

DELTA AIR LINES INC /DE/  
Form 10-Q  
October 26, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

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

For the quarterly period ended September 30, 2012

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

Commission File Number 001-5424  
DELTA AIR LINES, INC.  
(Exact name of registrant as specified in its charter)

State of Incorporation: Delaware

I.R.S. Employer Identification No.: 58-0218548

Post Office Box 20706, Atlanta, Georgia 30320-6001

Telephone: (404) 715-2600

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

Number of shares outstanding by each class of common stock, as of September 30, 2012:

Common Stock, \$0.0001 par value - 850,450,321 shares outstanding

This document is also available through our website at [http://www.delta.com/about\\_delta/investor\\_relations](http://www.delta.com/about_delta/investor_relations).

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Unless otherwise indicated, the terms “Delta,” “we,” “us,” and “our” refer to Delta Air Lines, Inc. and its subsidiaries.

#### FORWARD-LOOKING STATEMENTS

Statements in this Form 10-Q (or otherwise made by us or on our behalf) that are not historical facts, including statements about our estimates, expectations, beliefs, intentions, projections 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. Known material risk factors applicable to Delta are described in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (“Form 10-K”) and in “Part II, Item 1A. Risk Factors” in this Form 10-Q, other than risks that could apply to any issuer or offering. All forward-looking statements speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

DELTA AIR LINES, INC.  
Consolidated Balance Sheets  
(Unaudited)

| (in millions, except share data)   | September 30,<br>2012 | December 31,<br>2011 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| Current Assets:  |                       |                      |
| Cash and cash equivalents  | \$2,274               | \$2,657              |
| Short-term investments   | 959                   | 958                  |
| Restricted cash, cash equivalents and short-term investments   | 401                   | 305                  |
| Accounts receivable, net of an allowance for uncollectible accounts of \$36 and \$33 at September 30, 2012 and December 31, 2011, respectively               | 1,785                 | 1,563                |
| Expendable parts and supplies inventories, net of an allowance for obsolescence of \$122 and \$101 at September 30, 2012 and December 31, 2011, respectively | 403                   | 367                  |
| Deferred income taxes, net   | 465                   | 461                  |
| Prepaid expenses and other   | 1,876                 | 1,418                |
| Total current assets   | 8,163                 | 7,729                |
| Property and Equipment, Net:   |                       |                      |
| Property and equipment, net of accumulated depreciation and amortization of \$6,337 and \$5,472 at September 30, 2012 and December 31, 2011, respectively    | 20,599                | 20,223               |
| Other Assets:  |                       |                      |
| Goodwill   | 9,794                 | 9,794                |
| Identifiable intangibles, net of accumulated amortization of \$651 and \$600 at September 30, 2012 and December 31, 2011, respectively                       | 4,697                 | 4,751                |
| Other noncurrent assets  | 1,099                 | 1,002                |
| Total other assets   | 15,590                | 15,547               |
| Total assets   | \$44,352              | \$43,499             |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   |                       |                      |
| Current Liabilities:   |                       |                      |
| Current maturities of long-term debt and capital leases  | \$1,546               | \$1,944              |
| Air traffic liability  | 4,264                 | 3,480                |
| Accounts payable   | 2,325                 | 1,600                |
| Frequent flyer deferred revenue  | 1,584                 | 1,849                |
| Accrued salaries and related benefits  | 1,491                 | 1,367                |
| Taxes payable  | 638                   | 594                  |
| Fuel card obligation   | 391                   | 318                  |
| Other accrued liabilities  | 985                   | 1,549                |
| Total current liabilities  | 13,224                | 12,701               |
| Noncurrent Liabilities:  |                       |                      |
| Long-term debt and capital leases  | 11,111                | 11,847               |
| Pension, postretirement and related benefits   | 13,688                | 14,200               |
| Frequent flyer deferred revenue  | 2,617                 | 2,700                |
| Deferred income taxes, net   | 2,049                 | 2,028                |
| Other noncurrent liabilities   | 1,711                 | 1,419                |
| Total noncurrent liabilities   | 31,176                | 32,194               |
| Commitments and Contingencies  |                       |                      |

Stockholders' Deficit:

|  |          |          |   |
|--|----------|----------|---|
| Common stock at \$0.0001 par value; 1,500,000,000 shares authorized, 866,884,968 and 861,499,734 shares issued at September 30, 2012 and December 31, 2011, respectively | —        | —        |   |
| Additional paid-in capital   | 14,045   | 13,999   |   |
| Accumulated deficit  | (7,395)  | ) (8,398 | ) |
| Accumulated other comprehensive loss   | (6,464   | ) (6,766 | ) |
| Treasury stock, at cost, 16,434,647 and 16,253,791 shares at September 30, 2012 and December 31, 2011, respectively  | (234     | ) (231   | ) |
| Total stockholders' deficit  | (48      | ) (1,396 | ) |
| Total liabilities and stockholders' deficit  | \$44,352 | \$43,499 |   |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

## DELTA AIR LINES, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income  
(Unaudited)

| (in millions, except per share data)               | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |          |
|--|-------------------------------------|---------|------------------------------------|----------|
|  | 2012                                | 2011    | 2012                               | 2011     |
| Operating Revenue:                                 |                                     |         |                                    |          |
| Passenger:   |                                     |         |                                    |          |
| Mainline   | \$7,017                             | \$6,852 | \$19,323                           | \$18,186 |
| Regional carriers                                  | 1,675                               | 1,716   | 5,046                              | 4,848    |
| Total passenger revenue                            | 8,692                               | 8,568   | 24,369                             | 23,034   |
| Cargo  | 243                                 | 257     | 749                                | 771      |
| Other  | 988                                 | 991     | 2,950                              | 2,911    |
| Total operating revenue                            | 9,923                               | 9,816   | 28,068                             | 26,716   |
| Operating Expense:                                 |                                     |         |                                    |          |
| Aircraft fuel and related taxes                    | 2,221                               | 2,881   | 7,759                              | 7,710    |
| Salaries and related costs                         | 1,850                               | 1,717   | 5,438                              | 5,183    |
| Contract carrier arrangements                      | 1,447                               | 1,432   | 4,238                              | 4,142    |
| Aircraft maintenance materials and outside repairs | 493                                 | 428     | 1,602                              | 1,398    |
| Passenger commissions and other selling expenses   | 440                                 | 480     | 1,213                              | 1,289    |
| Contracted services                                | 402                                 | 419     | 1,177                              | 1,259    |
| Depreciation and amortization                      | 392                                 | 384     | 1,166                              | 1,141    |
| Landing fees and other rents                       | 360                                 | 342     | 1,012                              | 975      |
| Passenger service                                  | 201                                 | 207     | 559                                | 552      |
| Profit sharing                                     | 174                                 | 167     | 309                                | 175      |
| Aircraft rent                                      | 65                                  | 72      | 208                                | 224      |
| Restructuring and other items                      | 149                                 | 3       | 330                                | 154      |
| Other  | 421                                 | 424     | 1,233                              | 1,265    |
| Total operating expense                            | 8,615                               | 8,956   | 26,244                             | 25,467   |
| Operating Income                                   | 1,308                               | 860     | 1,824                              | 1,249    |
| Other (Expense) Income:                            |                                     |         |                                    |          |
| Interest expense, net                              | (195                                | ) (229  | ) (623                             | ) (683   |
| Amortization of debt discount, net                 | (48                                 | ) (48   | ) (148                             | ) (141   |
| Loss on extinguishment of debt                     | (12                                 | ) (5    | ) (12                              | ) (38    |
| Miscellaneous, net                                 | (1                                  | ) (31   | ) (27                              | ) (35    |
| Total other expense, net                           | (256                                | ) (313  | ) (810                             | ) (897   |
| Income Before Income Taxes                         | 1,052                               | 547     | 1,014                              | 352      |
| Income Tax (Provision) Benefit                     | (5                                  | ) 2     | (11                                | ) 77     |
| Net Income   | \$1,047                             | \$549   | \$1,003                            | \$429    |
| Basic Earnings Per Share                           | \$1.24                              | \$0.66  | \$1.19                             | \$0.51   |
| Diluted Earnings Per Share                         | \$1.23                              | \$0.65  | \$1.18                             | \$0.51   |

|                      |         |       |         |       |
|----------------------|---------|-------|---------|-------|
| Comprehensive Income | \$1,073 | \$418 | \$1,305 | \$283 |
|----------------------|---------|-------|---------|-------|

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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## DELTA AIR LINES, INC.

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

| (in millions)  | Nine Months Ended<br>September 30, |          |
|--|------------------------------------|----------|
|  | 2012                               | 2011     |
| Net Cash Provided by Operating Activities                                    | \$ 1,926                           | \$ 1,676 |
| Cash Flows From Investing Activities:  |                                    |          |
| Property and equipment additions:  |                                    |          |
| Flight equipment, including advance payments                                 | (885)                              | (676)    |
| Ground property and equipment, including technology                          | (545)                              | (210)    |
| Purchase of investments  | (719)                              | (719)    |
| Redemption of investments  | 757                                | 503      |
| Other, net   | (37)                               | 16       |
| Net cash used in investing activities  | (1,429)                            | (1,086)  |
| Cash Flows From Financing Activities:  |                                    |          |
| Payments on long-term debt and capital lease obligations                     | (1,410)                            | (3,426)  |
| Proceeds from long-term obligations  | 480                                | 2,380    |
| Debt issuance costs  | (8)                                | (62)     |
| Restricted cash and cash equivalents   | (31)                               | (84)     |
| Fuel card obligation, net  | 73                                 | —        |
| Other, net   | 16                                 | 17       |
| Net cash used in financing activities  | (880)                              | (1,175)  |
| Net Decrease in Cash and Cash Equivalents                                    | (383)                              | (585)    |
| Cash and cash equivalents at beginning of period                             | 2,657                              | 2,892    |
| Cash and cash equivalents at end of period                                   | \$ 2,274                           | \$ 2,307 |
| Non-Cash Transactions:   |                                    |          |
| SkyMiles used pursuant to advance purchase under American Express Agreements | \$ 250                             | \$—      |
| Build-to-suit leased facilities  | 141                                | 70       |
| Flight equipment under capital leases  | —                                  | 98       |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELTA AIR LINES, INC.

Notes to the Condensed Consolidated Financial Statements

September 30, 2012

(Unaudited)

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Delta Air Lines, Inc. and our wholly-owned subsidiaries. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Consistent with these requirements, this Form 10-Q does not include all the information required by GAAP for complete financial statements. As a result, this Form 10-Q should be read in conjunction with the Consolidated Financial Statements and accompanying Notes in our Form 10-K.

Management believes the accompanying unaudited Condensed Consolidated Financial Statements reflect all adjustments, including normal recurring items and restructuring and other items, considered necessary for a fair statement of results for the interim periods presented.

Due to seasonal variations in the demand for air travel, the volatility of aircraft fuel prices, changes in global economic conditions and other factors, operating results for the three and nine months ended September 30, 2012 are not necessarily indicative of operating results for the entire year.

### Recent Accounting Standards

#### Presentation of Comprehensive Income

In June 2011, the Financial Accounting Standards Board ("FASB") issued "Presentation of Comprehensive Income." The standard revises the presentation and prominence of the items reported in other comprehensive income and is effective retrospectively for fiscal years beginning after December 15, 2011. We adopted this standard in the March 2012 quarter and have presented comprehensive income on our Condensed Consolidated Statements of Operations and Comprehensive Income.

#### Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued "Testing Indefinite-Lived Intangible Assets for Impairment." The standard gives companies the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired rather than calculating the fair value of the indefinite-lived intangible asset. It is effective prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. We adopted this standard and will apply the provisions to our annual indefinite-lived intangible asset impairment tests in the December 2012 quarter. The adoption of this standard will not have a material impact on our Consolidated Financial Statements.

## NOTE 2. OIL REFINERY

Jet fuel costs have continued to increase in recent years, making fuel expense our single largest expense. Because global demand for jet fuel and related products is increasing at the same time that jet fuel refining capacity is

decreasing in the U.S. (particularly in the Northeast), the refining margin reflected in the prices we pay for jet fuel has increased. We purchased an oil refinery in June 2012 as part of our strategy to mitigate the increasing cost of the refining margin we are paying.

#### Acquisition

On June 22, 2012 (the "Closing Date"), our wholly-owned subsidiary, Monroe Energy, LLC ("Monroe"), acquired the Trainer refinery located near Philadelphia, Pennsylvania from Phillips 66. Monroe invested \$180 million to acquire the refinery. Monroe received a \$30 million grant from the Commonwealth of Pennsylvania. The acquisition includes pipelines and terminal assets that will allow the refinery to supply jet fuel to our airline operations throughout the Northeastern U.S., including our New York hubs at LaGuardia Airport and John F. Kennedy International Airport.

Prior to the transaction, Phillips 66 had shut down operations at the refinery. Monroe is making required capital improvements totaling approximately \$100 million to restart the refinery and bring it to its desired operating state.

We accounted for the refinery acquisition as a business combination. The refinery, pipelines, and terminal assets acquired were recorded in property and equipment, net at \$180 million based on their respective fair values on the Closing Date.

#### Refinery Operations and Strategic Agreements

The facility is capable of refining 185,000 barrels of crude oil per day. BP will supply crude oil used by the refinery under a three year agreement. The refinery will produce approximately 30% jet fuel after the capital improvements are completed. The refinery's remaining production will consist of gas, diesel and refined products ("non-jet fuel products"). Under a multi-year agreement, we will exchange a significant portion of the non-jet fuel products with Phillips 66 for jet fuel to be used in our airline operations. Substantially all of the remaining production of non-jet fuel products will be sold to BP under a long-term buy/ sale agreement effectively exchanging those non-jet fuel products for jet fuel. Our agreement with Phillips 66 requires us to deliver specified quantities of non-jet fuel products and they are required to deliver jet fuel to us. If we or Phillips 66 do not have the specified quantity and type of product available, the delivering party is required to procure any such shortage to fulfill its obligation under the agreement. Substantially all of the refinery's expected production of non-jet fuel products is included in these agreements.

#### Refinery Start-Up

Production at the refinery restarted in September 2012. It is expected to reach its full refining capacity during the fourth quarter, at which time we expect to begin to realize the benefits of ownership of the refinery. The results of the refinery's operations were not material in the September 2012 quarter. Our future financial statements will disclose two operating segments: our airline segment and our refinery segment.

### NOTE 3. FAIR VALUE MEASUREMENTS

#### Assets (Liabilities) Measured at Fair Value on a Recurring Basis

| (in millions)                               | September 30,<br>2012 | Level 1 | Level 2 | Level 3 |
|---|-----------------------|---------|---------|---------|
| Cash equivalents                            | \$ 1,996              | \$1,996 | \$—     | \$—     |
| Short-term investments                      | 959                   | 959     | —       | —       |
| Restricted cash equivalents and investments | 400                   | 400     | —       | —       |
| Long-term investments                       | 209                   | 94      | 26      | 89      |
| Hedge derivatives, net                      |                       |         |         |         |
| Fuel hedge contracts                        | 252                   | 50      | 202     | —       |
| Interest rate contracts                     | (70)                  | ) —     | (70)    | )—      |
| Foreign currency exchange contracts         | (33)                  | ) —     | (33)    | )—      |
|   |                       |         |         |         |
| (in millions)                               | December 31,<br>2011  | Level 1 | Level 2 | Level 3 |
| Cash equivalents                            | \$ 2,357              | \$2,357 | \$—     | \$—     |
| Short-term investments                      | 958                   | 958     | —       | —       |
| Restricted cash equivalents and investments | 341                   | 341     | —       | —       |
| Long-term investments                       | 188                   | 55      | 24      | 109     |
| Hedge derivatives, net                      |                       |         |         |         |
| Fuel hedge contracts                        | 70                    | —       | 70      | —       |
| Interest rate contracts                     | (91)                  | ) —     | (91)    | )—      |

Foreign currency exchange contracts (89 )— (89 )—

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Cash Equivalents, Short-term Investments and Restricted Cash Equivalents and Investments. Cash equivalents and short-term investments generally consist of money market funds and treasury bills. Restricted cash equivalents and investments are primarily held to meet certain projected self-insurance obligations and generally consist of money market funds and time deposits. These investments are recorded at cost, which approximates fair value. Fair value is based on a market approach using prices and other relevant information generated by market transactions involving identical or comparable assets.

Long-term Investments. Our long-term investments, primarily consisting of equity investments in GOL and Aeroméxico and auction rate securities, are classified in other noncurrent assets.

Hedge Derivatives. Our derivative contracts are generally negotiated with counterparties without going through a public exchange. Accordingly, our fair value assessments give consideration to the risk of counterparty default (as well as our own credit risk).

Fuel Derivatives. Our fuel hedge portfolio consists of call options; put options; combinations of two or more call options and put options; swap contracts; and futures contracts. The products underlying the hedge contracts include heating oil, crude oil, jet fuel and diesel fuel, as these commodities are highly correlated with the price of jet fuel that we consume. Option contracts are valued under an income approach using option pricing models based on data either readily observable in public markets, derived from public markets or provided by counterparties who regularly trade in public markets. Volatilities used in these valuations ranged from 14% to 39% depending on the maturity dates, underlying commodities and strike prices of the option contracts. Swap contracts are valued under an income approach using a discounted cash flow model based on data either readily observable or derived from public markets. Discount rates used in these valuations vary with the maturity dates of the respective contracts and are based on LIBOR. Futures contracts and options on futures contracts are traded on a public exchange and valued based on quoted market prices.

Interest Rate Derivatives. Our interest rate derivatives consist primarily of swap contracts and are valued primarily based on data readily observable in public markets.

Foreign Currency Derivatives. Our foreign currency derivatives consist of Japanese yen and Canadian dollar forward contracts and are valued based on data readily observable in public markets.

## NOTE 4. DERIVATIVES

Our results of operations are impacted by changes in aircraft fuel prices, interest rates and foreign currency exchange rates. In an effort to manage our exposure to these risks, we enter into derivative contracts and adjust our derivative portfolio as market conditions change.

## Aircraft Fuel Price Risk

Our results of operations are materially impacted by changes in aircraft fuel prices. We actively manage our fuel price risk through a hedging program intended to reduce the financial impact on us from changes in the price of jet fuel. The objective of the fuel hedging program is to generate a positive cash position to defray the cost of jet fuel purchases. This fuel hedging program utilizes several different contract and commodity types. The economic effectiveness of this hedge portfolio is frequently tested against our financial targets. The hedge portfolio is rebalanced from time to time according to market conditions, which may result in locking in gains or losses on hedge contracts prior to their settlement dates.

Effective June 2011, we stopped designating substantially all of our new fuel derivative contracts as accounting hedges and discontinued hedge accounting for our then existing fuel derivative contracts that previously had been designated as accounting hedges. As a result, we record market adjustments for changes in fair value to earnings in aircraft fuel and related taxes. Prior to this change in accounting designation, gains or losses on these contracts were deferred in accumulated other comprehensive income ("AOCI") until contract settlement. We will reclassify to earnings all amounts relating to our fuel derivative contracts in AOCI on the original contract settlement dates.

The following table shows the impact of fuel hedge gains (losses) for both designated and undesignated contracts on aircraft fuel and related taxes:

| (in millions)   | Three Months Ended |         | Nine Months Ended |        |
|---|--------------------|---------|-------------------|--------|
|   | September 30,      |         | September 30,     |        |
|   | 2012               | 2011    | 2012              | 2011   |
| Market adjustments for changes in fair value            | \$414              | \$(179) | \$(121)           | \$(99) |
| Effective portion reclassified from AOCI to earnings    | —                  | 68      | 15                | 202    |
| Gain (loss) recorded in aircraft fuel and related taxes | \$414              | \$(111) | \$(106)           | \$103  |

During the September 2012 quarter, we recorded gains of \$414 million due to changes in the fair value of our fuel hedges. The gains partially offset mark-to-market ("MTM") losses recorded during the June 2012 quarter on these fuel hedges. These MTM adjustments are based on market prices as of the end of the reporting period for contracts settling in future periods. The following tables reflect the estimated fair value asset (liability) positions, notional balances and maturity dates of our hedge contracts:

## Hedge Position as of September 30, 2012

| (in millions)                               | Notional Balance |                  | Final Maturity Date | Prepaid Expenses and Other Assets | Other Noncurrent Assets | Other Accrued Liabilities | Other Noncurrent Liabilities | Hedge Derivatives, Net |
|---|------------------|------------------|---------------------|-----------------------------------|-------------------------|---------------------------|------------------------------|------------------------|
|   |                  |                  |                     |                                   |                         |                           |                              |                        |
| Designated as hedges                        |                  |                  |                     |                                   |                         |                           |                              |                        |
| Interest rate contracts (cash flow hedges)  | \$762            | U.S. dollars     | May 2019            | \$—                               | \$—                     | \$(23)                    | \$(53)                       | \$(76)                 |
| Interest rate contracts (fair value hedges) | \$469            | U.S. dollars     | August 2022         | 6                                 | —                       | —                         | —                            | 6                      |
| Foreign currency exchange contracts         | 93,960           | Japanese yen     | August 2015         | 1                                 | 2                       | (30)                      | (6)                          | (33)                   |
|   | 456              | Canadian dollars |                     |                                   |                         |                           |                              |                        |

Not designated as  
hedges

|                            |       |   |                  |       |       |        |         |          |
|----------------------------|-------|---|------------------|-------|-------|--------|---------|----------|
| Fuel hedge contracts       | 2,666 | gallons - heating<br>oil, crude oil, jet<br>fuel and diesel | December<br>2013 | 549   | 86    | (283   | )(100   | ) 252    |
| Total derivative contracts |       |   |                  | \$556 | \$ 88 | \$(336 | )\$(159 | ) \$ 149 |

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## Hedge Position as of December 31, 2011

| (in millions)                               | Notional Balance |   | Final Maturity Date | Prepaid Expenses and Other Assets | Other Noncurrent Assets | Other Accrued Liabilities | Other Noncurrent Liabilities | Hedge Derivatives, Net |
|---|------------------|---|---------------------|-----------------------------------|-------------------------|---------------------------|------------------------------|------------------------|
| Designated as hedges                        |                  |   |                     |                                   |                         |                           |                              |                        |
| Interest rate contracts (cash flow hedges)  | \$989            | U.S. dollars  | May 2019            | \$—                               | \$—                     | \$(27)                    | \$(57)                       | \$(84)                 |
| Interest rate contracts (fair value hedges) | \$500            | U.S. dollars  | August 2022         | —                                 | —                       | —                         | (7)                          | (7)                    |
| Foreign currency exchange contracts         | 126,993          | Japanese yen  | April 2014          | 7                                 | 5                       | (58)                      | (43)                         | (89)                   |
|   | 313              | Canadian dollars                                      |                     |                                   |                         |                           |                              |                        |
| Not designated as hedges                    |                  |   |                     |                                   |                         |                           |                              |                        |
| Fuel hedge contracts                        | 1,225            | gallons - heating oil, crude oil, jet fuel and diesel | December 2012       | 570                               | —                       | (500)                     | —                            | 70                     |
| Total derivative contracts                  |                  |   |                     | \$577                             | \$5                     | \$(585)                   | \$(107)                      | \$(110)                |

## Hedge Gains (Losses)

Gains (losses) related to our designated hedge contracts, including those previously designated as accounting hedges, are as follows:

| (in millions)                       | Effective Portion Reclassified from AOCI to Earnings |       | Effective Portion Recognized in Other Comprehensive Income |         |
|-------------------------------------|--|-------|--|---------|
|                                     | 2012   | 2011  | 2012   | 2011    |
| Three Months Ended September 30     |  |       |  |         |
| Fuel hedge contracts                | \$—  | \$68  | \$—  | \$(70)  |
| Interest rate contracts             | (5)  | —     | 5  | (51)    |
| Foreign currency exchange contracts | (8)  | (31)  | (27)   | (22)    |
| Total designated                    | \$(13)   | \$37  | \$(22)   | \$(143) |
| Nine Months Ended September 30      |  |       |  |         |
| Fuel hedge contracts                | \$15   | \$202 | \$(15)   | \$(136) |
| Interest rate contracts             | (5)  | —     | 8  | (44)    |
| Foreign currency exchange contracts | (21)   | (53)  | 56   | 4       |
| Total designated                    | \$(11)   | \$149 | \$49   | \$(176) |

## Credit Risk

To manage credit risk associated with our aircraft fuel price, interest rate and foreign currency hedging programs, we select counterparties based on their credit ratings and limit our exposure to any one counterparty.

Our hedge contracts contain margin funding requirements. The margin funding requirements may cause us to post margin to counterparties or may cause counterparties to post margin to us as market prices in the underlying hedged items change. Due to the fair value position of our hedge contracts, we posted margin of \$10 million and \$30 million as of September 30, 2012 and December 31, 2011, respectively. These amounts are recorded in prepaid expenses and other.



## NOTE 5. LONG-TERM DEBT

## Fair Value of Debt

Market risk associated with our fixed and variable rate long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates. In the table below, the aggregate fair value of debt is based primarily on reported market values, recently completed market transactions and estimates based on interest rates, maturities, credit risk and underlying collateral and is classified primarily as Level 2 within the fair value hierarchy.

| (in millions)             | September 30,<br>2012 | December 31,<br>2011 |
|---------------------------|-----------------------|----------------------|
| Total debt at par value   | \$ 12,546             | \$ 13,797            |
| Unamortized discount, net | (566)                 | (737)                |
| Net carrying amount       | \$ 11,980             | \$ 13,060            |
| Fair value                | \$ 12,800             | \$ 13,600            |

## Certificates

In July 2012, we completed a \$480 million offering of Pass Through Certificates, Series 2012-1 ("2012-1 EETC") through a pass through trust. During the September 2012 quarter, we used the proceeds to refinance aircraft securing the Delta 2002-1 EETC, a portion of which matured on July 2, 2012. We also used the proceeds to refinance aircraft securing the Northwest 2001-2 EETC, which was scheduled to mature in August 2013 but was prepaid in the September 2012 quarter. The details of the offering are shown in the table below:

| (in millions) | Total Principal | Fixed Interest<br>Rate | Offering<br>Completion<br>Date | Final<br>Maturity Date | Collateral                 |
|---------------|-----------------|------------------------|--------------------------------|------------------------|----------------------------|
| 2012-1A       | \$354           | 4.750%                 | July 2012                      | May 2020               | 31 aircraft                |
| 2012-1B       | 126             | 6.875%                 | July 2012                      | May 2019               | 31 aircraft <sup>(1)</sup> |
|               | \$480           |                        |                                |                        |                            |

<sup>(1)</sup> The B tranche certificates are secured by the same aircraft that secure the A tranche certificates.

## Covenants

We were in compliance with all covenants in our financing agreements at September 30, 2012.

## NOTE 6. COMMITMENTS AND CONTINGENCIES

### Aircraft Commitments

Future aircraft purchase commitments at September 30, 2012 total approximately \$6.8 billion and include 100 B-737-900ER aircraft, 18 B-787-8 aircraft and seven previously owned MD-90 aircraft. We have obtained long-term financing commitments for a substantial portion of the purchase price of these aircraft.

In July 2012, we finalized agreements with Southwest Airlines and The Boeing Company to lease 88 B-717-200 aircraft with deliveries beginning in 2013 and continuing through 2015. Including the B-717-200 aircraft, we estimate that our total lease payments will be approximately \$1.6 billion in 2013, \$1.6 billion in 2014, \$1.5 billion in 2015, \$1.4 billion in 2016 and \$8.8 billion after 2016.

### Legal Contingencies

We are involved in various legal proceedings related to employment practices, environmental issues, antitrust matters and other matters concerning our business. We record liabilities for losses from legal proceedings when we determine that it is probable that the outcome in a legal proceeding will be unfavorable and the amount of loss can be reasonably estimated. We cannot reasonably estimate the potential loss for certain legal proceedings because, for example, the litigation is in its early stages or the plaintiff does not specify the damages being sought. Although the outcome of the legal proceedings in which we are involved cannot be predicted with certainty, management believes that the resolution of these matters will not have a material adverse effect on our Condensed Consolidated Financial Statements.

### Other Contingencies

#### General Indemnifications

We are the lessee under many commercial real estate leases. It is common in these transactions for us, as the lessee, to agree to indemnify the lessor and the lessor's related parties for tort, environmental and other liabilities that arise out of or relate to our use or occupancy of the leased premises. This type of indemnity would typically make us responsible to indemnified parties for liabilities arising out of the conduct of, among others, contractors, licensees and invitees at, or in connection with, the use or occupancy of the leased premises. This indemnity often extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by either their sole or gross negligence or their willful misconduct.

Our aircraft and other equipment lease and financing agreements typically contain provisions requiring us, as the lessee or obligor, to indemnify the other parties to those agreements, including certain of those parties' related persons, against virtually any liabilities that might arise from the use or operation of the aircraft or such other equipment.

We believe that our insurance would cover most of our exposure to liabilities and related indemnities associated with the commercial real estate leases and aircraft and other equipment lease and financing agreements described above. While our insurance does not typically cover environmental liabilities, we have certain insurance policies in place as required by applicable environmental laws.

Certain of our aircraft and other financing transactions include provisions that require us to make payments to preserve an expected economic return to the lenders if that economic return is diminished due to certain changes in law or regulations. In certain of these financing transactions, we also bear the risk of certain changes in tax laws that would subject payments to non-U.S. lenders to withholding taxes.

We cannot reasonably estimate our potential future payments under the indemnities and related provisions described above because we cannot predict (1) when and under what circumstances these provisions may be triggered and (2) the amount that would be payable if the provisions were triggered because the amounts would be based on facts and circumstances existing at such time.

### Employees Under Collective Bargaining Agreements

At September 30, 2012, we had approximately 77,000 full-time equivalent employees. Approximately 14% of these employees were represented by unions.

During the June 2012 quarter, we reached an agreement with the Air Line Pilots Association, International (“ALPA”) to modify the existing collective bargaining agreement, which covers approximately 10,700 Delta pilots. The agreement, which was ratified by the pilots in June 2012 and took effect on July 1, 2012, becomes amendable on December 31, 2015.

### War-Risk Insurance Contingency

As a result of the terrorist attacks on September 11, 2001, aviation insurers significantly (1) reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons (other than employees or passengers) for claims from acts of terrorism, war or similar events and (2) increased the premiums for such coverage and for aviation insurance in general. Since September 24, 2001, the U.S. government has been providing U.S. airlines with war-risk insurance to cover losses, including those resulting from terrorism, to passengers, third parties (ground damage) and the aircraft hull. The U.S. Secretary of Transportation has extended coverage through September 30, 2013, and we expect the coverage to be further extended. The withdrawal of government support of airline war-risk insurance would require us to obtain war-risk insurance coverage commercially, if available. Such commercial insurance could have substantially less desirable coverage than currently provided by the U.S. government, may not be adequate to protect our risk of loss from future acts of terrorism, may result in a material increase to our operating expense or may not be obtainable at all, resulting in an interruption to our operations.

### Other

We have certain contracts for goods and services that require us to pay a penalty, acquire inventory specific to us or purchase equipment specific to a contract, if we terminate this type of contract without cause prior to its expiration date. Because these obligations are contingent on our termination of a contract without cause prior to its expiration date, no obligation would exist unless such a termination occurs.

### NOTE 7. RESTRUCTURING AND OTHER ITEMS

The following table shows amounts recorded in restructuring and other items on the Condensed Consolidated Statements of Operations and Comprehensive Income:

| (in millions)                       | Three Months Ended |      | Nine Months Ended |       |
|-------------------------------------|--------------------|------|-------------------|-------|
|                                     | September 30,      |      | September 30,     |       |
|                                     | 2012               | 2011 | 2012              | 2011  |
| Facilities, fleet and other         | \$122              | \$—  | \$171             | \$71  |
| Severance and related costs         | 66                 | 3    | 237               | 83    |
| Gain on slot exchange               | (39)               | )—   | (78)              | )—    |
| Total restructuring and other items | \$149              | \$3  | \$330             | \$154 |

**Facilities, Fleet and Other.** We recently announced plans to reduce the total number of regional jets in our network while adding more mainline flying. This includes reducing the number of 50-seat regional jets in our fleet over the next few years. As a result of this reduction and changes to our business strategy, we announced our decision on July 27, 2012 to cease the operations of Comair, a wholly-owned regional airline subsidiary, as of September 29, 2012. We recorded a restructuring charge in the September 2012 quarter related to remaining lease payments for grounded

aircraft, the acceleration of aircraft lease return costs and aircraft and related equipment and asset disposals.

Severance and Related Costs. We accrued \$66 million in severance and related costs in the September 2012 quarter, related both to ceasing operations at Comair and providing severance benefits to Comair's 1,700 employees as well as a voluntary severance program. For the nine months ended September 30, 2012, we offered voluntary severance programs in which more than 2,000 employees elected to participate. These participants became eligible for retiree healthcare benefits. For all of these programs, we recognized a total charge of \$237 million for the nine months ended September 30, 2012, which includes \$110 million of special termination benefits (see Note 8).

Gain on Slot Exchange. During December 2011, we closed transactions with US Airways where we received takeoff and landing rights (each a "slot pair") at LaGuardia in exchange for slot pairs at Reagan National. In approving these transactions, the Department of Transportation restricted our use of the exchanged slots. We recorded a \$78 million deferred gain in December 2011. We recognized \$39 million of this deferred gain in the March 2012 quarter as half of the restrictions lapsed and recognized the remainder of the deferred gain in the September 2012 quarter as the remaining restrictions lapsed.

The following table shows the balances and activity for restructuring charges:

| (in millions)                    | Severance and<br>Related Costs | Lease<br>Restructuring |
|----------------------------------|--------------------------------|------------------------|
| Balance as of December 31, 2011  | \$46                           | \$64                   |
| Additional costs and expenses    | 126                            | 44                     |
| Payments                         | (40                            | )(11                   |
| Balance as of September 30, 2012 | \$132                          | \$97                   |

#### NOTE 8. EMPLOYEE BENEFIT PLANS

The following table shows the components of net periodic cost:

| (in millions)                         | Pension Benefits |       | Other Postretirement and<br>Postemployment Benefits |      |
|---------------------------------------|------------------|-------|---|------|
|                                       | 2012             | 2011  | 2012  | 2011 |
| Three Months Ended September 30       |                  |       |   |      |
| Service cost                          | \$—              | \$—   | \$14  | \$13 |
| Interest cost                         | 232              | 242   | 41  | 45   |
| Expected return on plan assets        | (176             | )(181 | )(19  | )(22 |
| Amortization of prior service benefit | —                | —     | (7  | )(1  |
| Recognized net actuarial loss (gain)  | 36               | 14    | 6   | (3   |
| Special termination benefits          | —                | —     | 6   | —    |
| Net periodic cost                     | \$92             | \$75  | \$41  | \$32 |
| Nine Months Ended September 30        |                  |       |   |      |
| Service cost                          | \$—              | \$—   | \$43  | \$39 |
| Interest cost                         | 696              | 726   | 123   | 135  |
| Expected return on plan assets        | (528             | )(543 | )(57  | )(67 |
| Amortization of prior service benefit | —                | —     | (16   | )(2  |
| Recognized net actuarial loss (gain)  | 108              | 42    | 18  | (9   |
| Special termination benefits          | —                | —     | 110   | —    |
| Net periodic cost                     | \$276            | \$225 | \$221   | \$96 |

During the nine months ended September 30, 2012, we remeasured our postretirement healthcare obligation to account for changes to retiree medical benefits resulting from the final integration of wages and benefits following our merger with Northwest Airlines and the voluntary workforce reduction programs offered to eligible employees. As a result, we recorded \$110 million of special termination benefits in restructuring and other items (see Note 7).



## NOTE 9. INCOME TAXES

### Valuation Allowance

We periodically assess whether it is more likely than not that we will generate sufficient taxable income to realize our deferred income tax assets. We establish valuation allowances if it is not likely we will realize our deferred income tax assets. In making this determination, we consider all available positive and negative evidence and make certain assumptions. We consider, among other things, our deferred tax liabilities, the overall business environment, our historical financial results, our industry's historically cyclical financial results and potential current and future tax planning strategies.

We recorded a full valuation allowance in 2004 due to our cumulative three year loss position at that time, compounded by the negative industry-wide business trends and outlook. At September 30, 2012, we had a \$10.2 billion valuation allowance established against our deferred income tax assets, which represents a full valuation allowance against our net deferred income tax asset.

During the March 2012 quarter, we moved from a cumulative loss position over the previous three years to a cumulative income position for the first time since we established the full valuation allowance. We have concluded as of September 30, 2012 that the valuation allowance was still needed on our net deferred tax assets based upon the weight of the factors described above. We continue to evaluate our cumulative income position and income trend as well as our future projections of sustained profitability. We will evaluate whether this profitability trend constitutes sufficient positive evidence to support a reversal of our valuation allowance (in full or in part).

### Income Tax Allocation

We consider all income sources, including other comprehensive income, in determining the amount of tax benefit allocated to continuing operations (the "Income Tax Allocation"). During 2009, as a result of the Income Tax Allocation, we recorded a non-cash deferred income tax expense of \$321 million on other comprehensive income as a result of hedge gains on fuel derivatives and an offsetting non-cash income tax benefit of \$321 million. This deferred income tax expense will remain in AOCI until all amounts in AOCI that relate to fuel derivatives which are designated as accounting hedges are recognized in the Consolidated Statement of Operations. We will reclassify to earnings all amounts relating to our fuel derivative contracts in AOCI on the original contract settlement dates. As a result, a non-cash income tax expense of \$321 million will be recognized upon the settlement of the fuel derivative contracts designated as accounting hedges.

## NOTE 10. EARNINGS PER SHARE

We calculate basic earnings per share by dividing net income by the weighted average number of common shares outstanding. Shares issuable upon the satisfaction of certain conditions are considered outstanding and included in the computation of basic earnings per share. The following table shows the computation of basic and diluted earnings per share:

| (in millions, except per share data)   | Three Months Ended |        | Nine Months Ended |        |
|--|--------------------|--------|-------------------|--------|
|  | September 30,      |        | September 30,     |        |
|  | 2012               | 2011   | 2012              | 2011   |
| Net income   | \$1,047            | \$549  | \$1,003           | \$429  |
| Basic weighted average shares outstanding                                      | 846                | 838    | 845               | 838    |
| Dilutive effect of share based awards  | 4                  | 6      | 4                 | 6      |
| Diluted weighted average shares outstanding                                    | 850                | 844    | 849               | 844    |
| Basic earnings per share   | \$1.24             | \$0.66 | \$1.19            | \$0.51 |
| Diluted earnings per share   | \$1.23             | \$0.65 | \$1.18            | \$0.51 |
| Antidilutive common stock equivalents excluded from diluted earnings per share | 19                 | 26     | 19                | 25     |

## NOTE 11. SUBSEQUENT EVENTS

## October 2012 Senior Secured Credit Facilities

In October 2012, we entered into senior secured credit facilities (the "Pacific Facilities") to borrow up to \$2.0 billion. The Pacific Facilities consist of two first lien term loan facilities (the "Pacific Term Loans") and a \$450 million revolving credit facility (the "Pacific Revolving Facility"). In connection with entering into the Pacific Facilities, we retired \$1.2 billion principal amount of outstanding debt, including an existing term loan and senior secured and senior second lien notes, and terminated an existing undrawn \$500 million revolving credit facility. These transactions are summarized in the table below:

|   | Final Maturity Date | Interest Rate(s) per Annum       | October 2012 Proceeds Received | Principal Retired |
|---|---------------------|----------------------------------|--------------------------------|-------------------|
| Entered into in October 2012                      |                     |                                  |                                |                   |
| Pacific Term Loan B-1                             | October 2018        | 5.25% variable <sup>(1)(2)</sup> | \$1,100                        | \$—               |
| Pacific Term Loan B-2                             | April 2016          | 4.25% variable <sup>(1)(2)</sup> | 400                            | —                 |
| Pacific Revolving Facility (\$450 million)        | October 2017        | undrawn variable <sup>(3)</sup>  | —                              | —                 |
| Retired/Terminated in October 2012                |                     |                                  |                                |                   |
| Pacific Routes Term Facility                      | March 2016          | 4.25% variable <sup>(1)(4)</sup> | —                              | 246               |
| Pacific Routes Revolving Facility (\$500 million) | March 2013          | undrawn variable <sup>(1)</sup>  | —                              | —                 |
| Senior Secured Notes <sup>(5)</sup>               | September 2014      | 9.5% fixed                       | —                              | 600               |
| Senior Second Lien Notes <sup>(5)</sup>           | March 2015          | 12.25% fixed                     | —                              | 306               |
| Total   |                     |                                  | \$1,500                        | \$1,152           |

<sup>(1)</sup> Interest rate equal to LIBOR (subject to a floor) or another index rate, in each case plus a specified margin

<sup>(2)</sup> Represents the rate as of October 26, 2012

<sup>(3)</sup> Interest rate equal to LIBOR or another index rate, in each case plus a specified margin

(4) Represents the rate as of September 30, 2012

(5) Includes amounts that will be redeemed in November 2012 pursuant to an irrevocable notice of redemption

Borrowings under the Pacific Term Loans must be repaid annually in an amount equal to 1% per year of the original principal amount of the respective loans (to be paid in equal quarterly installments). The remaining unamortized principal amounts under the Pacific Term Loans are due on their final maturity dates. The Pacific Revolving Facility is currently undrawn.

**Key Financial Covenants.** Our obligations under the Pacific Facilities are guaranteed by substantially all of our domestic subsidiaries (the “Guarantors”) and secured by a first lien on our Pacific route authorities and certain related assets. Like our other secured debt instruments, the Pacific Facilities include affirmative, negative and financial covenants that restrict our ability to, among other things, make investments, sell or otherwise dispose of collateral if we are not in compliance with the collateral coverage ratio test described below, pay dividends or repurchase stock. The financial covenants require us to maintain the minimum levels shown in the table below:

|   |               |
|---|---------------|
| Minimum Fixed Charge Coverage Ratio <sup>(1)</sup>                                | 1.20:1        |
| Minimum Unrestricted Liquidity  |               |
| Unrestricted cash, permitted investments, and undrawn revolving credit facilities | \$2.0 billion |
| Minimum Collateral Coverage Ratio <sup>(2)</sup>                                  | 1.60:1        |

(1) Defined as the ratio of (a) earnings before interest, taxes, depreciation, amortization and aircraft rent, and other adjustments to net income to (b) the sum of gross cash interest expense (including the cash interest portion of our capitalized lease obligations) and cash aircraft rent expense, for the 12-month period ending as of the last day of each fiscal quarter.

(2) Defined as the ratio of (a) the value of the collateral to (b) the sum of the aggregate outstanding obligations under the Pacific Facilities and certain other obligations.

Under the Pacific Facilities, if the Minimum Collateral Coverage Ratio is not maintained, we must either provide additional collateral to secure our obligations, or we must repay the loans under the facilities by an amount necessary to maintain compliance with the collateral coverage ratio. The value of the collateral that has been pledged may change over time, which may be reflected in appraisals of collateral required by the Pacific Facilities. These changes could result from factors that are not under our control. A decline in the value of collateral could result in a situation where we may not be able to maintain the collateral coverage ratio.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### September 2012 Quarter Financial Highlights

Our net income for the September 2012 quarter was \$1.0 billion, or \$1.23 per diluted share. Total operating revenue increased \$107 million, or 1%, over the September 2011 quarter, primarily due to higher passenger revenue due to yield improvement. Fuel expense decreased due to fuel hedge results and a 2% decline in consumption.

Passenger revenue increased \$124 million due to a 3% year over year improvement in passenger mile yield on 1% lower traffic, while capacity declined 2%. Passenger revenue per available seat mile ("PRASM") increased 3% over the September 2011 quarter, reflecting higher revenue under corporate travel contracts and improvements in our products and services.

Total operating expense decreased \$341 million over the September 2011 quarter, driven primarily by lower fuel expense. Our fuel expense decreased \$672 million (including our contract carriers under capacity purchase agreements) compared to the September 2011 quarter due to fuel hedge gains and a 2% decrease in consumption. During the September 2012 quarter, we recorded gains of \$414 million due to changes in the fair value of our fuel hedge portfolio. The majority of these gains relate to mark-to-market adjustments for fuel hedges settling in future periods. Excluding mark-to-market adjustments recorded in periods other than the settlement period ("MTM adjustments"), our average fuel price for the quarter was \$3.14 per gallon, compared to \$3.09 per gallon for the September 2011 quarter.

Our consolidated operating cost per available seat mile ("CASM") for the September 2012 quarter decreased 2.3% to 13.83 cents from 14.16 cents in the September 2011 quarter, primarily reflecting the market gain on fuel hedges. For the September 2012 quarter, CASM-Ex was 8.55 cents, or 5.6% higher than the September 2011 quarter. The non-GAAP financial measures used in this paragraph are defined in "Supplemental Information" below.

### Strengthening the Balance Sheet

We will continue to focus on cash flow generation toward our goal of further strengthening our balance sheet. We finished the September 2012 quarter with \$5.1 billion in unrestricted liquidity (consisting of cash, cash equivalents, short-term investments and undrawn revolving credit facility capacity). During the first nine months of 2012, we generated \$1.9 billion in cash from operating activities, and we reduced debt by \$1.1 billion and funded capital expenditures while maintaining a solid liquidity position.

### Oil Refinery Acquisition

Jet fuel costs have continued to increase in recent years, making fuel expense our single largest expense. Because global demand for jet fuel and related products is increasing at the same time that jet fuel refining capacity is decreasing in the U.S. (particularly in the Northeast), the refining margin reflected in the prices we pay for jet fuel has increased. We purchased an oil refinery in June 2012 as part of our strategy to mitigate the increasing cost of the refining margin we are paying.

### Acquisition

On June 22, 2012 (the "Closing Date"), our wholly-owned subsidiary, Monroe Energy, LLC ("Monroe"), acquired the Trainer refinery located near Philadelphia, Pennsylvania from Phillips 66. Monroe invested \$180 million to acquire

the refinery. Monroe received a \$30 million grant from the Commonwealth of Pennsylvania. The acquisition includes pipelines and terminal assets that will allow the refinery to supply jet fuel to our airline operations throughout the Northeastern U.S., including our New York hubs at LaGuardia Airport and John F. Kennedy International Airport.

Prior to the transaction, Phillips 66 had shut down operations at the refinery. Monroe is making required capital improvements totaling approximately \$100 million to restart the refinery and bring it to its desired operating state.

## Refinery Operations and Strategic Agreements

The facility is capable of refining 185,000 barrels of crude oil per day. BP will supply crude oil used by the refinery under a three year agreement. The refinery will produce approximately 30% jet fuel after the capital improvements are completed. The refinery's remaining production will consist of gas, diesel and refined products ("non-jet fuel products"). Under a multi-year agreement, we will exchange a significant portion of the non-jet fuel products with Phillips 66 for jet fuel to be used in our airline operations. Substantially all of the remaining production of non-jet fuel products will be sold to BP under a long-term buy/ sale agreement effectively exchanging those non-jet fuel products for jet fuel. Our agreement with Phillips 66 requires us to deliver specified quantities of non-jet fuel products and they are required to deliver jet fuel to us. If we or Phillips 66 do not have the specified quantity and type of product available, the delivering party is required to procure any such shortage to fulfill its obligation under the agreement. Substantially all of the refinery's expected production of non-jet fuel products is included in these agreements.

### Refinery Start-Up

Production at the refinery restarted in September 2012. It is expected to reach its full refining capacity during the fourth quarter, at which time we expect to begin to realize the benefits of ownership of the refinery. We expect these benefits to be \$300 million on an annual basis. The results of the refinery's operations were not material in the September 2012 quarter.

### Pilot Agreement

During the June 2012 quarter, we reached an agreement with the Air Line Pilots Association, International ("ALPA") to modify the existing collective bargaining agreement covering Delta's pilots. The agreement, which was ratified by the pilots in June 2012, provides career growth opportunities as well as pay and benefits improvements for our pilots including increases to base pay and changes to our profit sharing program. The agreement will also provide Delta with productivity gains and support our domestic fleet restructuring.

### Domestic Fleet Restructuring

Our ongoing domestic fleet restructuring is focused on lowering unit costs while investing in our fleet to enhance the customer experience. As part of this effort, in July 2012, we finalized agreements with Southwest Airlines and The Boeing Company ("Boeing") to lease 88 B-717-200 aircraft. Delivery of the aircraft will begin next year, with 16 aircraft scheduled to enter our fleet in 2013. We will receive 36 aircraft deliveries in each of 2014 and 2015. The B-717-200 aircraft will primarily replace 50-seat regional jets on a capacity neutral basis. These B-717-200 are 110-seat aircraft and will feature new, fully upgraded interiors, with 12 First Class seats, 15 Economy Comfort seats and in-flight WiFi throughout the cabin. Including the B-717-200 aircraft, we estimate that our total lease payments will be approximately \$1.6 billion in 2013, \$1.6 billion in 2014, \$1.5 billion in 2015, \$1.4 billion in 2016 and \$8.8 billion after 2016.

Our domestic fleet restructuring also includes replacing older, less efficient mainline aircraft. During 2011, we entered into an agreement with Boeing to purchase 100 new fuel efficient B-737-900ER aircraft. We will add these aircraft to our fleet between 2013 and 2018, primarily replacing older B-757 and B-767 aircraft. The state-of-the-art B-737-900ER will offer an industry leading customer experience, including expanded carry-on baggage space and a spacious cabin. Additionally, we continue to upgrade our fleet with the addition of previously owned MD-90 jets.

We continue to assess our fleet and expect to add the aircraft discussed above on a capacity neutral basis, as we retire older less efficient aircraft. We continue to evaluate older, retiring fleets and related equipment for changes in depreciable life and/or impairment.





## New York Strategy

Strengthening our position in New York City continues to be an important part of our network strategy. As discussed below, key components of this strategy are operating a domestic hub at LaGuardia and creating a state-of-the-art facility at JFK. In May 2012, we announced new and expanded service to 10 popular leisure destinations (in addition to the service expansion discussed below) in the Caribbean, Bermuda, and Florida from LaGuardia and JFK. These flights are expected to begin operating in the December quarter of 2012.

LaGuardia. During December 2011, we closed transactions with US Airways where we received takeoff and landing rights (each a "slot pair") at LaGuardia in exchange for slot pairs at Reagan National. This exchange allows us to operate a new domestic hub at LaGuardia.

We have increased capacity at LaGuardia by 42%, adding 100 new flights and a total of 26 new destinations. The first phase of new flights began on March 25 and the second phase commenced on July 11. We currently operate about 260 daily flights between LaGuardia and 60 cities, which is more than any other airline.

We are also investing \$160 million in a renovation and expansion project at LaGuardia to enhance the customer experience. In early 2012, we broke ground on the connector linking Terminals C and D and in September 2012 we opened a new SkyClub in Terminal C. Ongoing investments include expanded security lanes and baggage handling system in both terminals as well as an expanded SkyClub in Terminal D.

JFK. While our expanded LaGuardia schedule is focused on providing industry-leading domestic service, we are optimizing our international and trans-continental flight schedule at JFK during 2012 to facilitate convenient connections for our passengers and improve coordination with our SkyTeam alliance partners.

At JFK, we currently operate domestic flights primarily at Terminal 2 and international flights at Terminal 3 and, to a lesser extent, Terminal 4. Our five-year \$1.2 billion renovation project at JFK, which began in 2010, is on schedule. The expansion and enhancement of Terminal 4, which includes the construction of nine new international gates, commenced in 2011 and is expected to be open in the spring of 2013. Upon completion of the Terminal 4 expansion, we will relocate our operations from Terminal 3 to Terminal 4, proceed with the demolition of Terminal 3, and thereafter conduct coordinated flight operations from Terminals 2 and 4. Once our project is complete, we expect that passengers will benefit from an enhanced customer experience and improved operational performance, including reduced taxi times and better on-time performance.

## Results of Operations - Three Months Ended September 30, 2012 and 2011

## Operating Revenue

| (in millions)           | Three Months Ended<br>September 30, |         | Increase<br>(Decrease) | % Increase<br>(Decrease) |    |
|-------------------------|-------------------------------------|---------|------------------------|--------------------------|----|
|                         | 2012                                | 2011    |                        |                          |    |
| Passenger:              |                                     |         |                        |                          |    |
| Mainline                | \$7,017                             | \$6,852 | \$165                  | 2                        | %  |
| Regional carriers       | 1,675                               | 1,716   | (41)                   | (2)                      | )% |
| Total passenger revenue | 8,692                               | 8,568   | 124                    | 1                        | %  |
| Cargo                   | 243                                 | 257     | (14)                   | (5)                      | )% |
| Other                   | 988                                 | 991     | (3)                    | —                        | %  |
| Total operating revenue | \$9,923                             | \$9,816 | \$107                  | 1                        | %  |

| (in millions)              | Three Months<br>Ended<br>September 30,<br>2012 | Increase (Decrease)<br>vs. Three Months Ended September 30, 2011 |                                  |                                   |                            |                      |       | Load<br>Factor |
|----------------------------|--|--|----------------------------------|-----------------------------------|----------------------------|----------------------|-------|----------------|
|                            |  | Passenger<br>Revenue   | RPMs <sup>(1)</sup><br>(Traffic) | ASMs <sup>(2)</sup><br>(Capacity) | Passenger<br>Mile<br>Yield | PRASM <sup>(3)</sup> |       |                |
| Domestic                   | \$3,690  | 4  | % 1                              | % 1                               | % 4                        | % 3                  | %(0.7 | )<br>pts       |
| Atlantic                   | 1,751  | (2   | )% (4                            | )% (5                             | )% 2                       | % 3                  | % 1.0 | pts            |
| Pacific                    | 1,108  | 5  | % 1                              | % (1                              | )% 3                       | % 6                  | % 2.0 | pts            |
| Latin America              | 468  | 3  | % 6                              | % 3                               | %(3                        | )% —                 | % 2.4 | pts            |
| Total Mainline             | 7,017  | 2  | % —                              | % (1                              | )% 3                       | % 3                  | % 0.3 | pts            |
| Regional carriers          | 1,675  | (2   | )% (8                            | )% (8                             | )% 6                       | % 6                  | %(0.5 | )<br>pts       |
| Total passenger<br>revenue | \$8,692  | 1  | % (1                             | )% (2                             | )% 3                       | % 3                  | % 0.3 | pts            |

(1) Revenue passenger miles (“RPMs”)

(2) Available seat miles (“ASMs”)

(3) Passenger revenue per ASM (“PRASM”)

Passenger Revenue. Passenger revenue increased \$124 million, or 1%, due to an improvement in the passenger mile yield due to higher revenue under corporate travel contracts and improvements in our products and services. Capacity decreased 1% in the domestic region and 3% in international regions.

International mainline passenger revenue increased \$19 million. Atlantic PRASM was up 3%, driven by a 2% increase in yield and a 5% reduction in capacity. Pacific passenger revenue increased 5% due to a 3% increase in yield.

## Operating Expense

| (in millions)                                      | Three Months Ended<br>September 30, |         | Increase<br>(Decrease) | % Increase<br>(Decrease) |   |
|--|-------------------------------------|---------|------------------------|--------------------------|---|
|  | 2012                                | 2011    |                        |                          |   |
| Aircraft fuel and related taxes                    | \$2,221                             | \$2,881 | \$(660)                | (23)                     | % |
| Salaries and related costs                         | 1,850                               | 1,717   | 133                    | 8                        | % |
| Contract carrier arrangements                      | 1,447                               | 1,432   | 15                     | 1                        | % |
| Aircraft maintenance materials and outside repairs | 493                                 | 428     | 65                     | 15                       | % |
| Passenger commissions and other selling expenses   | 440                                 | 480     | (40)                   | (8)                      | % |
| Contracted services                                | 402                                 | 419     | (17)                   | (4)                      | % |
| Depreciation and amortization                      | 392                                 | 384     | 8                      | 2                        | % |
| Landing fees and other rents                       | 360                                 | 342     | 18                     | 5                        | % |
| Passenger service                                  | 201                                 | 207     | (6)                    | (3)                      | % |
| Profit sharing                                     | 174                                 | 167     | 7                      | 4                        | % |
| Aircraft rent                                      | 65                                  | 72      | (7)                    | (10)                     | % |
| Restructuring and other items                      | 149                                 | 3       | 146                    | NM                       |   |
| Other  | 421                                 | 424     | (3)                    | (1)                      | % |
| Total operating expense                            | \$8,615                             | \$8,956 | \$(341)                | (4)                      | % |

Fuel Expense. Including contract carriers under capacity purchase agreements, fuel expense decreased \$672 million primarily due to fuel hedge gains and a 2% decline in consumption. The table below presents fuel expense, gallons consumed, and our average price per fuel gallon, including the impact of fuel hedge gains of \$414 million in the September 2012 quarter:

| (in millions, except per gallon data)   | Three Months Ended<br>September 30, |         | Increase<br>(Decrease) | % Increase<br>(Decrease) |   |
|---|-------------------------------------|---------|------------------------|--------------------------|---|
|   | 2012                                | 2011    |                        |                          |   |
| Aircraft fuel and related taxes <sup>(1)</sup>                                | \$2,221                             | \$2,881 | \$(660)                |                          |   |
| Aircraft fuel and related taxes included within contract carrier arrangements | 540                                 | 552     | (12)                   |                          |   |
| Total fuel expense  | \$2,761                             | \$3,433 | \$(672)                | (20)                     | % |
| Total fuel consumption (gallons)  | 1,021                               | 1,044   | (23)                   | (2)                      | % |
| Average price per fuel gallon   | \$2.71                              | \$3.29  | \$(0.58)               | (18)                     | % |

<sup>(1)</sup> Includes the impact of fuel hedge activity described further in the table below.

The table below shows the impact of hedging on fuel expense and average price per fuel gallon:

| (in millions, except per gallon data) | Three Months Ended<br>September 30, |         |         | Average Price Per Gallon<br>Three Months Ended |        |          |
|---------------------------------------|-------------------------------------|---------|---------|--|--------|----------|
|                                       | 2012                                | 2011    | Change  | September 30,                                  |        | Change   |
|                                       |                                     |         |         | 2012   | 2011   |          |
| Fuel purchase cost                    | \$3,175                             | \$3,322 | \$(147) | \$3.11   | \$3.18 | \$(0.07) |
| Fuel hedge (gains) losses             | (414)                               | )111    | (525)   | (0.40)   | )0.11  | (0.51)   |
| Total fuel expense                    | \$2,761                             | \$3,433 | \$(672) | \$2.71   | \$3.29 | \$(0.58) |
| MTM adjustments                       | 440                                 | (208)   | )648    | 0.43   | (0.20) | )0.63    |
| Total fuel expense, adjusted          | \$3,201                             | \$3,225 | \$(24)  | \$3.14   | \$3.09 | \$0.05   |

During the three months ended September 30, 2012, our fuel hedge gains of \$414 million included \$440 million in gains for MTM adjustments. These MTM adjustments are based on market prices as of the end of the reporting period for contracts settling in future periods. Such market prices are not necessarily indicative of the actual future value of the underlying hedge in the contract settlement period. Therefore, we adjust fuel expense for these items to arrive at a more meaningful measure of fuel cost. Our average price per fuel gallon, adjusted (a non-GAAP financial measure as defined in "Supplemental Information" below), was \$3.14 for the September 2012 quarter.

**Salaries and Related Costs.** The increase in salaries and related costs is primarily due to employee pay increases, increases in pension expense and other benefits.

During the June 2012 quarter, we reached an agreement with ALPA that increases pay and benefits for our pilots. Our pilots and substantially all other employees received base pay increases on July 1, 2012 and will receive additional increases on January 1, 2013. These increases are designed both to recognize the upcoming change to the profit sharing program described below and to accelerate the planned 2013 pay increase for non-pilot employees.

**Aircraft Maintenance Materials and Outside Repairs.** Aircraft maintenance materials and outside repairs consists of costs associated with maintenance of aircraft used in our operations and maintenance sales to third parties by our MRO services business. The increase in maintenance costs is primarily due to our acceleration of certain maintenance events into the September 2012 quarter resulting in a lower total cost for those activities as well as initiatives to improve our operational reliability.

**Passenger Commissions and Other Selling Expenses.** The decrease in passenger commissions and other selling expenses is primarily due to lower booking fees and international commission rates.

**Profit Sharing.** Our broad based employee profit sharing program provides that, for each year in which we have an annual pre-tax profit, as defined by the terms of the program, we will pay a specified portion of that profit to employees. In determining the amount of profit sharing, the terms of the program specify the exclusion of special items, such as MTM adjustments and restructuring and other items, from pre-tax profit. During the June 2012 quarter, our profit sharing program was modified so that we will pay 10% of profits, on the first \$2.5 billion of annual profits effective with the plan year beginning January 1, 2013 compared to paying 15% of annual profits for the 2012 plan year. Under the program, we will continue to pay 20% of annual profits above \$2.5 billion.

**Restructuring and Other Items.** Due to the nature of amounts recorded within restructuring and other items, a year over year comparison is not meaningful. For a discussion of charges recorded in restructuring and other items, see Note 7 of the Notes to the Condensed Consolidated Financial Statements.

## Results of Operations - Nine Months Ended September 30, 2012 and 2011

## Operating Revenue

| (in millions)           | Nine Months Ended<br>September 30, |          | Increase<br>(Decrease) | % Increase<br>(Decrease) |   |
|-------------------------|------------------------------------|----------|------------------------|--------------------------|---|
|                         | 2012                               | 2011     |                        |                          |   |
| Passenger:              |                                    |          |                        |                          |   |
| Mainline                | \$19,323                           | \$18,186 | \$1,137                | 6                        | % |
| Regional carriers       | 5,046                              | 4,848    | 198                    | 4                        | % |
| Total passenger revenue | 24,369                             | 23,034   | 1,335                  | 6                        | % |
| Cargo                   | 749                                | 771      | (22)                   | (3)                      | % |
| Other                   | 2,950                              | 2,911    | 39                     | 1                        | % |
| Total operating revenue | \$28,068                           | \$26,716 | \$1,352                | 5                        | % |

| (in millions)              | Nine Months<br>Ended<br>September 30,<br>2012 | Increase (Decrease)<br>vs. Nine Months Ended September 30, 2011 |                                  |                                   |                            |                      |      | Load<br>Factor |  |
|----------------------------|---|---|----------------------------------|-----------------------------------|----------------------------|----------------------|------|----------------|--|
|                            |   | Passenger<br>Revenue  | RPMs <sup>(1)</sup><br>(Traffic) | ASMs <sup>(2)</sup><br>(Capacity) | Passenger<br>Mile<br>Yield | PRASM <sup>(3)</sup> |      |                |  |
| Domestic                   | \$10,611                                      | 7   | %1                               | %(1)                              | )%6                        | %7                   | %1.0 | pts            |  |
| Atlantic                   | 4,423   | 1   | %(4)                             | %(7)                              | )%5                        | %9                   | %2.8 | pts            |  |
| Pacific                    | 2,825   | 12  | %5                               | %3                                | %7                         | %9                   | %1.9 | pts            |  |
| Latin America              | 1,464   | 8   | %4                               | %1                                | %4                         | %7                   | %2.4 | pts            |  |
| Total Mainline             | 19,323  | 6   | %—                               | %(2)                              | )%6                        | %8                   | %1.7 | pts            |  |
| Regional carriers          | 5,046   | 4   | %(3)                             | %(4)                              | )%8                        | %9                   | %0.9 | pts            |  |
| Total passenger<br>revenue | \$24,369                                      | 6   | %—                               | %(2)                              | )%6                        | %8                   | %1.6 | pts            |  |

(1) Revenue passenger miles (“RPMs”)

(2) Available seat miles (“ASMs”)

(3) Passenger revenue per ASM (“PRASM”)

Passenger Revenue. Passenger revenue increased \$1.3 billion, or 6%, due to an improvement in the passenger mile yield of 6%, despite a 2% decline in capacity. Passenger mile yield and unit revenue increased due to fare increases, higher revenue under corporate travel contracts and improvements in our products and services.

International mainline passenger revenue increased \$469 million. Atlantic PRASM was up 9%, driven by a 5% increase in yield on a 7% decrease in capacity. In early 2011, we faced industry overcapacity in the transatlantic market and in connection with our joint venture partners, AirFrance-KLM and Alitalia, we have reduced capacity in underperforming markets. Pacific passenger revenue increased 12% on a 3% and 5% increase in capacity and traffic, respectively. These results reflect higher yield and traffic, as demand returned to levels seen prior to the March 2011 earthquake and tsunami in Japan.

## Operating Expense

| (in millions)                                      | Nine Months Ended<br>September 30, |          | Increase<br>(Decrease) | % Increase<br>(Decrease) |   |
|--|------------------------------------|----------|------------------------|--------------------------|---|
|  | 2012                               | 2011     |                        |                          |   |
| Aircraft fuel and related taxes                    | \$7,759                            | \$7,710  | \$49                   | 1                        | % |
| Salaries and related costs                         | 5,438                              | 5,183    | 255                    | 5                        | % |
| Contract carrier arrangements                      | 4,238                              | 4,142    | 96                     | 2                        | % |
| Aircraft maintenance materials and outside repairs | 1,602                              | 1,398    | 204                    | 15                       | % |
| Passenger commissions and other selling expenses   | 1,213                              | 1,289    | (76)                   | (6)                      | % |
| Contracted services                                | 1,177                              | 1,259    | (82)                   | (7)                      | % |
| Depreciation and amortization                      | 1,166                              | 1,141    | 25                     | 2                        | % |
| Landing fees and other rents                       | 1,012                              | 975      | 37                     | 4                        | % |
| Passenger service                                  | 559                                | 552      | 7                      | 1                        | % |
| Profit sharing                                     | 309                                | 175      | 134                    | NM                       |   |
| Aircraft rent                                      | 208                                | 224      | (16)                   | (7)                      | % |
| Restructuring and other items                      | 330                                | 154      | 176                    | NM                       |   |
| Other  | 1,233                              | 1,265    | (32)                   | (3)                      | % |
| Total operating expense                            | \$26,244                           | \$25,467 | \$777                  | 3                        | % |

Fuel Expense. Including contract carriers under capacity purchase agreements, fuel expense increased \$76 million because of an increase in our average price per fuel gallon, despite a 3% decrease in consumption. The table below presents fuel expense, gallons consumed, and our average price per fuel gallon, including the impact of fuel hedge losses of \$106 million during the nine months ended September 30, 2012:

| (in millions, except per gallon data)   | Nine Months Ended<br>September 30, |         | Increase<br>(Decrease) | % Increase<br>(Decrease) |   |
|---|------------------------------------|---------|------------------------|--------------------------|---|
|   | 2012                               | 2011    |                        |                          |   |
| Aircraft fuel and related taxes <sup>(1)</sup>                                | \$7,759                            | \$7,710 | \$49                   |                          |   |
| Aircraft fuel and related taxes included within contract carrier arrangements | 1,587                              | 1,560   | 27                     |                          |   |
| Total fuel expense  | \$9,346                            | \$9,270 | \$76                   | 1                        | % |
| Total fuel consumption (gallons)  | 2,875                              | 2,955   | (80)                   | (3)                      | % |
| Average price per fuel gallon   | \$3.25                             | \$3.14  | \$0.11                 | 4                        | % |

<sup>(1)</sup> Includes the impact of fuel hedge activity described further in the table below.

The table below shows the impact of hedging on fuel expense and average price per fuel gallon:

| (in millions, except per gallon data) | Nine Months Ended<br>September 30, |         |         | Average Price Per Gallon<br>Nine Months Ended |        |        |
|---------------------------------------|------------------------------------|---------|---------|---|--------|--------|
|                                       | 2012                               | 2011    | Change  | 2012  | 2011   | Change |
|                                       |                                    |         |         |   |        |        |
| Fuel purchase cost                    | \$9,240                            | \$9,373 | \$(133) | \$3.21  | \$3.17 | \$0.04 |
| Fuel hedge losses (gains)             | 106                                | (103)   | )209    | 0.04  | (0.03) | )0.07  |
| Total fuel expense                    | \$9,346                            | \$9,270 | \$76    | \$3.25  | \$3.14 | \$0.11 |
| MTM adjustments                       | 30                                 | (190)   | )220    | 0.01  | (0.07) | )0.08  |
| Total fuel expense, adjusted          | \$9,376                            | \$9,080 | \$296   | \$3.26  | \$3.07 | \$0.19 |

During the nine months ended September 30, 2012, our net fuel hedge losses of \$106 million included \$30 million in gains for MTM adjustments. These MTM adjustments are based on market prices as of the end of the reporting period

for contracts settling in future periods. Such market prices are not necessarily indicative of the actual future value of the underlying hedge in the contract settlement period. Therefore, we adjust fuel expense for these items to arrive at a more meaningful measure of fuel cost. Our average price per fuel gallon, adjusted (a non-GAAP financial measure as defined in "Supplemental Information" below), was \$3.26 for the nine months ended September 30, 2012.



**Salaries and Related Costs.** The increase in salaries and related costs is primarily due to employee pay increases, increases in pension expense and other benefits.

During the June 2012 quarter, we reached an agreement with ALPA that increases pay and benefits for our pilots. Our pilots and substantially all other employees received base pay increases on July 1, 2012 and will receive additional increases on January 1, 2013. These increases are designed both to recognize the upcoming change to the profit sharing program described below and to accelerate the planned 2013 pay increase for non-pilot employees.

**Aircraft Maintenance Materials and Outside Repairs.** Aircraft maintenance materials and outside repairs consists of costs associated with maintenance of aircraft used in our operations and maintenance sales to third parties by our MRO services business. The increase in maintenance costs is primarily due to the cyclical timing of maintenance events on our fleet, our acceleration of certain maintenance events into the September 2012 quarter resulting in a lower total cost for those activities as well as initiatives to improve our operational reliability.

**Passenger Commissions and Other Selling Expenses.** The decrease in passenger commissions and other selling expenses is primarily due to lower booking fees and international commission rates, partially offset by increases in sales.

**Contracted Services.** Contracted services expense improved year-over-year due primarily to the impact of severe winter storms on our operations in the March 2011 quarter.

**Profit Sharing.** Our broad based employee profit sharing program provides that, for each year in which we have an annual pre-tax profit, as defined by the terms of the program, we will pay a specified portion of that profit to employees. In determining the amount of profit sharing, the terms of the program specify the exclusion of special items, such as MTM adjustments and restructuring and other items, from pre-tax profit. During the June 2012 quarter, our profit sharing program was modified so that we will pay 10% of profits, on the first \$2.5 billion of annual profits effective with the plan year beginning January 1, 2013 compared to paying 15% of annual profits for the 2012 plan year. Under the program, we will continue to pay 20% of annual profits above \$2.5 billion.

**Restructuring and Other Items.** Due to the nature of amounts recorded within restructuring and other items, a year over year comparison is not meaningful. For a discussion of charges recorded in restructuring and other items, see Note 7 of the Notes to the Condensed Consolidated Financial Statements.

## Non-Operating Results

The following table shows the components of other expense, net:

| (in millions)                         | Three Months Ended<br>September 30, |         | Favorable<br>(Unfavorable) | Nine Months Ended<br>September 30, |         | Favorable<br>(Unfavorable) |
|---------------------------------------|-------------------------------------|---------|----------------------------|------------------------------------|---------|----------------------------|
|                                       | 2012                                | 2011    |                            | 2012                               | 2011    |                            |
| Interest expense, net                 | \$(195)                             | \$(229) | )\$ 34                     | \$(623)                            | \$(683) | )\$ 60                     |
| Amortization of debt discount,<br>net | (48)                                | (48)    | )—                         | (148)                              | (141)   | (7)                        |
| Loss on extinguishment of<br>debt     | (12)                                | (5)     | (7)                        | (12)                               | (38)    | )26                        |
| Foreign currency exchange             | 5                                   | (30)    | )35                        | (11)                               | (25)    | )14                        |
| Miscellaneous, net                    | (6)                                 | (1)     | (5)                        | (16)                               | (10)    | (6)                        |
| Total other expense, net              | \$(256)                             | \$(313) | )\$ 57                     | \$(810)                            | \$(897) | )\$ 87                     |



## Income Taxes

The following table shows the components of our income tax (provision) benefit:

| (in millions)                                | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |        |   |
|--|-------------------------------------|--------|------------------------------------|--------|---|
|  | 2012                                | 2011   | 2012                               | 2011   |   |
| International and state income tax provision | \$(5                                | ) \$(4 | ) \$(11                            | ) \$(6 | ) |
| Alternative minimum tax refunds and other    | —                                   | 6      | —                                  | 83     |   |
| Income tax (provision) benefit               | \$(5                                | ) \$2  | \$(11                              | ) \$77 |   |

We consider all income sources, including other comprehensive income, in determining the amount of tax benefit allocated to continuing operations. During the three and nine months ended September 30, 2012, we did not record an income tax provision for U.S. federal income tax purposes since our deferred tax assets are fully reserved by a valuation allowance. For a discussion of our valuation allowance, see Note 9 to the Notes of the Condensed Consolidated Financial Statements.

## Operating Statistics

The following table sets forth our operating statistics:

| Consolidated <sup>(1)</sup>                            | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |         |   |
|--|-------------------------------------|---------|------------------------------------|---------|---|
|  | 2012                                | 2011    | 2012                               | 2011    |   |
| Revenue passenger miles (millions)                     | 53,828                              | 54,497  | 147,699                            | 147,792 |   |
| Available seat miles (millions)                        | 62,283                              | 63,262  | 176,073                            | 179,622 |   |
| Passenger mile yield                                   | 16.15                               | ¢ 15.72 | ¢ 16.50                            | ¢ 15.59 | ¢ |
| Passenger revenue per available seat mile              | 13.96                               | ¢ 13.54 | ¢ 13.84                            | ¢ 12.82 | ¢ |
| Operating cost per available seat mile (CASM)          | 13.83                               | ¢ 14.16 | ¢ 14.91                            | ¢ 14.18 | ¢ |
| CASM-Ex <sup>(2)</sup>                                 | 8.55                                | ¢ 8.10  | ¢ 8.85                             | ¢ 8.49  | ¢ |
| Passenger load factor                                  | 86.4                                | % 86.1  | % 83.9                             | % 82.3  | % |
| Fuel gallons consumed (millions)                       | 1,021                               | 1,044   | 2,875                              | 2,955   |   |
| Average price per fuel gallon <sup>(3)</sup>           | \$2.71                              | \$3.29  | \$3.25                             | \$3.14  |   |
| Average price per fuel gallon, adjusted <sup>(2)</sup> | \$3.14                              | \$3.09  | \$3.26                             | \$3.07  |   |
| Full-time equivalent employees, end of period          | 76,626                              | 79,709  |                                    |         |   |

(1) Includes the operations of our contract carriers under capacity purchase agreements. Full-time equivalent employees exclude employees of contract carriers that we do not own.

(2) Non-GAAP financial measure as defined in "Supplemental Information" below.

(3) Includes the impact of fuel hedge activity.

## Fleet Information

Our operating aircraft fleet, commitments, and options at September 30, 2012 are summarized in the following table:

| Aircraft Type | Current Fleet <sup>(1)</sup> |               |                 | Total | Average Age | Commitments <sup>(2)</sup> |       |         |
|---------------|------------------------------|---------------|-----------------|-------|-------------|----------------------------|-------|---------|
|               | Owned                        | Capital Lease | Operating Lease |       |             | Purchase                   | Lease | Options |
| B-717-200     | —                            | —             | —               | —     | —           | —                          | 88    | —       |
| B-737-700     | 10                           | —             | —               | 10    | 3.7         | —                          | —     | —       |
| B-737-800     | 73                           | —             | —               | 73    | 11.7        | —                          | —     | —       |
| B-737-900ER   | —                            | —             | —               | —     | —           | 100                        | —     | 30      |
| B-747-400     | 4                            | 9             | 3               | 16    | 18.9        | —                          | —     | —       |
| B-757-200     | 86                           | 36            | 33              | 155   | 19.2        | —                          | —     | —       |
| B-757-300     | 16                           | —             | —               | 16    | 9.6         | —                          | —     | —       |
| B-767-300     | 10                           | 2             | 3               | 15    | 21.5        | —                          | —     | —       |
| B-767-300ER   | 50                           | 5             | 3               | 58    | 16.5        | —                          | —     | 4       |
| B-767-400ER   | 21                           | —             | —               | 21    | 11.6        | —                          | —     | 6       |
| B-777-200ER   | 8                            | —             | —               | 8     | 12.7        | —                          | —     | —       |
| B-777-200LR   | 10                           | —             | —               | 10    | 3.5         | —                          | —     | 11      |
| B-787-8       | —                            | —             | —               | —     | —           | 18                         | —     | —       |
| A319-100      | 55                           | —             | 2               | 57    | 10.7        | —                          | —     | —       |
| A320-200      | 41                           | —             | 28              | 69    | 17.6        | —                          | —     | —       |
| A330-200      | 11                           | —             | —               | 11    | 7.5         | —                          | —     | —       |
| A330-300      | 21                           | —             | —               | 21    | 7.1         | —                          | —     | —       |
| MD-88         | 67                           | 50            | —               | 117   | 22.2        | —                          | —     | —       |
| MD-90         | 41                           | 8             | —               | 49    | 15.5        | 7                          | —     | —       |
| DC9-50        | 19                           | —             | —               | 19    | 34.4        | —                          | —     | —       |
| Embraer 175   | —                            | —             | —               | —     | —           | —                          | —     | 36      |
| Total         | 543                          | 110           | 72              | 725   | 16.6        | 125                        | 88    | 87      |

(1) Excludes certain aircraft we own or lease which are operated by third party contract carriers on our behalf shown in the table below.

(2) Excludes our orders for five A319-100 aircraft and two A320-200 aircraft because we have the right to cancel these orders.

The following table summarizes the aircraft fleet operated by third party contract carriers on our behalf at September 30, 2012:

| Carrier                     | Fleet Type |         |         |         |    | Embraer 170 | Embraer 175 | Total |
|-----------------------------|------------|---------|---------|---------|----|-------------|-------------|-------|
|                             | CRJ-200    | CRJ-700 | CRJ-900 | ERJ-145 |    |             |             |       |
| Pinnacle Airlines, Inc.     | 140        | —       | 57      | —       | —  | —           | —           | 197   |
| ExpressJet Airlines, Inc.   | 92         | 40      | 16      | —       | —  | —           | —           | 148   |
| SkyWest Airlines, Inc.      | 54         | 17      | 28      | —       | —  | —           | —           | 99    |
| Compass Airlines, Inc.      | —          | —       | —       | —       | 6  | 36          | —           | 42    |
| Shuttle America Corporation | —          | —       | —       | —       | 14 | 16          | —           | 30    |
| Chautauqua Airlines, Inc.   | —          | —       | —       | 26      | —  | —           | —           | 26    |
| GoJet Airlines, LLC         | —          | 22      | —       | —       | —  | —           | —           | 22    |
| Total                       | 286        | 79      | 101     | 26      | 20 | 52          | —           | 564   |

Pinnacle Airlines Corp. ("Pinnacle") along with Pinnacle Airlines Inc. and other of its subsidiaries, filed for bankruptcy in April 2012. We do not believe that Pinnacle's bankruptcy filing will have a material effect on our operations or financial statements.

## Financial Condition and Liquidity

We expect to meet our cash needs for the next 12 months from cash flows from operations, cash and cash equivalents, short-term investments and financing arrangements. As of September 30, 2012, we had \$5.1 billion in unrestricted liquidity, including \$1.9 billion in availability under credit facilities.

**Debt and Capital Leases.** At September 30, 2012, total debt and capital leases, including current maturities, was \$12.7 billion, a \$1.1 billion reduction from December 31, 2011. Our ability to obtain additional financing, if needed, on acceptable terms could be adversely affected by the fact that a significant portion of our assets are subject to liens.

In July 2012, we completed a \$480 million offering of Pass Through Certificates, Series 2012-1 ("2012-1 EETC") through a pass through trust. The 2012-1 EETC has a weighted average interest rate of 5.31% and matures in May 2020. We used the proceeds to refinance aircraft securing the Delta 2002-1 EETC, a portion of which matured on July 2, 2012. We also used the proceeds to refinance aircraft securing the Northwest 2001-2 EETC, which was scheduled to mature in August 2013 but was prepaid in the September 2012 quarter.

In October 2012, we entered into senior secured credit facilities (the "Pacific Facilities") to borrow up to \$2.0 billion. The Pacific Facilities consist of two first lien term loan facilities (the "Pacific Term Loans") and a \$450 million revolving credit facility (the "Pacific Revolving Facility"). In connection with entering into the Pacific Facilities, we retired \$1.2 billion principal amount of outstanding debt, including a term loan facility, senior secured and senior second lien notes, and terminated an existing undrawn \$500 million revolving credit facility.

**Pension Obligations.** We sponsor defined benefit pension plans for eligible employees and retirees. These plans are closed to new entrants and are frozen for future benefit accruals. During the nine months ended September 30, 2012, we contributed \$678 million to our defined benefit pension plans. As a result of these contributions, we satisfied, on an accelerated basis, the minimum required contributions for our defined benefit pension plans for 2012.

## Sources and Uses of Cash

### Cash Flows from Operating Activities

Cash provided by operating activities totaled \$1.9 billion and \$1.7 billion for the nine months ended September 30, 2012 and 2011, respectively, primarily reflecting net income after adjusting for items such as depreciation and amortization and seasonal variations in the demand for air travel.

During the nine months ended September 30, 2012, cash provided by operating activities was reduced by \$678 million in pension funding and \$264 million in profit sharing payments for 2011. During the nine months ended September 30, 2011, cash provided by operating activities was reduced by \$313 million in profit sharing payments for 2010 and decreases in accounts payable and other accrued liabilities.

### Cash Flows from Investing Activities

The following table shows the components of net cash used in investing activities:

| (in millions)             | Nine Months Ended |         |
|---------------------------|-------------------|---------|
|                           | September 30,     |         |
|                           | 2012              | 2011    |
| Flight equipment          | \$(885)           | \$(676) |
| Technology and facilities | (287)             | (210)   |
| Oil refinery (see Note 2) | (258)             | —       |

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|                                       |          |      |          |   |
|---------------------------------------|----------|------|----------|---|
| Short-term investments and other      | 1        | (200 | )        |   |
| Net cash used in investing activities | \$(1,429 | )    | \$(1,086 | ) |

Flight equipment primarily includes (1) investments in full flat-bed seats in BusinessElite and other interior upgrades; (2) purchase and modifications of recently acquired MD-90s; and (3) other aircraft modifications and parts.

Technology and facilities consists of improvements in delta.com and mobile apps and investments at our airports at LaGuardia and JFK. Net purchases of short-term investments and other in 2011 represents the net purchase of treasury bills, which are reflected as short-term investments on our Consolidated Balance Sheets.

### Cash Flows from Financing Activities

Cash used in financing activities totaled \$0.9 billion for the nine months ended September 30, 2012, reflecting the repayment of \$1.4 billion in long-term debt and capital lease obligations, partially offset by a \$73 million net increase in the fuel card obligation. We also completed the \$480 million 2012-1 EETC offering.

Cash used in financing activities totaled \$1.2 billion for the nine months ended September 30, 2011, reflecting the repayment of \$2.0 billion in long-term debt and capital lease obligations, partially offset by \$1.0 billion in proceeds from aircraft financing.

### Critical Accounting Policies and Estimates

For information regarding our Critical Accounting Policies and Estimates, see the "Critical Accounting Policies and Estimates" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K.

### Recent Accounting Standards

#### Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued "Testing Indefinite-Lived Intangible Assets for Impairment." The standard gives companies the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired rather than calculating the fair value of the indefinite-lived intangible asset. It is effective prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. We adopted this standard and will apply the provisions to our annual indefinite-lived intangible asset impairment tests in the December 2012 quarter. The adoption of this standard will not have a material impact on our Consolidated Financial Statements.



## Supplemental Information

We sometimes use information ("non-GAAP financial measures") that is derived from the Consolidated Financial Statements, but that is not presented in accordance with accounting principles generally accepted in the U.S. ("GAAP"). Under the U.S. Securities and Exchange Commission rules, non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. The tables below show reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures.

To determine our average price per fuel gallon, adjusted, we exclude mark-to-market adjustments on fuel hedges recorded in periods other than the settlement period ("MTM adjustments"). These MTM adjustments are based on market prices as of the end of the reporting period for contracts settling in future periods. Such market prices are not necessarily indicative of the actual future value of the underlying hedge in the contract settlement period. Therefore, we adjust fuel expense for these items to arrive at a more meaningful measure of fuel cost.

|  | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |        |   |
|--|-------------------------------------|--------|------------------------------------|--------|---|
|  | 2012                                | 2011   | 2012                               | 2011   |   |
| Consolidated   |                                     |        |                                    |        |   |
| Average price per fuel gallon <sup>(1)</sup>           | \$2.71                              | \$3.29 | \$3.25                             | \$3.14 |   |
| MTM adjustments  | 0.43                                | (0.20) | ) 0.01                             | (0.07  | ) |
| Average price per fuel gallon, adjusted <sup>(2)</sup> | \$3.14                              | \$3.09 | \$3.26                             | \$3.07 |   |

<sup>(1)</sup> Includes fuel expense incurred under contract carriers arrangements and the impact of fuel hedge activity.

<sup>(2)</sup> Includes the impact of fuel hedges settling during the period.

In addition to MTM adjustments, we exclude the following items from CASM to determine CASM-Ex:

- Aircraft fuel and related taxes. The volatility in fuel prices impacts the comparability of year-over-year financial performance. Management believes the exclusion of aircraft fuel and related taxes (including our contract carriers under capacity purchase arrangements) allows investors to better understand and analyze our non-fuel costs and our year-over-year financial performance.

• Ancillary businesses. Ancillary businesses are not related to the generation of a seat mile. These businesses include aircraft maintenance and staffing services we provide to third parties and our vacation wholesale operations.

• Profit sharing. Management believes the exclusion of this item provides a more meaningful comparison of our results to the airline industry and prior years' results.

• Restructuring and other items. Management believes the exclusion of this item is helpful to investors to evaluate our recurring core operational performance in the period shown.

|                                 | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |         |   |
|---------------------------------|-------------------------------------|---------|------------------------------------|---------|---|
|                                 | 2012                                | 2011    | 2012                               | 2011    |   |
| CASM                            | 13.83                               | ¢ 14.16 | ¢ 14.91                            | ¢ 14.18 | ¢ |
| Items excluded:                 |                                     |         |                                    |         |   |
| Aircraft fuel and related taxes | (5.13                               | ) (5.09 | ) (5.32                            | ) (5.05 | ) |
| Ancillary businesses            | (0.34                               | ) (0.38 | ) (0.39                            | ) (0.34 | ) |
| Profit sharing                  | (0.28                               | ) (0.26 | ) (0.18                            | ) (0.10 | ) |
| Restructuring and other items   | (0.24                               | ) —     | ) (0.19                            | ) (0.09 | ) |
| MTM adjustments                 | 0.71                                | (0.33   | ) 0.02                             | (0.11   | ) |

CASM-Ex

8.55

¢ 8.10

¢ 8.85

¢ 8.49

¢

30

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## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Form 10-K, other than those discussed below.

The following sensitivity analysis does not consider the effects of a change in demand for air travel, the economy as a whole or actions we may take to seek 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 are materially impacted by changes in aircraft fuel prices. We actively manage our fuel price risk through a hedging program intended to reduce the financial impact on us from changes in the price of jet fuel. The objective of the fuel hedging program is to generate a positive cash position to defray the cost of jet fuel purchases. This fuel hedging program utilizes several different contract and commodity types. The economic effectiveness of this hedge portfolio is frequently tested against our financial targets. The hedge portfolio is rebalanced from time to time according to market conditions, which may result in locking in gains or losses on hedge contracts prior to their settlement dates.

Our fuel hedge portfolio consists of call options; put options; combinations of two or more call options and put options; swap contracts; and futures contracts. The products underlying the hedge contracts include heating oil, crude oil, jet fuel and diesel fuel, as these commodities are highly correlated with the price of jet fuel that we consume. Our fuel hedge contracts contain margin funding requirements. The margin funding requirements may cause us to post margin to counterparties or may cause counterparties to post margin to us as market prices in the underlying hedged items change. If fuel prices change significantly from the levels existing at the time we enter into fuel hedge contracts, we may be required to post a significant amount of margin. We may adjust our hedge portfolio from time to time in response to margin posting requirements.

For the nine months ended September 30, 2012, aircraft fuel and related taxes, including our contract carriers under capacity purchase agreements, accounted for \$9.3 billion, or 36%, of our total operating expense. We recognized \$106 million of net fuel hedge losses during the nine months ended September 30, 2012, including \$30 million of mark-to-market gains primarily relating to hedge contracts settling in future periods.

The following table shows the projected cash impact to fuel cost assuming 10% and 20% increases or decreases in fuel prices. The hedge gain (loss) reflects the change in the projected cash settlement value of our open fuel hedge contracts at September 30, 2012 based on their contract settlement dates, assuming the same 10% and 20% changes.

| (in millions) | Period From October 1, 2012 to December 31, 2013               |                                     |            | Fuel Hedge<br>Margin Received<br>from (Posted to)<br>Counterparties |
|---------------|--|-------------------------------------|------------|---|
|               | (Increase) Decrease<br>to Unhedged Fuel<br>Cost <sup>(1)</sup> | Hedge (Loss)<br>Gain <sup>(2)</sup> | Net Impact |   |
| + 20%         | \$(2,800   | ) \$(90                             | ) \$(2,890 | ) \$80  |
| + 10%         | (1,400   | ) 120                               | (1,280     | ) 20  |
| - 10%         | 1,400  | (70                                 | ) 1,330    | 50  |
| - 20%         | 2,800  | (290                                | ) 2,510    | (60   |

Projections based upon the (increase) decrease to unhedged fuel cost as compared to the jet fuel price per gallon of

<sup>(1)</sup> \$3.14, excluding transportation costs and taxes, at September 30, 2012 and estimated fuel consumption of 4.6 billion gallons for the period from October 1, 2012 to December 31, 2013.

<sup>(2)</sup>

Projections based on average futures prices by contract settlement month compared to futures prices at September 30, 2012.

#### ITEM 4. CONTROLS AND PROCEDURES

Our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. Our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the controls and procedures were effective as of September 30, 2012 to ensure that material information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Except as set forth below, during the three months ended September 30, 2012, we did not make any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On June 22, 2012, our wholly-owned subsidiary, Monroe Energy, LLC, acquired an oil refinery located near Philadelphia, Pennsylvania. The refinery became operational in the September 2012 quarter and management is currently evaluating policies, processes, technology and operations for the refinery. Management will continue to evaluate our internal control over financial reporting as we review the oil refinery activities.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Delta Air Lines, Inc.

We have reviewed the consolidated balance sheet of Delta Air Lines, Inc. (the Company) as of September 30, 2012, and the related condensed consolidated statements of operations and comprehensive income for the three-month and nine-month periods ended September 30, 2012 and 2011, and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2012 and 2011. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Delta Air Lines, Inc. as of December 31, 2011 and the related consolidated statements of operations, stockholders' deficit, and cash flows for the year ended December 31, 2011 and in our report dated February 10, 2012, we expressed an unqualified opinion on those consolidated financial statements.

Atlanta, Georgia  
October 26, 2012

/s/ Ernst & Young LLP

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

“Item 3. Legal Proceedings” of our Form 10-K includes a discussion of other legal proceedings. There have been no material changes from the legal proceedings described in our Form 10-K.

### ITEM 1A. RISK FACTORS

“Item 1A. Risk Factors” of our Form 10-K includes a discussion of our risk factors. The information below updates, and should be read in conjunction with, the risk factors and information disclosed in our Form 10-K. Except as presented below, there have been no material changes from the risk factors described in our Form 10-K.

Our business and results of operations are dependent on the price and availability of aircraft fuel. High fuel costs or cost increases could have a materially adverse effect on our operating results. Likewise, significant disruptions in the supply of aircraft fuel would materially adversely affect our operations and operating results.

Our operating results are significantly impacted by changes in the price and availability of aircraft fuel. Fuel prices have increased substantially since the middle part of the last decade and have been extremely volatile during the last several years. In 2011, our average fuel price per gallon was \$3.06, a 31% increase from an average fuel price of \$2.33 in 2010. In 2010, our average fuel price per gallon was \$2.33, an 8% increase from an average fuel price of \$2.15 in 2009. In 2008, our average fuel price per gallon was \$3.16, a 41% increase from an average price of \$2.24 in 2007, which in turn was significantly higher than fuel prices just a few years earlier. Fuel costs represented 36%, 30% and 29% of our operating expense in 2011, 2010 and 2009, respectively. Volatility in fuel costs has had a significant negative effect on our results of operations and financial condition.

Our ability to pass along the increased costs of fuel to our customers may be affected by the competitive nature of the airline industry. We often have not been able to increase our fares to offset fully the effect of increased fuel costs in the past and we may not be able to do so in the future. In addition, our aircraft fuel purchase contracts do not provide material protection against price increases or assure the availability of our fuel supplies. We purchase most of our aircraft fuel under contracts that establish the price based on various market indices. We also purchase aircraft fuel on the spot market, from offshore sources and under contracts that permit the refiners to set the price.

We are currently able to obtain adequate supplies of aircraft fuel, but it is impossible to predict the future availability or price of aircraft fuel. In the future, we expect to acquire a significant amount of jet fuel from our wholly-owned subsidiary, Monroe, and through strategic agreements that Monroe has with BP and Phillips 66. Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in governmental policy concerning aircraft fuel production, transportation or marketing, environmental concerns and other unpredictable events may result in crude oil and fuel supply shortages and crude oil and fuel price increases in the future. Additional increases in fuel costs or disruptions in fuel supplies could have additional negative effects on us.

The operation of an oil refinery by our wholly-owned subsidiary may pose risks to our consolidated financial results of operations that are different from the risks associated with our airline operations.

Our wholly-owned subsidiary, Monroe, recently acquired an oil refinery complex located near Philadelphia, Pennsylvania. Our ability to acquire jet fuel from Monroe and through strategic agreements with BP and Phillips 66 is expected to reduce our exposure to increases in fuel costs. Monroe's operation of the refinery, however, may pose risks to our consolidated financial results of operations that are different from the risks associated with our airline

operations.

Operational. Disruptions or interruptions of production at the refinery could result from various sources including a major accident or mechanical failure, interruption of supply or delivery of crude oil, work stoppages relating to organized labor issues, or damage from severe weather or other natural or man-made disasters, including acts of terrorism. Because we plan to acquire a large amount of our jet fuel from Monroe, the disruption or interruption of production at the refinery could have an impact on our ability to acquire all of the jet fuel needed for our operations. If the refinery were to experience an interruption in operations, the financial benefits we expect to achieve from buying fuel from Monroe could be materially adversely affected (to the extent not recoverable through insurance) because of lost production and repair costs.

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Under the strategic agreement that Monroe has with Phillips 66, it will exchange non-jet fuel products for jet fuel for use in our airline operations. Monroe is required to deliver specified quantities of non-jet fuel products to Phillips 66 and Phillips 66 is required to deliver specified quantities of jet fuel to us. If either party does not have the specified quantity or type of product available, that party is required to procure any such shortage to fulfill its obligation under the exchange agreements. If the refinery experiences a significant interruption in operations, Monroe may be required to expend substantial amounts to purchase the products it is required to deliver, which could have a material adverse effect on our consolidated financial results of operations.

In addition, the strategic agreements utilize market prices for the products being exchanged. If Monroe's cost of producing the non-jet fuel products that it is required to deliver under these agreements exceeds the value it receives for those products, the financial benefits we expect to achieve through the ownership of the refinery and our consolidated results of operations could be materially adversely affected.

Insurance. Monroe's refining operations are subject to various hazards unique to refinery operations, including explosions, fires, toxic emissions and natural catastrophes. Monroe's insurance coverage does not cover all potential losses, costs or liabilities and Monroe could suffer losses for uninsurable or uninsured risks or in amounts greater than its insurance coverage. In addition, Monroe's ability to obtain and maintain adequate insurance may be affected by conditions in the insurance market over which it has not control. If Monroe were to incur a significant liability for which it is not fully insured or for which insurance companies do not or are unable to provide coverage, this could have a material adverse effect on our consolidated financial results of operations.

Environmental. Monroe's operations are subject to numerous environmental laws and extensive regulations, including those relating to the discharge of materials into the environment, waste management, pollution prevention measures, and greenhouse gas emissions. If Monroe violates or fails to comply with these laws and regulations, Monroe could be fined or otherwise sanctioned, which if significant could have a material adverse effect on our financial results. In addition, the enactment of new environmental laws and regulations, including any laws or regulations relating to greenhouse gas emissions, could significantly increase the level of expenditures required for environmental matters for Monroe.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We withheld the following shares of common stock to satisfy tax withholding obligations during the September 2012 quarter from the distributions described below. These shares may be deemed to be "issuer purchases" of shares that are required to be disclosed pursuant to this Item.

| Period         | Total Number of Shares Purchased <sup>(1)</sup> | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup> | Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plan or Programs |
|----------------|---|------------------------------|---|---|
| July 2012      | 4,095   | \$10.62                      | 4,095   | (1)   |
| August 2012    | 3,768   | \$9.16                       | 3,768   | (1)   |
| September 2012 | 10,026  | \$8.73                       | 10,026  | (1)   |
| Total          | 17,889  |                              | 17,889  |   |

<sup>(1)</sup> Shares were withheld from employees to satisfy certain tax obligations due in connection with grants of stock under the Delta Air Lines, Inc. 2007 Performance Compensation Plan (the "2007 Plan"). The 2007 Plan provides

for the withholding of shares to satisfy tax obligations. It does not specify a maximum number of shares that can be withheld for this purpose.

ITEM 6. EXHIBITS

(a) Exhibits

15 Letter from Ernst & Young LLP regarding unaudited interim financial information

31.1 Certification by Delta's Chief Executive Officer with respect to Delta's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012

31.2 Certification by Delta's Senior Vice President and Chief Financial Officer with respect to Delta's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012

32 Certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code by Delta's Chief Executive Officer and Senior Vice President and Chief Financial Officer with respect to Delta's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012

101.INSXBRL Instance Document

101.SCHXBRL Taxonomy Extension Schema Document

101.CALXBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LABXBRL Taxonomy Extension Labels Linkbase Document

101.PREXBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Delta Air Lines, Inc.  
(Registrant)

/s/ Michael O. Randolfi  
Michael O. Randolfi  
Senior Vice President - Finance and Controller  
(Principal Accounting Officer)

October 26, 2012