



# **FORM 10KT405**

**DELTA AIR LINES INC /DE/ – DAL**

**Filed: March 29, 2001 (period: December 31, 2000)**

Annual transition report filed Rule 13a-10 or 15d-10 of the Securities Exchange Act

## PART I

- ITEM 1. BUSINESS
- ITEM 2. PROPERTIES
- ITEM 3. LEGAL PROCEEDINGS
- ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

## PART II

- ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS
- ITEM 6. SELECTED FINANCIAL DATA
- ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
- ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
- ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
- ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND

## PART III

- ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT
- ITEM 11. EXECUTIVE COMPENSATION
- ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND
- ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

## PART IV

- ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K
- SIGNATURES
- EXHIBIT INDEX
- EX-12 (Statement regarding computation of ratios)
- EX-13 (Annual report to security holders)
- EX-23 (Consents of experts and counsel)
- EX-24 (Power of attorney)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED

OR

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

FOR THE TRANSITION PERIOD FROM JULY 1, 2000 TO DECEMBER 31, 2000

COMMISSION FILE NUMBER 1-5424

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

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

58-0218548  
(IRS Employer  
Identification No.)

POST OFFICE BOX 20706, ATLANTA, GEORGIA  
(Address of principal executive offices)

30320-6001  
(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 February 28, 2001, was approximately \$5.177 billion. As of February 28, 2001, 123,036,035 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 Calendar Year 2000 Annual Report to Shareowners. Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement dated March 6, 2001, for its Annual Meeting of Shareowners to be held on April 26, 2001.

## Forward-Looking Information

Statements in this Form 10-K which are not purely historical facts, including statements about our expectations, beliefs, intentions, or strategies for the future, may be "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. Factors that could cause these differences include, but are not limited to:

- general economic conditions, both in the United States and in our markets outside the United States;
- competitive factors in our industry, such as mergers and acquisitions, the airline pricing environment, international alliances, codesharing programs and capacity decisions by competitors;
- outcomes of negotiations on collective bargaining agreements;
- changes in aircraft fuel prices;
- disruptions to operations due to adverse weather conditions, air traffic control-related constraints and labor issues;
- fluctuations in foreign currency exchange rates;
- actions by the United States or foreign governments, including regulatory agencies;
- the willingness of customers to travel generally, and with us specifically, which could be affected by factors such as our on-time performance, our baggage handling performance, how well we respond to customer complaints and our and the industry's safety record; and
- the outcome of our litigation.

Caution should be taken not to place undue reliance on our forward-looking statements, which are current only as of the date of this Form 10-K. See Delta's past and future Forms 10-K and 10-Q and certain Forms 8-K filed with the Securities and Exchange Commission for additional information about risks and uncertainties as of other dates.

## 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 and freight throughout the United States and around the world. As of February 1, 2001, Delta (including its wholly owned subsidiaries Atlantic Southeast Airlines, Inc. ("ASA") and Comair, Inc. ("Comair")) served 201 domestic cities in 45 states, the District of Columbia, Puerto Rico and the United States Virgin Islands, as well as 50 cities in 32 countries in Europe, Latin America, Asia, the Caribbean and Canada.

Based on calendar year 2000 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. Delta is the largest United States airline in the transatlantic, offering the most daily flight departures, serving the largest number of nonstop markets and carrying more passengers than any other United States airline.

For the year ended December 31, 2000, passenger revenues accounted for 94% of Delta's consolidated operating revenues. Cargo revenues and other sources accounted for 6% of the Company's consolidated operating revenues for that period. For information concerning Delta's consolidated operating revenues by geographic region, see Note 19 of the Notes to the Consolidated Financial Statements on page 34 of Delta's Calendar Year 2000 Annual Report to Shareowners, which is incorporated herein by reference.

Delta is incorporated under the laws of the State of Delaware. Its principal executive offices are located at Hartsfield Atlanta International Airport in Atlanta, Georgia. Delta's telephone number is (404) 715-2600, and its Internet address is "delta.com".

## Airline Operations

An important characteristic of Delta's route network is its four hub airports in Atlanta, Cincinnati, Dallas/Ft. 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. Delta's hub and spoke system also provides passengers with access to Delta's principal international gateways in Atlanta and New York - John F. Kennedy International Airport ("JFK"). As briefly discussed below, other key characteristics of Delta's route network include the Delta Shuttle, Delta Express, the Delta Connection program and Delta's alliances with foreign airlines.

Delta Shuttle. The Delta Shuttle is the Company's high-frequency service targeted to Northeast business travelers. It provides hourly nonstop service between New York's La Guardia Marine Air Terminal and both Boston's Logan International Airport and

Washington, D.C.'s Ronald Reagan National Airport. The Delta Shuttle also provides nonstop service between Boston and Washington, D.C.

Delta Express. Delta Express is the Company's low-fare, leisure-oriented service which provides flights from certain cities in the Northeast and Midwest to Orlando and four other Florida destinations. In October 1996, Delta Express initiated service, operating a fleet of 12 aircraft with 62 daily flights to 13 cities. Today, Delta Express operates a fleet of 45 aircraft with 180 daily flights to 19 cities.

The Delta Connection Program. Delta's regional carrier service provides passengers in small and medium-sized cities greater access to their destinations. It also enables Delta to reallocate larger aircraft to meet customer demand on longer-haul routes, while preserving its presence in smaller markets with regional jets.

Delta strengthened its competitive position by acquiring ASA Holdings, Inc. ("ASA Holdings") and Comair Holdings, Inc. ("Comair Holdings") in 1999. ASA Holdings and Comair Holdings are the parent companies of regional jet carriers ASA and Comair, respectively. Both ASA and Comair use Delta's "DL" code on their flights. For additional information regarding Delta's acquisition of ASA Holdings and Comair Holdings, see Note 18 of the Notes to the Consolidated Financial Statements on page 34 of Delta's Calendar Year 2000 Annual Report to Shareowners, which is incorporated herein by reference.

Delta has marketing agreements with Atlantic Coast Jet, Inc. and SkyWest Airlines, Inc. These regional jet carriers use Delta's "DL" code on some of their flights, and exchange connecting traffic with Delta. For additional information regarding Delta's agreements with these regional jet operators, see Note 10 of the Notes to the Consolidated Financial Statements on page 27 of Delta's Calendar Year 2000 Annual Report to Shareowners, which is incorporated herein by reference.

International Alliances. Delta's marketing agreements with select foreign airlines improve Delta's access to international markets. These agreements can include codesharing, frequent flyer benefits, shared or reciprocal access to passenger lounges, joint advertising and other marketing arrangements.

Delta's international codesharing agreements enable Delta to market and sell seats to an expanded number of international city pairs. Under codesharing 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 offer joint service with one aircraft rather than operating separate services with two aircraft. These arrangements typically allow Delta to sell seats on the foreign carrier's aircraft that are marketed under Delta's "DL" designator code and permit the foreign airline to sell seats on Delta's aircraft that are marketed under the foreign carrier's two-letter designator code. Delta has codeshare arrangements with Aeromexico, Aerpostal, Air France, Air Jamaica, China Southern, CSA Czech Airlines, Korean Air, Royal Air Maroc, South African Airways and Transbrasil.

In June 2000, Delta, Aeromexico, Air France and Korean Air launched a global airline alliance called SkyTeam. CSA Czech Airlines became a member of the SkyTeam Alliance in March 2001. The SkyTeam alliance links the route networks of the member airlines and offers enhanced customer service through codesharing arrangements, reciprocal frequent flyer and lounge programs and coordinated cargo operations.

#### Seasonality and Other Factors that Impact 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, fare levels and weather conditions. In addition, demand for air travel at particular airlines may be impacted from time to time by, among other things, actual or threatened disruptions to operations due to labor issues. Due to these and other factors, operating results for an interim period are not necessarily indicative of operating results for an entire year, and operating results for an historical period are not necessarily indicative of operating results for a future period.

#### Regulatory Matters

The United States Department of Transportation (the "DOT") and the Federal Aviation Administration (the "FAA") exercise regulatory authority over air transportation in the United States. The DOT has authority to issue certificates of public convenience and necessity required for airlines to provide domestic air transportation. An 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). Except for constraints imposed by Essential Air Service regulations, which are applicable to certain small communities, airlines may terminate service to a city without restriction.

The DOT has jurisdiction over certain economic and consumer protection matters such as unfair or deceptive practices or methods of competition, advertising, denied boarding compensation, baggage liability and disabled passenger transportation. The FAA regulates air carrier operations generally, including airline operating certificates, control of navigable air space, flight personnel, aircraft certification and maintenance, and other matters affecting air safety.

Authority to operate international routes is 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.

Delta is also subject to various other federal, state, local and foreign laws and regulations. The United States Department of Justice has jurisdiction over airline competition matters. The United States Postal Service has authority over certain aspects of the transportation of mail. Labor relations in the airline industry are generally governed by the Railway Labor Act.

Environmental matters are regulated by various federal, state, local and foreign governmental entities.

#### Fares and Rates

Airlines are permitted to set ticket prices in most domestic and international city pairs without governmental regulation, and the industry is characterized by significant price competition. Certain international fares and rates are subject to the jurisdiction of the DOT and the governments of the foreign countries involved. Most of Delta's tickets are sold by travel agents, and fares are subject to commissions, overrides and discounts paid to travel agents, brokers and wholesalers.

#### Route Authority

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 or approvals 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.

#### Competition

Delta faces significant competition with respect to domestic and international routes, services and fares. 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 domestic and international routes, the Company competes with at least one, and usually more than one, scheduled passenger airline. Delta also competes with all-cargo carriers, charter airlines and, particularly on its shorter routes, with surface transportation.

International marketing alliances formed by domestic and foreign carriers, such as the Star Alliance (among United Airlines, Lufthansa German Airlines and others), the oneworld alliance (among American Airlines, British Airways and others) and the Wings Alliance (between Northwest Airlines and KLM-Royal Dutch Airlines), have significantly increased competition in international markets. Through marketing and codesharing 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.

The airline industry is characterized by substantial price competition. If price reductions are not offset by increases in traffic or changes in the mix of traffic that improve Delta's passenger mile yield, Delta's operating results will be adversely impacted.

Delta regularly monitors competitive developments in the airline industry, and evaluates its strategic alternatives. These strategic alternatives include, among other things, codesharing arrangements, other marketing alliances, internal growth, joint ventures, mergers and acquisitions. Delta's evaluations involve internal analysis and, where appropriate, discussions with third parties. For information regarding proposed mergers and acquisitions involving other airlines, see the second paragraph under "Competitive Environment and Seasonality" on page 13 of Delta's Calendar Year 2000 Annual Report to Shareowners, which is incorporated herein by reference.

#### Airport Access

Operations at four major United States airports 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 currently regulates slot allocations at O'Hare International Airport in Chicago, JFK and La Guardia Airport in New York and Ronald Reagan National Airport in Washington, D.C. Delta's operations at those four airports generally require slot allocations. Under legislation enacted by Congress last year, slot rules will be phased out at O'Hare International Airport by 2002, and at JFK and La Guardia Airport by 2007.

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.

#### Possible Legislation

A number of bills were recently introduced in Congress regarding the airline industry. These bills cover, among other subjects, airline competition issues. Some of these bills include proposals that would require large airlines with major operations at certain airports to divest or make available to other airlines slots, gates, facilities and other assets at those airports. These proposals, if enacted, could negatively impact Delta's ability to respond to competitive actions by other airlines.

## Computer Reservations 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 and Trans World Airlines 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. The CRS industry is highly competitive. CRS services are provided by several companies in the United States and worldwide. In the United States, other CRS competitors are SABRE, Galileo International and AMADEUS. CRS vendors are subject to regulations promulgated by the DOT and certain foreign governments.

## Fuel

Delta's results of operations can 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 1996-2000.

Year	Gallons Consumed (Millions)	Cost(1) (Millions)	Average Price Per Gallon(1)	Percent of Operating Expenses(2)
1996	2,548	\$1,641	64.40(cent)	13%
1997	2,634	1,659	62.97	14
1998	2,705	1,379	50.97	11
1999	2,779	1,421	51.13	10
2000	2,922	1,969	67.38	13

1. Net of the cost and/or benefit of Delta's fuel hedging program.
2. Excludes asset writedowns and other special charges in 1996, 1997, 1999 and 2000.

Aircraft fuel expense increased 39% in 2000 compared to 1999. The average fuel price per gallon rose 32% to 67.38(cent). Total gallons consumed increased 5% due to increased operations on a 5% increase in capacity. Delta's fuel cost per gallon in 2000 and 1999 is shown net of fuel hedge gains of \$684 million and \$79 million, respectively. Approximately 67% and 75% of Delta's aircraft fuel requirements were hedged during 2000 and 1999, respectively.

Changes in jet fuel prices and availability have industry-wide impact. 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. Delta 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 periodically purchases heating oil derivative contracts, such as forwards, options and other similar non-leveraged derivative instruments, to manage the risk associated with changes in aircraft fuel prices. Information regarding Delta's fuel hedging program is set forth under "Aircraft Fuel Price Risk" on page 11, and under "Fuel Hedging" in Note 3 of the Notes to the Consolidated Financial Statements on page 22, of Delta's Calendar Year 2000 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.

#### Personnel

Approximately 17% of the total employees of Delta, ASA and Comair are represented by unions. The following table presents certain information concerning the union representation of domestic employees of Delta, ASA and Comair.

EMPLOYEE GROUP	APPROXIMATE NUMBER OF EMPLOYEES REPRESENTED	UNION	AMENDABLE DATE OF COLLECTIVE BARGAINING AGREEMENT
Delta Pilots	9,800	Air Line Pilots Association, International	May 2000
Delta Flight Superintendents	210	Professional Airline Flight Control Association	December 2004
Delta Pilot Ground Training Instructors	110	Transport Workers Union of America	Initial contract in negotiation
ASA Pilots	1,330	Air Line Pilots Association, International	September 2002
ASA Flight Attendants	580	Association of Flight Attendants	September 2002
ASA Flight Dispatchers	30	Professional Airline Flight Control Association	Initial contract subject to ratification
Comair Pilots	1,300	Air Line Pilots Association, International	June 1998
Comair Maintenance Employees	500	International Association of Machinists and Aerospace Workers	May 2004
Comair Flight Attendants	700	International Brotherhood of Teamsters	Initial contract in negotiation

In September 1999, Delta began negotiations with the Air Line Pilots Association, International ("ALPA"), the union representing Delta's pilots, on a new collective bargaining agreement to replace the existing pilot contract that became amendable in May 2000. In December 2000, the National Mediation Board ("NMB") appointed mediators to participate in

the negotiations. At the joint request of Delta and ALPA, the NMB offered binding arbitration to the parties on March 22, 2001. Delta accepted the offer of binding arbitration but, on March 29, 2001, ALPA rejected the NMB's offer. The NMB will now determine when a 30-day "cooling off" period will begin. At the end of the 30-day "cooling off" period, the parties may engage in self help, unless the President of the United States appoints a Presidential Emergency Board ("PEB") to investigate the dispute. The appointment of a PEB maintains the "status quo" for an additional 60 days. If the parties do not reach agreement during this period, the parties may then engage in self help. Self help includes, among other things, a strike by the union or the imposition of proposed changes to the collective bargaining agreement by the airline. Congress and the President have the authority to prevent self help by enacting legislation which, among other things, imposes a settlement on the parties.

In February 2001, Delta pilots voted to authorize a strike. If a strike occurs, Delta plans to suspend its mainline flight operations during the strike. A strike or other job action by Delta pilots could have a material adverse impact on Delta's consolidated financial condition and operations. The outcome of Delta's negotiations with ALPA cannot presently be determined.

Comair is also in negotiations with ALPA, which represents Comair's pilots, on a new collective bargaining agreement to replace the existing pilot contract that became amendable in June 1998. On February 25, 2001, the NMB released the parties from negotiations by offering binding arbitration. ALPA rejected the arbitration offer, which started a 30-day "cooling off" period that ended on March 26, 2001. At that time, Comair pilots began a strike, which is continuing. As a result of the strike, Comair suspended flight operations and does not intend to resume such operations until the strike ends. The duration of the strike and the outcome of Comair's negotiations with ALPA cannot presently be determined.

In March 2001, ASA and the Professional Airline Flight Control Association, which represents ASA's flight dispatchers, reached a tentative agreement on an initial collective bargaining agreement. The tentative agreement is subject to ratification by ASA's flight dispatchers.

The immediately preceding four paragraphs update the information under "Collective Bargaining Matters" on pages 12-13 of Delta's Calendar Year 2000 Annual Report to Shareowners, which is incorporated herein by reference.

Unions are engaged in organizing efforts to represent various groups of employees of Delta, ASA and Comair who are not represented by a union. The outcome of these organizing efforts cannot presently be determined.

#### Environmental Matters

The Airport Noise and Capacity Act of 1990 (the "ANCA") required the phase-out of Stage 2 aircraft by December 31, 1999, subject to certain exceptions. Delta has complied with this requirement.

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. While Delta has had sufficient scheduling flexibility to accommodate local noise restrictions in the past, Delta'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 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 modification program to reduce emissions from aircraft engines. As a result of the MOA, air carriers, the EPA, the FAA and local and state regulators are evaluating potential options for emission reductions from airport activities, including aircraft engine modifications and alternative fueled ground service equipment, but no conclusion or agreement has been reached as to which, if any, options are viable. In addition to the MOA, Delta has agreed to reduce emissions at certain airports by utilizing alternative fueled ground service equipment.

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.

In March 2000, Delta received a federal grand jury subpoena calling for the Company to produce documents relating to aircraft deicing operations at the Dallas/Ft. Worth Airport since 1992. The Company understands that certain other airlines operating at Dallas/Ft. Worth and the Dallas/Ft. Worth Airport Board received similar subpoenas. Delta has produced the requested information and intends to cooperate with the government's investigation. The Company cannot currently determine the full scope of the investigation or its role in that matter.

#### Frequent Flyer Program

Delta has 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 credit card companies, hotels and car rental agencies. 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.

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 is 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 under its frequent flyer program to be 10.1 million at December 31, 1998, 11.2 million at December 31, 1999 and 12.2 million at December 31, 2000. Of these earned awards, Delta expected that approximately 7.6 million, 8.4 million and 9.2 million, respectively, would be redeemed. At December 31, 1998, 1999 and 2000, Delta had recorded a liability for these awards of \$155 million, \$179 million and \$199 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 2.1 million, 2.3 million and 2.6 million free round-trips on Delta in 1998, 1999 and 2000, respectively. These round-trips accounted for approximately 7% of the total passenger miles flown for each of 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.

#### 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, 2000 and ending September 30, 2001, up to 81 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 aircraft fleet is set forth in Notes 9 and 10 of the Notes to the Consolidated Financial Statements on page 27, and on the inside back cover, of Delta's Calendar Year 2000 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 generally 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.

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; these leases generally require Delta to pay the cost of providing, operating and maintaining such facilities. In addition to its Atlanta maintenance base, Delta's other major aircraft maintenance facilities are located at Cincinnati/Northern Kentucky International Airport, Dallas/Ft. Worth International Airport, Salt Lake City International Airport and Tampa International Airport. 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 Note 9 of the Notes to the Consolidated Financial Statements on page 27 of Delta's Calendar Year 2000 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.

The City of Atlanta, with the support of Delta and other airlines, has begun 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 and reduce flight delays. The CIP includes, among other things, a new approximately 9,000 foot full-service runway (targeted for completion in May 2005), 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. One of the factors potentially impacting implementation of the CIP is the need to obtain certain environmental approvals. Failure to implement certain portions of the CIP in a timely manner could adversely impact Delta's operations at Hartsfield Atlanta International Airport.

In October 2000, Delta announced plans for a \$1.6 billion terminal expansion and redevelopment project at JFK. The project involves three existing facilities at JFK: Terminals 2 and 3, which Delta uses for both domestic and international operations under a long-term lease with the Port Authority of New York and New Jersey ("Port"); and Terminal 4, which a private company, JFK International Air Terminal LLC ("IAT"), leases from the Port and is expanding. Delta's plans include (1) entering into a lease and development agreement with IAT whereby IAT will further expand Terminal 4 and Delta will occupy over one-half of the expanded facility under a long-term lease; (2) operating its international flights from Terminal 4; (3) expanding Terminal 2, which would serve as Delta's domestic and regional jet facility; (4) building a connector between Terminal 4 and Terminal 2; and (5) demolishing Terminal 3 to accommodate the expansion of Terminal 2 and to provide Delta with off-gate aircraft parking. When completed, the combined facility will include up to 46 gates for Delta's use. This project is subject to a number of conditions, including the execution of a definitive lease agreement and related documents between Delta and IAT for Delta's use of Terminal 4 facilities; obtaining consents and various other agreements from third parties, including the Port and the City of New York; obtaining certain environmental and other land use approvals; and the completion of a financing plan that is mutually acceptable to Delta and IAT.

Delta has also announced plans to redevelop Terminal A at Boston's Logan International Airport to consolidate its flight operations at that airport at one location. The Company estimates the construction and design costs of this project at \$465 million, but anticipates that the Massachusetts Port Authority will fund a portion of these costs. Implementation of the redevelopment project is dependent upon obtaining certain environmental approvals and the execution of definitive agreements by Delta and the Massachusetts Port Authority.

### 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, Northwest Airlines 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 between June 11, 1995 and June 10, 1999 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 District Court deems appropriate. There is pending before the District Court in both cases (1) plaintiffs' motion for class action certification; and (2) Delta's and the other defendants' motions for summary judgment. Delta intends to defend these lawsuits vigorously.

**Pilot Retirement Benefits Lawsuits.** In March 2000, four retired Delta pilots filed a purported class action lawsuit against Delta and the Delta Pilots Retirement Plan (the "Retirement Plan") in the United States District Court for the District of Oregon. The Retirement Plan is sponsored and funded by Delta. The plaintiffs' complaint (1) seeks to assert claims on behalf of a class consisting of certain groups of retired and active Delta pilots; (2) alleges that the calculation of the retirement benefits of the plaintiffs and the class violated the Retirement Plan and the Internal Revenue Code; and (3) seeks unspecified damages. The District Court granted Delta's motion to transfer the case to the United States District Court for the Northern District of Georgia which, in January 2001, granted Delta's motion for summary judgment on the grounds that Delta is not a proper party to the lawsuit. Accordingly, the Retirement Plan is the only remaining defendant in this case. The plaintiffs have dropped their class action allegations and have filed a motion to dismiss their complaint with prejudice.

In February 2001, a retired and an active Delta pilot filed a purported class action lawsuit against the Retirement Plan in the United States District Court for the Southern District of Illinois. The complaint, which includes claims and allegations that are substantially similar to the lawsuit described in the preceding paragraph, seeks unspecified damages which plaintiffs state they believe to be in excess of \$1 billion. There is pending before the District Court (1) the Plan's motion to transfer this case to the United States District Court for the Northern District of Georgia; and (2) the plaintiffs' motions to certify this action as a class action lawsuit and for summary judgment. Delta and the Retirement Plan intend to defend these matters vigorously.

Travel Voucher Lawsuit. In May 2000, an individual filed an amended class action lawsuit against Delta in the Circuit Court of Jackson County, Missouri on behalf of all persons who relinquished their seats on an overbooked Delta flight in exchange for a travel voucher that may be redeemed for a round-trip, economy class Delta ticket. The complaint asserts claims for fraud, breach of contract and unjust enrichment. It alleges, among other things, that Delta failed to disclose that it limits the number of seats on each flight that may be obtained by redeeming travel vouchers. The plaintiff, who has requested a jury trial, is seeking unspecified damages. There is pending before the Circuit Court (1) plaintiff's motion for class action certification; and (2) Delta's motion for summary judgment. Delta intends to defend this matter vigorously.

Other Matters. Delta is a defendant in certain other legal actions relating to antitrust matters, employment practices, environmental issues and other matters concerning Delta's business. Although the ultimate outcome of these matters and the other legal matters discussed above in this Item 3 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 9-10 of this Form 10-K.

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

For information regarding Delta's Annual Meeting of Shareowners held on October 25, 2000, see "Item 4. Submission of Matters to a Vote of Security Holders" on page 21 of Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.

#### 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	Chairman of the Board and Chief Executive Officer, January 28, 2000 to date;* Chairman of the Board, President and Chief Executive Officer, October 28, 1999 to January 27, 2000; President and Chief Executive Officer, August 14, 1997 to October 27, 1999. 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
---------------	---

-----  
 \* Effective January 28, 2000, Mr. Mullin's title was simplified at his request by deleting the word "President." Mr. Mullin continues to have all the powers of President as provided in Delta's by-laws.

as Chairman and Chief Executive Officer of American National Bank, a subsidiary of First Chicago Corporation, from 1991 to 1993. Age 58.

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 59.

M. Michele Burns Executive Vice President and Chief Financial Officer, August 9, 2000 to date; Senior Vice President - Finance and Treasurer, February 2000 to August 8, 2000; Vice President - Finance and Treasurer, September 1999 to February 2000; Vice President - Corporate Tax, January 1999 to September 1999. Ms. Burns was a partner at Arthur Andersen LLP from 1991 to January 1999. Age 43.

Robert L. Colman Executive Vice President - Human Resources, October 1998 to date. Mr. Colman was Vice President - Human Resources for General Electric Aircraft Engines Business from October 1993 to October 1998. Age 55.

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. Age 48.

Frederick W. Reid Executive Vice President and Chief Marketing Officer, July 1998 to date. Mr. Reid was an executive of Lufthansa German Airlines from 1991 to June 1998, serving as 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 50.

## 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 40 of Delta's Calendar Year 2000 Annual Report to Shareowners, and is incorporated herein by reference.

Under the Delta Air Lines, Inc. Directors' Deferred Compensation Plan ("Plan"), members of Delta'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 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 is a fund invested primarily in Delta's common stock ("Delta Common Stock Fund"). During the quarter ended December 31, 2000, participants in the Plan deferred \$21,100 in the Delta Common Stock Fund investment return choice (equivalent to 496 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 that Act.

## ITEM 6. SELECTED FINANCIAL DATA

Information required by this item is set forth on pages 36-37 of Delta's Calendar Year 2000 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 under "Glossary of Defined Terms" on page 5, and under "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 6-13, of Delta's Calendar Year 2000 Annual Report to Shareowners, and is incorporated herein by reference.

## 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 10-12, and in Notes 2, 3 and 4 of the Notes to the Consolidated Financial Statements on pages 20-23, respectively, of Delta's Calendar Year 2000 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 14-34, and in "Report of Independent Public Accountants" (which includes an explanatory paragraph that describes accounting changes discussed in Notes 3 and 5 of the Notes to the Consolidated Financial Statements) on page 35, of Delta's Calendar Year 2000 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 under "Certain Information About Nominees" on pages 6-8, and under "Section 16 Beneficial Ownership Reporting Compliance" on page 33, of Delta's Proxy Statement dated March 6, 2001, 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 under "Compensation of Directors" on pages 9-10, under "Compensation Committee Interlocks and Insider Participation" on page 10, and on pages 19-25, of Delta's Proxy Statement dated March 6, 2001, 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 11-13 of Delta's Proxy Statement dated March 6, 2001, and is incorporated herein by reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

## 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 22 of this Form 10-K.

(3). The exhibits required by this item are listed in the Exhibit Index on page 27 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 10.2 to 10.16 in the Exhibit Index.

(b). During the quarter ended December 31, 2000, Delta filed the following Current Reports on Form 8-K:

Form 8-Ks filed under Item 5 - Other Events. (1) A Form 8-K/A dated November 8, 2000 regarding, among other subjects, Delta's plans for a terminal expansion and redevelopment project at JFK; and (2) a Form 8-K dated November 27, 2000 to file certain items to be incorporated by reference into Delta's Registration Statement on Form S-3 (File No. 333-30974).

Form 8-K filed under Item 9 - Regulation FD Disclosure. A Form 8-K dated December 18, 2000 to file a letter from Delta to certain investors and analysts concerning Delta's expected financial performance for the December 2000 quarter.

Subsequent to December 31, 2000, Delta filed, under Item 9 - Regulation FD Disclosure, a Current Report on Form 8-K dated March 13, 2001 to file a letter from Delta to certain investors and analysts concerning Delta's expected financial performance for the March 2001 quarter, and the status of pilot collective bargaining negotiations at Delta and Comair.

## 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 29th day of March, 2001.

DELTA AIR LINES, INC.

By: /s/ Leo F. Mullin

-----  
 Leo F. Mullin  
 Chairman of the Board and  
 Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 29th day of March, 2001 by the following persons on behalf of the registrant and in the capacities indicated.

Signature -----	Title -----
Edwin L. Artzt* ----- Edwin L. Artzt	Director
James L. Broadhead* ----- James L. Broadhead	Director
Edward H. Budd* ----- Edward H. Budd	Director
/s/ M. Michele Burns ----- M. Michele Burns	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
R. Eugene Cartledge* ----- R. Eugene Cartledge	Director

Signature -----	Title -----
Mary Johnston Evans* ----- Mary Johnston Evans	Director
George M.C. Fisher* ----- George M.C. Fisher	Director
David R. Goode* ----- David R. Goode	Director
Gerald Grinstein* ----- Gerald Grinstein	Director
/s/ Leo F. Mullin ----- Leo F. Mullin	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
John F. Smith, Jr.* ----- John F. Smith, Jr.	Director
Andrew J. Young* ----- Andrew J. Young	Director
*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 35 of Delta's Calendar Year 2000 Annual Report to Shareowners.

FINANCIAL STATEMENTS - All of which are incorporated herein by reference to Delta's Calendar Year 2000 Annual Report to Shareowners:

Consolidated Balance Sheets - December 31, 2000 and 1999

Consolidated Statements of Income for the years ended December 31, 2000, 1999 and 1998

Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998

Consolidated Statements of Shareowners' Equity for the years ended December 31, 2000, 1999 and 1998

Notes to the Consolidated Financial Statements - December 31, 2000, 1999 and 1998

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

SCHEDULE SUPPORTING FINANCIAL STATEMENTS:

Schedule  
Number  
-----

II	Valuation and Qualifying Accounts for the years ended December 31, 2000, 1999 and 1998
----	--

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 auditing standards generally accepted in the United States, 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 January 26, 2001. 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.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia  
January 26, 2001

## SCHEDULE II

DELTA AIR LINES, INC.  
VALUATION AND QUALIFYING ACCOUNTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

(Amounts in Millions)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions-	Balance at
-----	-----	Charged to Costs and Expenses	Charged to Other Accounts- Describe	Describe	End of Period
-----	-----	-----	-----	-----	-----
DEDUCTION (INCREASE) IN THE BALANCE SHEET FROM THE ASSET TO WHICH IT APPLIES:					
Allowance for uncollectible accounts receivable:	\$ 39	\$15	--	\$ (23)(a)	\$ 31
Allowance for unrealized gains on marketable equity securities and derivative instruments:	\$(436)	--	\$ (455)(b)	\$ 301(c)	\$(590)
Reserve for restructuring and other nonrecurring charges:	\$ 41	\$22	--	\$ (7)(d)	\$ 56

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

(b) Represents increase in unrealized gain resulting from changes in market values of equity securities and derivative instruments.

(c) Represents decrease in unrealized gain resulting from sale of investments.

(d) Represents payments made against restructuring charges.

## SCHEDULE II

DELTA AIR LINES, INC.  
VALUATION AND QUALIFYING ACCOUNTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

(Amounts in Millions)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions-	Balance at
-----	-----	Charged to Costs and Expenses	Charged to Other Accounts- Describe	Describe	End of Period
-----	-----	-----	-----	-----	-----
DEDUCTION (INCREASE) IN THE BALANCE SHEET FROM THE ASSET TO WHICH IT APPLIES:					
Allowance for uncollectible accounts receivable:	\$ 39	\$ 17	--	\$ (17)(a)	\$ 39
Allowance for unrealized gains on marketable equity securities:	\$(205)	--	\$(1,108)(b)	\$ 877(c)	\$(436)
Reserve for restructuring and other non-recurring charges:	\$ 39	\$ 21	--	\$ (19)(d)	\$ 41

(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 decrease in unrealized gain resulting from sale of investments.

(d) Represents payments made against restructuring reserves.

DELTA AIR LINES, INC.  
VALUATION AND QUALIFYING ACCOUNTS  
FOR THE YEAR ENDED DECEMBER 31, 1998

(Amounts in Millions)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions-	Balance at
-----	-----	Charged to Costs and Expenses	Charged to Other Accounts- Describe	Describe	End of Period
-----	-----	-----	-----	-----	-----
DEDUCTION (INCREASE) IN THE BALANCE SHEET FROM THE ASSET TO WHICH IT APPLIES:					
Allowance for uncollectible accounts receivable:	\$ 53	\$ 21	--	\$ (35)(a)	\$ 39
Allowance for unrealized gains on marketable equity securities:	\$(110)	--	\$ (95)(b)	--	\$(205)
Reserve for restructuring and other non-recurring charges:	\$ 43	\$ 20	--	\$ (24)(c)	\$ 39

(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 charges.

## 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 (Filed as Exhibit 3.2 to Delta's Annual Report on Form 10-K for the year ended June 30, 2000).\*
- 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. 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).\*
- 4.5. 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)).\*
- 4.6. 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).\*
- 4.7. Indenture dated as of May 1, 1991, between Delta and The Citizens and Southern National Bank of Florida, as Trustee (Filed as Exhibit 4 to Delta's Registration Statement on Form S-3 (Registration No. 33-40190)).\*

4.8. 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).\*

4.9. First Amendment dated as of October 27, 2000, to Credit Agreement dated as of May 2, 1997, by and among Delta, Certain Banks and Bank of America, N.A., successor to NationsBank, N.A. (South), as Agent Bank (Filed as Exhibit 4.1 to Delta's Current Report on Form 8-K dated November 7, 2000).\*

4.10. Note Purchase Agreement dated February 22, 1990, among the Delta Family-Care Savings Plan, as Issuer, Delta, as 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, as Issuer, Delta, as Guarantor, and Various Lenders relating to the Guaranteed Serial ESOP Notes (Filed as Exhibit 4.11 to Delta's Annual Report on Form 10-K for the year ended June 30, 1999).\*

4.12. Indenture of Trust dated as of August 1, 1993, among Delta, Fidelity Management Trust Company, as ESOP Trustee, and Wilmington Trust Company, as 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).\*

4.13. Indenture dated as of December 14, 1999, between Delta and The Bank of New York, as Trustee, relating to \$500 million of 7.70% Notes due 2005, \$500 million of 7.90% Notes due 2009 and \$1 billion of 8.30% Notes due 2029. (Filed as Exhibit 4.2 to Delta's Registration Statement on Form S-4 (Registration No. 333-94991)).\*

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. 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).\*

10.2. Form of Non-Qualified Stock Option Award Agreement, dated January 25, 1996, 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).\*

10.3. Form of Non-Qualified Stock Option Award Agreement, dated July 27, 2000, under Delta's 1989 Stock Incentive Plan (Filed as Exhibit 10.6 to Delta's Annual Report on Form 10-K for the year ended June 30, 2000).\*

10.4. Form of Performance-Based Restricted Stock Award Agreement under Delta's 1989 Stock Incentive Plan. (Filed as Exhibit 10.7 to Delta's Annual Report on Form 10-K for the year ended June 30, 2000).\*

10.5. Delta 2000 Performance Compensation Plan (Filed as Appendix A to Delta's Proxy Statement dated September 15, 2000).\*

10.6. 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).\*

10.7. 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).\*

10.8. 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).\*

10.9. Non-Qualified Stock Option Award Agreement dated October 27, 1999, between Delta and Leo F. Mullin under Delta's 1989 Stock Incentive Plan (Filed as Exhibit 10.16 to Delta's Annual Report on Form 10-K for the year ended June 30, 2000).\*

10.10. 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).\*

10.11. 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).\*

10.12. 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).\*

10.13. 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).\*

10.14. 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).\*

10.15. 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)).\*

10.16. 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).\*

10.17. 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).\*/\*\*

10.18. 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).\*/\*\*

10.19. 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).\*/\*\*

10.20. Aircraft General Terms Agreement 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).\*/\*\*

10.21. 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 December 31, 2000, 1999, 1998, 1997 and 1996.

13. Portions of Delta's Calendar Year 2000 Annual Report to Shareowners.

23. Consent of Arthur Andersen LLP.

24. Powers of Attorney.

-----

\* Incorporated herein by reference

\*\* Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to Delta's request for confidential treatment.

DELTA AIR LINES, INC.  
STATEMENT REGARDING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(In millions, except ratios)

	----- 2000 -----	----- 1999 -----	----- 1998 -----	----- 1997 -----	----- 1996 -----
Earnings (loss):					
Earnings (loss) before income taxes and cumulative effect of accounting change	\$ 1,549	\$ 2,093	\$ 1,776	\$ 1,543	\$ 419
Add (deduct):					
Fixed charges from below	1,056	800	682	675	677
Interest capitalized	(45)	(48)	(40)	(36)	(28)
Earnings (loss) as adjusted	\$ 2,560	\$ 2,845	\$ 2,418	\$ 2,182	\$ 1,068
Fixed charges:					
Interest expense	\$ 426	\$ 250	\$ 179	\$ 201	\$ 226
Portion of rental expense representative of the interest factor	630	550	503	474	451
Total fixed charges	\$ 1,056	\$ 800	\$ 682	\$ 675	\$ 677
Ratio of earnings to fixed charges	2.42	3.56	3.55	3.23	1.58

</TEXT>

</DOCUMENT>

Exhibit 13 - Portions of Delta's Calendar Year  
2000 Annual Report

## GLOSSARY OF DEFINED TERMS

Accumulated Postretirement Benefit Obligation -- a measure of the deferred compensation obligation, other than pensions, that Delta has to its employees under postretirement welfare benefit plans.

Air Traffic Liability -- an estimate of the amount received for passenger ticket sales and cargo transportation services which have not yet been provided. As the transportation service is provided by Delta, the amount is removed from air traffic liability and recognized as revenue.

ASM -- Available Seat Mile. A measure of capacity which is calculated by multiplying the total number of seats available for transporting passengers by the total number of miles flown during a reporting period.

Cargo Ton Miles -- the total number of tons of cargo transported during a reporting period, multiplied by the total number of miles cargo is flown.

CASM -- (Operating) Cost per Available Seat Mile. The amount of operating cost incurred per available seat mile during a reporting period. Also referred to as unit cost.

Collective Bargaining Agreement -- an agreement between an employer and a union representing a group of employees which details pay rates and working conditions for that group of employees.

Common Stock -- the common stock, par value \$1.50 per share, of Delta Air Lines, Inc.

ERISA -- The Employee Retirement Income Security Act of 1974. This federal law governs employee benefit and retirement plans.

Net Debt-to-Capital Position -- a measure of leverage which is calculated by dividing net debt by total capitalization. Net debt includes short-term and long-term debt, capital lease obligations and the present value of operating lease obligations, reduced by cash and short-term investments. Capital includes net debt and shareowners' equity, including the Series B ESOP Convertible Preferred Stock.

Non-Fuel CASM -- the amount of operating cost incurred per available seat mile during a reporting period, excluding aircraft fuel expense.

Operating Margin -- operating income divided by operating revenues.

Passenger Load Factor -- a measure of aircraft utilization which is calculated by dividing RPMs by ASMs for a reporting period.

Passenger Mile Yield -- the amount of passenger revenue earned per revenue passenger mile during a reporting period.

Projected Benefit Obligation -- a measure of the deferred compensation obligation that Delta has to its employees under its pension plans.

RASM -- (Operating) Revenue per Available Seat Mile. The amount of operating revenue earned per available seat mile during a reporting period. Also referred to as unit revenue.

RPM -- Revenue Passenger Mile. One revenue-paying passenger transported one mile. RPMs are calculated by multiplying the number of revenue passengers by the number of miles they are flown for the reporting period.

Series B ESOP Convertible Preferred Stock -- convertible preferred stock, \$1.00 par value, \$72.00 stated and liquidation value, which is allocated to participants as part of the Employee Stock Ownership Plan (ESOP).

Ton Mile Yield -- amount of cargo revenue earned per cargo ton mile during a reporting period.

Working Capital Position -- calculated as current assets minus current liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DELTA AIR LINES, INC.

RESULTS OF OPERATIONS  
2000 COMPARED TO 1999

NET INCOME AND EARNINGS PER SHARE (EPS)

Our net income excluding the unusual items described below was \$897 million (\$6.81 diluted EPS) in 2000, compared to \$1.0 billion (\$6.79 diluted EPS) in 1999. Net income including unusual items totaled \$828 million in 2000 (\$6.28 diluted EPS), compared to \$1.2 billion in 1999 (\$8.15 diluted EPS).

This Annual Report includes audited Consolidated Balance Sheets as of December 31, 2000 and 1999 and audited Consolidated Statements of Income, Cash Flows and Shareowners' Equity for the years ended December 31, 2000, 1999 and 1998.

UNUSUAL ITEMS

Our results of operations for 2000 and 1999 include the following unusual items which are collectively referred to in this Annual Report as "unusual items."

2000

Gains:

- Gains from the sale of investments totaling \$301 million (\$184 million after tax, or \$1.40 diluted EPS). This includes a pretax cash gain of \$73 million from the sale of 1.2 million shares of the common stock of priceline.com Incorporated (priceline) and a pretax non-cash gain of \$228 million from the exchange of six million shares of priceline common stock for priceline preferred stock. (See Note 2 of the Notes to the Consolidated Financial Statements.)
- A one-time, non-cash gain of \$16 million (\$10 million after tax, or \$0.07 diluted EPS), related to our equity investment in WORLDSPAN, L.P. (Worldspan). The gain represents Delta's share of Worldspan's favorable outcome from certain arbitration proceedings.

Charges:

- A \$100 million charge from the cumulative effect of a change in accounting principle, net of tax (\$0.77 diluted EPS), resulting from our adoption of Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. SFAS 133 requires us to record all derivative instruments on the balance sheet at fair value, and to recognize in the income statement certain non-cash changes in these fair values. For additional information regarding our implementation of SFAS 133, see Note 3 of the Notes to the Consolidated Financial Statements.
- Non-cash charges for fair value adjustments under SFAS 133 totaling \$159 million (\$97 million after tax, or \$0.74 diluted EPS). These charges relate to derivative instruments we use in our fuel hedging program and to our equity warrants and other similar rights in other companies, primarily priceline.
- Asset writedowns and other special charges totaling \$108 million (\$66 million after tax, or \$0.50 diluted EPS). This includes pretax charges of \$86 million for an early retirement medical option program and \$22 million related to our decision to close our Pacific gateway in Portland, Oregon.
- A charge totaling \$7 million (\$4 million after tax, or \$0.03 diluted EPS) for the early extinguishment of certain debt obligations.

1999

Gains:

- Gains from the sale of investments totaling \$927 million (\$565 million after tax, or \$3.83 diluted EPS). This includes the following pretax cash gains: (1) \$711 million from the sale of 11.1 million shares of priceline common stock; (2) \$137 million from the sale of our equity interest in Singapore Airlines Limited; (3) \$29 million from the sale of our equity interest in SAirGroup, the holding company of Swissair; and (4) \$50 million from the sale of a portion of our interest in Equant N.V. (Equant), an international data network services company. (See Note 2 of the Notes to the Consolidated Financial Statements.)

Charges:

- Asset writedowns and other special charges totaling \$469 million (\$286

million after tax, or \$1.94 diluted EPS). This includes pretax charges of \$320 million for an asset writedown resulting from our decision to retire certain aircraft earlier than previously planned and \$149 million for asset impairment losses and costs incurred to streamline certain operations. (See Note 8 of the Notes to the Consolidated Financial Statements.)

- A \$54 million charge from the cumulative effect of a change in accounting principle, net of tax (\$0.37 diluted EPS), resulting from our January 1, 1999 adoption of SEC Staff Accounting Bulletin (SAB)101, "Revenue Recognition in Financial Statements." SAB 101 required us to change our method of accounting for the sale of frequent flyer mileage credits to participating partners. (See Note 5 of the Notes to the Consolidated Financial Statements.)
- A charge totaling \$40 million (\$24 million after tax, or \$0.16 diluted EPS) for the early extinguishment of certain long-term debt obligations.

6

ACQUISITION OF COMAIR HOLDINGS, INC. AND  
ASA HOLDINGS, INC.

Delta strengthened its competitive position by acquiring Comair Holdings, Inc. (Comair Holdings) and ASA Holdings, Inc. (ASA Holdings) in 1999. Comair Holdings and ASA Holdings are the parent companies of regional jet carriers Comair, Inc. (Comair) and Atlantic Southeast Airlines, Inc. (ASA), respectively. Our consolidated results of operations for 2000 include the results of operations of Comair Holdings and ASA Holdings for the entire year. Our 1999 consolidated results of operations include the results of operations of Comair Holdings from November 22, 1999 and ASA Holdings from April 1, 1999. (See Note 18 of the Notes to the Consolidated Financial Statements.)

(Bar Chart)

	1998 -----	1999 -----	2000 -----
	(In Millions of Dollars)		
Operating Revenues	\$14,312	\$14,883	\$16,741

OPERATING REVENUES

Operating revenues were \$16.7 billion in 2000, increasing 12% from \$14.9 billion in 1999. Passenger revenues grew 12% to \$15.7 billion, reflecting a 6% increase in RPMs on capacity growth of 5%, and a 5% increase in passenger mile yield to 13.86 cents. Excluding Comair and ASA, RPMs grew 3% on capacity growth of 2%.

North American Passenger Revenues—North American passenger revenues grew 11% to \$13.2 billion. RPMs increased 6% on capacity growth of 6%, while passenger mile yield increased 4%. The increase in RPMs is due to the inclusion of Comair and ASA, continued favorable economic conditions and the expansion of our fleet. The growth in traffic was partially offset by flight cancellations due to severe winter weather conditions and reduced flying by some Delta pilots. The increase in passenger mile yield was largely a result of the full-year impact of Comair and ASA and improved revenue management systems, partially offset by increased low-fare competition and capacity increases by competitors.

International Passenger Revenues—International passenger revenues increased 20% to \$2.5 billion during 2000. RPMs rose 7% on capacity growth of 5%, and passenger mile yield increased 12%. RPM growth is primarily a result of our continuing expansion into Latin America, which resulted in 24% traffic growth in that region during the year. Increased passenger mile yield reflects strong demand and improved revenue management systems.

Cargo and Other Revenues—Cargo revenues increased 4% to \$583 million, reflecting a 6% rise in cargo ton miles partially offset by a 2% decline in ton mile yield. The increase in cargo ton miles was primarily caused by overall capacity increases and higher mail volume from the growth in e-commerce activity. The decrease in ton mile yield was due to pricing pressure from industry-wide capacity growth in international markets. Other revenues increased 34% to \$501 million, mainly a result of higher revenues from joint marketing programs, codeshare activity and administrative service charges.

(Bar Chart)

	1998 -----	1999 -----	2000 -----
CASM*	8.80 cents	8.90 cents	9.68 cents

(\*) Excludes asset writedowns and other special charges.

OPERATING EXPENSES

Excluding asset writedowns and other special charges, operating expenses for 2000 totaled \$15.0 billion, increasing 15% from \$13.1 billion in 1999. CASM rose 9% to 9.68 cents, while non-fuel CASM increased 6% to 8.41 cents. Including asset writedowns and other special charges, operating expenses increased 11% to \$15.1 billion, CASM increased 6% to 9.75 cents, and non-fuel CASM grew 3% to 8.48 cents. Operating capacity grew 5% to 155 billion ASMs.

Salaries and related costs increased 15% during 2000. The average number of full-time equivalent employees increased 13%, primarily due to the inclusion of Comair and ASA. Excluding Comair and ASA, headcount increased 2%. The increase in salaries and related costs also reflects salary increases of 3% for pilots on January 1, 2000, and 3% for most domestic non-union employees on April 1, 2000.

Aircraft fuel expense increased 39% in 2000. The average fuel price per gallon rose 32% to 67.38 cents. Total gallons consumed increased 5% due to increased operations on a 5% increase in capacity. Delta's fuel cost is shown net of fuel hedge gains of \$684 million in 2000 and \$79 million in 1999. Approximately 67% and 75% of our aircraft fuel requirements were hedged during 2000 and 1999, respectively.

Depreciation and amortization expense rose 12% in 2000 due to the acquisition of additional aircraft and ground equipment, as well as the full-year impact of Comair and ASA. Other selling expenses increased 10%, primarily caused by higher credit card charges and booking fee payments from higher passenger volume.

Passenger commissions expense declined 16%, due to changes to the travel agent commission rate structure and our customers' increased use of lower-

cost distribution channels such as the Internet. Internet sales accounted for approximately 9% of total revenue flow in 2000 compared to 4% in 1999. Contracted services expense increased 17% in 2000, a result of the inclusion of an entire year of Comair and ASA, as well as higher costs related to customer service and technology initiatives.

Landing fees and other rents increased 7%, aircraft rent expense increased 19%, and aircraft maintenance materials and outside repair expense grew 22%, mainly a result of the inclusion of Comair and ASA. Passenger service expense decreased 6%, reflecting process improvements which streamlined our catering operations. Other costs increased 13% due to higher professional fees, supply costs and interrupted operations expenses, as well as the inclusion of Comair and ASA.

#### OPERATING INCOME AND OPERATING MARGIN

Excluding asset writedowns and other special charges, operating income was \$1.7 billion in 2000, compared to \$1.8 billion in 1999. Operating margin decreased to 10.4% during 2000 from 12.0% in 1999.

Operating income including asset writedowns and other special charges totaled \$1.6 billion in 2000 and \$1.3 billion in 1999. Operating margin was 9.8% in 2000, compared to 8.9% in 1999.

#### OTHER INCOME (EXPENSE)

Other expense totaled \$88 million during 2000, compared to other income of \$775 million in 1999. This change is primarily attributable to the following:

- gains from the sale of investments in 1999 exceeded gains in 2000 by \$626 million (see Note 2 of the Notes to the Consolidated Financial Statements);
- the fair values of SFAS 133 derivatives were reduced by \$159 million in 2000 (see Note 3 of the Notes to the Consolidated Financial Statements); and
- net interest expense increased \$145 million in 2000, due to higher levels of outstanding debt and higher interest rates.

#### 1999 COMPARED TO 1998

#### NET INCOME AND EARNINGS PER SHARE

Net income excluding unusual items totaled \$1.0 billion in 1999 (\$6.79 diluted EPS). Net income including unusual items was \$1.2 billion during 1999 (\$8.15 diluted EPS), compared to \$1.1 billion in 1998 (\$6.87 diluted EPS). There were no unusual items in 1998.

Our 1999 results include the results of operations of Comair Holdings from November 22, 1999 and of ASA Holdings from April 1, 1999. (See Note 18 of the Notes to the Consolidated Financial Statements.)

#### OPERATING REVENUES

Operating revenues were \$14.9 billion for 1999, increasing 4% from \$14.3 billion in 1998. Passenger revenue growth of 4% reflects a 3% increase in RPMs on 3% capacity growth and a 1% increase in passenger mile yield.

North American Passenger Revenues-North American passenger revenues grew 6% to \$11.7 billion, driven by a 3% increase in RPMs on capacity growth of 4% and a 3% rise in passenger mile yield. The increase in RPMs was a result of favorable economic conditions and increased traffic, the inclusion of ASA and the expansion of our fleet. Passenger mile yield grew due to fare increases during the June 1999 quarter 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 decreased 5% to \$2.3 billion during 1999. A 2% increase in RPMs on capacity growth of 1% was offset by a 6% decline in passenger mile yield. The increase in RPMs primarily reflects the addition of new Atlantic routes and continued expansion into Latin American markets. The decline in passenger mile yield is primarily a result of increased competitive pressures due to industry-wide capacity growth in the Atlantic and Latin American markets. Demand in the Pacific also decreased during 1999, driven by the Asian economic slowdown.

Cargo and Other Revenues-Cargo revenues declined 1% to \$561 million during 1999, reflecting a 2% increase in cargo ton miles offset by a 3% decrease in ton mile yield. Other revenues increased 18%, mainly a result of higher revenues from codeshare programs.

#### OPERATING EXPENSES

Excluding asset writedowns and other special charges, operating expenses rose 5% in 1999. CASM increased 1% to 8.90 cents, and non-fuel CASM increased 1% to 7.94 cents.

Including asset writedowns and other special charges, operating expenses increased 8% to \$13.6 billion. CASM increased 5% to 9.22 cents while non-fuel CASM grew 5% to 8.26 cents. Operating capacity rose 3% to 147 billion ASMs.

Salaries and related costs increased 6% due to 7% growth in the average number of full-time equivalent employees and a 2% general salary increase. Aircraft fuel expense increased 3%, due to a slight increase in the average fuel price per gallon and a 3% increase in gallons consumed. Our fuel cost in 1999 is net of \$79 million in gains resulting from fuel hedge contracts.

Depreciation and amortization expense rose 17% due to the acquisition of additional aircraft and ground equipment, as well as the inclusion of ASA in 1999. Other selling expenses decreased 1%. Passenger commissions fell 17%, a result of lower effective commission rates and increased utilization of lower-cost distribution channels.

Contracted services expense increased 13% due to expanded operations into new and existing markets, contract rate increases and the inclusion of ASA. Landing fees and other rents rose 8% and aircraft rent increased 9%, primarily due to expanded operations and the inclusion of leased aircraft at ASA. Aircraft maintenance and outside repairs increased 13%, due to outside repairs expense at ASA. Passenger service expense increased 1% as a result of higher supply costs. Other operating expenses decreased 3%, caused by lower professional fees and navigation charges.

#### OPERATING INCOME AND OPERATING MARGIN

Excluding asset writedowns and other special charges, operating income totaled \$1.8 billion in 1999, and operating margin was 12.0%.

Including asset writedowns and other special charges, operating income totaled \$1.3 billion in 1999, compared to \$1.8 billion in 1998. Operating margin was 8.9% in 1999, compared to 12.6% in 1998.

#### OTHER INCOME (EXPENSE)

Other income increased \$802 million to \$775 million during 1999. The increase was due to gains from the sale of investments of \$927 million, which were partially offset by increased interest expense due to higher levels of outstanding debt and a \$40 million loss from the early extinguishment of debt obligations.

#### (BAR CHART)

	1998 -----	1999 -----	2000 -----
	(In Millions of Dollars)		
Capital Expenditures	\$2,723	\$3,055	\$4,060

#### FINANCIAL CONDITION AND LIQUIDITY 2000

Cash and cash equivalents and short-term investments totaled \$1.6 billion at December 31, 2000, compared to \$2.3 billion at December 31, 1999. We reinvested \$4 billion into our business during 2000, buying new aircraft, customer service improvements and technology upgrades. Our principal sources and uses of cash during 2000 are summarized below.

#### SOURCES

- Generated \$2.9 billion of cash from operations.
- Issued \$1.5 billion of secured equipment notes.
- Borrowed \$301 million from the Development Authority of Clayton County to prepay bonds that had been issued to finance certain Delta facilities at Hartsfield Atlanta International Airport.
- Generated \$336 million from the sale/leaseback of regional jets and \$48 million from the sale of other flight equipment.
- Received \$73 million from the sale of priceline common stock.
- Issued 729,426 shares of common stock for \$33 million. These shares were primarily issued under our broad-based employee stock option plans.

#### USES

- Invested \$3.4 billion in flight equipment and \$634 million in technology and ground property and equipment.
- Paid \$972 million on debt and capital lease obligations.
- Repurchased 10.6 million shares of common stock for \$502 million.
- Paid \$232 million to complete the acquisition of Comair Holdings.
- Paid \$40 million in cash dividends on preferred and common stock.

As of December 31, 2000, we had a negative working capital position of \$2.0 billion. 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 aircraft sale and leaseback transactions. At December 31, 2000, we had \$1.25 billion of credit available under our 1997 Bank Credit Agreement. (See Note 7 of the Notes to the Consolidated Financial Statements.)

Long-term debt and capital lease obligations, including current maturities, totaled \$6.0 billion at December 31, 2000, compared to \$5.0 billion at December 31, 1999. The increase is primarily due to our issuance in November 2000 of \$1.5 billion principal amount of secured equipment notes for general corporate purposes, a portion of which was used to prepay \$500 million that we had borrowed under a credit facility to acquire ASA Holdings. Shareowners' equity was \$5.3 billion at December 31, 2000 and \$4.9 billion at December 31, 1999.

Our net debt-to-capital position was 71% at December 31, 2000, compared to 68% at December 31, 1999. For additional information

regarding Delta's credit agreements and long-term debt, see Note 7 of the Notes to the Consolidated Financial Statements.

#### PRIOR YEARS

##### 1999

During 1999, our principal sources of funds were \$2.6 billion of cash from operations, \$5.0 billion from the issuance of long-term and short-term debt, and \$1.4 billion from the sale of investments and flight equipment. In addition, we received \$104 million from the issuance of common stock. We invested \$2.5 billion in flight equipment and \$558 million in ground property and equipment. We also invested \$1.6 billion to acquire Comair Holdings and \$700 million to acquire ASA Holdings and made payments of \$2.2 billion on debt and capital lease obligations. In addition, we repurchased \$625 million of common stock and paid \$43 million in cash dividends on preferred and common stock.

##### 1998

During 1998, our principal sources of funds were \$2.7 billion of cash from operations, \$402 million from the issuance of long-term and short-term debt, and \$168 million from the issuance of common stock. We invested \$2.1 billion in flight equipment and \$633 million in ground property and equipment and made payments of \$400 million on debt and capital lease obligations. We also repurchased \$694 million of common stock and paid \$43 million in cash dividends on preferred and common stock.

#### FINANCIAL POSITION

##### DECEMBER 31, 2000

##### COMPARED TO DECEMBER 31, 1999

This section discusses certain changes in our Consolidated Balance Sheets which are not otherwise discussed in Management's Discussion and Analysis.

The current portion of fuel hedge contracts at fair market value totaled \$319 million at December 31, 2000. As a result of the adoption of SFAS 133, fuel hedge derivative contracts are recorded at their market value and presented separately on our balance sheet. (See Note 3 of the Notes to the Consolidated Financial Statements.) Prepaid expenses and other current assets decreased 29%, or \$220 million, during 2000, a result of adopting SFAS 133. In accordance with the transition provisions of SFAS 133, premiums paid on fuel hedge derivative contracts were written off during the period. (See Note 3 of the Notes to the Consolidated Financial Statements.)

Investments in debt and equity securities decreased 36%, or \$189 million, due to fair value adjustments of these investments and the sale of a portion of our priceline common stock.

Investments in associated companies increased 98%, or \$110 million, primarily due to higher equity earnings from Worldspan and an additional investment in a special purpose subsidiary (see Note 17 of the Notes to the Consolidated Financial Statements). Other noncurrent assets increased 60%, or \$401 million. The increase is a result of the prepayment of certain lease obligations and fair value adjustments to long-term fuel hedge contracts.

Accounts payable and miscellaneous accrued liabilities increased 14%, or \$274 million. The increase in accounts payable is mainly due to more favorable payment terms in 2000. Increased fuel consumption and rising fuel prices also resulted in higher payable balances.

Our net deferred tax liability increased \$427 million. This is a result of a deferred tax provision of \$396 million in 2000 (see Note 6 of the Notes to the Consolidated Financial Statements) and \$31 million which is primarily attributable to the deferred tax impact of unrealized gains on marketable equity securities and derivative instruments and the adoption of SFAS 133.

#### COMMITMENTS

Estimated future expenditures for aircraft and engines on firm order as of January 26, 2000 totaled \$9.6 billion. In addition, we have planned capital expenditures of \$622 million for the twelve months ending December 31, 2001, for airport and facility improvements and the purchase of ground equipment and other assets. (See Notes 9 and 10 of the Notes to the Consolidated Financial Statements for additional information regarding our lease obligations and purchase commitments.)

#### MARKET RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Delta 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, we periodically enter into derivative transactions pursuant to stated

policies. (See Notes 3 and 4 of the Notes to the Consolidated

10

Financial Statements.) Management expects adjustments to the fair value of derivative instruments accounted for under SFAS 133 to result in ongoing volatility in earnings and shareowners' equity.

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 a particular risk. For these and other reasons, the actual results of changes in these prices or rates may differ materially from the following hypothetical results.

#### AIRCRAFT FUEL PRICE RISK

Our results of operations can be significantly impacted by changes in the price of aircraft fuel. To manage this risk, we periodically enter into heating oil derivative contracts, such as forwards and options, to hedge a portion of our projected annual fuel requirements. Heating oil prices have a high correlation to aircraft fuel prices, making heating oil derivatives effective in offsetting changes in aircraft fuel prices. The following table shows our hedged position for the years ending December 31, 2001 and 2002 based on instruments held at December 31, 2000 and our projected annual aircraft fuel requirements:

	Percent Hedged -----	Average Hedged Price -----
2001	46%	54.86 (cents)
2002	25%	54.41 (cents)

The fair values of our heating oil derivative instruments were \$449 million at December 31, 2000 and \$495 million at December 31, 1999. A 10% decrease in the average annual price of heating oil will decrease these fair values by \$125 million at December 31, 2000.

During 2000, aircraft fuel accounted for 13% of our operating expenses. Based on our projected aircraft fuel consumption of 2.9 billion gallons for the twelve months ending December 31, 2001, a 10% rise in our projected jet fuel prices will increase our aircraft fuel expense by approximately \$110 million for that period. This analysis includes the effects of fuel hedging instruments in place at December 31, 2000. Based on our 2000 aircraft fuel consumption of 2.9 billion gallons, a 10% rise in our jet fuel prices would have increased our aircraft fuel expense by approximately \$64 million in 2000. This analysis includes the effects of fuel hedging instruments in place during 2000.

For additional information regarding our aircraft fuel price risk management program, see Note 3 of the Notes to the Consolidated Financial Statements.

#### EQUITY SECURITIES RISK

We have equity interests in SkyWest, priceline, Equant and other e-commerce companies. The estimated fair value and aggregate unrealized gain from these investments was \$205 million and \$92 million, respectively, at December 31, 2000. At December 31, 1999, the estimated fair value of our equity interests totaled \$595 million, with an aggregate unrealized gain of \$267 million. The balance sheet risk associated with these investments is the potential loss in fair value resulting from a decrease in the price of their common stock. Based on the market value of our equity investments at December 31, 2000, a 10% decline in the price of their common stock will decrease fair value of these instruments by approximately \$21 million.

Delta also has earnings risk associated with equity warrants and other similar rights in e-commerce companies, primarily priceline. The fair value of these warrants and rights, which totaled \$11 million at December 31, 2000, is directly related to changes in the price of the underlying common stock. This exposure to market risk can create volatility in the fair value of the financial instruments held, which results in increased volatility in non-operating earnings under SFAS 133. Based on the market value of these investments at December 31, 2000, a 10% decline in the price of the underlying common stock will not have a material impact on the fair value of these investments or on our non-operating earnings. For additional information regarding our equity investments, see Note 2 of the Notes to the Consolidated Financial Statements.

#### INTEREST RATE RISK

Our exposure to market risk due to changes in interest rates primarily 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% decrease in average annual interest rates would have increased the estimated fair value of

our long-term debt by \$338 million and \$279 million at December 31, 2000 and December 31, 1999, respectively. A 10%

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS DELTA AIR LINES, INC.

increase in average annual interest rates would not have had a material impact on our interest expense in 2000, due to the nature of our long-term debt. At December 31, 2000, 95% of our long-term debt obligations had fixed interest rates.

Market risk associated with our cash portfolio is the potential change in earnings resulting from a change in interest rates. Based on our average balance of cash and cash equivalents and short-term investments during 2000, a 10% decrease in average annual interest rates will not have a material impact on our interest income.

We may use non-leveraged, over-the-counter financial instruments to manage our interest rate risk, provided that the notional amount of these transactions does not exceed 50% of our long-term debt. Delta had none of these instruments outstanding at December 31, 2000 and 1999.

FOREIGN CURRENCY EXCHANGE RATE RISK

Delta has revenues and expenses denominated in foreign currencies and, as a result, is exposed to foreign currency exchange rate risk. The majority of our exposure results from transactions denominated in the Euro, British Pound and Japanese Yen. To manage exchange rate risk, we net foreign currency revenues and expenses, to the extent practicable, to take advantage of natural offsets. We may use foreign currency option and forward contracts with maturities of up to 12 months to manage the remaining net exposure. We had none of these instruments outstanding at December 31, 2000. Based on our average annual net foreign currency positions during 2000, a 10% adverse change in average annual foreign currency exchange rates would not be material to our Consolidated Financial Statements.

OTHER MATTERS  
COLLECTIVE BARGAINING MATTERS

Our relations with labor unions in the United States are governed by the Railway Labor Act. Under that statute, a collective bargaining agreement between an airline and a labor union does not expire, but instead becomes amendable as of a stated date. Either party may request the National Mediation Board (NMB) to appoint a federal mediator to participate in the negotiations. If no agreement is reached in mediation, the NMB may determine, at any time, that an impasse exists and offer binding arbitration. If either party rejects binding arbitration, a 30-day "cooling off" period begins. At the end of this 30-day period, the parties may engage in "self help," unless the President of the United States appoints a Presidential Emergency Board (PEB) to investigate and report on the dispute. The appointment of a PEB maintains the "status quo" for an additional 60 days. If the parties do not reach agreement during this period, the parties may then engage in "self help." "Self-help" includes, among other things, a strike by the union or the imposition of proposed changes to the collective bargaining agreement by the airline.

DELTA PILOTS

In September 1999, we began negotiations with the Air Line Pilots Association, International (ALPA), the union representing our approximately 9,800 pilots, on a new collective bargaining agreement to replace the existing pilot contract that became amendable in May 2000. In December 2000, the NMB appointed mediators to participate in the negotiations. We and ALPA have agreed to request the NMB to offer binding arbitration to the parties on March 1, 2001 if a tentative agreement has not been reached. The NMB is not required to grant this request. As discussed above, if the NMB offers binding arbitration and either party rejects this offer, a 30-day "cooling off" period begins.

On February 12, 2001, ALPA announced that Delta pilots had voted to authorize a strike. If a strike occurs, we plan to cease mainline operations during the strike. A strike or other job action by our pilots could have a material adverse impact on our financial condition and operations. The outcome of our negotiations with ALPA cannot presently be determined.

On December 5, 2000, we filed a lawsuit against ALPA in the U.S. District Court in Atlanta to stop a concerted campaign by some pilots to pressure us in our collective bargaining negotiations with ALPA by refusing to request overtime (or additional) flying assignments, and by harassing pilots who submit such requests. The District Court denied our request for a preliminary injunction because the District Court believed there was insufficient evidence to link ALPA to the illegal job action by some Delta pilots. We appealed to the U.S. Court of Appeals for the Eleventh Circuit which, on January 18, 2001, ordered the District Court to issue an injunction against ALPA. The Court of Appeals held that unions have an obligation under the Railway Labor Act to prevent unlawful job actions by their members. ALPA filed a petition for a rehearing which the Court of Appeals denied on February 9, 2001. On February 14, 2001, the District Court issued an injunction against ALPA.



In December 2000, we canceled approximately 8,700 flights, primarily due to the combination of severe winter weather and the pilot job action, which significantly reduced pilot availability for additional flying. As a result of these flight cancellations, our operating revenues for the December 2000 quarter were approximately \$80 million lower than we had anticipated. To minimize the impact of the pilot job action on customers, we have reduced our domestic schedule for the March 2001 quarter by 2.7% from the level we had planned.

#### OTHER LABOR NEGOTIATIONS

We are also in collective bargaining negotiations with the Transport Workers Union of America (TWU), which represents our approximately 110 pilot ground training instructors. Comair is in negotiations with ALPA and the International Brotherhood of Teamsters (IBT), which represent Comair's approximately 1,300 pilots and 700 flight attendants, respectively. ASA is in negotiations with the Professional Airline Flight Control Association (PAFCA), which represents ASA's approximately 30 flight dispatchers. The NMB appointed a mediator to participate in the Delta/TWU negotiations in January 2001; the Comair/ALPA negotiations in July 1999; and the Comair/IBT negotiations in April 2000. A mediator has not yet been appointed to participate in the ASA/PAFCA negotiations.

The outcome of these collective bargaining negotiations cannot presently be determined. A strike or other job action could have a material adverse impact on our financial condition and operations.

#### COMPETITIVE ENVIRONMENT AND SEASONALITY

The airline industry is highly competitive and is characterized by substantial price competition. 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.

United Airlines has entered into an agreement to acquire US Airways. In addition, American Airlines has agreed to acquire substantially all the assets of Trans World Airlines and certain US Airways assets. These transactions are subject to regulatory approvals and other conditions. If these transactions occur, the competitive environment in the airline industry could significantly change because United and American would become much larger than other U.S. airlines, including Delta. We are continuing to review our strategic alternatives. We cannot presently predict the impact that these pending transactions could have on us.

Due to seasonal variations in the demand for air travel, operating results for an interim period are not necessarily indicative of operating 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, fare levels and weather conditions.

#### ENVIRONMENTAL AND LEGAL CONTINGENCIES

Delta is a defendant in legal actions relating to antitrust matters, employment practices, 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.

#### FORWARD-LOOKING INFORMATION

Statements in this Annual Report which are not purely historical facts, including statements about our expectations, beliefs, intentions, or strategies for the future, may be "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations.

Factors that could cause these differences include, but are not limited to, general economic conditions; competitive factors in our industry, including mergers and acquisitions; outcomes of negotiations on collective bargaining agreements; changes in aircraft fuel prices; disruptions to operations due to adverse weather conditions, air traffic control-related constraints and labor issues; fluctuations in foreign currency exchange rates; governmental actions; the willingness of customers to travel generally and with us specifically; and the outcome of our litigation.

Caution should be taken not to place undue reliance on our forward-looking statements, which are current only as of the date of this Annual Report. More detailed information about these risks and uncertainties can be read in Delta's past and future Forms 10-K and 10-Q and certain Forms 8-K filed with the Securities and Exchange Commission.

CONSOLIDATED BALANCE SHEETS  
December 31, 2000 and 1999

DELTA AIR LINES, INC.

ASSETS	2000	1999
(In Millions)		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,364	\$ 1,623
Short-term investments	243	693
Accounts receivable, net of allowance for uncollectible accounts of \$31 at December 31, 2000 and \$39 at December 31, 1999	406	492
Deferred income taxes	345	455
Fuel hedge contracts, at market value	319	--
Prepaid expenses and other	528	748
Total current assets	3,205	4,011
PROPERTY AND EQUIPMENT:		
Flight equipment	17,081	14,444
Less: Accumulated depreciation	4,849	4,580
	12,232	9,864
Flight equipment under capital leases	484	506
Less: Accumulated amortization	324	279
	160	227
Ground property and equipment	4,371	4,008
Less: Accumulated depreciation	2,313	2,186
	2,058	1,822
Advance payments for equipment	390	537
Total property and equipment, net	14,840	12,450
OTHER ASSETS:		
Investments in debt and equity securities	339	528
Investments in associated companies	222	112
Cost in excess of net assets acquired, net of accumulated amortization of \$196 at December 31, 2000 and \$137 at December 31, 1999	2,149	2,060
Operating rights and other intangibles, net of accumulated amortization of \$236 at December 31, 2000 and \$225 at December 31, 1999	102	108
Other noncurrent assets	1,074	673
Total other assets	3,886	3,481
TOTAL ASSETS	\$ 21,931	\$ 19,942

LIABILITIES AND SHAREOWNERS' EQUITY	2000	1999
(In Millions, Except Share Data)		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 62	\$ 670
Current obligations under capital leases	40	42
Accounts payable and miscellaneous accrued liabilities	2,248	1,974
Air traffic liability	1,442	1,491
Accrued salaries and related benefits	1,170	1,070
Accrued rent	283	267
<b>Total current liabilities</b>	<b>5,245</b>	<b>5,514</b>
NONCURRENT LIABILITIES:		
Long-term debt	5,797	4,144
Capital leases	99	159
Postretirement benefits	2,026	1,916
Accrued rent	721	720
Deferred income taxes	1,220	903
Other	388	468
<b>Total noncurrent liabilities</b>	<b>10,251</b>	<b>8,310</b>
DEFERRED CREDITS:		
Deferred gains on sale and leaseback transactions	568	617
Manufacturers' and other credits	290	374
<b>Total deferred credits</b>	<b>858</b>	<b>991</b>
COMMITMENTS AND CONTINGENCIES (NOTES 2, 3, 4, 7, 9 AND 10)		
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 6,405,563 shares at December 31, 2000 and 6,498,921 shares at December 31, 1999	460	468
Unearned compensation under employee stock ownership plan	(226)	(249)
<b>Total Employee Stock Ownership Plan Preferred Stock</b>	<b>234</b>	<b>219</b>
SHAREOWNERS' EQUITY:		
Common stock, \$1.50 par value; 450,000,000 shares authorized; 180,764,057 shares issued at December 31, 2000 and 180,034,631 shares issued at December 31, 1999	271	270
Additional paid-in capital	3,264	3,222
Retained earnings	4,176	3,377
Accumulated other comprehensive income	360	266
Treasury stock at cost, 57,750,685 shares at December 31, 2000 and 47,141,161 shares at December 31, 1999	(2,728)	(2,227)
<b>Total shareowners' equity</b>	<b>5,343</b>	<b>4,908</b>
<b>TOTAL LIABILITIES AND SHAREOWNERS' EQUITY</b>	<b>\$ 21,931</b>	<b>\$ 19,942</b>

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

CONSOLIDATED STATEMENTS OF INCOME  
 For the years ended December 31, 2000, 1999 and 1998 DELTA AIR LINES, INC.

	2000	1999	1998
-----			
(In Millions, Except Per Share Data)			
OPERATING REVENUES:			
Passenger	\$ 15,657	\$ 13,949	\$ 13,428
Cargo	583	561	569
Other, net	501	373	315
-----			
Total operating revenues	16,741	14,883	14,312
-----			
OPERATING EXPENSES:			
Salaries and related costs	5,971	5,194	4,894
Aircraft fuel	1,969	1,421	1,379
Depreciation and amortization	1,187	1,057	902
Other selling expenses	688	626	632
Passenger commissions	661	784	939
Contracted services	966	824	729
Landing fees and other rents	771	723	670
Aircraft rent	741	622	569
Aircraft maintenance materials and outside repairs	723	594	526
Passenger service	470	498	491
Asset writedowns and other special charges	108	469	--
Other	849	753	778
-----			
Total operating expenses	15,104	13,565	12,509
-----			
OPERATING INCOME	1,637	1,318	1,803
-----			
OTHER INCOME (EXPENSE):			
Interest income (expense), net	(271)	(126)	(66)
Gains from the sale of investments	301	927	--
Miscellaneous income (expense), net	41	(26)	39
Fair value adjustments of SFAS 133 derivatives	(159)	--	--
-----			
Total other income (expense)	(88)	775	(27)
-----			
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	1,549	2,093	1,776
INCOME TAXES PROVIDED	(621)	(831)	(698)
-----			
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX	928	1,262	1,078
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES NET OF TAX OF \$64 MILLION IN 2000 AND \$35 MILLION IN 1999	(100)	(54)	--
-----			
NET INCOME	828	1,208	1,078
PREFERRED STOCK DIVIDENDS	(13)	(12)	(11)
-----			
NET INCOME AVAILABLE TO COMMON SHAREOWNERS	\$ 815	\$ 1,196	\$ 1,067
-----			
BASIC EARNINGS PER SHARE BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$ 7.39	\$ 9.05	\$ 7.22
-----			
BASIC EARNINGS PER SHARE	\$ 6.58	\$ 8.66	\$ 7.22
-----			
DILUTED EARNINGS PER SHARE BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$ 7.05	\$ 8.52	\$ 6.87
-----			
DILUTED EARNINGS PER SHARE	\$ 6.28	\$ 8.15	\$ 6.87
-----			

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

CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the years ended December 31, 2000, 1999 and 1998 DELTA AIR LINES, INC.

	2000	1999	1998
(In Millions)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 828	\$ 1,208	\$ 1,078
Adjustments to reconcile net income to cash provided by operating activities:			
Cumulative effect of change in accounting principle	100	54	--
Asset writedowns and other special charges	108	469	--
Depreciation and amortization	1,187	1,057	902
Deferred income taxes	396	321	309
Fair value adjustments of SFAS 133 derivatives	159	--	--
Pension, postretirement and postemployment expense in excess of (less than) payments	(103)	33	101
Dividends in excess of (less than) equity income	(28)	48	(57)
Gains on the sale of investments	(301)	(927)	--
Income tax benefit from exercise of stock options	5	21	72
Changes in certain current assets and liabilities:			
Decrease (increase) in accounts receivable	86	310	(14)
Decrease (increase) in prepaid expenses and other current assets	92	(186)	(102)
(Decrease) increase in air traffic liability	(49)	73	185
Increase in other payables and accrued expenses	373	153	134
Other, net	45	13	118
Net cash provided by operating activities	2,898	2,647	2,726
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Property and equipment additions:			
Flight equipment, including advance payments	(3,426)	(2,497)	(2,090)
Ground property and equipment	(634)	(558)	(633)
Decrease (increase) in short-term investments, net	456	(367)	365
Proceeds from sale of flight equipment	384	215	17
Proceeds from sale of investments	73	1,167	--
Acquisitions of companies, net of cash acquired	(232)	(1,922)	--
Other, net	(17)	--	--
Net cash used in investing activities	(3,396)	(3,962)	(2,341)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Payments on long-term debt and capital lease obligations	(853)	(1,927)	(373)
Payments on notes payable, net	(119)	(250)	(27)
Prepayment of long-term lease obligations	(215)	--	--
Cash dividends	(40)	(43)	(43)
Issuance of long-term obligations	1,867	4,496	125
Issuance of short-term obligations	68	515	277
Issuance of common stock	33	104	168
Repurchase of common stock	(502)	(625)	(694)
Net cash provided by (used in) financing activities	239	2,270	(567)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(259)	955	(182)
Cash and cash equivalents at beginning of year	1,623	668	850
Cash and cash equivalents at end of year	\$ 1,364	\$ 1,623	\$ 668
<b>SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR:</b>			
Interest, net of amounts capitalized	\$ 410	\$ 185	\$ 139
Income taxes	131	315	282

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

(In Millions, Except Share Data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
BALANCE AT DECEMBER 31, 1997	\$ 259	\$ 2,851	\$ 1,141	\$ 67	\$ (911)	\$ 3,407
COMPREHENSIVE INCOME:						
Net income	--	--	1,078	--	--	1,078
Other comprehensive income	--	--	--	58	--	58
TOTAL COMPREHENSIVE INCOME (SEE NOTE 16)						1,136
Dividends on common stock (\$0.10 per share)	--	--	(15)	--	--	(15)
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	--	--	(11)	--	--	(11)
Issuance of 4,880,742 shares of common stock under dividend reinvestment and stock purchase plan and stock options (\$34.45 per share*)	7	161	--	--	--	168
Repurchase of 12,533,469 common shares (\$55.36 per share*)	--	--	--	--	(694)	(694)
Income tax benefit from exercise of stock options	--	72	--	--	--	72
Transfer of 129,334 shares of common stock from treasury under stock incentive plan (\$42.07 per share*)	--	--	--	--	5	5
Other	--	6	3	--	--	9
BALANCE AT DECEMBER 31, 1998	266	3,090	2,196	125	(1,600)	4,077
COMPREHENSIVE INCOME:						
Net income	--	--	1,208	--	--	1,208
Other comprehensive income	--	--	--	141	--	141
TOTAL COMPREHENSIVE INCOME (SEE NOTE 16)						1,349
Dividends on common stock (\$0.10 per share)	--	--	(14)	--	--	(14)
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	--	--	(12)	--	--	(12)
Issuance of 2,381,204 shares of common stock under dividend reinvestment and stock purchase plan and stock options (\$43.94 per share*)	4	100	--	--	--	104
Repurchase of 10,971,166 common shares (\$56.96 per share*)	--	--	--	--	(625)	(625)
Income tax benefit from exercise of stock options	--	21	--	--	--	21
Transfer of 30,830 shares of common stock from treasury under stock incentive plan (\$59.37 per share*)	--	--	--	--	(2)	(2)
Other	--	11	(1)	--	--	10
BALANCE AT DECEMBER 31, 1999	270	3,222	3,377	266	(2,227)	4,908
COMPREHENSIVE INCOME:						
Net income	--	--	828	--	--	828
Other comprehensive income	--	--	--	94	--	94
TOTAL COMPREHENSIVE INCOME (SEE NOTE 16)						922
Dividends on common stock (\$0.10 per share)	--	--	(12)	--	--	(12)
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	--	--	(13)	--	--	(13)
Issuance of 729,426 shares of common stock under dividend reinvestment and stock purchase plan and stock options (\$44.86 per share*)	1	32	--	--	--	33
Repurchase of 10,626,104 common shares (\$47.26 per share*)	--	--	--	--	(502)	(502)
Income tax benefit from exercise of stock options	--	5	--	--	--	5
Transfers and forfeitures of 16,580 shares of common stock under stock incentive plan (\$52.61 per share*)	--	--	--	--	1	1
Other	--	5	(4)	--	--	1
BALANCE AT DECEMBER 31, 2000	\$ 271	\$ 3,264	\$ 4,176	\$ 360	\$ (2,728)	\$ 5,343

(\* ) Average price per share.

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation -- Delta Air Lines, Inc. (a Delaware corporation) is a major air carrier that provides air transportation for passengers and freight throughout the United States and around the world. Our consolidated financial statements include the accounts of Delta Air Lines, Inc. and our majority-owned subsidiaries, Comair Holdings, Inc. (Comair Holdings) and ASA Holdings, Inc. (ASA Holdings), collectively referred to as Delta. Comair Holdings is the parent of Comair, Inc. (Comair) and ASA Holdings is the parent of Atlantic Southeast Airlines, Inc. (ASA). We have eliminated all intercompany transactions. The results of operations of companies purchased are included from the date of acquisition. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Change in Year End -- Effective December 31, 2000, we changed our year end from June 30 to December 31. Accordingly, this Annual Report includes audited Consolidated Balance Sheets as of December 31, 2000 and 1999, and audited Consolidated Statements of Income, Cash Flows and Shareowners' Equity for the years ended December 31, 2000, 1999 and 1998.

Use of Estimates -- We are required to make estimates and assumptions when preparing our financial statements in conformity with accounting principles generally accepted in the United States. These estimates and assumptions affect the amounts reported in our financial statements and the accompanying notes. Actual results could differ from those estimates.

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.

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. We periodically evaluate the estimated air traffic liability. Any resulting adjustments, which can be significant, are included in the Consolidated Statements of Income in the period that the evaluations are completed.

Long-Lived Assets -- We record our property and equipment at cost and depreciate these assets on a straight-line basis to their estimated residual values over their respective estimated useful life. The estimated useful lives for major asset classifications are as follows:

Asset Classification	Estimated Useful Life
Owned flight equipment	15-25 years
Flight equipment under capital lease	Lease term
Ground property and equipment	3-30 years
Leasehold rights and landing slots	Lease term

Residual values for flight equipment range from 5%-40% of cost. Purchased international route authorities are amortized 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 acquisitions of Comair Holdings and ASA Holdings in 1999 and Western Air Lines, Inc. in 1986.

Interest Capitalized -- We capitalize interest paid on advance payments used to acquire new aircraft and to construct ground facilities as an additional cost of the related assets. Interest is capitalized 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.

Measurement of Impairment -- In accordance with Statement of Financial Accounting Standards (SFAS) 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," we record impairment losses on long-lived assets used in operations, goodwill and other intangible assets when events and circumstances indicate the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. If an impairment occurs, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value.



Investments in Associated Companies -- We use the equity method to account for our 40% ownership interest in WORLDSPAN, L.P., a computer reservations system. Our equity earnings from this investment totaled \$59 million in 2000, \$30 million in 1999 and \$15 million in 1998. We accounted for our investments in Comair Holdings and ASA Holdings under the equity method until November 22, 1999 and April 1, 1999, respectively.

Frequent Flyer Program -- Delta records an estimated liability for the incremental cost associated with providing free transportation under its SkyMiles(R) frequent flyer program when a free travel award is earned. The liability is included in accounts payable and miscellaneous accrued liabilities, and is adjusted periodically based on awards earned, awards redeemed and changes in the SkyMiles(R) program.

Delta also sells mileage credits in the SkyMiles(R) program to participating partners such as credit card companies, hotels and car rental agencies. For information regarding our accounting for these mileage credits, see Note 5.

Deferred Gains on Sale and Leaseback Transactions -- We amortize deferred gains on the sale and leaseback of property and equipment under operating leases over the lives of these leases. The gain amortization is 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 -- We periodically receive 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 expenses in the year incurred. Advertising expense in 2000, 1999 and 1998 was \$151 million, \$143 million and \$122 million, respectively.

Foreign Currency Remeasurement -- We generally remeasure assets and liabilities denominated in foreign currencies using exchange rates in effect on the balance sheet date. Revenues and expenses denominated in foreign currencies are generally remeasured using average exchange rates for the periods presented. 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 -- Delta accounts for stock-based compensation in accordance with Accounting Principles Board Opinion (APB) 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 is equal to or greater than the fair market value of our common stock on the grant date (see Note 15).

Fair Value of Financial Instruments -- The fair values of our cash equivalents and short-term investments approximate their cost. The estimated fair values of other financial instruments, including debt and risk management instruments, have been determined using available market information and valuation methodologies, primarily discounted cash flow analysis.

New Accounting Standards -- During 2000, we adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (see Note 3). In September 2000, SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," was issued. The adoption of SFAS 140 does not currently have an impact on our consolidated financial statements (see Note 17). During 1999, we adopted Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements," (see Note 5) and Statement of Position (SOP) 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use." The adoption of SOP 98-1 did not have a material impact on our Consolidated Financial Statements.

## 2. MARKETABLE AND OTHER EQUITY SECURITIES

### MARKETABLE EQUITY SECURITIES

Delta's equity investment in SkyWest, Inc. is classified as an available-for-sale equity security under SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities." The fair value of this investment was \$179 million at December 31, 2000 and \$87 million at December 31, 1999. Our cost basis of this investment is \$14 million.

During 1999, we sold our equity interests in Singapore Airlines and SAirGroup, recognizing pretax gains of \$137 million and \$29 million, respectively.

Accumulated other comprehensive income includes the aggregate unrealized gains from our outstanding investments, net of the related deferred tax provision.

#### PRICELINE.COM INC.

During 1998, Delta entered into an agreement with priceline.com Incorporated (priceline) allowing ticket inventory provided by Delta to be sold through priceline's Internet-based e-commerce system. In consideration for this agreement, we received a warrant to purchase up to 18.6 million shares of priceline common stock for \$0.93 per share. We did not recognize the value of the warrant in our consolidated financial statements in 1999 or 1998 because its estimated fair value was not material. The warrant became fully exercisable on July 25, 1999.

We exercised the warrant in 1999. As a result, we acquired 18.3 million shares of priceline common stock. We sold 11.1 million of these shares for a pretax cash gain of \$711 million in 1999, and 1.2 million of these shares for a pretax cash gain of \$73 million in 2000.

On November 17, 1999, Delta and priceline amended their original agreement. As a result of the amendment, Delta received (1) the right to exchange six million shares of priceline common stock for six million shares of priceline convertible preferred stock (exchange right); and (2) a new warrant to acquire up to 5.5 million shares of priceline common stock for \$56.63 per share (new warrant).

Based on an independent third party appraisal, the total fair value of the new warrant on the date received was determined to be \$61 million. This amount is being recognized in income ratably over a three year period beginning November 17, 1999. Under our agreement with priceline, we are required to provide priceline access to unpublished fares.

On June 30, 2000, we exercised our exchange right in full, receiving six million shares of priceline convertible preferred stock. These shares (1) have a liquidation preference of \$59.93 per share plus accrued and unpaid dividends; (2) are convertible into shares of priceline common stock on a one-for-one basis; (3) bear a dividend of 8% per year, payable in shares of priceline common stock; (4) may be redeemed by priceline after April 1, 2003 for \$59.93 per share plus accrued and unpaid dividends; and (5) are subject to mandatory redemption on April 1, 2010. As a result of the exchange, we recognized a pretax non-cash gain of \$228 million in 2000. On October 1, 2000, Delta received 549,764 shares of priceline common stock as a dividend on the preferred stock.

On November 2, 2000, Delta and priceline amended the new warrant (1) to reduce the number of shares underlying the new warrant from 5.5 million to 4.7 million; (2) to reduce Delta's per share purchase price for those shares from \$56.63 to \$4.72; and (3) to provide that Delta may not sell or otherwise transfer more than 50% of the new warrant or the underlying shares until November 2, 2001. The new warrant became exercisable in full on January 1, 2001, and expires on November 17, 2004. The amendment of the new warrant did not have a material impact on our Consolidated Financial Statements.

At December 31, 2000, Delta owned six million shares of priceline convertible preferred stock, a warrant to purchase up to 4.7 million shares of priceline common stock for \$4.72 per share and 589,831 shares of priceline common stock. The convertible preferred stock, the new warrant and the shares of priceline common stock underlying these securities are not registered under the Securities Act of 1933, but we have certain demand and piggyback registration rights relating to the underlying shares of priceline common stock.

See Note 3 for additional information regarding the accounting for our priceline investment.

#### EQUANT, N.V.

During 1999, we sold a portion of our equity interest in Equant, realizing a pretax cash gain of \$50 million. At December 31, 2000, we owned 540,852 depository certificates that are convertible, subject to certain conditions, into common stock of Equant. Our equity interest is recorded at its nominal cost on our Consolidated Balance Sheets. The shares of Equant common stock underlying these certificates had an estimated fair market value of \$14 million and \$61 million at December 31, 2000 and 1999, respectively.

#### 3. ADOPTION OF SFAS 133

On July 1, 2000, we adopted SFAS 133, as amended. SFAS 133 requires us to record on the balance sheet all derivative instruments at fair value and to recognize certain non-cash changes in these fair values in the income statement. SFAS 133 impacts the accounting for our fuel hedging program and our holdings of equity warrants and other similar rights in other companies.



The impact of adopting SFAS 133 on our Consolidated Statements of Income is summarized as follows (in millions):

	Income (Expense)		
	For the Six Months Ended December 31, 2000	Cumulative Effect at July 1, 2000	Total
Write-off of fuel hedge contract premiums	\$ --	\$ (143)	\$ (143)
Ineffective portion of fuel hedge contracts	5	16	21
Fair value adjustment of equity rights	(164)	(37)	(201)
Total pretax	(159)	(164)	(323)
Total after tax	\$ (97)	\$ (100)	\$ (197)

#### FUEL HEDGING

Our results of operations can be significantly impacted by changes in the price of aircraft fuel. To manage this risk, we periodically purchase forwards, options and other similar non-leveraged derivative instruments, which may have maturities of up to 36 months. Because there is not a readily available market for derivatives in aircraft fuel, we use heating oil contracts to manage our exposure to the movement of aircraft fuel prices. The changes in the market value of our heating oil contracts (also referred to as "fuel hedge contracts") have a high correlation to changes in aircraft fuel prices and therefore, qualify as cash flow hedges under SFAS 133. We do not enter into fuel hedge contracts for speculative purposes.

Upon adoption of SFAS 133 on July 1, 2000, we recorded the fair market value of our fuel hedge contracts on our Consolidated Balance Sheets. On an ongoing basis, we adjust our balance sheet to reflect the current fair market value of our fuel hedge contracts. The related gains or losses on these contracts are deferred in shareowners' equity (as a component of other comprehensive income). These deferred gains and losses are recognized in income in the period in which the related aircraft fuel purchases being hedged are consumed and recognized in expense. However, to the extent that the change in the value of a fuel hedge contract does not perfectly offset the change in the value of the aircraft fuel purchase being hedged, the ineffective portion of the hedge is immediately recognized in income. In calculating the ineffective portion of our hedge performance under SFAS 133, we include all changes in the time value component related to any option premiums paid and recognize the amount in income during the life of the contract. The ineffective portion of the hedge returns, including those related to time value, are included in our Consolidated Statements of Income as fair value adjustments of SFAS 133 derivatives. At December 31, 2000, our fuel hedge contracts had an estimated short-term value of \$319 million and an estimated long-term fair value of \$130 million, with unrealized gains of \$268 million, net of tax, recorded in accumulated other comprehensive income.

#### EQUITY WARRANTS AND OTHER SIMILAR RIGHTS

We own equity warrants and other similar rights in certain companies, primarily priceline. At December 31, 2000, our equity warrant and other similar rights in priceline consisted of the following: (1) an option to convert our six million shares of priceline preferred stock into priceline common stock on a one-for-one basis; and (2) a warrant which gives us the right to purchase up to 4.7 million shares of priceline common stock at \$4.72 per share. At December 31, 2000, the fair market value of our priceline warrant was \$0.8 million.

SFAS 133 requires us to account for the value of the option to convert priceline preferred stock into priceline common stock as a stand-alone equity right, and to record any change in fair value in current period earnings. At December 31, 2000, the value of our priceline preferred stock was \$117 million, including its conversion feature which had an estimated fair value of \$0.2 million. The value of the priceline preferred stock, excluding the conversion feature, is accounted for as an available-for-sale debt security and is recorded at its amortized cost in investments in equity securities on our Consolidated Balance Sheets in accordance with SFAS 115. The change in market values of the equity conversion feature of our priceline preferred stock, our priceline warrant and our warrants in other e-commerce companies is recorded in our Consolidated Statements of Income as fair value adjustments of SFAS 133

derivatives. For additional information regarding our investment in priceline, see Note 2.

#### 4. RISK MANAGEMENT INTEREST RATE RISK

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

Market risk associated with our long-term debt is the potential change in fair value resulting from a change in interest rates. Market risk associated with our cash portfolio is the potential change in our earnings resulting from a change in interest rates.

From time to time, we may enter into interest rate hedging transactions, provided that the notional amount of these transactions does not exceed 50% of our long-term debt. We did not have any interest rate hedging contracts at December 31, 2000 and 1999.

#### FOREIGN CURRENCY EXCHANGE RISK MANAGEMENT

Delta is subject to foreign currency exchange risk because we have revenues and expenses denominated in foreign currencies, primarily the Euro, the British Pound and the Japanese Yen. To manage exchange rate risk, we net foreign currency revenues and expenses, to the extent practicable. From time to time, we may also enter into foreign currency options and forward contracts with maturities of up to 12 months. We did not have any foreign currency hedging contracts at December 31, 2000. The estimated fair value of our foreign currency hedging contracts was not material at December 31, 1999. We do not enter into foreign currency hedging contracts for speculative purposes.

#### 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 at December 31, 2000 and 1999.

Our accounts receivable are generated largely from the sale of passenger airline tickets and cargo transportation 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.

At December 31, 2000, we held six million shares of priceline preferred stock, which are subject to credit risk. See Note 2 for a further description of our priceline preferred stock.

#### FUEL PRICE RISK MANAGEMENT

See Note 3 for information regarding our fuel hedging program.

#### 5. ADOPTION OF SAB 101

On January 1, 1999, Delta adopted SAB 101, which changed the method of accounting for the sale of mileage credits in the SkyMiles(R) program to participating partners such as credit card companies, hotels and car rental agencies. Under the new accounting method, a portion of the revenue from the sale of mileage credits is deferred until the credits are redeemed for travel. The majority of the revenue from the sale of mileage credits is recorded in passenger revenue, and the remaining portion is recorded as an offset to expense. Previously, the revenue from the sale of mileage credits was recorded in other revenue in the period in which the credits were sold.

Our adoption of SAB 101 resulted in a cumulative effect charge of \$54 million, net of tax (\$89 million, pretax). SAB 101 decreased operating income by \$13 million, net of tax (\$21 million, pretax), and \$23 million, net of tax (\$38 million, pretax), for 2000 and 1999, respectively.

Unaudited pro forma results assuming retroactive application of the change in accounting principle for 2000, 1999 and 1998 are shown below:

(In Millions, except for per share data):	2000 -----	1999 -----	1998 -----
Net income before cumulative effect of change in accounting principle	\$ 928	\$ 1,262	\$ 1,069
Basic EPS	\$ 7.39	\$ 9.05	\$ 7.16
Diluted EPS	\$ 7.05	\$ 8.52	\$ 6.81

For comparative purposes, our unaudited pro forma results excluding application of the change in accounting principle for 2000, 1999 and 1998 are shown below:

(In Millions, except for per share data):	2000 -----	1999 -----	1998 -----
Net income before cumulative effect of change in accounting principle	\$ 941	\$ 1,285	\$ 1,078
Basic EPS	\$ 7.50	\$ 9.22	\$ 7.22
Diluted EPS	\$ 7.15	\$ 8.68	\$ 6.87

6. INCOME TAXES

Deferred income taxes reflect the net tax effect of timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax purposes. The table below shows significant components of our deferred tax assets and liabilities at December 31, 2000 and 1999:

(In Millions)	2000	1999
<b>DEFERRED TAX ASSETS:</b>		
Postretirement benefits	\$ 821	\$ 773
Other employee benefits	304	338
Gains on sale and leaseback transactions	206	286
Rent expense	221	216
Spare parts repair expense	164	160
Other	361	324
<b>Total deferred tax assets</b>	<b>\$ 2,077</b>	<b>\$ 2,097</b>
<b>DEFERRED TAX LIABILITIES:</b>		
Depreciation and amortization	\$ 2,337	\$ 2,083
Unrealized gains on marketable securities and fuel hedge contracts	230	170
Other	385	292
<b>Total deferred tax liabilities</b>	<b>\$ 2,952</b>	<b>\$ 2,545</b>

Income taxes provided in 2000, 1999 and 1998 consisted of:

(In Millions)	2000	1999	1998
Current taxes	\$ (230)	\$ (515)	\$ (393)
Deferred taxes	(396)	(321)	(309)
Tax benefit of dividends on allocated Series B ESOP Convertible Preferred Stock	5	5	4
<b>Income taxes provided</b>	<b>\$ (621)</b>	<b>\$ (831)</b>	<b>\$ (698)</b>

The following table presents the principal reasons for the difference between the effective tax rate and the United States federal statutory income tax rate for 2000, 1999 and 1998:

	2000	1999	1998
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal income tax effect	3.4	3.7	3.4
Meals and entertainment	1.1	0.8	0.8
Amortization	1.0	0.3	0.2
Municipal bond interest	(0.2)	--	--
Other, net	(0.2)	(0.1)	(0.1)
<b>Effective income tax rate</b>	<b>40.1%</b>	<b>39.7%</b>	<b>39.3%</b>

7. LONG-TERM DEBT

The following table summarizes our long-term debt, including current maturities, at December 31, 2000 and 1999:

(In Millions)	2000	1999
-----		
SECURED		
7.779% Equipment Notes due November 18, 2005	\$ 239	\$ --
7.379% Equipment Notes due in installments through May 18, 2010	341	--
7.92% Equipment Notes due November 18, 2010	182	--
7.57% Equipment Notes due November 18, 2010	738	--
UNSECURED		
1999 Bank Credit Agreement, repaid November 2000	--	500
8.10% Series C Guaranteed Serial ESOP Notes, due in installments between 2002 and 2009	290	290
6.65% Medium-Term Notes, Series C, due March 15, 2004	300	300
7.7% Notes due December 15, 2005	500	500
7.9% Notes due December 15, 2009	499	500
9.75% Debentures due May 15, 2021	106	158
Development Authority of Clayton County, loan agreement, Series 2000A \$65 million due on June 1, 2029, 4.7% interest; Series 2000B \$116 million due on May 1, 2035, 4.8% interest; and Series 2000C \$120 million due on May 1, 2035, 4.8% interest*	301	--
8.3% Notes due December 15, 2029	1,000	1,000
8.125% Notes due July 1, 2039	538	538
Other debt due 2001 to 2022; interest rates of 5.30% to 10.375%	825	1,028
-----		
Total	5,859	4,814
Less: Current maturities	62	670
-----		
Total long-term debt	\$ 5,797	\$ 4,144
=====		

Our secured debt is secured by first mortgage liens on a total of 44 Boeing aircraft delivered new to Delta from January 1999 through October 2000. These aircraft had an aggregate net book value of approximately \$1.7 billion at December 31, 2000.

The 8.125% Notes due 2039 are redeemable by Delta, in whole or in part, at par on or after July 1, 2004.

\*Our variable interest rate long-term debt is shown using interest rates in effect at December 31, 2000.

The fair value of our debt was \$5.8 billion and \$4.7 billion at December 31, 2000 and 1999, respectively.

## 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. The interest rate under this facility is, at our option, LIBOR or the prime rate, plus a margin that is dependent on Delta's long-term senior unsecured debt ratings.

The 1997 Bank Credit Agreement contains negative covenants that place certain limits on our ability to secure property or assets, to incur or guarantee debt, and to enter into flight equipment leases. It also provides that, upon the occurrence of a change in control of Delta: (1) the banks' obligation to extend credit terminates; (2) any amounts outstanding under the 1997 Bank Credit Agreement become due and payable; and (3) Delta must deposit cash collateral with the banks in an amount equal to all letters of credit outstanding under that agreement. At December 31, 2000, there were no borrowings or letters of credit outstanding under the 1997 Bank Credit Agreement.

## SERIES C ESOP NOTES

At December 31, 2000, there were outstanding \$290 million principal amount of the Delta Family Care Savings Plan's Series C Guaranteed Serial ESOP Notes (Series C ESOP Notes). The notes, which are payable in installments between 2002 and 2009, are guaranteed by Delta. We are required to purchase the Series C ESOP Notes at the option of the noteholders in certain circumstances if the notes are not rated at least A3 by Moody's and A- by Standard & Poor's (required ratings). Our purchase price would be equal to the principal amount of the Series C ESOP Notes being purchased plus accrued interest and, if applicable, a make whole premium amount.

The holders of the Series C ESOP Notes are presently entitled to the benefits of an unconditional, direct-pay letter of credit issued by Bayerische Hypo-Und Vereinsbank AG under a credit agreement between Delta and a group of banks (the Letter of Credit Facility). Required payments of principal, interest and make whole premium amounts on the Series C ESOP Notes are paid under the letter of credit. At December 31, 2000, the letter of credit totaled \$418 million, covering the \$290 million outstanding principal amount of the Series C ESOP Notes, approximately one year of interest on the notes and \$95 million of make whole premium amounts.

The Letter of Credit Facility and the related letter of credit expire on May 19, 2003. The Letter of Credit Facility provides that, if there is a drawing under the letter of credit, Delta must immediately repay the amount drawn or convert its repayment obligation to a short-term loan.

Due to the existence of the letter of credit, the Series C ESOP Notes currently have the required ratings. However, these ratings are subject to change at any time. The Series C ESOP Notes are not likely to receive the required ratings without a credit enhancement such as the letter of credit, unless Delta's long-term senior unsecured debt is rated at least A3 by Moody's and A- by Standard & Poor's. At December 31, 2000, our long-term senior unsecured debt was rated Baa3 and BBB-, respectively.

## DEVELOPMENT AUTHORITY OF CLAYTON COUNTY BONDS

In June 2000, the Development Authority of Clayton County (Development Authority) issued \$301 million principal amount of bonds in three series with scheduled maturities between 2029 and 2035. The proceeds of this sale were used to refund bonds that had been issued to finance certain Delta facilities at Hartsfield Atlanta International Airport. The new bonds are secured by the Development Authority's pledge of revenues derived by the Development Authority under related loan agreements between Delta and the Development Authority.

The Development Authority bonds currently bear interest at a variable rate which is determined weekly. The bonds may be tendered for purchase by their holders on seven days notice. Subject to certain conditions, tendered bonds will be remarketed at then prevailing interest rates.

Principal and interest on the bonds, and the payment of the purchase price of bonds tendered for purchase, are presently paid under three irrevocable, direct-pay letters of credit totaling \$305 million issued by a bank under a Reimbursement Agreement between Delta and a group of banks (Reimbursement Agreement). The Reimbursement Agreement generally provides that, if there is a drawing under a letter of credit to purchase bonds that have been tendered for purchase, Delta may convert its repayment obligations to a loan that becomes due and payable on the earlier of (1) the date the related bonds are remarketed; or (2) the June 8, 2003 expiration date of the related letter of credit. Unless an existing letter of credit is extended, a mandatory tender for purchase of the related bonds will occur on the fifth day prior to the expiration of such letter of credit. In these circumstances, Delta could seek to replace



the expiring letter of credit with a new letter of credit from an alternate credit provider and remarket the related bonds.

#### COVENANTS AND CHANGE IN CONTROL PROVISIONS

The Letter of Credit Facility and the Reimbursement Agreement contain negative covenants and a change in control provision that are similar to or less restrictive than the corresponding provisions in our 1997 Bank Credit Agreement.

Our debt agreements 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 13).

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 December 31, 2000, approximately \$285 million of ASA's net assets were subject to these restrictions and approximately \$199 million of net assets were available for distribution by ASA to Delta under the most restrictive of these provisions.

#### FUTURE MATURITIES

At December 31, 2000, the scheduled maturities of our long-term debt for the next five years are as follows:

Years Ending December 31, (In Millions)	Principal Amount
2001	\$ 62
2002	129
2003	69
2004	617
2005	555
After 2005	4,427
Total	\$5,859

Capitalized interest totaled \$45 million, \$48 million and \$40 million for the years ended December 31, 2000, 1999 and 1998, respectively.

#### 8. ASSET WRITEDOWNS AND OTHER SPECIAL CHARGES

In 2000, we recorded pretax charges totaling \$108 million (\$66 million after tax, or \$0.53 basic and \$0.50 diluted EPS) for the following:

- We offered an early retirement medical option to allow eligible Delta employees to retire with continued medical coverage without paying certain early retirement medical premiums. Approximately 2,500 employees elected to participate. As a result of this program, we recorded a pretax charge of \$86 million in the quarter ended June 30, 2000.
- We decided to close our Pacific gateway in Portland, Oregon. As a result of this decision, we recorded a pretax restructuring charge of \$22 million, primarily for idle facilities, in the quarter ended September 30, 2000.

In 1999, we recorded pretax charges totaling \$469 million (\$286 million after tax, or \$2.07 basic and \$1.94 diluted EPS) for the following:

- We accelerated the planned retirement of our 16 MD-90 aircraft and eight owned MD-11 aircraft over the next six to eight years as part of our fleet simplification strategy. As a result of this decision, we reviewed these fleet types for impairment, determining that the estimated future cash flows generated by these aircraft are less than their carrying values. The estimated future cash flows were based on projections of passenger yield, fuel costs, labor costs and other relevant factors in the markets in which these aircraft operate. These aircraft were written down to their fair values, as estimated by management, using published sources and bids received from third parties. Due to this impairment analysis, we recorded a pretax asset writedown of \$320 million in the quarter ended December 31, 1999.

- We changed our business practice regarding the disposal of surplus aircraft parts and entered into an agreement to sell all of our existing surplus aircraft parts inventory to a third party. Accordingly, we wrote down surplus aircraft parts and obsolete flight equipment and parts to their estimated fair values. We determined the estimated fair value of inventory using the negotiated purchase price. This resulted in a pretax charge of \$107 million in the quarter ended September 30, 1999.
  
- We implemented certain technology initiatives which resulted in an abandonment of certain legacy hardware and software assets. We also decided to streamline certain administrative processes. Accordingly, we recorded a pretax charge of \$42 million in the quarter ended September 30, 1999. We also remeasured the useful lives of certain technology assets that are still in use but that will be replaced earlier than originally planned. The effect of the remeasurement on depreciation expense was immaterial.

## 9. LEASE OBLIGATIONS

Delta 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 \$1.3 billion, \$1.1 billion and \$1.0 billion in 2000, 1999 and 1998, respectively. Amounts due under capital leases are recorded as liabilities. Our interest in assets acquired under capital leases is shown as an asset on our Consolidated Balance Sheets. Amortization of assets recorded under capital leases is included in depreciation expense in our Consolidated Statements of Income.

The following table summarizes, as of December 31, 2000, our minimum rental commitments under capital leases and operating leases with initial or remaining terms in excess of one year:

Years Ending December 31, (In Millions)	Capital Leases	Operating Leases
2001	\$ 51	\$ 1,204
2002	39	1,218
2003	29	1,189
2004	21	1,153
2005	14	1,138
After 2005	17	9,218
-----		
Total minimum lease payments	171	\$15,120
Less: Amounts of lease payments which represent interest	32	
-----		
Present value of future minimum capital lease payments	139	
Less: Current obligations under capital leases	40	
-----		
Long-term capital lease obligations	\$ 99	
=====		

As of December 31, 2000, we operated 328 aircraft under operating leases and 48 aircraft under capital leases. These leases have remaining terms ranging from six months to 18 years.

Certain municipalities have issued special facility revenue bonds to build or improve airport and maintenance facilities leased to Delta. The facility lease agreements require Delta to make rental payments sufficient to pay principal and interest on the bonds. The above table includes \$2.0 billion of operating lease rental commitments for such payments. Delta has purchased irrevocable direct-pay letters of credit totaling \$104 million to support some of these obligations.

## 10. PURCHASE COMMITMENTS AND CONTINGENCIES

Future expenditures for aircraft and engines on firm order as of January 26, 2001 are estimated to be \$9.6 billion. The following table shows the timing of these commitments:

Years Ending December 31, (In Billions)	Amount
2001	\$2.3
2002	2.0
2003	2.0
2004	1.9
2005	1.0
After 2005	0.4
-----	
Total	\$9.6
=====	

We have joint marketing and Delta Connection carrier agreements with two regional jet operators under which Delta schedules certain regional jets operated by those airlines, sells the seats on those flights and retains the related revenues. We pay those airlines an amount that is based on their cost of operating those flights plus a specified margin. We estimate that these payments will total approximately \$200 million for the twelve months ending December 31, 2001. The joint marketing agreements expire in 2010, but we may terminate these

agreements prior to their expiration dates in certain circumstances.

Delta is a defendant in legal actions relating to antitrust matters, employment practices, 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.

Delta self-insures a portion of its losses from claims related to workers' compensation, environmental issues, property damage and general liability. Losses are accrued based on an estimate of the ultimate aggregate liability for claims incurred, using certain actuarial assumptions followed in the insurance industry and based on Delta's experience.

Approximately 17% of our employees, including all of our pilots, are covered by collective bargaining agreements. The outcome of our collective bargaining negotiations with unions cannot presently be determined. A strike or other job action could have a material adverse impact on our financial condition and operations. See "Collective Bargaining Matters" on page 12 of Management's Discussion and Analysis for additional unaudited information on this subject.

#### 11. EMPLOYEE BENEFIT PLANS

Delta sponsors defined benefit and defined contribution pension plans, healthcare 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.

As discussed in Note 1, we changed our year end from June 30 to December 31 and elected to restate our financial statements in order to provide comparability between periods. This change does not require a remeasurement of prior pension or postretirement obligations. Therefore, with the exception of net periodic costs, the financial data presented in this note has not been restated for the change in year end.

## DEFINED BENEFIT PENSION PLANS

Our qualified defined benefit pension plans meet or exceed ERISA's minimum funding requirements as of December 31, 2000.

The following table shows the change in projected benefit obligation for our defined benefit pension plans for the six months ended December 31, 2000 and the twelve months ended June 30, 2000 and 1999:

(In Millions)	Six Months Ended December 31, 2000	Twelve Months Ended June 30, 2000	Twelve Months Ended June 30, 1999
-----	-----	-----	-----
Projected benefit obligation at beginning of period	\$ 8,901	\$ 8,872	\$ 8,342
-----	-----	-----	-----
Service cost	121	251	240
Interest cost	354	644	585
Actuarial loss (gain)	156	(402)	158
Benefits paid	(269)	(491)	(456)
Plan amendments	--	27	3
-----	-----	-----	-----
Projected benefit obligation at end of period	\$ 9,263	\$ 8,901	\$ 8,872
=====	=====	=====	=====

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

	September 30, 2000	March 31, 2000	March 31, 1999
-----	-----	-----	-----
Weighted average discount rate	8.25%	8.25%	7.25%
Rate of increase in future compensation levels	5.35%	4.93%	4.43%
Expected long-term rate of return on plan assets	10.00%	10.00%	10.00%
=====	=====	=====	=====

The following table shows the change in the fair value of our defined benefit pension plan assets for the six months ended December 31, 2000 and the twelve months ended June 30, 2000 and 1999:

(In Millions)	Six Months Ended December 31, 2000	Twelve Months Ended June 30, 2000	Twelve Months Ended June 30, 1999
-----	-----	-----	-----
Fair value of plan assets at beginning of period	\$ 10,721	\$ 9,020	\$ 9,121

Actual return on plan assets	(80)	2,144	310
Employer contributions	26	48	45
Benefits paid	(269)	(491)	(456)
Fair value of plan assets at end of period	\$ 10,398	\$ 10,721	\$ 9,020

The prepaid pension cost recognized for these plans on our Consolidated Balance Sheets at December 31, 2000 and June 30, 2000 and 1999 is computed as follows:

(In Millions)	December 31, 2000	June 30, 2000	June 30, 1999
Funded status	\$ 1,135	\$ 1,820	\$ 148
Unrecognized net actuarial gain	(1,558)	(2,301)	(607)
Unrecognized transition obligation	58	58	60
Unrecognized prior service cost	55	57	37
Contributions made between measurement date and year end	12	14	12
Intangible asset	(8)	(9)	(13)
Other comprehensive income	(2)	(1)	(2)
Accrued pension cost recognized in the Consolidated Balance Sheets	\$ (308)	\$ (362)	\$ (365)

Net periodic pension cost for the years ended December 31, 2000, 1999 and 1998 included the following components:

(In Millions)	2000	1999	1998
Service cost	\$ 250	\$ 239	\$ 224
Interest cost	686	599	582
Expected return on plan assets	(924)	(794)	(731)
Amortization of prior service cost	4	4	4
Recognized net actuarial (gain) loss	(22)	1	(2)
Amortization of net transition obligation	2	2	2
Net periodic pension cost	\$ (4)	\$ 51	\$ 79

Delta also sponsors non-qualified pension plans which are funded from current assets. The accumulated benefit obligation of these plans totaled \$413 million at September 30, 2000, \$337 million at March 31, 2000 and \$301 million at March 31, 1999.

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 the years ended December 31, 2000, 1999 and 1998, we recognized expense of \$63 million, \$56 million and \$52 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 the accompanying Consolidated Statements of Income, totaled \$69 million, \$61 million and \$49 million in 2000, 1999 and 1998, respectively.

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 \$500 million. We have recorded unearned compensation equal to the value of the shares of preferred stock not yet allocated to participants' accounts. We reduce the unearned compensation as shares of 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' accounts and are considered dividends for financial reporting purposes. Only allocated shares of preferred stock are considered outstanding when we compute diluted earnings per share. At December 31, 2000, 3,213,999 shares of Series B ESOP Convertible Preferred Stock were allocated to participants' accounts and 3,181,870 shares were held by the ESOP for future allocations.

Other Plans - ASA, Comair and DAL Global Services, Inc. sponsor defined contribution retirement plans for eligible employees. Eligible personnel may contribute a portion of their earnings to the plans through payroll deduction. These plans did not have a material impact on our Consolidated Financial Statements in 2000, 1999 and 1998.

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 our general assets on a current basis. Plan benefits are subject to copayments, deductibles and other limits as described in the plans.

The following table shows the change in our accumulated postretirement benefit obligation (APBO) for the six months ended December 31, 2000 and the twelve months ended June 30, 2000 and 1999:

(In Millions)	Six Months Ended December 31, 2000	Twelve Months Ended June 30, 2000	Twelve Months Ended June 30, 1999
APBO at beginning of period	\$ 1,749	\$ 1,612	\$ 1,627
Service cost	18	38	37
Interest cost	70	117	112
Benefits paid	(46)	(80)	(71)
Actuarial gain	(11)	(52)	(65)
Substantive plan change	--	28	(28)
Special termination benefits	--	86	--
APBO at end of period	\$ 1,780	\$ 1,749	\$ 1,612

The special termination benefits reflected in the above table relate to the early retirement medical option offered to certain Delta employees (see Note 8).

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

September 30, 2000	March 31, 2000	March 31, 1999
-----	-----	-----

Weighted average discount rate	8.25%	8.25%	7.25%
Assumed health care cost trend rate(*)	7.00%	7.00%	5.50%

(\*) The assumed healthcare cost trend rate is assumed to decline gradually to 5.25% in 2003 and remain level thereafter.

A 1% change in the health care cost rate used in measuring the APBO at September 30, 2000 would have the following effects:

(In Millions)	1% Increase	1% Decrease
Increase (decrease) in total service and interest cost	\$ 12	\$ (8)
Increase (decrease) in the APBO	\$ 188	\$ (157)

The following table shows the calculation of the accrued postretirement benefit cost recognized on our Consolidated Balance Sheets at December 31, 2000 and June 30, 2000 and 1999:

(In Millions)	December 31, 2000	June 30, 2000	June 30, 1999
Funded status	\$ (1,780)	\$ (1,749)	\$ (1,612)
Unrecognized net gain (loss)	(64)	(51)	1
Unrecognized prior service cost	(283)	(302)	(371)
Contributions made between measurement date and year end	22	20	17
Accrued postretirement benefit cost recognized in the Consolidated Balance Sheets	\$ (2,105)	\$ (2,082)	\$ (1,965)

Our net periodic postretirement benefit cost for the years ended December 31, 2000, 1999 and 1998 included the following components:

(In Millions)	2000	1999	1998
Service cost	\$ 37	\$ 35	\$ 38
Interest cost	129	106	117
Amortization of prior service cost	(40)	(38)	(42)
Recognized net actuarial (gain) loss	--	--	(1)
Other	--	(4)	(5)
Net periodic postretirement benefit cost	\$ 126	\$ 99	\$ 107

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

Postemployment benefit income (expense) was \$51 million in 2000, \$12 million in 1999, and \$(29) million in 1998. 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 regularly 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.

## 12. EARNINGS PER SHARE

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

Years Ended December 31, (In Millions, except per share data)	2000	1999	1998
--	------	------	------

BASIC:

Net income before cumulative effect of changes in accounting principles	\$ 928	\$ 1,262	\$ 1,078
Dividends on allocated Series B ESOP Convertible Preferred Stock	(13)	(12)	(11)
-----			
Income available to common shareowners	\$ 915	\$ 1,250	\$ 1,067
Weighted average shares outstanding	123.8	138.0	147.8
-----			
Basic earnings per share before cumulative effect of changes in accounting principles	\$ 7.39	\$ 9.05	\$ 7.22
DILUTED:			
Net income before cumulative effect of changes in accounting principles	\$ 928	\$ 1,262	\$ 1,078
Adjustment to net income assuming conversion of allocated Series B ESOP Convertible Preferred Stock	(5)	(4)	(4)
-----			
Income available to common shareowners	\$ 923	\$ 1,258	\$ 1,074
Weighted average shares outstanding	123.8	138.0	147.8
Additional shares assuming:			
Exercise of stock options	1.6	4.7	4.1
Conversion of allocated Series B ESOP Convertible Preferred Stock	5.4	4.7	4.4
Conversion of performance-based stock units	0.2	0.2	--
-----			
Weighted average shares outstanding as adjusted	131.0	147.6	156.3
-----			
Diluted earnings per share before cumulative effect of changes in accounting principles	\$ 7.05	\$ 8.52	\$ 6.87
-----			

## 13. COMMON AND PREFERRED STOCK

As discussed below, we have reserved shares of stock for the exercise of stock options and for other stock-based awards; for the conversion of our Series B ESOP Convertible Preferred Stock; and in connection with our Shareowner Rights Plan.

## SHARES OF COMMON STOCK RESERVED FOR STOCK OPTIONS AND OTHER STOCK-BASED AWARDS

To more closely align the interests of directors, officers and other employees with the interests of our shareowners, Delta maintains certain plans which provide for the issuance of common stock in connection with the exercise of stock options and for other stock-based awards. The following table includes information about these plans, including the number of shares of common stock reserved for issuance under each such plan at December 31, 2000.

Plan	Total Shares Authorized for Issuance	Non-Qualified Stock Options Granted	Shares Issued	Shares Reserved for Future Issuance
Broad-based employee stock option plans(1)	49,400,000	49,400,000	11,391,153	37,720,440
Delta 2000 Performance Compensation Plan(2)	16,000,000	92,458	--	16,000,000
Non-Employee Directors' Stock Plan(3)	500,000	N/A	31,058	468,942
Non-Employee Directors' Stock Option Plan(4)	250,000	55,500	--	250,000

- 1 In 1996, shareowners approved broad-based pilot and non-pilot stock option plans. Under these two plans, we granted eligible employees non-qualified stock options to purchase a total of 49.4 million shares of common stock in three approximately equal installments on October 30, 1996, 1997 and 1998. These stock options (1) have an exercise price equal to the fair market value of the common stock on the grant date; (2) are generally exercisable beginning one year and ending ten years after the grant date; (3) are forfeited upon termination of employment in certain circumstances; and (4) are not transferrable other than due to the employee's death. No additional stock options may be granted under these plans.
- 2 On October 25, 2000, shareowners approved this new plan, which amends and restates a prior plan. No awards have been, or will be, granted under the prior plan since that date. At December 31, 2000, there were 12.7 million shares of common stock reserved for awards (primarily non-qualified stock options) that were outstanding under the prior plan. The new plan authorizes the grant of stock options, and a limited number of other stock awards, up to a total of 16 million shares of common stock when the new plan was adopted. The new plan provides that shares reserved for awards under the plans which are forfeited, settled in cash rather than stock, or withheld, plus shares tendered to Delta in connection with such awards, may be added back to the shares available for future grants.
- 3 In 1995, shareowners approved this plan, which provides that a portion of each non-employee director's annual retainer will be paid in shares of common stock. It also permits non-employee directors to elect to receive all or a portion of their cash compensation for service as a director in shares of common stock at current market prices.
- 4 On October 22, 1998, the Board of Directors approved this plan. Each non-employee director receives an annual grant of a non-qualified stock option which, at the time of grant, is intended to have a present value equal to approximately twice the cash portion of the current annual cash retainer of \$20,000.

## SERIES B ESOP CONVERTIBLE PREFERRED STOCK

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

All shares of Series B ESOP Convertible Preferred Stock are held of record by the trustee of the Delta Family-Care Savings Plan (See Note 11). At December 31, 2000, 10,989,384 shares of common stock were reserved for issuance for the conversion of the Series B ESOP Convertible Preferred Stock.

SHAREOWNER RIGHTS PLAN

The Shareowner Rights Plan is designed to protect shareowners against attempts to acquire Delta that do not offer an adequate purchase price to all shareowners, or are otherwise not in the best interest of Delta 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, 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 rights to purchase our common stock having a market value of twice the exercise price.

If a person acquires beneficial ownership of 15% or more of our common stock and (1) we are involved in a merger or other business combination in which Delta is not the surviving corporation, or (2) 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 rights to purchase 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 at any time before a person becomes the beneficial owner of 15% or more of our common stock. At December 31, 2000, 2,250,000 shares of preferred stock were reserved for issuance under the Shareowner Rights Plan.

#### 14. COMMON STOCK REPURCHASES

We repurchased 10.6 million shares of common stock for \$502 million in 2000. In 1999, we repurchased 11.0 million shares of common stock for \$625 million, which included five million shares held by Singapore Airlines. These repurchases were made under certain now completed stock buyback programs, and the ongoing common stock repurchase authorization described below.

In 1996, our Board of Directors authorized us to repurchase up to 49.4 million shares of common stock issued under our broad-based employee stock option plans (See Note 13). As of December 31, 2000, we had repurchased 21.6 million shares of common stock under the authorization. We are authorized to repurchase the remaining shares as employees exercise their stock options under those plans. Repurchases are subject to market conditions and may be made in the open market or in privately negotiated transactions.

#### 15. STOCK OPTIONS AND AWARDS

The following table summarizes all stock option and stock appreciation rights (SAR) activity during 2000, 1999 and 1998:

	2000		1999		1998	
	Shares (000)	Weighted Average Exercise Price	Shares (000)	Weighted Average Exercise Price	Shares (000)	Weighted Average Exercise Price
Stock Options						
Outstanding at beginning of year	47,859	\$48	47,663	\$47	31,892	\$43
Granted	3,914	52	3,395	58	20,896	51
Exercised	(725)	41	(2,410)	44	(4,955)	34
Forfeited	(683)	53	(789)	49	(170)	50
Outstanding at end of year	50,365	48	47,859	48	47,663	47
Stock options exercisable at year end	46,309	\$48	44,615	\$47	27,557	\$44

The following table summarizes information about stock options outstanding and exercisable at December 31, 2000:

Range of Exercise Prices	Stock Options Outstanding			Stock Options Exercisable	
	Number Outstanding (000)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number Exercisable (000)	Weighted Average Exercise Price
\$26-\$34	211	4	\$26	211	\$26
\$35-\$41	7,580	6	35	7,580	35
\$42-\$63	42,574	7	51	38,518	51



The estimated fair values of stock options granted in 2000, 1999 and 1998 were derived using the Black-Scholes stock option pricing model. The exercise price for stock options, and the base measuring price of tandem stock appreciation rights (which were granted prior to 1993), is the fair market value of the common stock on the grant date.

The following table shows our assumptions and the weighted average fair values of stock options:

Assumption	Stock Options Granted		
	2000	1999	1998
Risk-free interest rate	6.2%	6.0%	4.4%
Average expected life of stock options (in years)	7.5	7.5	4.9
Expected volatility of common stock	26.9%	26.7%	26.2%
Expected annual dividends on common stock	\$ 0.10	\$ 0.10	\$ 0.10
Weighted average fair value of stock options	\$ 23	\$ 26	\$ 16

The following table shows what our net income and earnings per share would have been for 2000, 1999 and 1998 had we accounted for our stock option plans under the fair value method of SFAS 123, "Accounting for Stock-Based Compensation:"

(In Millions)	2000	1999	1998
NET INCOME:			
As reported	\$ 828	\$ 1,208	\$ 1,078
As adjusted for the fair value method under SFAS 123	801	1,147	994
BASIC EARNINGS PER SHARE:			
As reported	\$ 6.58	\$ 8.66	\$ 7.22
As adjusted for the fair value method under SFAS 123	6.36	8.23	6.66
DILUTED EARNINGS PER SHARE:			
As reported	\$ 6.28	\$ 8.15	\$ 6.87
As adjusted for the fair value method under SFAS 123	6.07	7.75	6.42

Under SFAS 123, we are not required to include stock options granted before 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 the periods presented may not be representative of the pro forma effects of SFAS 123 in future years.

After December 31, 2000, we granted stock options covering a total of 2.4 million shares of common stock under the Delta 2000 Performance Compensation Plan, with an exercise price of \$45.94.

#### 16. COMPREHENSIVE INCOME

Comprehensive income includes unrealized gains and losses on marketable equity securities and changes in the fair value of certain derivative instruments which qualify for hedge accounting. Comprehensive income totaled \$0.9 billion, \$1.3 billion and \$1.1 billion for 2000, 1999 and 1998, respectively. The difference between net income and comprehensive income for 2000, 1999 and 1998 is detailed in the following table:

(In Millions)	2000	1999	1998
Net income	\$ 828	\$ 1,208	\$ 1,078
Realization of gains from the sale of investments	(301)	(877)	--
Unrealized gain on			

marketable equity securities	16	1,108	95
Unrealized gain on derivative instruments	439	--	--
-----			
Total other comprehensive income	154	231	95
Income tax effect on other comprehensive income	(60)	(90)	(37)
-----			
Total other comprehensive income, net of income taxes	94	141	58
-----			
Comprehensive income, net of income taxes	\$ 922	\$ 1,349	\$ 1,136
-----			

As of December 31, 2000, we had recorded \$268 million, net of tax, as unrealized gains on open fuel hedge contracts in accordance with SFAS 133. This amount is included in unrealized gains on derivative instruments in the table above. We anticipate that \$196 million, net of tax, will be realized during 2001 as the related contracts settle. Upon the adoption of SFAS 133 on July 1, 2000, we recorded unrealized fuel hedge gains of \$416 million. We anticipate \$289 million of that total will be realized during the 12 months ending July 1, 2001. For additional information on the adoption of SFAS 133, see Note 3.

17. SALE OF RECEIVABLES

During 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 (1) \$325 million in cash from the subsidiary's sale of an undivided interest in the pool of receivables to a third party and (2) 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 recordkeeping responsibilities for the receivables sold. This agreement was renewed on June 15, 2000 and will expire on June 15, 2001.

As part of the agreement, the subsidiary is required to pay fees to a third party based on the amounts invested by the third party. For 2000 and 1999, these fees were \$22 million and \$10 million, respectively. The fees are included in other income (expense) under miscellaneous (expense) income, net in our Consolidated Statements of Income. As part of this transaction, Delta funded \$83 million to the subsidiary to purchase additional receivables in June 2000. The principal amount of the promissory note was \$92 million and \$171 million at December 31, 2000 and 1999, respectively, and is included as accounts receivable on our Consolidated Balance Sheets.

#### 18. BUSINESS ACQUISITIONS

We acquired a majority interest in Comair Holdings in November 1999 and completed our acquisition of that company in January 2000 for a total purchase price of \$1.8 billion. Prior to this acquisition, we owned 22% of the outstanding common stock of Comair Holdings. Our Consolidated Financial Statements in this Annual Report include Comair Holdings' balance sheet as of December 31, 2000 and 1999 and its results of operations from November 22, 1999.

We acquired a majority interest in ASA Holdings in March 1999, and completed our acquisition of that company in April 1999 for a total purchase price of \$700 million. Prior to this acquisition, we owned 28% of the outstanding common stock of ASA Holdings. Our Consolidated Financial Statements in this Annual Report include ASA Holdings' balance sheets as of December 31, 2000 and 1999 and its results of operations from April 1, 1999.

We used the purchase method of accounting to record the acquisition of Comair Holdings and ASA Holdings. The purchase price of the shares acquired was allocated to the assets acquired and the liabilities assumed based on estimated fair values at the respective acquisition date for both Comair Holdings and ASA Holdings. Based on the allocation, the total costs of the acquisitions exceeded the estimated fair values of the underlying net assets by \$1.45 billion and \$534 million for Comair Holdings and ASA Holdings, respectively. These amounts are being amortized on a straight-line basis over a 40 year period.

#### 19. GEOGRAPHIC INFORMATION

SFAS 131 requires us to disclose certain information about our operating segments. 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 for 2000, 1999 and 1998 are summarized in the following table:

(In Millions)	2000	1999	1998
North America	\$ 14,004	\$ 12,259	\$ 11,555
Atlantic	1,988	1,930	2,125
Pacific	297	319	322
Latin America	452	375	310
Total	\$ 16,741	\$ 14,883	\$ 14,312

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. Accordingly, assets are not allocated to specific geographic regions.

#### 20. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes our unaudited quarterly results of operations for 2000 and 1999 (in millions, except per share data):

2000	Three Months Ended			
	Mar. 31	June 30	Sept. 30	DEC. 31
Operating revenues	\$ 3,911	\$ 4,469	\$ 4,345	\$ 4,016
Operating income	\$ 343	\$ 606	\$ 510	\$ 178
Net income	\$ 217	\$ 460	\$ 133	\$ 18
Basic earnings per share(*)	\$ 1.68	\$ 3.73	\$ 1.05	\$ 0.12
Diluted earnings per share(*)	\$ 1.61	\$ 3.51	\$ 1.01	\$ 0.12

1999	Mar. 31	Three Months Ended		Dec. 31
		June 30	Sept. 30	
Operating revenues	\$ 3,469	\$ 3,907	\$ 3,829	\$ 3,678
Operating income	\$ 350	\$ 630	\$ 336	\$ 2
Net income	\$ 159	\$ 357	\$ 344	\$ 348
Basic earnings per share(*)	\$ 1.10	\$ 2.53	\$ 2.46	\$ 2.60
Diluted earnings per share(*)	\$ 1.03	\$ 2.35	\$ 2.33	\$ 2.48

(\*) The sum of the quarterly earnings per share does not equal the annual earnings per share due to changes in average shares outstanding. The results presented are net of the cumulative effect of changes in accounting principles.

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 below.

Delta maintains a system of internal financial controls which are assessed on an ongoing basis through a program of internal audits. These controls include the selection and training of Delta's managers, organizational arrangements that provide a division of responsibilities, and communication programs explaining our policies and standards. We believe 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 which, in all material respects, are presented in conformity with accounting principles generally accepted in the United States; 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 Delta. The Audit Committee meets periodically with the independent public accountants, the internal auditors and management to discuss internal accounting control, auditing and financial reporting matters.

/s/ M. Michele Burns

/s/ Leo F. Mullin

-----  
M. Michele Burns  
Executive Vice President  
and Chief Financial Officer

-----  
Leo F. Mullin  
Chairman and  
Chief Executive Officer

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 December 31, 2000 and 1999, and the related consolidated statements of income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2000. 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 auditing standards generally accepted in the United States. 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 December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 3 to the consolidated financial statements, effective July 1, 2000, Delta Air Lines, Inc. changed its method of accounting for derivative instruments and hedging activities. As discussed in Note 5 to the consolidated financial statements, effective January 1, 1999, Delta Air Lines, Inc. changed its method of accounting for the sale of mileage credits to participating partners in its frequent flyer program.

/s/ Arthur Andersen LLP

-----  
Atlanta, Georgia  
January 26, 2001

For the years ended December 31,	2000(1)	1999(2)	1998	1997(3)
(In Millions, Except Per Share Data)				
Operating revenues	\$ 16,741	\$ 14,883	\$ 14,312	\$ 13,868
Operating expenses	15,104	13,565	12,509	12,240
Operating income (loss)	1,637	1,318	1,803	1,628
Interest income (expense), net(7)	(271)	(126)	(66)	(98)
Miscellaneous income, net(8)	342	901	39	13
Fair value adjustments of SFAS 133 derivatives	(159)	--	--	--
Income (loss) before income taxes	1,549	2,093	1,776	1,543
Income tax benefit (provision)	(621)	(831)	(698)	(609)
Amortization of investment tax credits	--	--	--	--
Net income (loss) before cumulative effect of change in accounting principle	928	1,262	1,078	934
Net income (loss) after cumulative effect of change in accounting principle	828	1,208	1,078	934
Preferred stock dividends	(13)	(12)	(11)	(10)
Net income (loss) attributable to common shareowners	\$ 815	\$ 1,196	\$ 1,067	\$ 924
Earnings (loss) per share before cumulative effect of change in accounting principle				
Basic	\$ 7.39	\$ 9.05	\$ 7.22	\$ 6.28
Diluted	\$ 7.05	\$ 8.52	\$ 6.87	\$ 6.02
Earnings (loss) per share				
Basic	\$ 6.58	\$ 8.66	\$ 7.22	\$ 6.28
Diluted	\$ 6.28	\$ 8.15	\$ 6.87	\$ 6.02
Dividends declared per common share	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10

OTHER FINANCIAL AND STATISTICAL DATA

DELTA AIR LINES, INC.

For the years ended December 31,	2000(1)	1999(2)	1998	1997(3)
(Financial Data In Millions)				
Total assets	\$ 21,931	\$ 19,942	\$ 14,727	\$ 13,137
Long-term debt and capital leases (excluding current maturities)	\$ 5,896	\$ 4,303	\$ 1,720	\$ 1,692
Shareowners' equity	\$ 5,343	\$ 4,908	\$ 4,077	\$ 3,407
Shares of Common Stock outstanding at year end	123,013,372	132,893,470	141,514,262	149,037,632
Revenue passengers enplaned (Thousands)	119,930	110,083	105,304	103,233
Available seat miles (Millions)	154,974	147,073	142,154	138,831
Revenue passenger miles (Millions)	112,998	106,165	103,342	99,689
Operating revenue per available seat mile	10.80(cents)	10.12(cents)	10.07(cents)	9.99(cents)
Passenger mile yield	13.86(cents)	13.14(cents)	12.99(cents)	13.04(cents)
Operating cost per available seat mile	9.75(cents)	9.22(cents)	8.80(cents)	8.82(cents)
Passenger load factor	72.91%	72.18%	72.70%	71.81%
Breakeven passenger load factor	65.29%	65.37%	62.94%	62.78%
Available ton miles (Millions)	22,925	21,245	20,312	19,462
Revenue ton miles (Millions)	13,058	12,227	12,052	11,644
Operating cost per available ton mile	65.88(cents)	63.85(cents)	61.58(cents)	62.89(cents)

- (1) Includes pretax income of \$51 million of unusual items, net, (\$0.25 basic and \$0.24 diluted after-tax earnings per share), excluding the cumulative effect of a change in accounting principle (see Note 8).
- (2) Includes pretax income of \$418 million of unusual items, net (\$1.85 basic and \$1.73 diluted after-tax earnings per share), excluding the cumulative effect of a change in accounting principle (see Note 8).
- (3) Includes \$52 million in pretax restructuring and other unusual charges (\$0.35 basic and \$0.34 diluted after-tax earnings per share).
- (4) Includes \$829 million in pretax restructuring and other unusual charges (\$6.49 basic and \$5.25 diluted after-tax earnings per share).
- (5) Includes \$414 million in pretax restructuring charges (\$4.10 after-tax earnings per share).
- (6) Includes \$194 million in pretax restructuring charges (\$1.94 after-tax earnings per share).
- (7) Includes interest income.
- (8) Includes gains from the sale of investments.
- (9) All share and earnings per share amounts for years prior to 1999 have been restated to reflect the two-for-one common stock split that became

effective on November 2, 1998.

1996(4)	1995	1994(5)	1993(6)	1992	1991	1990
\$ 12,898	\$ 12,218	\$ 12,044	\$ 11,808	\$ 11,580	\$ 10,020	\$ 8,707
12,324	11,174	12,259	11,954	12,432	10,277	8,935
574	1,044	(215)	(146)	(852)	(257)	(228)
(125)	(263)	(192)	(289)	(121)	(140)	(57)
(30)	74	(8)	60	36	31	44
--	--	--	--	--	--	--
419	855	(415)	(375)	(937)	(366)	(241)
(171)	(344)	140	149	332	115	72
--	--	--	--	5	11	15
248	511	(275)	(226)	(600)	(240)	(154)
248	511	(161)	(226)	(1,187)	(240)	(154)
(42)	(88)	(98)	(110)	(65)	(20)	(21)
\$ 206	\$ 423	\$ (259)	\$ (336)	\$ (1,252)	\$ (260)	\$ (175)
=====	=====	=====	=====	=====	=====	=====
\$ 1.62	\$ 4.15	\$ (3.70)	\$ (3.36)	\$ (6.70)	\$ (2.74)	\$ (1.91)
=====	=====	=====	=====	=====	=====	=====
\$ 1.62	\$ 3.35	\$ (3.70)	\$ (3.36)	\$ (6.70)	\$ (2.74)	\$ (1.91)
=====	=====	=====	=====	=====	=====	=====
\$ 1.62	\$ 4.15	\$ (2.57)	\$ (3.36)	\$ (12.61)	\$ (2.74)	\$ (1.91)
=====	=====	=====	=====	=====	=====	=====
\$ 1.62	\$ 3.35	\$ (2.57)	\$ (3.36)	\$ (12.61)	\$ (2.74)	\$ (1.91)
=====	=====	=====	=====	=====	=====	=====
\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.60	\$ 0.60	\$ 0.60
=====	=====	=====	=====	=====	=====	=====

1996(4)	1995	1994(5)	1993(6)	1992	1991	1990
\$ 12,026	\$ 11,998	\$ 11,384	\$ 11,600	\$ 10,156	\$ 9,083	\$ 7,327
\$ 2,045	\$ 2,981	\$ 3,051	\$ 3,433	\$ 2,491	\$ 2,494	\$ 1,494
\$ 2,470	\$ 2,079	\$ 1,611	\$ 1,785	\$ 2,699	\$ 2,258	\$ 2,040
146,281,410	102,343,078	101,215,994	100,415,724	99,471,880	98,838,570	84,749,280
97,281	86,992	89,054	85,032	83,117	74,281	65,871
133,714	130,176	130,367	132,921	131,389	111,420	99,777
93,929	85,168	86,357	82,860	80,496	67,269	58,982
9.65(cents)	9.39(cents)	9.24(cents)	8.88(cents)	8.81(cents)	8.99(cents)	8.73(cents)
12.91(cents)	13.37(cents)	12.98(cents)	13.67(cents)	13.33(cents)	13.91(cents)	13.82(cents)
9.22(cents)	8.58(cents)	9.40(cents)	8.99(cents)	9.46(cents)	9.22(cents)	8.95(cents)
70.25%	65.43%	66.24%	62.34%	61.27%	60.37%	59.11%
66.91%	59.43%	67.51%	63.14%	66.24%	62.03%	60.77%
18,489	18,047	18,109	18,375	17,956	14,885	13,095
10,806	9,927	10,117	9,601	9,263	7,704	6,732
66.65(cents)	61.92(cents)	67.70(cents)	65.06(cents)	69.24(cents)	69.04(cents)	68.23(cents)
=====	=====	=====	=====	=====	=====	=====

## COMMON STOCK

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

## NUMBER OF SHAREOWNERS

As of December 31, 2000, there were 21,194 registered owners of common stock.

## MARKET PRICES AND DIVIDENDS

Year 2000	Closing Price of Common Stock		Cash Dividends per Common Share
	High	Low	
Quarter Ended:			
March 31	54.75	43.63	0.025
June 30	57.06	49.00	0.025
September 30	57.50	44.38	0.025
December 31	50.19	40.38	0.025

Year 1999	Closing Price of Common Stock		Cash Dividends per Common Share
	High	Low	
Quarter Ended:			
March 31	70.94	49.00	0.025
June 30	71.56	55.44	0.025
September 30	63.13	46.19	0.025
December 31	54.44	47.56	0.025

MAINLINE AIRCRAFT FLEET

Delta's modern and efficient aircraft fleet is at the center of our operations. Delta has entered into a long-term aircraft purchase agreement with The Boeing Company (Boeing), which covers firm orders, options and rolling options for certain aircraft through calendar year 2017. This agreement supports Delta's plan for disciplined growth, aircraft rationalization and fleet replacement. It also provides Delta flexibility to adjust scheduled aircraft deliveries or substitute between aircraft models and aircraft types. The majority of the aircraft under firm order from Boeing will be used to replace older aircraft.

Delta's long-term plan is to reduce aircraft family types from seven to three. We believe fleet standardization will improve reliability and produce long-term cost savings. We plan to retire (1) our remaining L-1011 aircraft by August 2001; (2) our B-727 fleet by the end of 2005; and (3) our MD-90 fleet and owned MD-11 aircraft over the next six to eight years. In 1999, we entered into an agreement to sell our B-727 fleet, with deliveries occurring through 2005.

REGIONAL JET AIRCRAFT FLEET

In July 2000, ASA and Comair entered into purchase agreements with Bombardier, Inc. to purchase a total of 94 Canadian Regional Jet (CRJ) aircraft, including 69 CRJ-200 aircraft with a mix of 40, 44 and 50 seats, and 25 CRJ-700 aircraft with 70 seats. ASA and Comair also received options to purchase an additional 406 CRJ aircraft through 2010.

AIRCRAFT FLEET AT DECEMBER 31, 2000

Aircraft Type	Owned	Leased		Total	Average Age
		Capital	Operating		
B-727-200	72	--	10	82	22.4
B-737-200	1	45	8	54	16.1
B-737-300	--	3	23	26	14.1
B-737-800	40	--	--	40	0.9
B-757-200	77	--	41	118	9.5
B-767-200	15	--	--	15	17.6
B-767-300	4	--	24	28	10.9
B-767-300ER	49	--	8	57	5.0
B-767-400	12	--	--	12	0.2
B-777-200	7	--	--	7	1.3
L-1011-1	6	--	--	6	19.7
L-1011-250	5	--	--	5	18.1
L-1011-500	4	--	--	4	19.9
MD-11	8	--	7	15	6.9
MD-88	63	--	57	120	10.5
MD-90	16	--	--	16	5.1
EMB-120	49	--	11	60	10.6
ATR-72	4	--	15	19	6.5
CRJ-100/200	23	--	124	147	2.8
TOTAL	455	48	328	831	9.6

AIRCRAFT DELIVERY SCHEDULE AT DECEMBER 31, 2000

Aircraft on Firm Order	DELIVERY IN CALENDAR YEAR ENDING					Total
	2001	2002	2003	2004	After 2004	
B-737-600/700/800	27	18	10	16	21	92
B-757-200	3	--	--	--	--	3
B-767-300/300ER	2	--	--	--	--	2
B-767-400	6	3	--	--	--	9
B-777-200	--	1	1	--	4	6
CRJ-100/200	34	29	22	2	--	87
CRJ-700	2	20	12	23	--	57
TOTAL	74	71	45	41	25	256

AIRCRAFT ON OPTION AT DECEMBER 31, 2000

Aircraft on Option*	DELIVERY IN CALENDAR YEAR ENDING					Total	Rolling Options
	2001	2002	2003	2004	After 2004		
B-737-600/700/800	--	4	7	8	41	60	252
B-757-200	--	5	12	3	--	20	70
B-767-300/300ER	--	--	2	2	7	11	12
B-767-400	--	2	5	5	12	24	13
B-777-200	--	2	5	5	8	20	24
CRJ-100/200	--	12	28	32	159	231	--
CRJ-700	--	--	--	5	160	165	--
TOTAL	--	25	59	60	387	531	371

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

[Inside back cover]

</TEXT>  
</DOCUMENT>

## CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our reports dated January 26, 2001 included or incorporated by reference in Delta Air Lines, Inc.'s Annual Report on Form 10-K for the year ending December 31, 2000 into the Company's previously filed Registration Statement File Nos. 2-94541, 33-30454, 33-65391, 333-16471, 333-49553, 333-92291, 333-30974, 333-46904, and 333-48718.

/S/ ARTHUR ANDERSEN LLP

Atlanta, Georgia  
March 29, 2001

</TEXT>  
</DOCUMENT>

## POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, 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. relating to the six-month transition period and calendar year ended December 31, 2000, 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 March 15, 2001.

/s/ Edwin L. Artzt

-----  
Director  
Delta Air Lines, Inc.

## POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, 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. relating to the six-month transition period and calendar year ended December 31, 2000, 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 March 15, 2001.

/s/ James L. Broadhead

-----  
Director  
Delta Air Lines, Inc.

## POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, 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. relating to the six-month transition period and calendar year ended December 31, 2000, 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 March 15, 2001.

/s/ Edward H. Budd

-----  
Director  
Delta Air Lines, Inc.

## POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, 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. relating to the six-month transition period and calendar year ended December 31, 2000, 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 March 15, 2001.

/s/ R. Eugene Cartledge

-----  
Director  
Delta Air Lines, Inc.

## POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, 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. relating to the six-month transition period and calendar year ended December 31, 2000, 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 March 15, 2001.

/s/ Mary Johnston Evans

-----  
Director  
Delta Air Lines, Inc.

## POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, 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. relating to the six-month transition period and calendar year ended December 31, 2000, 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 March 15, 2001.

/s/ George M.C. Fisher

-----  
Director  
Delta Air Lines, Inc.

## POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, 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. relating to the six-month transition period and calendar year ended December 31, 2000, 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 March 15, 2001.

/s/ David R. Goode

-----  
Director  
Delta Air Lines, Inc.

## POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, 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. relating to the six-month transition period and calendar year ended December 31, 2000, 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 March 15, 2001.

/s/ Gerald Grinstein

-----  
Director  
Delta Air Lines, Inc.

## POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, 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. relating to the six-month transition period and calendar year ended December 31, 2000, 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 March 15, 2001.

/s/ John F. Smith, Jr.

-----  
Director  
Delta Air Lines, Inc.

## POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, 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. relating to the six-month transition period and calendar year ended December 31, 2000, 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 March 15, 2001.

/s/ Andrew J. Young

-----  
Director  
Delta Air Lines, Inc.

</TEXT>  
</DOCUMENT>

---

Created by 10KWizard [www.10KWizard.com](http://www.10KWizard.com)