fair value of $333 million with unrealized gains of $137 million.

At June 30, 1998, we had entered into hedge agreements for 2.1 billion gallons of our projected aircraft fuel requirements for fiscal 1999. On that date, these contracts were in a loss position of $19 million, with unrealized losses of $32 million.

During fiscal 1999, our Board of Directors increased our maximum fuel hedging horizon from 12 months to 36 months. This change impacted the notional amounts and estimated fair values of our fuel hedging contracts at June 30, 1999 compared to June 30, 1998.

FOREIGN CURRENCY EXCHANGE RISK MANAGEMENT - Foreign currency options and forward contracts are used to manage the risk associated with our net foreign currency-denominated transactions. The contracts are denominated in the same currency in which the projected foreign cash flows are expected to occur and have maturities of up to 12 months. The principal amount of outstanding foreign currency forward contracts totaled approximately $26 million at June 30, 1999. The notional amount of option contracts outstanding at June 30, 1999 was approximately $330 million. At June 30, 1998, the principal amount of foreign currency forward contracts outstanding totaled approximately $26 million. The estimated fair value of our foreign currency contracts was not material at June 30, 1999 or 1998. We do not enter into foreign currency hedging contracts for trading purposes.

We recognize the gains and losses from foreign currency exchange contracts as a component of miscellaneous income (expense) as we recognize the underlying transaction. These gains and losses are not material for any period presented in our consolidated financial statements.

CREDIT RISK MANAGEMENT - To manage credit risk associated with our fuel price and foreign currency exchange risk management programs, we select counterparties based on their credit ratings and limit our exposure to any one counterparty under defined guidelines. We also monitor the market position of these programs and our relative market position with each counterparty. The credit exposure related to these programs was not significant to our Company at June 30, 1999.

CONCENTRATION OF CREDIT RISK - Our accounts receivable are generated largely from the sale of airline tickets and cargo services to customers who are economically and geographically dispersed. In addition, our accounts receivable are generally short-term in duration. Therefore, we believe we have no significant concentration of credit risk.

## 5. LONG-TERM DEBT

The following table summarizes our long-term debt, including current maturities, at June 30, 1999 and 1998:

| (In Millions) | 1999 | 1998 |
|---|---|---|
| Medium-Term Notes, Series A and B, unsecured, interest rates from 8.25% to 9.15%; maturities ranging from 1999 to 2007 | $ 61 | $ 128 |
| 9 7/8% Notes, unsecured, due May 15, 2000 | 142 | 142 |
| 1999 Bank Credit Agreement, 5.92% interest, due March 22, 2001 | 500 | -- |
| 8 1/2% Notes, unsecured, due March 15, 2002 | 71 | 71 |
| 6.65% Medium-Term Notes, Series C, unsecured, due March 15, 2004 | 300 | -- |
| 8.10% Series C Guaranteed Serial ESOP Notes, unsecured, due in installments between 2002 and 2009 | 290 | 290 |
| 10 1/8% Debentures, unsecured, due May 15, 2010 | 113 | 113 |
| 10 3/8% Debentures, unsecured, due February 1, 2011 | 175 | 175 |
| Development Authority of Fulton County, unsecured loan agreement, $19 million due on May 1, 2013, $85 million on May 1, 2023 and $21 million on May 1, 2033; interest rates from 5.30% to 5.50% | 125 | 125 |
| 9% Debentures, unsecured, due May 15, 2016 | 101 | 101 |
| 9 3/4% Debentures, unsecured, due May 15, 2021 | 250 | 250 |
| 10 3/8% Debentures, unsecured, due December 15, 2022 | 66 | 66 |
| Other | 222 | 139 |
| Total | 2,416 | 1,600 |
| Less: Current maturities | 660 | 67 |
| Total long-term debt | $1,756 | $1,533 |

Our variable interest rate long-term debt is shown using interest rates in effect at June 30, 1999.

1999 BANK CREDIT AGREEMENT - During fiscal 1999, we entered into a $500 million credit agreement with a group of banks to finance a portion of our purchase of ASA Holdings (see Note 17). Our interest rate under this agreement is either the base rate or the Eurodollar rate, plus a margin that is dependent on Delta's long-term senior unsecured debt ratings. This agreement expires on March 22, 2001, but we may prepay the outstanding borrowings at any time.

The 1999 Bank Credit Agreement contains negative covenants. These covenants restrict our ability to grant liens, to incur or guarantee debt and to enter into flight equipment leases. This agreement also provides that, if our long-term senior unsecured debt is rated below investment grade, we are required to maintain a specific coverage ratio as of the last day of each fiscal quarter. The banks have the right to terminate the agreement if there is a change of control of Delta. In this event all outstanding borrowings would become due immediately.

At August 13, 1999, $500 million was outstanding under our 1999 Bank Credit Agreement. This obligation is included in current maturities of long-term debt on our Consolidated Balance Sheets because we intend to repay the amounts outstanding before June 30, 2000.

1997 BANK CREDIT AGREEMENT - Under our 1997 Bank Credit Agreement with a group of banks, we may borrow up to $1.25 billion on an unsecured and revolving basis until May 1, 2002, subject to our compliance with certain conditions. We may use up to $700 million of this facility for the issuance of letters of credit. Our interest rate under this facility is either LIBOR or the prime rate, plus a margin that is dependent on Delta's long-term senior unsecured debt ratings. We can also obtain loans through a competitive bid procedure.

The 1997 Bank Credit Agreement contains negative covenants and a change of control provision similar to the corresponding provisions of the 1999 Bank Credit Agreement. At June 30 and August 13, 1999, no amounts were outstanding under the 1997 Bank Credit Agreement.

SERIES C ESOP NOTES - At June 30, 1999, there were $290 million of Delta Family-Care Savings Plan's Series C Guaranteed Serial ESOP Notes outstanding. We guarantee the Series C ESOP Notes, which are payable in installments between July 1, 2002 and January 1, 2009. Under the note purchase agreements related to the Series C ESOP Notes, the noteholders have the option to require us to purchase the Series C ESOP Notes if the credit rating of our long-term senior unsecured debt falls below Baa3 by Moody's and BBB- by Standard & Poor's (a purchase event). We have no obligation to purchase the Series C ESOP Notes if we obtain, within a certain amount of time of a purchase event, a credit enhancement that increases the debt rating for the Series C ESOP Notes to at least A3 by Moody's and A- by Standard & Poor's (required ratings). The purchase price of the Series C ESOP Notes would include their outstanding principal amount, accrued interest and, potentially, a make whole premium amount.

During fiscal 1993, a purchase event occurred. We obtained a credit enhancement that resulted in the Series C ESOP Notes receiving the required ratings. Accordingly, we were not required to purchase the Series C ESOP Notes as a result of this purchase event. The credit enhancement for the Series C ESOP Notes is currently provided in the form of a letter of credit issued under a $425 million letter of credit facility with ABN AMRO Bank and a group of banks. This facility, which expires June 6, 2000, contains negative covenants and a change of control provision similar to those in the 1999 and 1997 Bank Credit Agreements. If there is a drawing on the letter of credit, we must repay it immediately or convert our repayment obligation to a short-term loan. At August 13, 1999, the face amount of the letter of credit was $421 million. It covers the $290 million of outstanding principal of the Series C ESOP Notes, up to $98 million of make whole premium amount and approximately one year of interest on the Series C ESOP Notes.

We also have a trust indenture with a third-party trustee and the Delta Family-Care Savings Plan which contains terms and conditions relating to any letter of credit used to credit enhance the Series C ESOP Notes. The indenture requires the trustee to draw under the letter of credit to make regularly scheduled payments of principal and interest on the Series C ESOP Notes, and to purchase the Series C ESOP Notes in certain circumstances in which we would not be required to purchase the Series C ESOP Notes under the note purchase agreements. The indenture requires the trustee to purchase the Series C ESOP Notes at the option of the noteholders if:

1. the required ratings on the Series C ESOP Notes are not maintained;

2. the letter of credit is not extended 20 days before its scheduled expiration date;

3. we terminate the letter of credit; or

4. the trustee receives notice that an event of default has occurred under the letter of credit facility.

In the situations described above, the trustee may not repurchase the Series C ESOP Notes if the Series C ESOP Notes receive the required ratings within 10 days of the event.

The required ratings on the Series C ESOP Notes can be changed at any time, and are subject to confirmation annually, by Moody's and Standard & Poor's. Circumstances that might cause either rating agency to lower or fail to confirm its rating include, but are not limited to, the following:

1. downgrading of the deposits of the issuer of the letter of credit to below A3 by Moody's or below A- by Standard & Poor's; or

2. a determination that the make whole premium amount covered by the letter of credit is insufficient.

The indenture does not permit the trustee to purchase the Series C ESOP Notes if they receive the required ratings without a credit enhancement. The Series C ESOP Notes are not likely to receive the required ratings without a credit enhancement unless our long-term senior unsecured debt is rated at least A3 by Moody's and A- by Standard & Poor's. On August 13, 1999, our long-term senior unsecured debt was rated Baa3 by Moody's and BBB- by Standard & Poor's.

FUTURE MATURITIES - At June 30, 1999, the annual scheduled maturities of long-term debt during the next five fiscal years were as follows:

| Year Ending June 30 (In Millions) | Amount |
|---|---|
| 2000 | $ 660 |
| 2001 | 16 |
| 2002 | 86 |
| 2003 | 22 |
| 2004 | 312 |
| After 2004 | $ 1,320 |

Cash payments for interest, net of interest capitalized, totaled $130 million in fiscal 1999, $152 million in fiscal 1998 and $171 million in fiscal 1997.

DEBT COVENANTS - Our debt agreements contain negative covenants, but these covenants do not limit the payment of dividends on our capital stock. The terms of the Series B ESOP Convertible Preferred Stock limit our ability to pay cash dividends to our common shareowners in certain circumstances (see Note 10).

ASA's credit agreements contain negative covenants that apply only to the financial position of ASA. The covenants, among other things, limit ASA's ability to transfer funds in the form of cash dividends, loans or advances. At June 30, 1999, approximately $218 million of ASA's net assets were subject to these restrictions and approximately $57 million of net assets were available for distribution by ASA to Delta under the most restrictive of these provisions.

## 6. LEASE OBLIGATIONS

Our Company leases aircraft, airport terminal and maintenance facilities, ticket offices and other property and equipment. We record rent expense on a straight-line basis over the life of the lease. Rental expense for operating leases totaled $1.1 billion in fiscal 1999, $0.9 billion in fiscal 1998 and $0.9 billion in fiscal 1997. Amounts due under capital leases are recorded as liabilities, and our interest in assets acquired under capital leases are shown as assets on our Consolidated Balance Sheets.

The following table summarizes our minimum rental commitments under capital leases and operating leases with initial or remaining terms of more than one year as of June 30, 1999:

| Year Ending June 30 (In Millions) | Capital Leases | Operating Leases |
|---|---|---|
| 2000 | $ 63 | $ 1,020 |
| 2001 | 57 | 1,030 |
| 2002 | 57 | 1,040 |
| 2003 | 48 | 1,020 |
| 2004 | 32 | 980 |
| After 2004 | 40 | 9,440 |
| Total minimum lease payments | 297 | $14,530 |
| Less: Amounts of lease payments which represent interest | 62 | |
| Present value of future minimum capital lease payments | 235 | |
| Less: Current obligations under capital leases | 39 | |
| Long-term capital lease obligations | $196 | |

As of June 30, 1999, we operated 208 aircraft under operating leases and 48 aircraft under capital leases. These leases have remaining terms ranging from 6 months to 18 years. Several municipalities and airport authorities have issued special facility revenue bonds to build or improve airport terminal and maintenance facilities that we lease. Under these operating lease agreements, we are required to make rental payments that are sufficient to pay principal and interest on these bonds.

7. PURCHASE COMMITMENTS

Future expenditures for aircraft and engines on firm order as of August 13, 1999 are estimated at approximately $10.0 billion. The following table shows the timing of these commitments:

| Year Ending June 30 (In Millions) | Amount |
|---|---|
| 2000 | $2,310 |
| 2001 | 2,710 |
| 2002 | 1,190 |
| 2003 | 920 |
| 2004 | 740 |
| After 2004 | 2,080 |
| Total | $9,950 |

Our purchase commitments at August 13, 1999 include future payments for eleven 777 aircraft on order. These future payments have been included in the above table based on their delivery dates under the purchase agreement. As discussed in "Personnel Matters - 777-200 Negotiations" on page 32 of Management's Discussion and Analysis, delivery of these aircraft has been deferred indefinitely. These deferrals may impact the timing of future payments.

Capital expenditures of approximately $794 million have also been authorized for fiscal 2000 for airport and office facility improvements, aircraft modifications, and the purchase of ground equipment and other assets. We expect to finance our commitments and other capital expenditures with available cash, short-term investments and internally generated funds, supplemented as necessary by debt financings and proceeds from sale and leaseback transactions.

Delta has code-sharing agreements with several airlines. Under some of these agreements, we have commitments to purchase a block of seats at negotiated prices. None of these agreements require a purchase commitment in excess of one year.

8. CONTINGENCIES

Delta is a defendant in legal actions related to alleged employment discrimination practices, antitrust matters, environmental issues and other matters concerning our business. Although the ultimate outcome of these matters cannot be predicted with certainty, we believe that the resolution of these actions is not likely to have a material adverse effect on our consolidated financial statements.

Approximately 14% of our employees are represented by unions. See "Personnel Matters - Collective Bargaining Agreements" on page 32 of Management's Discussion and Analysis for additional information on this subject.

9. EMPLOYEE BENEFIT PLANS

Delta sponsors defined benefit and defined contribution pension plans, medical plans and disability and survivorship plans for eligible employees, their eligible family members and retirees. We reserve the right to modify or terminate these plans as to all participants and beneficiaries at any time, except as restricted by the Internal Revenue Code or ERISA.

**DEFINED BENEFIT PENSION PLANS:**

The retirement plans we sponsor include defined benefit pension plans. The qualified defined benefit plans are currently funded to meet the minimum ERISA funding requirements.

The following table shows the change in projected benefit obligation for our defined benefit pension plans for the plan years ended June 30, 1999 and 1998:

| (In Millions) | 1999 | 1998 |
|---|---|---|
| Projected benefit obligation at beginning of year | $8,342 | $7,591 |
| Service cost | 240 | 209 |
| Interest cost | 585 | 575 |
| Actuarial loss | 158 | 608 |
| Benefits paid | (456) | (648) |
| Curtailment loss | -- | 1 |
| Plan amendments | 3 | 6 |
| Projected benefit obligation at end of year | $8,872 | $8,342 |

The following table shows the change in the fair value of defined benefit pension plan assets for the plan years ended June 30, 1999 and 1998:

| (In Millions) | 1999 | 1998 |
|---|---|---|
| Fair value of plan assets at beginning of year | $9,121 | $7,512 |
| Actual return on plan assets | 310 | 2,203 |
| Employer contributions | 45 | 54 |
| Benefits paid | (456) | (648) |
| Fair value of plan assets at end of year | $9,020 | $9,121 |

The accrued pension cost recognized for these plans on our Consolidated Balance Sheets is computed as follows:

| (In Millions) | 1999 | 1998 |
|---|---|---|
| Funded status | $148 | $ 779 |
| Unrecognized net actuarial gain | (607) | (1,231) |
| Unrecognized transition obligation | 60 | 62 |
| Unrecognized prior service cost | 37 | 39 |
| Contributions made between April 1 and June 30 | 12 | 12 |
| Intangible asset | (13) | (12) |
| Other comprehensive income | (2) | (2) |
| Accrued pension cost recognized on the Consolidated Balance Sheets | $ (365) | $ (353) |

Net periodic pension cost for fiscal 1999, 1998 and 1997 included the following components:

| (In Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Service cost | $ 240 | $ 209 | $ 188 |
| Interest cost | 585 | 575 | 570 |
| Expected return on plan assets | (776) | (685) | (653) |
| Amortization of prior service cost | 5 | 3 | 3 |
| Recognized net actuarial (gain) loss | -- | (4) | 3 |
| Amortization of net transition obligation | 2 | 2 | 2 |
| Net periodic pension cost | $ 56 | $ 100 | $ 113 |

We used the following actuarial assumptions to determine the actuarial present value of our projected benefit obligation:

| March 31: | 1999 | 1998 |
|---|---|---|
| Weighted average discount rate | 7.25% | 7.00% |
| Rate of increase in future compensation levels | 4.43% | 4.30% |
| Expected long-term rate of return on plan assets | 10.00% | 10.00% |

Delta also sponsors several non-qualified pension plans which are funded from current assets. The accumulated benefit obligation of these plans totaled $301 million at March 31, 1999 and $285 million at March 31, 1998.

**DEFINED CONTRIBUTION PENSION PLANS:**

DELTA PILOTS MONEY PURCHASE PENSION PLAN (MPPP) - We contribute 5% of covered pay to the MPPP for each eligible Delta pilot. The MPPP is related to the Delta Pilots Retirement Plan. The defined benefit pension payable to a pilot is reduced by the actuarial equivalent of the accumulated account balance in the MPPP. During fiscal 1999, 1998 and 1997, we recognized expense of $53 million, $54 million and $49 million, respectively, for this plan.

DELTA FAMILY-CARE SAVINGS PLAN - Our Savings Plan includes an employee stock ownership plan (ESOP) feature. Eligible personnel may contribute a portion of their earnings to the Savings Plan. Delta matches 50% of those contributions with a maximum employer contribution of 2% of a participant's earnings. We make quarterly employer contributions by allocating Series B ESOP Convertible Preferred Stock, common stock or cash to the plan. These contributions, which are recorded as salaries and related costs in our Consolidated Statements of Operations, totaled $52 million in fiscal 1999, $49 million in fiscal 1998 and $45 million in fiscal 1997.

When we adopted the ESOP in 1989, we sold 6,944,450 shares of Series B ESOP Convertible Preferred Stock to the Savings Plan for approximately $500 million. We have recorded unearned compensation equal to the value of the preferred stock sold to the Savings Plan but not yet allocated to participants' accounts. We reduce the unearned compensation as shares of the preferred stock are allocated to participants' accounts. Dividends on unallocated shares of preferred stock are used for debt service on the Savings Plan's Series C ESOP Notes and are not considered dividends for financial reporting purposes. Dividends on allocated shares of preferred stock are credited to participants and are considered dividends for financial reporting purposes. Only allocated shares of preferred stock are considered outstanding when we compute diluted earnings per share.

ASA Investment Savings Plan - ASA sponsors a defined contribution retirement plan for its eligible employees. Eligible personnel may contribute a portion of their earnings to the plan and ASA matches from 20% to 75% of those contributions, depending on the number of years an employee has participated in the plan. The maximum annual employer contribution is 6% of a participant's earnings. The ASA Investment Savings Plan did not have a material impact on our consolidated financial statements for the year ended June 30, 1999.

**POSTRETIREMENT BENEFITS OTHER THAN PENSIONS:**

Our medical plans provide medical and dental benefits to substantially all Delta retirees and their eligible dependents. Benefits are funded from general assets on a current basis. Plan benefits are subject to copayments, deductibles and other limits as described in the plans. Benefits are reduced when a retiree is eligible for Medicare.

The following table shows the change in our accumulated postretirement benefit obligation (APBO) for the plan years ended June 30, 1999 and 1998:

| (In Millions) | 1999 | 1998 |
|---|---|---|
| APBO at beginning of year | $1,627 | $1,565 |
| Service cost | 37 | 33 |
| Interest cost | 112 | 110 |
| Benefits paid | (71) | (64) |
| Actuarial gain | (65) | (17) |
| Substantive plan change | (28) | - |
| APBO at end of year | $1,612 | $1,627 |

The following table shows the calculation of the accrued postretirement benefit cost recognized on our Consolidated Balance Sheets:

| (In Millions) | 1999 | 1998 |
|---|---|---|
| Funded status | $(1,612) | $(1,627) |
| Unrecognized net loss | 1 | 61 |
| Unrecognized prior service cost | (371) | (388) |
| Contributions made between April 1 and June 30 | 17 | 16 |
| Accrued postretirement benefit cost on the Consolidated Balance Sheets | $(1,965) | $(1,938) |

Net periodic postretirement benefit cost for fiscal 1999, 1998 and 1997 included the following components:

| (In Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Service cost | $ 37 | $ 33 | $ 25 |
| Interest cost | 112 | 110 | 115 |
| Amortization of prior service cost | (40) | (38) | (38) |
| Recognized net actuarial (gain) loss | - | (2) | 1 |
| Other | (10) | - | - |
| Net periodic postretirement benefit cost | $ 99 | $103 | $103 |

We used the following actuarial assumptions to determine the actuarial present value of our APBO:

| March 31: | 1999 | 1998 |
|---|---|---|
| Weighted average discount rate | 7.25% | 7.00% |
| Assumed health care cost trend rate(*) | 5.50% | 6.00% |

(*) The assumed health care cost trend rate is assumed to decline gradually to 4.25% by March 31, 2000 and remain level after that point.

A 1% change in the health care cost rate used in measuring the APBO at March 31, 1999 would have the following effects:

| (In Millions) | 1% Increase | 1% Decrease |
|---|---|---|
| Increase (decrease) in total service and interest cost | $ 15 | $ (13) |
| Increase (decrease) in the APBO | $141 | $(127) |

POSTEMPLOYMENT BENEFITS - Delta provides certain other welfare benefits to eligible former or inactive employees after employment but before retirement, primarily as part of disability and survivorship plans.

Postemployment benefit (income) expense was $(13) million in fiscal 1999, $74 million in fiscal 1998 and $71 million in fiscal 1997. We include the amount funded in excess of the liability in other noncurrent assets on our Consolidated Balance Sheets. Future period expenses will vary based on actual claims experience and the return on plan assets.

Gains and losses occur because actual experience differs from assumed experience. These gains and losses are amortized over the average future service period of employees. We also amortize differences in prior service costs resulting from amendments affecting the benefits of retired and inactive employees.

We continually evaluate ways to better manage employee benefits and control costs. Any changes to the plans or assumptions used to estimate future benefits could have a significant effect on the amount of the reported obligation and future annual expense.

## 10. COMMON AND PREFERRED STOCK

In fiscal 1999, we issued 2,463,427 shares of common stock under our broad-based employee stock option plans and a total of 733,942 shares of common stock under our 1989 Stock Incentive Plan and Dividend Reinvestment and Stock Purchase Plan. We also distributed 55,614 shares of common stock from treasury under the 1989 Stock Incentive Plan. During fiscal 1999, we repurchased 15,149,658 shares of common stock as part of our share repurchase programs described in Note 11.

At June 30, 1999, our Company had shares of stock reserved as follows:

- 38,615,471 shares of common stock for issuance under our broad-based employee stock option plans;

- 14,538,639 shares of common stock for issuance under our 1989 Stock Incentive Plan;

- 11,232,228 shares of common stock for conversion of Series B ESOP Convertible Preferred Stock;

- 500,000 shares of common stock for issuance under our Non-Employee Directors' Stock Option Plan;

- 494,341 shares of common stock for issuance under our Non-Employee Directors' Stock Plan; and

- 2,250,000 shares of preferred stock for issuance under our Shareowner Rights Plan.

Each share of Series B ESOP Convertible Preferred Stock pays a cumulative cash dividend of 6% per year. Each preferred share is convertible into 1.7155 shares of common stock at a conversion price of $41.97 and has a liquidation price of $72, plus accrued and unpaid dividends. The preferred stock generally votes together as a single class with the common stock and has two votes per share. The preferred stock is redeemable at our option at $72 per share, payable in cash or common stock. We cannot pay cash dividends on common stock until all cumulative dividends on the preferred stock have been paid. The conversion rate, conversion price and voting rights of the preferred stock are subject to adjustment in certain circumstances.

The Shareowner Rights Plan is designed to protect shareowners against attempts to acquire our Company that do not offer an adequate purchase price to all shareowners, or are otherwise not in the best interest of our Company and our shareowners. Under the plan, each outstanding share of common stock is accompanied by one-half of a preferred stock purchase right. Each whole right entitles the holder to purchase 1/100 of a share of Series D Junior Participating Preferred Stock at an exercise price of $300, which is subject to adjustment.

The rights become exercisable only after a person acquires, or makes a tender or exchange offer that would result in the person acquiring, beneficial ownership of 15% or more of our common stock. If a person acquires beneficial ownership of 15% or more of our common stock, each right will entitle its holder (other than the acquiring person) to exercise his or her rights to purchase our common stock having a market value of twice the exercise price.

Alternatively, if a person acquires beneficial ownership of 15% or more of our common stock and either (a) we are involved in a merger or other business combination in which our Company is not the surviving corporation or (b) we sell more than 50% of our assets or earning power, then each right will entitle its holder (other than the acquiring person) to exercise his or her rights to purchase the common stock of the acquiring company, having a market value of twice the exercise price.

The rights expire on November 4, 2006. Delta may redeem the rights for $0.01 per right until 10 business days following the announcement that a person beneficially owns 15% or more of our common stock.

## 11. SHARE REPURCHASE AUTHORIZATIONS

In April 1996, our Board of Directors authorized us to repurchase a total of 49.4 million shares of common stock and common stock equivalents. Under this authorization, we could repurchase up to 12.4 million of these shares before October 30, 1997 - the date the initial stock option grants under the broad-based employee stock option plans became exercisable. We may purchase the remaining shares as employees exercise their stock options under those plans (see Note 15). Repurchases are subject to market conditions, and may be made on the open market or in privately negotiated transactions.

The following table summarizes our repurchase activity under this authorization:

| | Number of Shares Repurchased | Amount Spent (In Millions) |
|---|---|---|
| Fiscal 1999 | 1,943,053 | $128 |
| Fiscal 1998 | 6,158,000 | $345 |
| Fiscal 1997 | 10,757,400 | $379 |

In July 1998, our Board of Directors authorized us to repurchase up to $750 million of common stock through December 31, 1999. We completed this repurchase program during fiscal 1999 by repurchasing 13,095,420 shares of common stock for approximately $750 million.

## 12. COMPREHENSIVE INCOME

During fiscal 1999, we adopted SFAS 130, which establishes standards for reporting comprehensive income and its components. The adoption of SFAS 130 had no net effect on our net income or shareowners' equity for fiscal years ended June 30, 1999, 1998 and 1997. Comprehensive income for the fiscal years ended June 30, 1999, 1998 and 1997 included the following components:

| (In Millions) | For the Year Ended June 30, 1999 | 1998 | 1997 |
|---|---|---|---|
| Net income | $ 1,101 | $ 1,001 | $ 854 |
| Unrealized gain (loss) on marketable equity securities | 99 | (22) | (40) |
| Other | -- | 1 | (1) |
| Total other comprehensive income | 99 | (21) | (41) |
| Income tax effect on other comprehensive income | (39) | 9 | 16 |
| Total other comprehensive income, net of income taxes | 60 | (12) | (25) |
| Comprehensive income, net of income taxes | $ 1,161 | $ 989 | $ 829 |

## 13. GEOGRAPHIC INFORMATION

During fiscal 1999, we adopted SFAS 131, which requires us to disclose information about all operating segments. Under SFAS 131, operating segments are defined as components of an enterprise with separate financial information which is evaluated regularly by the chief operating decision maker and is used in resource allocation and performance assessments. We are managed as a single business unit that provides air transportation of passengers and cargo. Our operating revenues by geographic region are summarized in the following table:

| (In Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Domestic | $12,070 | $11,497 | $11,027 |
| Atlantic | 1,973 | 2,092 | 2,024 |
| Pacific | 326 | 304 | 325 |
| Latin America | 342 | 245 | 218 |
| Total | $14,711 | $14,138 | $13,594 |

Operating revenues are assigned to a specific geographic region based on the origin and destination of each flight segment. Our tangible assets consist primarily of flight equipment, which is mobile across geographic markets. Therefore, assets are not allocated to specific geographic regions.

## 14. EARNINGS PER SHARE

We calculate basic earnings per share by dividing the income available to common shareowners by the weighted average number of common shares outstanding. Diluted earnings per share includes the dilutive effects of stock options and convertible securities. The following table shows our computation of basic and diluted earnings per share:

| Fiscal Year Ended June 30, | 1999 | 1998 | 1997 |
|---|---|---|---|
| (In Millions, Except Per Share Data) | | | |
| BASIC: | | | |
| Net income | $ 1,101 | $ 1,001 | $ 854 |
| Dividends on allocated Series B ESOP Convertible Preferred Stock | (11) | (11) | (9) |
| Income available to common shareowners | $ 1,090 | $ 990 | $ 845 |
| Weighted average shares outstanding | 142.9 | 149.2 | 148.3 |
| Basic earnings per share | $ 7.63 | $ 6.64 | $ 5.70 |
| DILUTED: | | | |
| Net income | $ 1,101 | $ 1,001 | $ 854 |
| Adjustment to net income assuming conversion of allocated Series B ESOP Convertible Preferred Stock | (4) | (4) | (5) |
| Income available to common shareowners | $ 1,097 | $ 997 | $ 849 |
| Weighted average shares outstanding | 142.9 | 149.2 | 148.3 |
| Additional shares assuming: | | | |
| Exercise of stock options | 4.7 | 3.8 | 1.2 |
| Conversion of allocated Series B ESOP Convertible Preferred Stock | 4.7 | 4.2 | 3.8 |
| Conversion of Series C Convertible Preferred Stock | -- | -- | .6 |
| Weighted average shares outstanding as adjusted | 152.3 | 157.2 | 153.9 |
| Diluted earnings per share | $ 7.20 | $ 6.34 | $ 5.52 |

## 15. STOCK OPTIONS AND AWARDS

Under our 1989 Stock Incentive Plan and a predecessor plan, we granted non-qualified stock options and, prior to fiscal 1993, tandem stock appreciation rights (SARs) to officers and other key employees. The exercise price for all stock options, and the base measuring price of the SARs, is the fair market value of our common stock on the grant date.

In fiscal 1997, our shareowners approved two broad-based employee stock option plans. One plan is for eligible nonpilot personnel and the other plan covers eligible pilots.

The nonpilot and pilot plans involve non-qualified stock options to purchase a total of 49.4 million shares of common stock. The plans provided for grants in three annual installments on October 30, 1998, 1997 and 1996. The exercise price of each grant equaled the opening per share price of the common stock on the New York Stock Exchange on the grant date. Stock options are generally exercisable during the period beginning one year after their grant date and ending ten years after their grant date, and are not transferable for any reason other than the death of the eligible employee. The following table summarizes grant activity under the broad-based plans for the years ended June 30, 1999, 1998 and 1997:

| Grant Date | Options Granted (In Millions) | Exercise Price (Per Share) |
|---|---|---|
| October 30, 1996 | 16.4 | $34.50 |
| October 30, 1997 | 16.6 | $49.00 |
| October 30, 1998 | 16.4 | $50.59 |

The following table summarizes all stock option and SAR activity during fiscal 1999, 1998 and 1997:

| | Fiscal 1999 | | Fiscal 1998 | | Fiscal 1997 | |
|---|---|---|---|---|---|---|
| Stock Options | Shares (000) | Weighted Average Exercise Price | Shares (000) | Weighted Average Exercise Price | Shares (000) | Weighted Average Exercise Price |
| Outstanding at beginning of fiscal year | 30,006 | $45 | 19,802 | $35 | 4,664 | $33 |
| Granted | 19,639 | 51 | 19,698 | 50 | 17,864 | 35 |
| Exercised | (3,256) | 41 | (9,318) | 35 | (2,558) | 34 |
| Forfeited | (245) | 51 | (176) | 46 | (168) | 38 |
| Outstanding at end of fiscal year | 46,144 | 48 | 30,006 | 45 | 19,802 | 35 |
| Stock options exercisable at fiscal year end | 26,640 | $45 | 10,422 | $35 | 2,098 | $32 |

The following table summarizes information about stock options outstanding and exercisable at June 30, 1999:

| | Stock Options Outstanding | | | Stock Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number Outstanding at June 30, 1999 (000) | Weighted Average Expected Remaining Life (Years) | Weighted Average Exercise Price | Number Exercisable at June 30, 1999 (000) | Weighted Average Exercise Price |
| $26-$34 | 240 | 5 | $26 | 240 | $26 |
| $35-$41 | 8,242 | 4 | 35 | 8,242 | 35 |
| $42-$63 | 37,662 | 5 | 50 | 18,158 | 50 |

The estimated fair value of stock options granted in fiscal 1999, 1998 and 1997 was derived using the Black-Scholes stock option pricing model. The following table shows our assumptions and the weighted average fair values of stock options:

| Assumption | Stock Options Granted in Fiscal Year 1999 | 1998 | 1997 |
|---|---|---|---|
| Risk-free interest rate | 4.3% | 5.8% | 6.0% |
| Average expected life of stock options (in years) | 5.1 | 3.3 | 2.7 |
| Expected volatility of common stock | 26.3% | 25.3% | 26.4% |
| Expected annual dividends on common stock | $0.10 | $0.10 | $0.10 |
| Weighted average fair value of stock options | $ 16 | $ 13 | $ 9 |

The following table shows our net income and earnings per share as if we accounted for our stock option plans under the fair value method of SFAS 123:

| | For the Year Ended June 30, 1999 | 1998 | 1997 |
|---|---|---|---|
| Net income (in millions): | | | |
| As reported | $1,101 | $1,001 | $ 854 |
| Fair value method under SFAS 123 | 935 | 875 | 791 |
| Basic earnings per share: | | | |
| As reported | $ 7.63 | $ 6.64 | $5.70 |
| Fair value method under SFAS 123 | 6.47 | 5.80 | 5.27* |
| Diluted earnings per share: | | | |
| As reported | $ 7.20 | $ 6.34 | $5.52 |
| Fair value method under SFAS 123 | 6.11 | 5.54 | 5.11* |

* Restated in accordance with SFAS 128.

Under SFAS 123, we are not required to include stock options granted before fiscal 1996 as compensation in determining pro forma net income. Therefore, the pro forma effects of SFAS 123 on net income and earnings per share for fiscal 1999 may not be representative of the pro forma effects of SFAS 123 in future years.

In July 1999, we granted approximately 1.7 million stock options, with exercise prices ranging from $60 to $63 per share.

## 16. SALE OF RECEIVABLES

During June 1999, we entered into an agreement under which we sold a defined pool of our accounts receivable, on a revolving basis, through a special purpose, wholly owned subsidiary to a third party. We initially sold receivables with a fair value of $547 million to the subsidiary. In exchange for the receivables sold, we received (a) $325 million in cash from the subsidiary's sale of an undivided interest in the pool of receivables to a third party and
(b) a $222 million subordinated promissory note from the subsidiary. The amount of the promissory note fluctuates because it represents the portion of the purchase price payable for the volume of receivables sold. We retained servicing and record-keeping responsibilities for the receivables sold. This agreement expires on June 15, 2000.

As part of the agreement, the subsidiary is obligated to pay fees to a third party based on the amounts invested by the third party. For fiscal 1999, these fees totaled approximately $2 million and are included in other income (expense) under miscellaneous income (expense), net in our Consolidated Statements of Operations. The promissory note totaled $175 million at June 30, 1999 and is included as accounts receivable on our Consolidated Balance Sheets.

17. ACQUISITION OF ASA HOLDINGS, INC.

On February 16, 1999, we entered into an agreement with ASA Holdings to acquire its outstanding common stock for approximately $700 million. ASA Holdings is a holding company whose principal assets are its wholly owned subsidiaries, ASA and ASA Investments, Inc. ASA is a regional air carrier that serves airports primarily in the southeastern United States. ASA Investments, Inc. manages cash for ASA Holdings and ASA. Prior to this agreement, we owned approximately 28% of ASA Holdings' outstanding common stock.

Delta acquired ASA Holdings in two steps. In the first step, our wholly owned subsidiary made a tender offer to purchase all of the outstanding shares of ASA Holdings for $34 per share. At the completion of the tender offer in March 1999, we owned approximately 91% of the outstanding common stock of ASA Holdings. The second step occurred in May 1999, when our wholly owned subsidiary merged into ASA Holdings. As a result of this merger, ASA Holdings' remaining outstanding shares of common stock were converted into the right to receive $34 per share. ASA Holdings became an indirect, wholly owned subsidiary of our Company.

We used the purchase method of accounting to record the acquisition of ASA Holdings. The purchase price of the shares acquired was allocated to the assets acquired and the liabilities assumed. The allocation was based on the preliminary estimated fair values at the acquisition date. Based on the allocation as of June 30, 1999, the total cost of the acquisition exceeded the estimated fair value of the underlying net assets by approximately $508 million, which will be amortized over 40 years. Our consolidated financial statements as of June 30, 1999 include ASA Holdings' balance sheet as of June 30, 1999, as well as its results of operations from April 1, 1999. The pro forma effects had ASA Holdings been consolidated as of July 1, 1998 would not have been material to our revenues, net income, or earnings per share for fiscal 1999.

18. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes our unaudited quarterly results of operations for fiscal 1999 and 1998 (in millions, except per share data):

| | Three Months Ended | | | |
|---|---|---|---|---|
| FISCAL 1999 | Sept. 30 | Dec. 31 | Mar. 31 | June 30 |
| Operating revenues | $3,802 | $3,448 | $3,504 | $3,957 |
| Operating income | $ 552 | $ 320 | $ 356 | $ 642 |
| Net income | $ 327 | $ 194 | $ 216 | $ 364 |
| Basic earnings per share** | $ 2.19 | $ 1.34 | $ 1.51 | $ 2.59 |
| Diluted earnings per share** | $ 2.08 | $ 1.29 | $ 1.42 | $ 2.40 |
| FISCAL 1998 | Sept. 30 | Dec. 31 | Mar. 31 | June 30 |
| Operating revenues | $3,553 | $3,434 | $3,390 | $3,761 |
| Operating income | $ 431 | $ 332 | $ 336 | $ 595 |
| Net income | $ 254 | $ 190 | $ 195 | $ 362 |
| Basic earnings per share** | $ 1.71* | $ 1.26 | $ 1.29 | $ 2.39 |
| Diluted earnings per share** | $ 1.63* | $ 1.20 | $ 1.23 | $ 2.26 |

* Restated to conform with SFAS 128. ** The sum of the quarterly earnings per share may not equal the fiscal earnings per share due to changes in average share calculations.

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**
**DELTA AIR LINES, INC.**

**TO DELTA AIR LINES, INC.:**

We have audited the accompanying consolidated balance sheets of Delta Air Lines, Inc. (a Delaware corporation) and subsidiaries as of June 30, 1999 and 1998, and the related consolidated statements of operations, cash flows and shareowners' equity for each of the three years in the period ended June 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Delta Air Lines, Inc. and subsidiaries as of June 30, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 1999, in conformity with generally accepted accounting principles.

*/s/ Arthur Andersen LLP*
*-----------------------------*
*Atlanta, Georgia*
*August 13, 1999*

**REPORT OF MANAGEMENT**
**DELTA AIR LINES, INC.**

The integrity and objectivity of the information presented in this Annual Report are the responsibility of Delta management. The financial statements contained in this report have been audited by Arthur Andersen LLP, independent public accountants, whose report appears on page 58 of this report.

Delta maintains a system of internal financial controls which are independently assessed on an ongoing basis through a program of internal audits. These controls include the selection and training of the Company's managers, organizational arrangements that provide a division of responsibilities, and communication programs explaining the Company's policies and standards. We believe that this system provides reasonable assurance that transactions are executed in accordance with management's authorization; that transactions are appropriately recorded to permit preparation of financial statements that, in all material respects, are presented in conformity with generally accepted accounting principles; and that assets are properly accounted for and safeguarded against loss from unauthorized use.

The Board of Directors pursues its responsibilities for these financial statements through its Audit Committee, which consists solely of directors who are neither officers nor employees of the Company. The Audit Committee meets periodically with the independent public accountants, the internal auditors and representatives of management to discuss internal accounting control, auditing and financial reporting matters.

| | |
|---|---|
| */s/ Edward H. West* | */s/ Leo F. Mullin* |
| *Edward H. West*<br>*Chief Financial Officer* | *President and*<br>*Chief Executive Officer* |

## CONSOLIDATED SUMMARY OF OPERATIONS

## DELTA AIR LINES, INC.

| For the fiscal year ended June 30 | | | | |
|---|---|---|---|---|
| (In Millions, Except Per Share Data) | 1999 | 1998 | 1997(1) | 1996(2) |
| Operating revenues | $14,711 | $14,138 | $13,594 | $12,455 |
| Operating expenses | 12,841 | 12,444 | 12,063 | 11,990 |
| Operating income (loss) | 1,870 | 1,694 | 1,531 | 465 |
| Interest expense, net | (153) | (148) | (174) | (243) |
| Miscellaneous income, net(6) | 109 | 102 | 58 | 54 |
| Income (loss) before income taxes | 1,826 | 1,648 | 1,415 | 276 |
| Income tax benefit (provision) | (725) | (647) | (561) | (120) |
| Amortization of investment tax credits | -- | -- | -- | -- |
| Net income (loss) | 1,101 | 1,001 | 854 | 156 |
| Preferred stock dividends | (11) | (11) | (9) | (82) |
| Net income (loss) attributable to common shareowners | $ 1,090 | $ 990 | $ 845 | $ 74 |
| Earnings (loss) per share(7) | | | | |
| Basic | $ 7.63 | $ 6.64 | $ 5.70 | $ 0.72 |
| Diluted | $ 7.20 | $ 6.34 | $ 5.52 | $ 0.72 |
| Dividends declared on common stock | $ 14 | $ 15 | $ 15 | $ 10 |
| Dividends declared per common share(7) | $ 0.10 | $ 0.10 | $ 0.10 | $ 0.10 |

## OTHER FINANCIAL AND STATISTICAL DATA

| For the fiscal year ended June 30 | 1999 | 1998 | 1997(1) | 1996(2) |
|---|---|---|---|---|
| Total assets (millions) | $ 16,544 | $ 14,603 | $ 12,741 | $ 12,226 |
| Long-term debt and capital leases (excluding current maturities) (millions) | $ 1,952 | $ 1,782 | $ 1,797 | $ 2,175 |
| Shareowners' equity (millions) | $ 4,448 | $ 4,023 | $ 3,007 | $ 2,540 |
| Shares of common stock outstanding at year end(7) | 138,553,719 | 150,450,394 | 147,391,974 | 135,556,212 |
| Revenue passengers enplaned (thousands) | 106,902 | 104,148 | 101,147 | 91,341 |
| Available seat miles (millions) | 144,003 | 140,149 | 136,821 | 130,751 |
| Revenue passenger miles (millions) | 104,575 | 101,136 | 97,758 | 88,673 |
| Operating revenue per available seat mile | 10.22(cents) | 10.09(cents) | 9.94(cents) | 9.53(cents) |
| Passenger mile yield | 12.83(cents) | 12.85(cents) | 12.79(cents) | 13.10(cents) |
| Operating cost per available seat mile | 8.92(cents) | 8.88(cents) | 8.82(cents) | 9.17(cents) |
| Passenger load factor | 72.6% | 72.2% | 71.4% | 67.8% |
| Breakeven passenger load factor | 62.5% | 62.8% | 62.7% | 65.1% |
| Available ton miles (millions) | 20,627 | 19,890 | 18,984 | 18,084 |
| Revenue ton miles (millions) | 12,115 | 11,859 | 11,308 | 10,235 |
| Operating cost per available ton mile | 62.25(cents) | 62.56(cents) | 63.54(cents) | 66.30(cents) |

(1) Summary of operations and other financial and statistical data include $52 million in pretax restructuring and other non-recurring charges ($0.22 basic and $0.21 diluted after-tax earnings per share).

(2) Summary of operations and other financial and statistical data include $829 million in pretax restructuring and other non-recurring charges ($4.88 after-tax earnings per share).

(3) Summary of operations and other financial and statistical data excludes $114 million after-tax cumulative effect of change in accounting standards ($1.13 basic and $0.71 diluted earnings per share).

(4) Summary of operations and other financial and statistical data include $526 million in pretax restructuring charge ($3.30 after-tax per share).

(5) Summary of operations and other financial and statistical data include $82 million pretax restructuring charge ($0.53 after-tax per share). Summary of operations excludes $587 million after-tax cumulative effect of changes in accounting standards ($5.89 after-tax per share).

(6) Includes interest income.

(7) All share and earnings per share amounts for fiscal years prior to 1999 have been restated to reflect the two-for-one common stock split that became effective on November 2, 1998.

| | | | | | | |
|---|---|---|---|---|---|---|
| 1995(3) | 1994(4) | 1993(5) | 1992 | 1991 | 1990 | 1989 |
| $ 12,194 | $ 12,077 | $ 11,657 | $ 10,837 | $ 9,171 | $ 8,583 | $ 8,089 |
| 11,533 | 12,522 | 12,167 | 11,477 | 9,604 | 8,145 | 7,394 |
| 661 | (445) | (510) | (640) | (433) | 438 | 695 |
| (262) | (271) | (177) | (151) | (97) | (27) | (39) |
| 95 | 56 | 36 | 5 | 30 | 57 | 55 |
| 494 | (660) | (651) | (786) | (500) | 468 | 711 |
| (200) | 250 | 233 | 271 | 163 | (187) | (279) |
| -- | 1 | 3 | 9 | 13 | 22 | 29 |
| 294 | (409) | (415) | (506) | (324) | 303 | 461 |
| (88) | (110) | (110) | (19) | (19) | (18) | -- |
| $ 206 | $ (519) | $ (525) | $ (525) | $ (343) | $ 285 | $ 461 |
| $ 2.04 | $ (5.16) | $ (5.27) | $ (5.30) | $ (3.87) | $ 2.90 | $ 4.69 |
| $ 2.01 | $ (5.16) | $ (5.27) | $ (5.30) | $ (3.87) | $ 2.64 | $ 4.69 |
| $ 10 | $ 10 | $ 35 | $ 59 | $ 54 | $ 85 | $ 59 |
| $ 0.10 | $ 0.10 | $ 0.35 | $ 0.60 | $ 0.60 | $ 0.85 | $ 0.60 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 1995(3) | 1994(4) | 1993(5) | 1992 | 1991 | 1990 | 1989 |
| $ 12,143 | $ 11,896 | $ 11,871 | $ 10,162 | $ 8,411 | $ 7,227 | $ 6,484 |
| $ 3,121 | $ 3,228 | $ 3,716 | $ 2,833 | $ 2,059 | $ 1,315 | $ 703 |
| $ 1,827 | $ 1,467 | $ 1,913 | $ 1,894 | $ 2,457 | $ 2,596 | $ 2,620 |
| 101,632,020 | 100,906,544 | 100,127,682 | 99,398,196 | 98,803,558 | 92,172,220 | 98,531,768 |
| 88,893 | 87,399 | 85,085 | 77,038 | 69,127 | 67,240 | 64,242 |
| 130,645 | 131,906 | 132,282 | 123,102 | 104,328 | 96,463 | 90,742 |
| 86,417 | 85,268 | 82,406 | 72,693 | 62,086 | 58,987 | 55,904 |
| 9.33(cents) | 9.16(cents) | 8.81(cents) | 8.80(cents) | 8.79(cents) | 8.90(cents) | 8.91(cents) |
| 13.10(cents) | 13.23(cents) | 13.23(cents) | 13.91(cents) | 13.80(cents) | 13.63(cents) | 13.56(cents) |
| 8.83(cents) | 9.49(cents) | 9.20(cents) | 9.32(cents) | 9.21(cents) | 8.44(cents) | 8.15(cents) |
| 66.2% | 64.6% | 62.3% | 59.1% | 59.5% | 61.2% | 61.6% |
| 62.3% | 67.2% | 65.6% | 63.0% | 62.6% | 58.0% | 56.1% |
| 18,150 | 18,302 | 18,182 | 16,625 | 13,825 | 12,500 | 11,725 |
| 10,142 | 9,911 | 9,503 | 8,361 | 7,104 | 6,694 | 6,338 |
| 63.54(cents) | 68.42(cents) | 66.92(cents) | 69.03(cents) | 69.47(cents) | 65.16(cents) | 63.06(cents) |

**COMMON STOCK**

Listed on the New York Stock Exchange under the ticker symbol DAL.

**NUMBER OF SHAREOWNERS**

As of August 1, 1999, there were approximately 21,550 registered owners of common stock.

**MARKET PRICES AND DIVIDENDS**

| Fiscal Year 1999 Quarter Ended: | Common Stock High | Common Stock Low | Cash Dividends per Common Share |
|---|---|---|---|
| September 30 | $71 3/32 | $46 13/16 | $0.025 |
| December 31 | 57 9/16 | 41 11/32 | 0.025 |
| March 31 | 70 15/16 | 49 | 0.025 |
| June 30 | 71 9/16 | 55 7/16 | 0.025 |

| Fiscal Year 1998 Quarter Ended: | High | Low | |
|---|---|---|---|
| September 30 | $53 9/16 | $41 | $0.025 |
| December 31 | 60 3/16 | 47 5/16 | 0.025 |
| March 31 | 61 9/16 | 55 1/16 | 0.025 |
| June 30 | 64 11/16 | 55 1/8 | 0.025 |

Note: The stock prices listed above have been adjusted to reflect the two-for-one common stock split effective November 2, 1998.

**Exhibit 23**

**CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS**

As independent public accountants, we hereby consent to the incorporation by reference of our reports dated August 13, 1999 included or incorporated by reference in Delta Air Lines, Inc.'s Annual Report on Form 10-K for the year ending June 30, 1999 into the Company's previously filed Registration Statement File Nos. 2-94541, 33-30454, 33-65391, 333-16471, 333-49553, and 333-58647.

*/s/ ARTHUR ANDERSEN LLP*
*--------------------------------------*
*Atlanta, Georgia*
*September 24, 1999*

**Exhibit 24**

## POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, Warren C. Jenson and Edward H. West, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1999, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of September 1, 1999.

*/s/ Edwin L. Artzt*
-------------------------------
*Edwin L. Artzt*
*Director*
*Delta Air Lines, Inc.*

**POWER OF ATTORNEY**

I hereby constitute and appoint Leo F. Mullin, Warren C. Jenson and Edward H. West, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1999, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of September 1, 1999.

*/s/ Henry A. Biedenharn, III*
*-------------------------------------*
*Henry A. Biedenharn, III*
*Director*
*Delta Air Lines, Inc.*

**POWER OF ATTORNEY**

I hereby constitute and appoint Leo F. Mullin, Warren C. Jenson and Edward H. West, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1999, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of September 1, 1999.

*/s/ James L. Broadhead*

*James L. Broadhead*
*Director*
*Delta Air Lines, Inc.*

**POWER OF ATTORNEY**

I hereby constitute and appoint Leo F. Mullin, Warren C. Jenson and Edward H. West, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1999, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of September 1, 1999.

*/s/ Edward H. Budd*
---------------------------------------
*Edward H. Budd*
*Director*
*Delta Air Lines, Inc.*

**POWER OF ATTORNEY**

I hereby constitute and appoint Leo F. Mullin, Warren C. Jenson and Edward H. West, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1999, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of September 1, 1999.

*/s/ R. Eugene Cartledge*
*-----------------------*
*R. Eugene Cartledge*
*Director*
*Delta Air Lines, Inc.*

**POWER OF ATTORNEY**

I hereby constitute and appoint Leo F. Mullin, Warren C. Jenson and Edward H. West, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1999, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of September 1, 1999.

*/s/ Mary Johnston Evans*
------------------------------------------
*Mary Johnston Evans*
*Director*
*Delta Air Lines, Inc.*

**POWER OF ATTORNEY**

I hereby constitute and appoint Leo F. Mullin, Warren C. Jenson and Edward H. West, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1999, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of September 1, 1999.

*/s/ David R. Goode*
\---------------------------------------
*David R. Goode*
*Director*
*Delta Air Lines, Inc.*

**POWER OF ATTORNEY**

I hereby constitute and appoint Leo F. Mullin, Warren C. Jenson and Edward H. West, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1999, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of September 1, 1999.

*/s/ Gerald Grinstein*
\-------------------------------------
*Gerald Grinstein*
*Director*
*Delta Air Lines, Inc.*

# POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, Warren C. Jenson and Edward H. West, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1999, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of September 1, 1999.

*/s/ Leo F. Mullin*
\-----------------------------------
*Leo F. Mullin*
*Director*
*Delta Air Lines, Inc.*

**POWER OF ATTORNEY**

I hereby constitute and appoint Leo F. Mullin, Warren C. Jenson and Edward H. West, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1999, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of September 1, 1999.

*/s/ Andrew J. Young*
*--------------------------------------*
*Andrew J. Young*
*Director*

*Delta Air Lines, Inc.*

**ARTICLE 5**

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM DELTA AIR LINES, INC. FORM 10-K FOR THE FISCAL YEAR ENDED JUNE 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE RELATED FINANCIAL STATEMENTS.

MULTIPLIER: 1,000,000

| | |
|---|---|
| PERIOD TYPE | YEAR |
| FISCAL YEAR END | JUN 30 1999 |
| PERIOD START | JUL 01 1998 |
| PERIOD END | JUN 30 1999 |
| CASH | 1,124 |
| SECURITIES | 19 |
| RECEIVABLES | 632 |
| ALLOWANCES | 30 |
| INVENTORY | 65 |
| CURRENT ASSETS | 2,672 |
| PP&E | 18,259 |
| DEPRECIATION | 6,792 |
| TOTAL ASSETS | 16,544 |
| CURRENT LIABILITIES | 5,327 |
| BONDS | 2,651 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 270 |
| OTHER SE | 4,178 |
| TOTAL LIABILITY AND EQUITY | 16,544 |
| SALES | 0 |
| TOTAL REVENUES | 14,711 |
| CGS | 0 |
| TOTAL COSTS | 12,841 |
| OTHER EXPENSES | (155) |
| LOSS PROVISION | 19 |
| INTEREST EXPENSE | 199 |
| INCOME PRETAX | 1,826 |
| INCOME TAX | 725 |
| INCOME CONTINUING | 1,101 |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 1,101 |
| EPS BASIC | 7.63 |
| EPS DILUTED | 7.20 |