

DELTA AIR LINES INC /DE/

FORM 10-K405

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

Filed 03/28/02 for the Period Ending 12/31/01

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

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Filed 3/28/2002 For Period Ending 12/31/2001

Address	HARTSFIELD ATLANTA INTL AIRPORT 1030 DELTA BLVD ATLANTA, Georgia 30354-1989
Telephone	404-715-2600
CIK	0000027904
Industry	Airline
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Fiscal Year	12/31

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

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

COMMISSION FILE NUMBER 1-5424

DELTA AIR LINES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)
POST OFFICE BOX 20706, ATLANTA, GEORGIA
(Address of principal executive offices)

58-0218548
(IRS Employer
Identification No.)
30320-6001
(Zip code)

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

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value \$1.50 per share.....	New York Stock Exchange
Preferred Stock Purchase Rights.....	New York Stock Exchange
8 1/8% Notes Due July 1, 2039.....	New York Stock Exchange

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

NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of February 28, 2002, was approximately \$4.246 billion. On February 28, 2002, there were outstanding 123,232,371 shares of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I and II of this Form 10-K incorporate by reference certain information from the registrant's 2001 Annual Report to Shareowners. Part III

of this Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement dated March 25, 2002, for its Annual Meeting of Shareowners to be held on April 26, 2002.

DELTA AIR LINES, INC.

Forward-Looking Information

Statements in this Form 10-K (or otherwise made by Delta or on Delta's behalf) which are not historical facts, including statements about Delta's 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 Delta's present expectations. Factors that could cause these differences include, but are not limited to:

1. the many effects on Delta and the airline industry from the terrorist attacks on the United States on September 11, 2001, including the following:
 - the adverse impact of the terrorist attacks on the demand for air travel;
 - the change in Delta's operations and higher costs resulting from new airline security directives, including the Aviation and Transportation Security Act;
 - the availability and cost of war risk and other insurance for Delta;
 - the extent to which Delta receives additional financial assistance under the Air Transportation Safety and System Stabilization Act;
 - the credit downgrades of Delta and other airlines by Moody's and Standard & Poor's, and the possibility of additional downgrades, to the extent it makes it more difficult and/or more costly for us to obtain financing;
 - potential declines in the values of the aircraft in Delta's fleet or facilities and related asset impairment charges;
 - additional terrorist activity and/or war;
2. general economic conditions, both in the United States and in our markets outside the United States, including the extent of the weakening in the U.S. economy and the related decline in business and leisure travel;
3. competitive factors in our industry, such as mergers and acquisitions, the airline pricing environment, international alliances, codesharing programs, and capacity decisions by competitors;
4. outcomes of negotiations on collective bargaining agreements and other labor issues;
5. changes in the availability or cost of aircraft fuel or fuel hedges;

6. disruptions to operations due to adverse weather conditions and air traffic control-related constraints;
7. fluctuations in foreign currency exchange rates;
8. actions by the United States or foreign governments, including the Federal Aviation Administration and other regulatory agencies;
9. the willingness of customers to travel generally, and with Delta specifically, which could be affected by factors such as Delta's and the industry's safety record; and
10. the outcome of Delta's litigation.

Caution should be taken not to place undue reliance on Delta's forward-looking statements, which represent Delta's views only as of the date of this Form 10-K, and which Delta has no current intention to update.

PART I

ITEM 1. BUSINESS

General Description

Delta Air Lines, Inc. ("Delta" or the "Company") is a major air carrier that provides scheduled air transportation for passengers and freight throughout the United States and around the world. As of February 1, 2002, Delta (including its wholly owned subsidiaries Atlantic Southeast Airlines, Inc. ("ASA") and Comair, Inc. ("Comair")) served 208 domestic cities in 45 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, as well as 46 cities in 31 countries in Europe, Latin America, the Caribbean, Canada and Asia.

Based on calendar 2001 data, Delta is the second-largest airline in terms of passengers carried, and third-largest as measured by operating revenues and revenue passenger miles flown. Delta is the largest U.S. airline across the transatlantic, offering the most daily flight departures, serving the largest number of nonstop markets and carrying more passengers than any other U.S. airline.

For the year ended December 31, 2001, passenger revenues accounted for 93% of Delta's consolidated operating revenues. Cargo revenues and other sources accounted for 7% of the Company's consolidated operating revenues for that period. In 2001, Delta's operations in North America, the Atlantic, Latin America and the Pacific accounted for 81%, 13%, 4% and 2%, respectively, of its consolidated operating revenues.

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

Airline Operations

An important characteristic of Delta's route network is its four hub airports in Atlanta, Cincinnati, Dallas/Ft. Worth and Salt Lake City. Each of these hub operations includes Delta flights that gather and distribute traffic from markets in the geographic region surrounding the hub to other major cities and to other Delta hubs. Delta's hub and spoke system also provides passengers with access to Delta's principal international gateways in Atlanta and New York

- John F. Kennedy International Airport ("JFK"). As briefly discussed below, other key characteristics of Delta's route network include its alliances with foreign airlines, the Delta Connection Program, the Delta Shuttle and Delta Express.

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

Delta's international codesharing agreements enable Delta to market and sell seats to an expanded number of international destinations. Under codesharing arrangements, Delta and the foreign carriers publish their respective airline designator codes on a single flight operation, thereby allowing Delta and the foreign carrier to offer joint service with one aircraft rather than operating separate services with two aircraft. These arrangements typically allow Delta to sell seats on the foreign carrier's aircraft that are marketed under Delta's "DL" designator code and permit the foreign airline to sell seats on Delta's aircraft that are marketed under the foreign carrier's two-letter designator code. Delta has codeshare arrangements with Aerolitoral, Aeromexico, Air France, Air Jamaica, Alitalia, British European, China Airlines, China Southern, CSA Czech Airlines, El Al Israel Airlines, Korean Air, LAPA (Lineas Areas Privadas Argentinas), Royal Air Maroc and South African Airways.

In June 2000, Delta, Aeromexico, Air France and Korean Air launched the SkyTeam global airline alliance. Alitalia and CSA Czech Airlines joined SkyTeam in 2001. SkyTeam links the route networks of the member airlines and offers enhanced customer service through codesharing arrangements, reciprocal frequent flyer and lounge programs and coordinated cargo operations. In January 2002, Delta and its European SkyTeam partners received antitrust immunity from the U.S. Department of Transportation ("DOT"). The grant of antitrust immunity enables Delta and its European partners to offer a more integrated route network, and develop common sales, marketing and discount programs for customers.

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

Delta has marketing arrangements with four regional carriers to operate regional jets and turboprop aircraft using Delta's "DL" code. ASA and Comair are wholly owned subsidiaries of Delta which operate all of their flights under Delta's code. Delta has marketing agreements with Atlantic Coast Airlines and SkyWest Airlines, which operate some of their flights using Delta's code. For information regarding Delta's agreements with Atlantic Coast Airlines and SkyWest Airlines, see Note 11 of the Notes to the Consolidated Financial Statements on page 43 of Delta's 2001 Annual Report to Shareowners, which is incorporated by reference.

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

Delta Express. Delta Express is the Company's low-fare, leisure-oriented service which provides flights from certain cities in the Northeast and Midwest to four Florida destinations.

September 11, 2001 Terrorist Attacks

On September 11, 2001, four commercial aircraft were hijacked by terrorists and crashed into The World Trade Center in New York City, the Pentagon in northern Virginia and a field in

Pennsylvania. These attacks resulted in an overwhelming loss of life and extensive property damage. Immediately after the terrorist attacks, the Federal Aviation Administration ("FAA") closed U.S. airspace, prohibiting all flights to, from and within the United States. Airports reopened on September 13, 2001, except for Washington, D.C. - Ronald Reagan National Airport, which partially reopened on October 4, 2001.

When flights were permitted to resume, Delta's passenger traffic and yields were significantly lower than before the attacks. Additionally, new security directives required by the FAA increased Delta's costs and reduced its ability to continue its pre-September 11, 2001 schedule. Due to the significant reduction in traffic, Delta reduced its scheduled network capacity by 16%, effective November 1, 2001. In making these capacity reductions, Delta's goals were to keep its route network intact and to minimize the impact on its customers, while achieving significant cost reductions. Accordingly, Delta focused on (1) reducing operations on high-frequency routes with high potential for recapturing traffic; (2) suspending winter service in seasonal markets; (3) reducing international flying; (4) decreasing Delta Express capacity; and (5) using regional jets to maintain presence and to provide mainline connecting traffic.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act ("Stabilization Act"), which is intended to preserve the viability of the U.S. air transportation system. Among other things, the Stabilization Act (1) provides for payments from the U.S. Government totaling \$5 billion to compensate U.S. air carriers for losses incurred from September 11, 2001 through December 31, 2001 as a result of the September 11 terrorist attacks; and (2) authorizes, subject to certain conditions, the issuance of federal loan guarantees totaling up to \$10 billion to U.S. air carriers.

For additional information about the September 11 terrorist attacks and the Stabilization Act, see "Business Environment" and "Outlook" on pages 12-13, and Note 2 of the Notes to the Consolidated Financial Statements on pages 32-33, of Delta's 2001 Annual Report to Shareowners, which are incorporated by reference.

Seasonality and Other Factors that Impact Demand for Air Travel

In general, demand for air travel is higher in the June and September quarters, particularly in international markets, because there is more vacation travel during these periods than during the remainder of the year. Demand for air travel is also affected by factors such as economic conditions, fare levels and weather conditions. In addition, demand for air travel at particular airlines may be impacted from time to time by, among other things, actual or threatened disruptions to operations due to labor issues. Due to these and other factors, operating results for an interim period are not necessarily indicative of operating results for an entire year, and operating results for an historical period are not necessarily indicative of operating results for a future period.

Regulatory Matters

The DOT and the FAA exercise regulatory authority over air transportation in the United States. The DOT has authority to issue certificates of public convenience and necessity required

for airlines to provide domestic air transportation. An air carrier which the DOT finds "fit" to operate is given unrestricted authority to operate domestic air transportation (including the carriage of passengers and cargo). Except for constraints imposed by Essential Air Service regulations, which are applicable to certain small communities, airlines may terminate service to a city without restriction.

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

Authority to operate international routes is regulated by the DOT and by the foreign governments involved. International route awards are also subject to the approval of the President of the United States for conformance with national defense and foreign policy objectives.

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

Fares and Rates

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

Route Authority

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

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

Competition

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

International marketing alliances formed by domestic and foreign carriers, such as the Star Alliance (among United Airlines, Lufthansa German Airlines and others), the oneworld alliance (among American Airlines, British Airways and others) and the Wings Alliance (between Northwest Airlines and KLM-Royal Dutch Airlines), have significantly increased competition in international markets. Through marketing and codesharing arrangements with United States carriers, foreign carriers have obtained access to interior United States passenger traffic. Similarly, United States carriers have increased their ability to sell international transportation such as transatlantic services to and beyond European cities.

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

Delta regularly monitors competitive developments in the airline industry, and evaluates its strategic alternatives. These strategic alternatives include, among other things, internal growth, codesharing arrangements, marketing alliances, joint ventures, and mergers and acquisitions. Delta's evaluations involve internal analysis and, where appropriate, discussions with third parties.

Airport Access

Operations at four major United States airports and certain foreign airports served by Delta are regulated by governmental entities through "slot" allocations. Each slot represents the authorization to land at, or take off from, the particular airport during a specified time period.

In the United States, the FAA currently regulates slot allocations at O'Hare International Airport in Chicago, JFK and La Guardia Airport in New York and Ronald Reagan National Airport in Washington, D.C. Delta's operations at those four airports generally require slot allocations. Under legislation enacted by Congress, slot rules will be phased out at O'Hare International Airport on July 1, 2002, and at JFK and La Guardia Airport by 2007.

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

Possible Legislation or DOT Regulation

A number of Congressional bills and proposed DOT regulations have been considered in recent years to address airline competition issues. Some of these proposals would require large airlines with major operations at certain airports to divest or make available to other airlines slots, gates, facilities and other assets at those airports. Other measures would limit the service or pricing responses of major carriers that appear to target new entrant airlines. These proposals, if enacted, could negatively impact Delta's ability to respond to competitive actions by other airlines.

Computer Reservations System Partnership

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

CRS services are used primarily by travel agents to book airline, hotel, car rental and other travel reservations and issue airline tickets. The CRS industry is highly competitive. CRS services are provided by several companies in the United States and worldwide. In the United States, other CRS competitors are SABRE, Galileo International and AMADEUS. CRS vendors are subject to regulations promulgated by the DOT and certain foreign governments.

Fuel

Delta's results of operations can be significantly impacted by changes in the price and availability of jet fuel. The following table shows Delta's jet fuel consumption and costs for 1999-2001.

Year	Gallons Consumed (Millions)	Cost (1) (Millions)	Average Price Per Gallon (1)	Percent of Operating Expenses (2)
	-----	-----	-----	-----
1999	2,779	\$1,421	51.13 (cent)	11%
2000	2,922	1,969	67.38	13
2001	2,649	1,817	68.60	12

1. Net of fuel hedge gains under Delta's fuel hedging program.

2. Excludes compensation recognized in 2001 under the Air Transportation Safety and System Stabilization Act and asset writedowns and other nonrecurring items in 1999, 2000 and 2001.

Aircraft fuel expense decreased 8% in 2001 compared to 2000. The average fuel price per gallon rose 2% to 68.60(cent). Total gallons consumed decreased 9% due primarily to the decrease in flights resulting from the September 11 terrorist attacks and the Comair pilot strike, as well as fuel efficiencies realized from Delta's fleet renewal efforts. Delta's fuel cost in 2001 and 2000 is shown net of fuel hedge gains of \$299 million and \$684 million, respectively. Approximately 58% and 67% of Delta's aircraft fuel requirements were hedged during 2001 and 2000, respectively.

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

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

Delta periodically enters into heating oil derivative contracts, such as forwards and options, to manage the risk associated with changes in aircraft fuel prices. Information regarding Delta's fuel hedging program is set forth under "Aircraft Fuel Price Risk" on page 22, and under "Fuel Hedge Contracts" in Note 4 of the Notes to the Consolidated Financial Statements on pages 35-36, of Delta's 2001 Annual Report to Shareowners, and is incorporated by reference.

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

Employee Matters

Railway Labor Act. Delta's relations with labor unions in the United States are governed by the Railway Labor Act. Under the Railway Labor Act, a labor union seeking to represent an unrepresented craft or class of employees is required to file with the National Mediation Board ("NMB") an application alleging a representation dispute, along with authorization cards signed by at least 35% of the employees in that craft or class. The NMB then investigates the dispute and, if it finds the labor union has obtained a sufficient number of authorization cards, conducts an election to determine whether to certify the labor union as the collective bargaining representative of that craft or class. Under the NMB's usual rules, a labor union will be certified as the representative of the employees in a craft or class only if more than 50% of those employees vote for union representation.

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

Collective Bargaining. At December 31, 2001, Delta, ASA and Comair had a total of 76,273 full-time equivalent employees. Approximately 18% of these employees are represented by unions. The following table presents certain information concerning the union representation of domestic employees of Delta, ASA and Comair.

EMPLOYEE GROUP	APPROXIMATE NUMBER OF EMPLOYEES REPRESENTED	UNION	AMENDABLE DATE OF COLLECTIVE BARGAINING AGREEMENT
Delta Pilots	9,000	Air Line Pilots Association, International	May 2005
Delta Flight Superintendents	220	Professional Airline Flight Control Association	December 2004
Delta Pilot Ground Training Instructors	150	Transport Workers Union of America	Initial contract in negotiation
ASA Pilots	1,370	Air Line Pilots Association, International	September 2002
ASA Flight Attendants	610	Association of Flight Attendants	September 2003
ASA Flight Dispatchers	50	Professional Airline Flight Control Association	April 2006
Comair Pilots	1,300	Air Line Pilots Association, International	May 2006
Comair Maintenance Employees	400	International Association of Machinists and Aerospace Workers	May 2004
Comair Flight Attendants	700	International Brotherhood of Teamsters	Initial contract in negotiation

Delta is in collective bargaining negotiations with the Transport Workers Union of America ("TWU"), which represents Delta's approximately 150 pilot ground training instructors. Comair is in negotiations with the International Brotherhood of Teamsters ("IBT"), which represents Comair's approximately 700 flight attendants. The NMB appointed a mediator to participate in the Delta/TWU negotiations in January 2001 and the Comair/IBT negotiations in April 2000. The outcome of these collective bargaining negotiations cannot presently be determined.

On February 1, 2002, Delta's approximately 19,000 flight attendants rejected union representation by a 71% to 29% margin. The NMB is investigating charges of interference filed against Delta by the union. Delta believes these charges are without merit.

Labor unions are engaged in organizing efforts to represent various groups of employees of Delta, ASA and Comair who are not represented for collective bargaining purposes. The outcome of these organizing efforts cannot presently be determined.

Staffing Reduction Program. Due to the significant reduction in traffic following the September 11, 2001 terrorist attacks, Delta reduced its scheduled capacity by 16% effective November 1, 2001. As a result of these capacity reductions, Delta reduced its staffing levels by approximately 11,000 employees across all major work groups at December 31, 2001. Approximately 10,000 Delta employees participated in one of Delta's voluntary programs, which include leaves of absence, severance and an early retirement program. Involuntary reductions are expected to affect approximately 1,700 employees, which includes the furlough of approximately 1,400 pilots. Approximately 400 pilot furloughs occurred in 2001 and approximately 1,000 are expected to occur in 2002.

On November 1, 2001, the Air Line Pilots Association, International ("ALPA"), the union representing Delta pilots, filed a grievance asserting that Delta's plan to furlough approximately 1,400 pilots is not permitted under the collective bargaining agreement between Delta and ALPA. The collective bargaining agreement generally provides that no pilot on the seniority list as of July 1, 2001 will be placed on furlough, unless the furlough is caused by a circumstance beyond Delta's control, as defined in that agreement. In accordance with the collective bargaining agreement, the grievance will be decided by a neutral arbitrator. Delta believes that its planned pilot furloughs are caused by a circumstance beyond Delta's control within the meaning of the collective bargaining agreement and, therefore, that the grievance is without merit.

Environmental Matters

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

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

In February 1998, the EPA and the FAA signed a Memorandum of Agreement ("MOA") to develop a voluntary process with the airline industry to reduce emissions that lead to ozone formation. The MOA includes a proposal with a voluntary engine modification program to

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

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

Frequent Flyer Program

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

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

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

Delta estimated the potential number of round-trip flight awards outstanding under its frequent flyer program to be 11.2 million at December 31, 1999, 12.2 million at

December 31, 2000 and 13.1 million at December 31, 2001. Of these earned awards, Delta expected that approximately 8.4 million, 9.2 million and 9.6 million, respectively, would be redeemed. At December 31, 1999, 2000 and 2001, Delta had recorded a liability for these awards of \$179 million, \$199 million and \$226 million, respectively. The difference between the round-trip awards outstanding and the awards expected to be redeemed is the estimate, based on historical data, of awards which will (1) never be redeemed; or (2) be redeemed for something other than a free trip.

Frequent flyer program participants flew 2.1 million, 2.3 million and 2.4 million free round-trips on Delta in 1999, 2000 and 2001, respectively. These round-trips accounted for approximately 7% of the total passenger miles flown for 1999 and 2000 and approximately 8% for 2001. Delta believes that the low percentage of free passenger miles and the restrictions applied to free travel awards minimize the displacement of revenue passengers.

Civil Reserve Air Fleet Program

Delta is a participant in the Civil Reserve Air Fleet Program pursuant to which the Company has agreed to make available, during the period beginning October 1, 2001 and ending September 30, 2002, up to 88 of its international range aircraft for use by the United States military under certain stages of readiness related to national emergencies.

ITEM 2. PROPERTIES

Flight Equipment

Information relating to Delta's aircraft fleet is set forth in Notes 10 and 11 of the Notes to the Consolidated Financial Statements on pages 42-43, and on page 59 (the inside back cover), of Delta's 2001 Annual Report to Shareowners, and is incorporated by reference.

Ground Facilities

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

Delta leases ticket counter and other terminal space, operating areas and air cargo facilities in most of the airports which it serves. These leases generally run for periods of less than one year to thirty years or more, and contain provisions for periodic adjustment of lease rates. At most airports which it serves, Delta has entered into use agreements which provide for the non-exclusive use of runways, taxiways, and other facilities; landing fees under these agreements normally are based on the number of landings and weight of aircraft. The Company also leases aircraft maintenance facilities at certain airports; these leases generally require Delta

to pay the cost of providing, operating and maintaining such facilities. In addition to its Atlanta maintenance base, Delta's other major aircraft maintenance facilities are located at Cincinnati/Northern Kentucky International Airport, Dallas/Ft. Worth International Airport, Salt Lake City International Airport and Tampa International Airport. Delta leases marketing, ticket and reservations offices in certain major cities which it serves; these leases are generally for shorter terms than the airport leases. Additional information relating to Delta's ground facilities is set forth in Note 10 of the Notes to the Consolidated Financial Statements on pages 42-43 of Delta's 2001 Annual Report to Shareowners, and is incorporated by reference.

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

The City of Atlanta, with the support of Delta and other airlines, has begun a ten year capital improvement program (the "CIP") at Hartsfield Atlanta International Airport. Implementation of the CIP should increase the number of flights that may operate at the airport and reduce flight delays. The CIP includes, among other things, a new approximately 9,000 foot full-service runway (targeted for completion in December 2005), related airfield improvements, additional terminal and gate capacity, new cargo and other support facilities and roadway and other infrastructure improvements. If fully implemented, the CIP is currently estimated to cost approximately \$5.4 billion. The CIP runs through 2010, with individual projects scheduled to be constructed at different times. A combination of federal grants, passenger facility charge revenues, increased user rentals and fees, and other airport funds are expected to be used to pay CIP costs directly and through the payment of debt service on bonds. There is no assurance the CIP will be implemented on schedule and within budget, or that it will be fully implemented. Failure to implement certain portions of the CIP in a timely manner could adversely impact Delta's operations at Hartsfield Atlanta International Airport.

During 2001, Delta entered into lease and financing agreements with the Massachusetts Port Authority ("Massport") for the redevelopment and expansion of Terminal A at Boston's Logan International Airport. The completion of this project will enable Delta to consolidate all of its domestic operations at that airport into one location. Construction is currently expected to begin in the March 2002 quarter and to be completed during 2005. Project costs will be funded with \$498 million in proceeds from Special Facilities Revenue Bonds issued by Massport on August 16, 2001. Delta agreed to pay the debt service on the bonds under a long-term lease agreement with Massport and issued a guarantee to the bond trustee covering the payment of the debt service on the bonds. For additional information about these bonds, see Note 8 of the Notes to the Consolidated Financial Statements on pages 38-41 of Delta's 2001 Annual Report to Shareowners.

In October 2000, Delta announced plans for a \$1.6 billion terminal expansion and redevelopment project at JFK. As a result of the negative impact of the September 11 terrorist

attacks on its business, Delta discontinued the terms of this particular project and is reviewing other projects at JFK which have a different scope and design.

ITEM 3. LEGAL PROCEEDINGS

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

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

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

In both cases, plaintiffs have requested a jury trial, and are seeking injunctive relief; costs and attorneys' fees; and unspecified damages, to be trebled under the antitrust laws. There is pending before the District Court in both cases (1) plaintiffs' motion for class action certification; and (2) Delta's and the other defendants' motions for summary judgment.

In January 2002, a travel agent in North Carolina filed an amended purported class action lawsuit against numerous airlines, including Delta, in the U.S. District Court for the Eastern District of North Carolina on behalf of all travel agents in the United States which sold tickets from September 1, 1997 to the present on any of the defendant airlines. The lawsuit alleges that Delta and the other airline defendants conspired to fix travel agent commissions in violation of Section 1 of the Sherman Act. The plaintiff, who has requested a jury trial, is seeking injunctive relief; costs and attorneys' fees; and unspecified damages, to be trebled under the antitrust laws. Discovery has commenced and the case is currently set for trial in September 2002.

Pilot Retirement Benefits Lawsuits. In February 2001, a retired and an active Delta pilot filed a purported class action lawsuit against the Delta Pilots Retirement Plan (the "Retirement Plan") in the U.S. District Court for the Southern District of Illinois. The Retirement Plan is

sponsored and funded by Delta. The complaint (1) seeks to assert claims on behalf of a class consisting of certain groups of retired and active Delta pilots; (2) alleges that the calculation of the retirement benefits of the plaintiffs and the class violated the Retirement Plan and the Internal Revenue Code; and (3) seeks unspecified damages which plaintiffs state they believe to be in excess of \$1 billion. In March 2001, the District Court dismissed this lawsuit without prejudice for lack of venue. Plaintiffs have appealed to the U.S. Court of Appeals for the Seventh Circuit.

During the June 2001 quarter, Delta, the Retirement Plan and related nonqualified pilot retirement plans sponsored and funded by Delta were named as defendants in five purported class action lawsuits filed in federal district courts in California, Massachusetts, Ohio, New Mexico and New York. These cases, which assert claims that are substantially similar to the claims set forth in the lawsuit described in the preceding paragraph, seek unspecified damages. In October 2001, the Judicial Panel on Multidistrict Litigation granted Delta's motion to transfer these cases to the U.S. District Court for the Northern District of Georgia for coordinated or consolidated pretrial proceedings.

Travel Voucher Lawsuit. In May 2000, an individual filed an amended class action lawsuit against Delta in the Circuit Court of Jackson County, Missouri on behalf of all persons who relinquished their seats on an overbooked Delta flight in exchange for a travel voucher that may be redeemed for a round-trip, economy class Delta ticket. The complaint asserts claims for fraud, breach of contract and unjust enrichment. It alleges, among other things, that Delta failed to disclose that it limits the number of seats on each flight that may be obtained by redeeming travel vouchers. The plaintiff, who has requested a jury trial, is seeking unspecified damages. In September 2001, the Circuit Court (1) granted the plaintiff's motion for class action certification; and (2) denied Delta's motion for summary judgment.

Other Matters. Delta is a defendant in certain other legal actions relating to antitrust matters, employment practices, environmental issues and other matters concerning Delta's business. Although the ultimate outcome of these matters and the other legal matters discussed above in this Item 3 cannot be predicted with certainty, management believes that the resolution of these actions is not likely to have a material adverse effect on Delta's consolidated financial statements.

For a discussion of certain environmental matters, see "ITEM 1. Business - Environmental Matters" on pages 11-12 of this Form 10-K.

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

Not Applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

Leo F. Mullin Chairman of the Board and Chief Executive Officer, January 2000 to date; Chairman of the Board, President and Chief Executive Officer, October 1999 to January 2000; President and Chief Executive Officer, August 1997 to October 1999. Mr. Mullin was Vice Chairman of Unicom Corporation and its principal subsidiary, Commonwealth Edison Company, from 1995 to August 1997. He was an executive of First Chicago Corporation from 1981 to 1995, serving as that company's President and Chief Operating Officer from 1993 to 1995, and as Chairman and Chief Executive Officer of American National Bank, a subsidiary of First Chicago Corporation, from 1991 to 1993. Age 59.

Frederick W. Reid President and Chief Operating Officer, May 2001 to date; Executive Vice President and Chief Marketing Officer, July 1998 to May 2001. Mr. Reid was an executive of Lufthansa German Airlines from 1991 to June 1998, serving as President and Chief Operating Officer from April 1997 to June 1998, as Executive Vice President from 1996 to March 1997, and as Senior Vice President, The Americas, from 1991 to 1996. Age 51.

M. Michele Burns Executive Vice President and Chief Financial Officer, August 2000 to date; Senior Vice President - Finance and Treasurer, February 2000 to August 2000; Vice President - Finance and Treasurer, September 1999 to February 2000; Vice President - Corporate Tax, January 1999 to September 1999. Ms. Burns was a partner at Arthur Andersen LLP from 1991 to January 1999. Age 44.

Robert L. Colman Executive Vice President - Human Resources, October 1998 to date. Mr. Colman was an executive for the General Electric Corporation from October 1993 to October 1998, serving as Vice President - Human Resources for General Electric Aircraft Engines Business. Age 56.

Vicki B. Escarra Executive Vice President and Chief Marketing Officer, May 2001 to date; Executive Vice President - Customer Service, July 1998 to May 2001; Senior Vice President - Airport Customer Service, November 1996 through June 1998; Vice President - Airport Customer Service, August 1996 through October 1996; Vice President - Reservation Sales and Distribution Planning, May 1996 through July 1996; Vice President - Reservation Sales, November 1994 to May 1996. Age 49.

PART II

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

Information required by this item is set forth under "Common Stock" and "Market Prices and Dividends" on page 58 of Delta's 2001 Annual Report to Shareowners, and is incorporated by reference.

Under the Delta Air Lines, Inc. Directors' Deferred Compensation Plan ("Plan"), members of Delta's Board of Directors may defer for a specified period all or any part of their cash compensation earned as a director. A participating director may choose an investment return on the deferred amount from the investment return choices available under the Delta Family-Care Savings Plan, a qualified defined contribution pension plan for eligible Delta personnel. One of the investment return choices under the Delta Family-Care Savings Plan is a fund invested primarily in Delta's common stock ("Delta Common Stock Fund"). During the quarter ended December 31, 2001, participants in the Plan deferred \$35,500 in the Delta Common Stock Fund investment return choice (equivalent to 1,213 shares of Delta common stock at prevailing market prices). These transactions were not registered under the Securities Act of 1933, as amended, in reliance on Section 4(2) of that Act.

ITEM 6. SELECTED FINANCIAL DATA

Information required by this item is set forth on pages 56-57 of Delta's 2001 Annual Report to Shareowners, and is incorporated by reference.

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

Information required by this item is set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 12-23, and in the related "Glossary of Defined Terms" on page 11, of Delta's 2001 Annual Report to Shareowners, and is incorporated by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is set forth under "Market Risks Associated With Financial Instruments" on pages 21-23, and in Notes 3, 4 and 5 of the Notes to the Consolidated Financial Statements on pages 33-37, respectively, of Delta's 2001 Annual Report to Shareowners, and is incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item is set forth on pages 24-54, and in "Report of Independent Public Accountants" (which includes an explanatory paragraph that describes an accounting change discussed in Note 4 of the Notes to the Consolidated Financial Statements) on page 55, of Delta's 2001 Annual Report to Shareowners, and is incorporated by reference.

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

The Audit Committee of Delta's Board of Directors annually considers and recommends to the Board the selection of Delta's independent public accountants. As recommended by Delta's Audit Committee, Delta's Board of Directors on March 6, 2002 decided to no longer engage Arthur Andersen LLP ("Andersen") as Delta's independent public accountants and engaged Deloitte & Touche LLP to serve as Delta's independent public accountants for 2002. The appointment of Deloitte & Touche LLP is subject to ratification by Delta's shareowners at the 2002 annual meeting scheduled for April 26, 2002.

Andersen's reports on Delta's consolidated financial statements for the past two years did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. Andersen's report on Delta's consolidated financial statements for 2001 does not contain an adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles.

During Delta's two most recent fiscal years and through the date of this Form 10-K, there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen's satisfaction, would have caused them to make reference to the subject matter in connection with their report on Delta's consolidated financial statements for such years; and there were no reportable events, as listed in Item 304(a)(1)(v) of Regulation S-K.

Delta provided Andersen with a copy of the foregoing disclosures. Attached as Exhibit 16 to this Form 10-K is a copy of Andersen's letter stating its agreement with such statements.

During Delta's two most recent fiscal years and through March 6, 2002, Delta did not consult Deloitte & Touche LLP with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on Delta's consolidated financial statements, or any other matters or reportable events listed in Items 304(a)(2)(i) and (ii) of Regulation S-K.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this item is set forth under "Certain Information About Nominees" on pages 7-8, and under "Section 16 Beneficial Ownership Reporting Compliance" on page 32, of Delta's Proxy Statement dated March 25, 2002, and is incorporated by reference. Certain information regarding executive officers is contained in Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is set forth under "Compensation of Directors" on pages 10-11, under "Compensation Committee Interlocks and Insider Participation" on page 11, and on pages 19-26 (excluding the Stock Performance Graph on p. 26), of Delta's Proxy Statement dated March 25, 2002, and is incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is set forth under "Beneficial Ownership of Securities" on pages 12-14 of Delta's Proxy Statement dated March 25, 2002, and is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

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

(a)(1), (2). The financial statements and schedule required by this item are listed in the Index to Consolidated Financial Statements and Schedule on page 24 of this Form 10-K.

(3). The exhibits required by this item are listed in the Exhibit Index on pages 29-32 of this Form 10-K. The management contracts and compensatory plans or arrangements required to be filed as an exhibit to this Form 10-K are listed as Exhibits 10.2 to 10.16 in the Exhibit Index.

(b). During the quarter ended December 31, 2001, Delta filed the following Current Reports on Form 8-K, all of which were under Item 5 - Other Events and Regulation FD Disclosure:

- A Form 8-K dated October 16, 2001 to file certain exhibits to Delta's Registration Statement on Form S-3 (File No. 333-65218);
- A Form 8-K dated November 1, 2001 regarding Delta's September 2001 quarter financial results;
- A Form 8-K dated December 4, 2001 regarding amendments to certain of Delta's credit agreements and the downgrade of the credit rating of Delta's senior unsecured debt; and
- A Form 8-K dated December 21, 2001 regarding, among other things, a letter from Delta to certain investors and analysts concerning Delta's expected financial performance for the December 2001 quarter and a downgrade of the credit ratings of certain of Delta's debt securities.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 27th day of March, 2002.

DELTA AIR LINES, INC.

By: /s/ Leo F. Mullin

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 27th day of March, 2002 by the following persons on behalf of the registrant and in the capacities indicated.

Signature -----	Title -----
Edwin L. Artzt* ----- Edwin L. Artzt	Director

James L. Broadhead* Director James L. Broadhead

Edward H. Budd* Director Edward H. Budd

/s/ M. Michele Burns ----- M. Michele Burns	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
---	--

R. Eugene Cartledge* Director R. Eugene Cartledge

Signature -----	Title -----
Mary Johnston Evans* ----- Mary Johnston Evans	Director
George M.C. Fisher* ----- George M.C. Fisher	Director
David R. Goode* ----- David R. Goode	Director
Gerald Grinstein* ----- Gerald Grinstein	Director
/s/ Leo F. Mullin ----- Leo F. Mullin	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
John F. Smith, Jr.* ----- John F. Smith, Jr.	Director
Joan E. Spero* ----- Joan E. Spero	Director
Andrew J. Young* ----- Andrew J. Young	Director
*By: /s/ Leo F. Mullin ----- Leo F. Mullin	Attorney-In-Fact

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS - Incorporated herein by reference to "Report of Independent Public Accountants" on page 55 of Delta's 2001 Annual Report to Shareowners.

FINANCIAL STATEMENTS - All of which are incorporated herein by reference to Delta's 2001 Annual Report to Shareowners:

Consolidated Balance Sheets - December 31, 2001 and 2000

Consolidated Statements of Operations for the years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Shareowners' Equity for the years ended December 31, 2001, 2000 and 1999

Notes to the Consolidated Financial Statements

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

SCHEDULE SUPPORTING FINANCIAL STATEMENTS:

Schedule
Number

II Valuation and Qualifying Accounts for the years ended December 31, 2001, 2000 and 1999

All other schedules have been omitted as not applicable.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To Delta Air Lines, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in Delta Air Lines, Inc.'s annual report to shareowners incorporated by reference in this Form 10-K and have issued our report thereon dated January 23, 2002. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in the accompanying index is the responsibility of the company's management, is presented for purposes of complying with the Securities and Exchange Commission's rules, and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

*Atlanta, Georgia
January 23, 2002*

SCHEDULE II

**DELTA AIR LINES, INC.
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Amounts in Millions)

Column A	Column B	Column C		Column D	Column E
Description -----	Balance at Beginning of Period -----	Additions -----		Deductions- Describe -----	Balance at End of Period -----
		Charged to Costs and Expenses	Charged to Other Accounts- Describe		
DEDUCTION (INCREASE) IN THE BALANCE SHEET FROM THE ASSET TO WHICH IT APPLIES:					
Allowance for uncollectible accounts receivable	\$ 31	\$18	-	\$(6) (a)	\$ 43
RESERVE FOR RESTRUCTURING AND OTHER NONRECURRING CHARGES:					
	\$ 56	\$115	-	(50)(b)	\$ 121

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

(b) Represents payments made.

SCHEDULE II

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

(Amounts in Millions)

Column A	Column B	Column C		Column D	Column E
Description -----	Balance at Beginning of Period -----	----- Additions		Deductions- Describe -----	Balance at End of Period -----
		Charged to Costs and Expenses	Charged to Other Accounts- Describe		
DEDUCTION (INCREASE) IN THE BALANCE SHEET FROM THE ASSET TO WHICH IT APPLIES:					
Allowance for uncollectible accounts receivable	\$ 39	\$ 15	--	\$ (23)(a)	\$ 31
RESERVE FOR RESTRUCTURING AND OTHER NONRECURRING CHARGES:	\$ 41	\$ 22	--	\$ (7)(b)	\$ 56

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

(b) Represents payments made.

SCHEDULE II

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

(Amounts in Millions)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions- Describe	Balance at End of Period
-----	-----	Charged to Costs and Expenses	Charged to Other Accounts- Describe	-----	-----
DEDUCTION (INCREASE) IN THE BALANCE SHEET FROM THE ASSET TO WHICH IT APPLIES:					
Allowance for uncollectible accounts receivable	\$ 39	\$ 17	--	\$ (17) (a)	\$ 39
RESERVE FOR RESTRUCTURING AND OTHER NONRECURRING CHARGES:	\$ 39	\$ 21	--	\$ (19) (b)	\$ 41

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

(b) Represents payments made.

EXHIBIT INDEX

- 3.1. Delta's Certificate of Incorporation (Filed as Exhibit 3.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).*
- 3.2. Delta's By-Laws (Filed as Exhibit 3.2 to Delta's Annual Report on Form 10-K for the year ended June 30, 2000).*
- 4.1. Rights Agreement dated as of October 24, 1996, between Delta and First Chicago Trust Company of New York, as Rights Agent, as amended by Amendment No. 1 thereto dated as of July 22, 1999 (Filed as Exhibit 1 to Delta's Form 8-A/A Registration Statement dated November 4, 1996, and Exhibit 3 to Delta's Amendment No. 1 to Form 8-A/A Registration Statement dated July 30, 1999).*
- 4.2. Certificate of Designations, Preferences and Rights of Series B ESOP Convertible Preferred Stock and Series D Junior Participating Preferred Stock (Filed as part of Exhibit 3.1 of this Form 10-K).
- 4.3. Indenture dated as of March 1, 1983, between Delta and The Citizens and Southern National Bank, as trustee, as supplemented by the First and Second Supplemental Indentures thereto dated as of January 27, 1986 and May 26, 1989, respectively (Filed as Exhibit 4 to Delta's Registration Statement on Form S-3 (Registration No. 2-82412), Exhibit 4(b) to Delta's Registration Statement on Form S-3 (Registration No. 33-2972), and Exhibit 4.5 to Delta's Annual Report on Form 10-K for the year ended June 30, 1989).*
- 4.4. Third Supplemental Indenture dated as of August 10, 1998, between Delta and The Bank of New York, as successor trustee, to the Indenture dated as of March 1, 1983, as supplemented, between Delta and The Citizens and Southern National Bank of Florida, as predecessor trustee (Filed as Exhibit 4.5 to Delta's Annual Report on Form 10-K for the year ended June 30, 1998).*
- 4.5. Indenture dated as of April 30, 1990, between Delta and The Citizens and Southern National Bank of Florida, as trustee (Filed as Exhibit 4 (a) to Amendment No. 1 to Delta's Registration Statement on Form S-3 (Registration No. 33-34523)).*
- 4.6. First Supplemental Indenture dated as of August 10, 1998, between Delta and The Bank of New York, as successor trustee, to the Indenture dated as of April 30, 1990, between Delta and The Citizens and Southern National Bank of Florida, as predecessor trustee (Filed as Exhibit 4.7 to Delta's Annual Report on Form 10-K for the year ended June 30, 1998).*
- 4.7. Indenture dated as of May 1, 1991, between Delta and The Citizens and Southern National Bank of Florida, as Trustee (Filed as Exhibit 4 to Delta's Registration Statement on Form S-3 (Registration No. 33-40190)).*

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

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

4.10 Second Amendment dated as of November 9, 2001, to Credit Agreement dated as of May 2, 1997, by and among Delta, Certain Banks and Bank of America, N.A., successor to NationsBank, N.A. (South), as Agent Bank (Filed as Exhibit 99.1 to Delta's Current Report on Form 8-K dated December 4, 2001).*

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

4.12. Amendment No. 1 dated July 27, 1999, to the Note Purchase Agreement dated February 22, 1990, among the Delta Family-Care Savings Plan, as Issuer, Delta, as Guarantor, and Various Lenders relating to the Guaranteed Serial ESOP Notes (Filed as Exhibit 4.11 to Delta's Annual Report on Form 10-K for the year ended June 30, 1999).*

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

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

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

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

10.2. Form of Non-Qualified Stock Option Award Agreement, dated January 25, 1996, under Delta's 1989 Stock Incentive Plan (Filed as Exhibit 10.17 to Delta's Annual Report on Form 10-K for the year ended June 30, 1996).*

- 10.3. Form of Non-Qualified Stock Option Award Agreement, dated July 27, 2000, under Delta's 1989 Stock Incentive Plan (Filed as Exhibit 10.6 to Delta's Annual Report on Form 10-K for the year ended June 30, 2000).*
- 10.4. Form of Performance-Based Restricted Stock Award Agreement under Delta's 1989 Stock Incentive Plan. (Filed as Exhibit 10.7 to Delta's Annual Report on Form 10-K for the year ended June 30, 2000).*
- 10.5. Delta 2000 Performance Compensation Plan (Filed as Appendix A to Delta's Proxy Statement dated September 15, 2000).*
- 10.6. Forms of Executive Retention Protection Agreements for Certain Officers (Filed as Exhibit 10.16 of Delta's Annual Report on Form 10-K for the year ended June 30, 1997).*
- 10.7. Employment Agreement dated as of August 14, 1997, between Delta and Leo F. Mullin (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997).*
- 10.8. Non-Qualified Stock Option Award Agreement dated October 27, 1999, between Delta and Leo F. Mullin under Delta's 1989 Stock Incentive Plan (Filed as Exhibit 10.16 to Delta's Annual Report on Form 10-K for the year ended June 30, 2000).*
- 10.9. Employment Agreement dated June 5, 1998, between Delta and Frederick W. Reid (Filed as Exhibit 10.20 to Delta's Annual Report on Form 10-K for the year ended June 30, 1998).*
- 10.10. Employment Agreement dated September 17, 1998, between Delta and Robert L. Colman (Filed as Exhibit 10 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).*
- 10.11. 1991 Delta Excess Benefit Plan, The Delta Supplemental Excess Benefit Plan and Form of Senior Officer Excess Benefit Plan Agreement (Filed as Exhibit 10.18 to Delta's Annual Report on Form 10-K for the year ended June 30, 1992, and Exhibit 10.17 to Delta's Annual Report on Form 10-K for the year ended June 30, 1998).*
- 10.12. Directors' Deferred Compensation Plan, as amended (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001).*
- 10.13. Directors' Charitable Award Program (Filed as Exhibit 10.3 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).*
- 10.14. Delta's Non-Employee Directors' Stock Plan (Filed as Exhibit 4.5 to Delta's Registration Statement on Form S-8 (Registration No. 33-65391)).*
- 10.15. Delta's Non-Employee Directors' Stock Option Plan, as amended (Filed as Exhibit 10.2 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001).*

- 10.16 Form of Award Agreement dated October 22, 1998 under Delta's Non-Employee Directors' Stock Option Plan (Filed as Exhibit 10 to Delta's Quarterly Report on Form 10-Q for the quarter ended December 31, 1998).*
- 10.17. Purchase Agreement No. 2022 between The Boeing Company and Delta relating to Boeing Model 737-632/-732/-832 Aircraft (Filed as Exhibit 10.3 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).*/**
- 10.18. Purchase Agreement No. 2025 between The Boeing Company and Delta relating to Boeing Model 767-432ER Aircraft (Filed as Exhibit 10.4 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).*/**
- 10.19. Letter Agreements related to Purchase Agreements No. 2022 and/or No. 2025 between The Boeing Company and Delta (Filed as Exhibit 10.5 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).*/**
- 10.20. Aircraft General Terms Agreement between The Boeing Company and Delta (Filed as Exhibit 10.6 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).*/**
12. Statement regarding computation of ratio of earnings to fixed charges for the years ended December 31, 2001, 2000, 1999, 1998 and 1997.
13. Delta's 2001 Annual Report to Shareowners.
16. Letter from Arthur Andersen LLP to the Securities and Exchange Commission.
23. Consent of Arthur Andersen LLP.
24. Powers of Attorney.
*Incorporated by reference.
**Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to Delta's request for confidential treatment.

EXHIBIT 12

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

(In millions, except ratios)

	----- 2001 -----	----- 2000 -----	----- 1999 -----	----- 1998 -----	----- 1997 -----
Earnings (loss):					
Earnings (loss) before income taxes and cumulative effect of accounting change	\$ (1,864)	\$ 1,549	\$ 2,093	\$ 1,776	\$ 1,543
Add (deduct):					
Fixed charges from below	1,178	1,056	800	682	675
Interest capitalized	(32)	(45)	(48)	(40)	(36)
Earnings (loss) as adjusted	\$ (718)	\$ 2,560	\$ 2,845	\$ 2,418	\$ 2,182
Fixed charges:					
Interest expense	\$ 531	\$ 426	\$ 250	\$ 179	\$ 201
Portion of rental expense representative of the interest factor	647	630	550	503	474
Total fixed charges	\$ 1,178	\$ 1,056	\$ 800	\$ 682	\$ 675
Ratio of earnings to fixed charges	(0.61)	2.42	3.56	3.55	3.23

EXHIBIT 13

"We are made wise not by
the recollection of our past,
but by the responsibility
for our future."

[PHOTO]

[DELTA LOGO]
2001 Annual Report

TO DELTA'S SHAREOWNERS, CUSTOMERS AND EMPLOYEES:

[PHOTO]

LEO F. MULLIN

Chairman and Chief
Executive Officer

"It is...the strength of the foundation we have laid and the steps we take going forward that provide the best indicator of Delta's future. As George Bernard Shaw once said, `We are made wise not by the recollection of our past, but by the responsibility for our future.'"

The events and challenges of 2001 were unlike any encountered in our nation's history, and certainly unlike any in the history of aviation. Already in the middle of an economic decline that began in January 2001, the airline industry was shaken to its very roots on September 11 when terrorists turned commercial aircraft into weapons of mass destruction. The saga of how Delta worked through this crisis and its aftermath, and how we have maintained stability while positioning the company for a return to profitable growth, is a tribute to the strength and ingenuity of our entire team.

MARCH 15, 2002

Leo F. Mullin (center) with United States Senators Tom Daschle and Don Nickles.

[PHOTO]

Given the far-reaching consequences set in motion on September 11, it is easy to forget that not all of Delta's 2001 challenges began on that date. Even as the long-running economic boom of the last decade was weakened sharply early in 2001, the company was also working through difficult pilot contract negotiations at both Delta and Comair. Despite a painful 89-day strike at Comair, by the middle of the year, contracts that were beneficial to pilots at both airlines but that also provided a structure for continued profitable growth were in place. With these negotiations completed and an upturn in the economy just beginning, Delta was poised for recovery. But on September 11, everything changed.

SWIFT AND DECISIVE ACTION

On that date, for the first time ever, our nation's aviation system was called to a halt, grounding passengers, crew members, and aircraft in unplanned destinations. The skies were eerily silent and empty as airlines and the government worked together around the clock to design a safer and more secure air transportation system so that travel could resume. Though aircraft and crews were out of position, many passengers stranded, and many airports still closed, Delta's service levels were back to more than 85 percent of normal levels by the fifth day following the shutdown.

In addition to these unprecedented operational and security demands, Delta and the rest of the industry also faced severe financial challenges. Passenger revenue had been reduced to zero during the shutdown, and travel demand declined dramatically following restart as a stunned public tried to absorb the dimensions of the tragedy. Delta played a key role in conveying to Congress and the Administration the seriousness of aviation's economic plight. The industry succeeded in obtaining \$5 billion in cash aid (including \$654 million for Delta) as well as a \$10 billion loan guarantee program.

The cash infusion provided welcome immediate relief, but only partially covered the huge losses associated with September 11.

2001 Annual Report 1

LETTER TO SHAREOWNERS, CUSTOMERS AND EMPLOYEES

With reduced revenues, weak demand, high fixed costs, and increasing expenses for security and insurance, the situation for our airline and the industry remained grim throughout 2001 and into 2002, despite the governmental help. Delta recorded a loss of \$1 billion for the year and the industry as a whole posted a staggering \$6 billion loss - the worst in aviation history.

[PHOTO] [PHOTO]

From left to right:
Skycap Stacey Turnipseed

Passenger Service Agent Lori Ann Wallace assists a Delta passenger.

Delta responded quickly, decisively, and aggressively to the challenges emanating from this financial stress, including:

- Rigorous assessments of the revenue picture, from the first signs of economic weakening in January 2001 through the crisis of September 11 and beyond.
- Fast reductions in mainline capacity without discontinuing any domestic destinations - leaving Delta poised for service recovery as demand returns.
- Difficult but necessary reductions in staffing - achieved almost entirely through voluntary programs such as leaves of absence, early retirement, and voluntary severance rather than layoffs.
- Commitment to security improvements through fast, thorough implementation of new procedures designed to provide a safe, secure environment for our passengers and our employees.

FOCUS ON ALLIANCES

While the immediate demands of 2001 required significant attention, Delta kept a constant eye on long-term strategic goals. As part of this focus, we strengthened SkyTeam(R), our international alliance, by adding Alitalia to a list of partners that already included Aeromexico, Air France, CSA Czech Airlines, and Korean Air. In addition, Delta won governmental approval for antitrust immunity between our airline and SkyTeam's European partners, permitting full

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From left to right:
Airport Customer Service Representative Kumok Zajac

[PHOTO] [PHOTO]

Ramp Customer Service Agent William Kofler

coordination of schedules and fares that will offer the maximum in convenience and competitive prices to SkyTeam customers.

RECOVERY PERIOD AHEAD

Now, as we move into 2002 and trends in passenger demand and revenue slowly begin to climb, our industry is in transition between crisis aftermath and initial recovery. From this point on, it is not the difficulties of 2001 that will determine Delta's success. It is instead the strength of the foundation we have laid and the steps we take going forward that provide the best indicator of Delta's future. As George Bernard Shaw once said, "We are made wise not by the recollection of our past, but by the responsibility for our future."

Our actions throughout 2001 reflected Delta's unwavering focus on recovery, including disciplined capacity control; continued development of a strong network through increased regional jet service and the expanding growth potential of SkyTeam; continued attention to capital infrastructure; and dedication to a strong partnership with Delta people.

As a result, we are now poised to move past the storms and into that future, fully prepared, fully responsible, and fully certain that Delta's best days are still ahead.

/s/ Leo F. Mullin

Leo F. Mullin
Chairman and Chief Executive Officer

DELTA'S NETWORK OF CHOICES

This year, over 104 million passengers chose to fly Delta (including its wholly owned subsidiaries Atlantic Southeast Airlines, Inc. and Comair, Inc.) - more than any other airline.

Delta offers its customers a variety of choices to better serve their travel needs - whether domestic, international, business or leisure. The Delta Network consists of the following five distinctive, complementary and integrated products:

- Delta Mainline - the core of our hub and spoke system. Our strategically located hubs in Atlanta, Cincinnati, Dallas/Ft. Worth and Salt Lake City provide us with a strong route network that extends our reach around the world.

- Delta International - Delta is the #1 carrier across the Atlantic, offering 413 weekly departures and nonstop service in 32 markets. Delta's global reach is extended with its SkyTeam partners, Aeromexico, Air France, Alitalia, CSA Czech Airlines and Korean Air.

Delta domestic destinations

[MAPS]

4 Delta Air Lines, Inc.

- Delta Connection - our regional jet carrier service provides passengers in small and medium-sized cities with greater access to their destinations. Delta Connection carriers include Atlantic Southeast Airlines, Comair, Atlantic Coast Airlines and SkyWest. Delta is an industry leader in the fast-growing regional jet market. As of December 31, 2001, 231 regional jets flew under Delta's code.

- Delta Shuttle - provides high-frequency service to our key business travelers, with 17 nonstop, hourly weekday departures between New York-La Guardia (Marine Air Terminal) and Boston-Logan International and 16 nonstop hourly weekday departures between New York-La Guardia (Marine Air Terminal) and Washington, D.C.-Ronald Reagan National airports. No reservations are required.

- Delta Express - is Delta's low-fare product, offering our leisure customers reliable service and a reserved seat assignment at a low price between the Northeast and Midwest to four Florida markets.

[MAPS]

NETWORK CHALLENGES

Early in the year, the U.S. and global economies began experiencing weakness, resulting in a decline in demand for air travel. In response, Delta's network strategy focused on reducing capacity, eliminating unprofitable routes and continuing to reallocate aircraft to core strength markets.

The events of September 11 created new challenges that severely impacted the airline industry. Following these tragic events, traffic decreased dramatically. In response, Delta reduced its scheduled capacity by 16 percent effective November 1. These reductions were achieved by:

- Reducing operations on high-frequency routes with high potential for traffic recapture.
- Suspending winter service in seasonal markets.
- Reducing international flying.
- Decreasing Delta Express capacity due to the decline in leisure travel demand.
- Continuing to use Delta's regional jets to provide additional service to Delta's mainline network from smaller, feeder markets.

In making these capacity reductions, our goals were to keep our route network intact and to minimize the impact on our customers, while achieving significant cost reductions.

Delta international destinations

[MAPS]

6 Delta Air Lines, Inc.

ALLIANCE PARTNERSHIPS

Although focused on recovering from September 11, Delta continued executing its strategic alliance goals. In December, Delta announced the addition of a new SkyTeam partner, Alitalia, to provide additional travel opportunities to Italy and within Europe. Delta also increased its codesharing network by adding two new partners: Aerolitoral, to strengthen Delta's service between the U.S. and Mexico; and an innovative codeshare agreement with SNCF-French Rail to provide rail service from Paris' Charles de Gaulle International Airport to eight destinations in France. Delta also expanded its codesharing service with SkyTeam partner Air France to include eight new destinations in Europe, Africa and Asia, and with British European to five new destinations in Europe.

In January 2002, Delta and its European SkyTeam partners Air France, Alitalia and CSA Czech Airlines received final approval from the U.S. Department of Transportation for antitrust immunity that will permit the carriers to implement a more integrated airline alliance.

In February 2002, we announced plans to reinstate codesharing on Korean Air flights, beginning on May 1, 2002.

[MAPS]

OFFICERS

Leo F. Mullin
Chairman and Chief Executive Officer

Frederick W. Reid
President and Chief Operating Officer

M. Michele Burns
Executive Vice President and Chief
Financial Officer

Robert L. Colman
Executive Vice President - Human
Resources

Vicki B. Escarra
Executive Vice President and Chief
Marketing Officer

Edward H. Bastian
Senior Vice President - Finance and
Controllor

Vincent F. Caminiti
Senior Vice President - e-Business

Anthony N. Charaf
Senior Vice President - Delta Air
Logistics

W. Lamar Chesney
Senior Vice President - Supply Chain
Management

Robert S. Harkey
Senior Vice President - General
Counsel and Secretary

Subodh Karnik
Senior Vice President - Network and
Revenue Management

Lee A. Macenczak
Senior Vice President - Sales and
Distribution

Paul G. Matsen
Senior Vice President - International
and Alliances

John N. Selvaggio
Senior Vice President - Airport
Customer Service

Thomas J. Slocum
Senior Vice President - Corporate
Communications

Ray Valeika
Senior Vice President - Technical
Operations

James M. Whitehurst
Senior Vice President - Finance,
Treasury and Business Development

Sharon Wibben
Senior Vice President - In-Flight
Service

D. Scott Yohe
Senior Vice President - Government
Affairs

J. Mark Balloun
Vice President - Corporate Strategic
Planning

R. Michael Bell
Vice President - Schedule
Development

Gerald A. Bemis
Vice President - Line Maintenance
Operations

Harlan R. Bennett
Vice President - Revenue
Management

Harold L. Bevis
Vice President - Public Affairs

Doug Blissit
Vice President - Network Analysis

John W. Boatright
Vice President - Properties and
Strategic Sourcing

Walter A. Brill
Vice President - Associate General
Counsel

Robert T. Cirulnick
Vice President - Finance, In-Flight &
Operations

Paulette L. Corbin
Vice President - Airport Customer
Service - West

Richard W. Cordell
Vice President - Airport Customer
Service - Central

Jack A. Daulton
Vice President - Corporate Security

Christopher A. Duncan
Vice President - Finance and Chief
Risk Officer

Terry M. Erskine
Vice President - Labor Relations

Carolyn A. Ezzell
Vice President - Atlantic Region

Michelle McKinney Frymire
Vice President - Finance - Sales,
Marketing and International

Hank Halter
Vice President - Finance and Assistant
Controllor

Todd G. Helvie
Vice President - Tax

Leslie P. Klemperer
Vice President - Associate General
Counsel and Assistant Secretary

William D. Kline
Vice President - Organization
Staffing & Development and Chief
Learning Officer

Joseph C. Kolshak
Vice President - Flight Operations

Joseph Licitra
Vice President - Airport Customer
Service - East

John C. Marshall
Vice President - Corporate Safety and
Compliance

James V. Maucere
Vice President - Base, Engine and
Component Maintenance

Patrice G. Miles
Vice President - Consumer Marketing

Leon A. Piper
Vice President - Worldwide Benefits
and Health Resources

Udo Rieder
Vice President - Engineering and
Planning

Gregory L. Riggs
Vice President - Deputy General
Counsel and Assistant Secretary

Debbie Siek
Vice President - Reservation Sales and
Customer Care

David J. Smith
Vice President - Global Rewards and
Recognition

Belinda C. Stubblefield
Vice President - Global Diversity

William F. Wangerien
Vice President - Operations Planning,
Control and Reliability

Patrick H. Wildenburg, Jr.
Vice President - Supply Chain
Management - Airline Operations

Lemuel R. Wimbish, Jr.
Vice President - Atlanta Worldport

Michael M. Young
Vice President - Community Affairs

Dean C. Arvidson
Assistant Secretary

Susan T. Hudson
Assistant Secretary

Delta Subsidiaries

Frederick W.P. Buttrell
President and Chief Executive Officer
- Delta Connection, Inc.

Jeffrey T. Fisher
Vice President and Chief Financial
Officer - Delta Connection, Inc.

W. E. (Skip) Barnette
President - ASA Holdings, Inc. and
Atlantic Southeast Airlines, Inc.

Randy D. Rademacher
President - Comair Holdings, Inc.
and Comair, Inc.

Curtis Robb
Acting President and Chief Executive
Officer - Delta Technology, Inc.

Chief Information Officer
- Delta Air Lines, Inc.

BOARD OF DIRECTORS

Edwin L. Artzt
Non-Executive Chairman of the Board, Spalding Holdings Corporation; Retired Chairman of the Board and Chief Executive Officer, The Procter & Gamble Company

James L. Broadhead
Retired Chairman of the Board and Chief Executive Officer, FPL Group, Inc. and Florida Power & Light Company

Edward H. Budd
Retired Chairman of the Board and Chief Executive Officer, The Travelers Corporation

R. Eugene Cartledge
Retired Chairman of the Board and Chief Executive Officer, Union Camp Corporation

Mary Johnston Evans
Director of Household International, Inc., Moody's Corporation and Sunoco, Inc.

George M.C. Fisher
Retired Chairman of the Board and Chief Executive Officer, Eastman Kodak Company

David R. Goode
Chairman of the Board, President and Chief Executive Officer, Norfolk Southern Corporation

Gerald Grinstein
Non-Executive Chairman of the Board, Agilent Technologies, Inc.; Retired Chairman of the Board, Burlington Northern Santa Fe Corporation; Former Chief Executive Officer, Western Air Lines, Inc.

Leo F. Mullin
Chairman of the Board and Chief Executive Officer, Delta Air Lines, Inc.; Former Vice Chairman, Unicom Corporation and Commonwealth Edison Company; Former President and Chief Operating Officer, First Chicago Corporation

John F. Smith, Jr.
Chairman of the Board, General Motors Corporation; Chairman of Catalyst

Joan E. Spero
President of the Doris Duke Charitable Foundation; Former U.S. Undersecretary of State for Economic, Business & Agricultural Affairs; Former executive of American Express Company

Andrew J. Young
Chairman of the Board and Senior Partner, Goodworks International, Inc.; Chairman of the Southern Africa Enterprise Development Fund; Former Mayor of Atlanta, Georgia; Former United States Ambassador to the United Nations; Former member of the U.S. House of Representatives

BOARD COMMITTEES

Audit

James L. Broadhead, Chairman
Mary Johnston Evans
George M.C. Fisher
Joan E. Spero
Andrew J. Young

Benefit Funds Investment
Andrew J. Young, Chairman
James L. Broadhead
R. Eugene Cartledge
Mary Johnston Evans
John F. Smith, Jr.

Corporate Governance
Mary Johnston Evans, Chairman
James L. Broadhead
Gerald Grinstein
John F. Smith, Jr.
Andrew J. Young

Corporate Strategy

R. Eugene Cartledge, Chairman
Edwin L. Artzt
James L. Broadhead
Edward H. Budd
Gerald Grinstein

Executive

Gerald Grinstein, Chairman
Edwin L. Artzt
James L. Broadhead
Edward H. Budd
R. Eugene Cartledge
Mary Johnston Evans
Andrew J. Young

Finance

Edwin L. Artzt, Chairman
Edward H. Budd
R. Eugene Cartledge
David R. Goode
Gerald Grinstein

Personnel & Compensation

Edward H. Budd, Chairman
George M.C. Fisher
David R. Goode
Gerald Grinstein

DELTA BOARD COUNCIL REPRESENTATIVES

Nancy E. Bossert
Operational and Administrative Support

Michele F. Chase
Field and Air Logistics Sales

Claudia S. Landau
Supervisory and Management

William M. Morey
Reservation Sales and City Ticket Offices

Kenneth R. Nowling
Technical Operations

Larry J. Stites
Airport Customer Service and Air Logistics

Dale C. Williams
In-Flight Service

REPRESENTATIVE OF AIR LINE PILOTS ASSOCIATION, INTERNATIONAL

Captain Dave A. Miller
Associate non-voting member of the Board of Directors

CONSOLIDATED FINANCIAL HIGHLIGHTS(*)
Years ended December 31, 2001 and 2000

Dollar amounts in millions, except per share data	2001	2000	Change
Operating revenues	\$ 13,879	\$ 16,741	(17)%
Operating expenses	\$ 14,996	\$ 15,003	--
Operating income (loss)	\$ (1,117)	\$ 1,738	(164)%
Operating margin	(8.0)%	10.4%	(18.4)pts
Net income (loss)	\$ (1,027)	\$ 897	(214)%
Diluted earnings (loss) per share	\$ (8.46)	\$ 6.81	(224)%
Passenger mile yield	12.74(cent)	13.86(cent)	(8)%
Operating revenue per available seat mile	9.39(cent)	10.80(cent)	(13)%
Operating cost per available seat mile	10.14(cent)	9.68(cent)	5%
Dividends declared on common stock	\$ 12	\$ 12	--
Dividends per common share	10.00(cent)	10.00(cent)	--
Common shares issued and outstanding at year end (thousands)	123,246	123,013	--

CONSOLIDATED OPERATING HIGHLIGHTS
Years ended December 31, 2001 and 2000

	2001	2000	Change
Revenue passengers enplaned (thousands)	104,943	119,930	(12)%
Revenue passenger miles (millions)	101,717	112,998	(10)%
Available seat miles (millions)	147,837	154,974	(5)%
Passenger load factor	68.8%	72.9%	(4.1)pts
Breakeven passenger load factor(*)	74.7%	64.8%	9.9 pts
Cargo ton miles (millions)	1,583	1,855	(15)%
Cargo ton mile yield	31.95(cent)	31.46(cent)	2%
Fuel gallons consumed (millions)	2,649	2,922	(9)%
Average aircraft fuel price per gallon, net of hedging gains	68.60(cent)	67.38(cent)	2%
Number of aircraft in fleet at year end	814	831	(2)%
Average age of aircraft fleet at year end (years)	9.1	9.6	(5)%
Average aircraft utilization (hours per day)	7.3	8.0	(9)%
End of year full-time equivalent employees	76,273	83,952	(9)%

(*)Excludes unusual items. For information regarding unusual items, see pages 13-14.

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GLOSSARY OF DEFINED TERMS

- Accumulated Postretirement Benefit Obligation** - a measure of the deferred compensation obligation, other than pensions, that Delta has to its employees under postretirement welfare benefit plans.
- Air Traffic Liability** - a liability on Delta's Consolidated Balance Sheets that represents the sale of passenger tickets for which services have not yet been provided. As the transportation service is provided by Delta, the amount is removed from air traffic liability and is recognized as revenue.
- ASM - Available Seat Mile**. A measure of capacity which is calculated by multiplying the total number of seats available for transporting passengers by the total number of miles flown during a reporting period.
- Cargo Ton Miles** - the total number of tons of cargo transported during a reporting period, multiplied by the total number of miles cargo is flown.
- CASM - (Operating) Cost per Available Seat Mile**. The amount of operating cost incurred per available seat mile during a reporting period. Also referred to as unit cost.
- Collective Bargaining Agreement** - an agreement between an employer and a union representing a group of employees which details pay rates and working conditions for that group of employees.
- Common Stock** - the common stock, par value \$1.50 per share, of Delta Air Lines, Inc.
- ERISA** - The Employee Retirement Income Security Act of 1974. This federal law governs employee benefit and retirement plans.
- Fuel Price Neutralized CASM** - the amount of operating cost incurred per available seat mile during a reporting period, adjusting fuel price to equal the prior year.
- Net Debt-to-Capital Ratio** - a measure of leverage which is calculated by dividing net debt by total capitalization. Net debt includes short-term and long-term debt, capital lease obligations and the present value of operating lease obligations, reduced by cash and short-term investments. Capital includes total debt and shareowners' equity, including Series B ESOP Convertible Preferred Stock.
- Operating Margin** - operating income divided by operating revenues.
- Passenger Load Factor** - a measure of available seating capacity that is used which is calculated by dividing RPMs by ASMs for a reporting period.
- Passenger Mile Yield** - amount of passenger revenue earned per revenue passenger mile during a reporting period.
- Projected Benefit Obligation** - a measure of the deferred compensation obligation that Delta has to its employees under its pension plans.
- RASM - (Operating) Revenue per Available Seat Mile**. The amount of operating revenue earned per available seat mile during a reporting period. Also referred to as unit revenue.
- RPM - Revenue Passenger Mile**. One revenue-paying passenger transported one mile. RPMs are calculated by multiplying the number of revenue passengers by the number of miles they are flown for the reporting period.
- Series B ESOP Convertible Preferred Stock** - convertible preferred stock, \$1.00 par value, \$72.00 stated and liquidation value, which is allocated to participants as part of the Employee Stock Ownership Plan (ESOP).
- Ton Mile Yield** - amount of cargo revenue earned per cargo ton mile during a reporting period.
- Working Capital Position** - current assets minus current liabilities.

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

RESULTS OF OPERATIONS

BUSINESS ENVIRONMENT

Our financial results for the year ended December 31, 2001 were materially affected by the terrorist attacks on the United States on September 11, 2001, the slowing U.S. and world economies and pilot labor issues at both Delta and Comair, Inc. (Comair).

SEPTEMBER 11, 2001 TERRORIST ATTACKS

On September 11, 2001, four commercial aircraft were hijacked by terrorists and crashed into The World Trade Center in New York City, the Pentagon in northern Virginia and a field in Pennsylvania. These attacks resulted in an overwhelming loss of life and extensive property damage.

In response to the terrorist attacks, the Federal Aviation Administration (FAA) closed U.S. airspace, prohibiting all flights to, from and within the U.S. Airports reopened on September 13, 2001, except for Ronald Reagan National Airport in Washington, D.C., which partially reopened on October 4, 2001. During the period when airports were closed, we earned no revenues but continued to incur many of our normal operating costs. For several days after airports were reopened, we were able to operate only a portion of our scheduled flights.

When flights were permitted to resume, our passenger traffic and yields were significantly lower than before the attacks. In addition, new security directives increased our costs and negatively impacted our ability to operate a pre-September 11 schedule. We estimate that the September 11 terrorist attacks negatively impacted our revenues by approximately \$1.25 billion for the year. This is in addition to revenues that were adversely affected by the slowing U.S. and world economies and the pilot labor issues at Delta and Comair.

Due to the significant reduction in traffic, we reduced our scheduled capacity by 16% effective November 1, 2001. In making these capacity reductions, our goals were to keep our route network intact and to minimize the impact on our customers, while achieving significant cost reductions. Accordingly, we focused on reducing service on high-frequency routes with high potential for recapturing traffic, suspending winter service in seasonal markets, reducing international flying, decreasing Delta Express capacity and using regional jets to maintain presence and to provide mainline connecting traffic.

As a result of the capacity reductions, we have reduced staffing levels by approximately 11,000 employees across all major work groups at December 31, 2001. Approximately 10,000 Delta employees elected to participate in one of Delta's voluntary programs, which include leaves of absence, severance and an early retirement program. Involuntary reductions are expected to affect approximately 1,700 employees, which includes the furlough of approximately 1,400 pilots. Approximately 400 pilot furloughs occurred in 2001 and approximately 1,000 are expected to occur in 2002. We recorded a \$566 million charge relating to the staffing reductions, \$475 million of which relates to the early retirement and voluntary leave of absence programs, while the remaining \$91 million relates to severance and related costs. As of December 31, 2001, approximately \$44 million had been paid for severance and related costs. An additional \$47 million is expected to be paid in 2002.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (Stabilization Act), which is intended to preserve the viability of the U.S. air transportation system. Among other things, the Stabilization Act (1) provides for payments from the U.S. Government totaling \$5 billion to compensate U.S. air carriers for losses incurred from September 11, 2001 through December 31, 2001 as a result of the September 11 terrorist attacks; and (2) authorizes, subject to certain conditions, the issuance of federal loan guarantees totaling up to \$10 billion to U.S. air carriers. We have recognized \$634 million in compensation under the Stabilization Act, \$556 million of which was received in 2001. For additional information about the Stabilization Act and the compensation payable to us under that statute, see Note 2 of the Notes to the Consolidated Financial Statements.

U.S. AND WORLD ECONOMIES

Prior to September 11, the slowing economy reduced the demand for air travel among both business and leisure passengers. This decline in demand negatively impacted our passenger traffic and yield for the year. As a result of the September 11 terrorist attacks, the business environment significantly worsened.

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DELTA PILOT LABOR ISSUES

In December 2000, we canceled a substantial number of flights due to a job action by some Delta pilots which significantly reduced pilot availability for overtime (or additional) flying. To provide more reliable service to our customers, we lowered the need for overtime flying by reducing Delta's mainline flight schedule from the previously planned levels by 2.7% for the March 2001 quarter and 2.4% for the June 2001 quarter.

Public concern over a possible strike by Delta pilots relating to the then ongoing collective bargaining negotiations caused some customers to make reservations and travel with airlines other than Delta during the six months ended June 30, 2001. On June 20, 2001, Delta pilots ratified a new collective bargaining agreement, avoiding a possible strike.

COMAIR PILOT LABOR ISSUES

On March 26, 2001, Comair pilots began a strike, which continued until June 22, 2001 when they ratified a new collective bargaining agreement. As a result of this 89-day strike, Comair suspended its operations between March 26, 2001 and July 1, 2001. Comair resumed partial service on July 2, 2001, and gradually began restoring service through the year. Comair's service was fully restored to its pre-strike levels during January 2002. We estimate that the Comair strike negatively impacted our revenues by approximately \$680 million in 2001. Additional negative impacts of the strike include added costs to retrain Comair pilots and rebuild the Comair workforce.

OUTLOOK

2002 will be a challenging year. The events of September 11 continue to materially affect our revenues due to a decline in traffic and yield. While the business environment is slowly recovering, traffic and yield remain well below last year's level. In January 2002, our revenue decreased 23%, traffic declined 10% and yield fell 15% compared to January 2001.

We expect significant cost pressures to continue in 2002. These include increased (1) security costs and premiums for war and terrorism risk insurance due to the events of September 11; (2) interest expense resulting from higher levels of outstanding debt; and (3) pension expense due to the decrease in the fair value of our pension plan assets resulting from the stock market decline and to the new Delta pilot contract. During 2002, we expect to incur unusual operating costs of approximately \$130 million. These nonrecurring expenses are a direct cost of our capacity reductions and represent the temporary carrying cost of surplus pilots, as well as requalification training and relocation costs.

To help offset the impact of revenue declines and cost pressures, we have implemented a cost reduction program. The primary elements of this program are (1) the reduction of our staffing levels by approximately 12,000 employees; (2) capacity reductions, including the accelerated retirement of certain aircraft types; and (3) a detailed line item review of all other elements of our cost structure. Our capacity reductions will remain in place through at least the March 2002 quarter, with the pace of passenger revenue recovery determining our mainline capacity plans for the remainder of the year. Due to the changing business environment, we continue to refine many of our cost estimates for 2002.

Based on the above, we expect to report a significant loss for the March 2002 quarter. The continuing impact of September 11 on our future financial condition and results of operations will depend on, among other things, the duration and magnitude of the adverse impact of the terrorist attacks on the demand for air travel and the business environment. Assuming traffic and yields continue to improve during 2002, we believe we may be profitable by the end of the year.

2001 COMPARED TO 2000

NET INCOME (LOSS) AND EARNINGS (LOSS) PER SHARE (EPS)

Excluding the unusual items described below, our net loss was \$1.0 billion (\$8.46 diluted EPS) in 2001 compared to net income of \$897 million (\$6.81 diluted EPS) in 2000. Including the unusual items described below, we recorded a net loss of \$1.2 billion (\$9.99 diluted EPS) in 2001, and net income of \$828 million (\$6.28 diluted EPS) in 2000.

UNUSUAL ITEMS

Our results of operations for 2001 and 2000 include the following items, which are collectively referred to as "unusual items" in this discussion of 2001 compared to 2000:

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

2001

Gains:

- A \$634 million gain (\$392 million net of tax, or \$3.18 diluted EPS) that reflects the compensation we recognized under the Stabilization Act (see Note 2 of the Notes to the Consolidated Financial Statements).
- A \$111 million gain (\$68 million net of tax, or \$0.55 diluted EPS) on the sale of our equity interest in SkyWest, Inc., the parent company of SkyWest Airlines (see Note 3 of the Notes to the Consolidated Financial Statements).
- A \$68 million non-cash gain (\$41 million net of tax, or \$0.33 diluted EPS) for fair market value adjustments of financial instruments accounted for under Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities." These gains relate to derivative instruments we use in our fuel hedging program and to our equity warrants and other similar rights in other companies, primarily priceline.com Incorporated (priceline) (see Note 4 of the Notes to the Consolidated Financial Statements).
- An \$11 million gain (\$7 million net of tax, or \$0.06 diluted EPS) from the sale of our equity interest in Equant, N.V. (Equant), an international data network services company (see Note 3 of the Notes to the Consolidated Financial Statements).

Charges:

- \$1.1 billion (\$695 million net of tax, or \$5.63 diluted EPS) in asset writedowns and other nonrecurring items. This primarily relates to charges for early retirement and severance costs relating to our staffing reductions, charges for the impairment and early retirement of certain aircraft and charges for discontinued contracts, facilities and information technology projects (see Note 9 of the Notes to the Consolidated Financial Statements).

2000

Gains:

- A \$301 million gain (\$184 million net of tax, or \$1.40 diluted EPS) from the sale of investments. This includes a \$73 million gain from the sale of 1.2 million shares of priceline common stock and a \$228 million non-cash gain from the exchange of six million shares of priceline common stock for priceline preferred stock (see Note 3 of the Notes to the Consolidated Financial Statements).
- A \$16 million one-time, non-cash gain (\$10 million net of tax, or \$0.07 diluted EPS), related to our equity investment in WORLDSPAN, L.P. (Worldspan), a computer reservations system partnership. This gain represents our share of Worldspan's favorable outcome in certain arbitration proceedings.

Charges:

- A \$164 million cumulative effect, non-cash charge (\$100 million net of tax, or \$0.77 diluted EPS), resulting from our adoption of SFAS 133 on July 1, 2000 (see Note 4 of the Notes to the Consolidated Financial Statements).
- A \$159 million non-cash charge (\$97 million net of tax, or \$0.74 diluted EPS) for fair market value adjustments of financial instruments accounted for under SFAS 133 (see Note 4 of the Notes to the Consolidated Financial Statements).
- A \$108 million charge (\$66 million net of tax, or \$0.50 diluted EPS) for nonrecurring items. This includes charges of \$86 million for an early retirement medical option program for eligible employees and \$22 million related to our decision to close our Pacific gateway in Portland, Oregon (see Note 9 of the Notes to the Consolidated Financial Statements).
- A \$7 million charge (\$4 million net of tax, or \$0.03 diluted EPS) for the early extinguishment of certain debt obligations.

OPERATING REVENUES

Operating revenues were \$13.9 billion in 2001, decreasing 17% from \$16.7 billion in 2000. Passenger revenues fell 17% to \$13.0 billion, reflecting a 10% decrease in RPMs on a capacity decline of 5%, and an 8% decrease in passenger mile yield to 12.74(cents). These decreases were primarily the result of the effects of the terrorist attacks on September 11, the slowing U.S. and world economies and pilot labor issues at both Delta and Comair.

North American Passenger Revenues

North American passenger revenues fell 19% to \$10.6 billion. RPMs decreased 11% on a capacity decrease of 6%, while passenger mile yield decreased 9%. These decreases resulted from the terrorist attacks, the slowing economy and pilot labor issues.

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International Passenger Revenues

International passenger revenues decreased 6% to \$2.3 billion. RPMs fell 6% mainly due to the terrorist attacks on September 11 and the slowing U.S. and world economies. Passenger mile yield remained flat while capacity increased 2%, reflecting our international expansion, particularly in Latin American markets.

Cargo and Other Revenues

Cargo revenues decreased 13% to \$506 million primarily due to the effects of the terrorist attacks on September 11, including the implementation of new FAA restrictions on cargo, and the slowing U.S. and world economies. The FAA restrictions prohibit passenger airlines from transporting mail weighing more than 16 ounces, which represented close to 50% of our mail business. Cargo ton miles decreased 15% and cargo ton mile yield increased 2%. Other revenues decreased 18% to \$409 million, primarily due to lower codeshare revenues, resulting from the terrorist attacks on September 11 and the slowing U.S. and world economies.

OPERATING EXPENSES

Excluding unusual items, operating expenses remained flat at \$15.0 billion, CASM rose 5% to 10.14(cent), and fuel price neutralized CASM grew 5% to 10.12(cent). Including unusual items, operating expenses for 2001 totaled \$15.5 billion, increasing 2% from \$15.1 billion in 2000. CASM rose 7% to 10.47(cent), and fuel price neutralized CASM grew 7% to 10.45(cent). Operating capacity decreased 5% to 148 billion ASMs. The increase in CASM is primarily related to a reduction in capacity due to the terrorist attacks on September 11 and pilot labor issues at Delta and Comair, as well as an increase in asset writedowns and other nonrecurring items and higher salaries and related costs.

Salaries and related costs increased 3% during 2001 to \$6.1 billion. The increase in salaries and related costs primarily relates to increased costs associated with the new pilot contract.

Aircraft fuel expense decreased 8% in 2001. The average fuel price per gallon rose 2% to 68.60(cent). Total gallons consumed decreased 9% due primarily to the decrease in flights resulting from the September 11 terrorist attacks and the Comair pilot strike, as well as fuel efficiencies realized from our fleet renewal efforts. Our fuel cost is shown net of fuel hedge gains of \$299 million for 2001 and \$684 million for 2000. Approximately 58% and 67% of our aircraft fuel requirements were hedged during 2001 and 2000, respectively. For additional information about our fuel hedge contracts, see Note 4 of the Notes to the Consolidated Financial Statements.

Depreciation and amortization expense rose 8% in 2001 due to the acquisition of additional aircraft and ground equipment. Other selling expenses decreased 10% due to a lower volume of credit card charges resulting from lower revenue.

Passenger commissions expense declined 18%, primarily as a result of lower passenger revenues. Contracted services expense increased 5% as a result of rate increases for building and equipment maintenance and increased security costs.

Landing fees and other rents rose 1% due to increased rates at various locations, partially offset by the impact of the Comair strike. Aircraft rent expense decreased 1% due to a decrease in the number of leased aircraft. Aircraft maintenance materials and outside repairs expense grew 11% due to the timing of certain maintenance work. Passenger service expense decreased 1%. Other operating expenses decreased 4% as a result of lower fuel-related taxes, interrupted trip expenses and professional fees, partially offset by new uniform costs and higher insurance expenses.

OPERATING INCOME AND OPERATING MARGIN

Excluding unusual items, we incurred an operating loss of \$1.1 billion in 2001, compared to operating income of \$1.7 billion in 2000. Operating margin excluding unusual items was (8%) and 10% for 2001 and 2000, respectively. Including unusual items, we incurred an operating loss of \$1.6 billion in 2001, compared to operating income of \$1.6 billion in 2000. Operating margin including unusual items was (12%) and 10% for 2001 and 2000, respectively.

OTHER INCOME (EXPENSE)

Other expense totaled \$262 million during 2001, compared to other expense of \$88 million in 2000. This change is attributable to the following:

- net gain from the sale of investments decreased \$174 million in 2001 compared to 2000 (see Note 3 of the Notes to the Consolidated Financial Statements);

- net interest expense increased \$153 million in 2001 due to higher levels of outstanding debt;

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

- miscellaneous income decreased \$74 million mainly due to a decrease in our equity earnings from Worldspan; and

- a \$68 million gain in 2001 compared to a \$159 million loss in 2000 related to fair market value adjustments of SFAS 133 derivatives mainly due to changes in the price of the underlying common stock (see Note 4 of the Notes to the Consolidated Financial Statements).

2000 COMPARED TO 1999

NET INCOME AND EARNINGS PER SHARE (EPS)

Excluding the unusual items described below, net income was \$897 million (\$6.81 diluted EPS) in 2000, compared to \$1.0 billion (\$6.79 diluted EPS) in 1999. Including unusual items, our net income was \$828 million (\$6.28 diluted EPS) in 2000, compared to net income of \$1.2 billion (\$8.15 diluted EPS) in 1999.

Our 1999 results include the results of operations of Comair Holdings, Inc. from November 22, 1999 and ASA Holdings, Inc. from April 1, 1999. Comair Holdings and ASA Holdings are the parent companies of regional jet carriers Comair and Atlantic Southeast Airlines, Inc. (ASA), respectively. See Note 19 of the Notes to the Consolidated Financial Statements for additional information about our acquisitions of these companies.

UNUSUAL ITEMS

Our results of operations for 2000 and 1999 include the following items, which are collectively referred to as "unusual items" in this discussion of 2000 compared to 1999:

2000

The unusual items for 2000 are listed under "Unusual Items - 2000" on page 14 of this Annual Report.

1999

Gains:

- A \$927 million gain (\$565 million net of tax, or \$3.83 diluted EPS) from the sale of investments, including: (1) \$711 million from the sale of 11.1 million shares of priceline common stock; (2) \$137 million from the sale of our equity interest in Singapore Airlines Limited; (3) \$50 million from the sale of a portion of our equity interest in Equant; and (4) \$29 million from the sale of our equity interest in SAirGroup, the holding company of Swissair (see Note 3 of the Notes to the Consolidated Financial Statements).

Charges:

- A \$469 million charge (\$286 million net of tax, or \$1.94 diluted EPS) for asset writedowns and other nonrecurring items. This includes charges of \$320 million for an asset writedown resulting from our decision to retire certain aircraft earlier than previously planned and \$149 million for asset impairment losses (see Note 9 of the Notes to the Consolidated Financial Statements).

- An \$89 million non-cash charge (\$54 million net of tax, or \$0.37 diluted EPS) from the cumulative effect of a change in accounting principle resulting from our January 1, 1999 adoption of SEC Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements." SAB 101 required us to change our method of accounting for the sale of frequent flyer mileage credits to participating partners (see Note 6 of the Notes to the Consolidated Financial Statements).

- A \$40 million charge (\$24 million net of tax, or \$0.16 diluted EPS) for the early extinguishment of certain long-term debt obligations.

OPERATING REVENUES

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

North American Passenger Revenues

North American passenger revenues grew 11% to \$13.2 billion, driven by a 6% increase in RPMs on capacity growth of 6%, and a 4% rise in passenger mile yield. The increase in RPMs was due to the inclusion of Comair and ASA, favorable economic conditions and the expansion

of our fleet. The growth in traffic was partially offset by flight cancellations due to severe winter weather conditions and reduced flying by some Delta pilots during December 2000. The increase in passenger mile yield was largely a result of the full-year impact of Comair and ASA and improved revenue management systems, partially offset by increased low-fare competition and capacity increases by competitors.

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International Passenger Revenues

International passenger revenues increased 20% to \$2.5 billion. RPMs rose 7% on capacity growth of 5%, and passenger mile yield increased 12%. The increase in RPMs reflects our expansion into Latin America, which resulted in 24% traffic growth in that region during 2000. The increased passenger mile yield reflects strong demand and improved revenue management systems.

Cargo and Other Revenues

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

OPERATING EXPENSES

Excluding unusual items, operating expenses in 2000 were \$15.0 billion, increasing 15% from \$13.1 billion in 1999; CASM rose 9% to 9.68 (cent) and fuel price neutralized CASM increased 5% to 9.37(cent). Including unusual items, operating expenses in 2000 totaled \$15.1 billion, increasing 11% from \$13.6 billion in 1999; CASM increased 6% to 9.75(cent) and fuel price neutralized CASM grew 2% to 9.44(cent). Operating capacity rose 5% to 155 billion ASMs. The increase in CASM is primarily related to an increase in salaries and related costs as well as higher fuel expense.

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

Aircraft fuel expense increased 39% in 2000. The average fuel price per gallon rose 32% to 67.38(cent). Total gallons consumed increased 5% due to increased operations. Our fuel cost is shown net of fuel hedge gains of \$684 million in 2000 and \$79 million in 1999. Approximately 67% and 75% of our aircraft fuel requirements were hedged during 2000 and 1999, respectively. On July 1, 2000, we adopted SFAS 133, which changed the way we account for our fuel hedge contracts. See Note 4 for additional information on our fuel hedge contracts.

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

Passenger commissions expense fell 16%, a result of changes to our travel agent commission rates and our customers' increased use of lower-cost distribution channels such as the Internet. Internet sales accounted for approximately 9% of total revenue flown in 2000 compared to 4% in 1999. Contracted services expense increased 17%, a result of the inclusion of an entire year of Comair and ASA, as well as higher costs related to customer service and technology initiatives.

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

OPERATING INCOME AND OPERATING MARGIN

Excluding unusual items, operating income totaled \$1.7 billion in 2000, compared to \$1.8 billion in 1999. Operating margin excluding unusual items decreased to 10% during 2000 from 12% in 1999. Including unusual items, operating income totaled \$1.6 billion in 2000 and \$1.3 billion in 1999. Operating margin including unusual items was 10% in 2000, compared to 9% in 1999.

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

OTHER INCOME (EXPENSE)

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

- net gain from the sale of investments decreased \$626 million in 2000 compared to 1999 (see Note 3 of the Notes to the Consolidated Financial Statements);
- we had a \$159 million charge in 2000 for fair market value adjustments of financial instruments accounted for under SFAS 133 (see Note 4 of the Notes to the Consolidated Financial Statements); and
- net interest expense increased \$131 million in 2000 due to higher levels of outstanding debt and higher interest rates.

FINANCIAL CONDITION AND LIQUIDITY

2001

Cash, cash equivalents and short-term investments totaled \$2.2 billion at December 31, 2001, compared to \$1.6 billion at December 31, 2000. Our principal sources and uses of cash during 2001 are summarized below.

SOURCES

- Issued \$2.3 billion of secured long-term debt.
- Received \$701 million from short-term obligations and notes payable, including borrowing a net \$625 million under our 1997 Bank Credit Agreement.
- Received \$498 million from the issuance of Special Facilities Revenue Bonds by the Massachusetts Port Authority. These proceeds will finance the redevelopment and expansion of certain Delta facilities at Boston-Logan International Airport (see Note 8 of the Notes to the Consolidated Financial Statements).
- Received \$286 million from the sale of investments in priceline, SkyWest and Equant.
- Generated \$236 million of cash from operations (including \$556 million in Stabilization Act compensation and a \$70 million Worldspan dividend).
- Received \$66 million from the sale of flight equipment.

USES

- Invested \$2.3 billion in flight equipment, including advance payments.
- Placed \$485 million in a restricted trust to finance the redevelopment and expansion of certain Delta facilities at Boston-Logan International Airport (see Note 8 of the Notes to the Consolidated Financial Statements).
- Invested \$472 million in ground property and equipment.
- Used \$173 million for payments on long-term debt and capital lease obligations.
- Paid \$40 million in cash dividends on preferred and common stock. A portion of the dividends paid on preferred shares are used in our ESOP program (see Note 12 of the Notes to the Consolidated Financial Statements) and are not reflected in our Consolidated Statements of Operations.

Debt and capital lease obligations, including current maturities and short-term obligations, totaled \$9.4 billion at December 31, 2001, compared to \$6.0 billion at December 31, 2000. Shareowners' equity was \$3.8 billion at December 31, 2001 and \$5.3 billion at December 31, 2000. Our net debt-to-capital ratio, which includes implied debt from operating leases, was 80% at December 31, 2001 and 71% at December 31, 2000.

WORKING CAPITAL POSITION

As of December 31, 2001, we had a negative working capital position of \$2.8 billion, compared to negative working capital of \$2.0 billion at December 31, 2000. A negative working capital position is normal for us, typically due to our air traffic liability. The change in our working capital position since December 31, 2000 was primarily the result of the negative impact on our revenues resulting from the September 11 terrorist attacks, the slowing U.S. and world economies, and a decrease in the fair market value of our short-term fuel hedge contracts.

As a result of the September 11 terrorist attacks, we have taken, and are continuing to take, certain actions to strengthen our liquidity. These include:

- Increasing our cash position by issuing \$2.1 billion of long-term debt for general corporate purposes. These financings are secured by a total of 55 mainline aircraft owned by Delta. For additional information about these financings, see Note 8 of the Notes to the Consolidated Financial Statements.

- Selling our equity interest in SkyWest, Inc. for \$125 million.

- Entering into amendments under three existing credit facilities: the 1997 Bank Credit Agreement and two bank agreements for letters of credit that back certain of our obligations. Under the amendments, the banks in each facility relaxed financial covenants that limit the amount

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of secured debt, current debt and other debt that we may have outstanding. We repaid \$625 million of the \$1.25 billion of borrowings then outstanding under the 1997 Bank Credit Agreement, reduced to \$625 million the banks' total lending commitment under that agreement and paid certain fees to the banks in each facility.

- Reducing our capacity by 16% from scheduled levels effective November 1, 2001 to better match capacity to depressed demand, and reducing staffing by approximately 12,000 employees to match staffing to our reduced capacity.

- Entering into a short-term secured loan agreement to borrow up to \$625 million for general corporate purposes. No amounts were outstanding under this facility at December 31, 2001.

In addition, on January 17, 2002, we announced a revised mainline fleet strategy for 2002 and 2003. Under this revised strategy, we will take delivery of eight new mainline aircraft during 2002 and five in 2003, and will defer delivery of 39 (20 firm orders and 19 options) of the 52 mainline aircraft originally planned for delivery during that period. These deliveries, along with 11 mainline aircraft for which we took title in late December 2001, will enable us to accelerate the planned retirement of our B-727 fleet from 2005 to 2003. We also entered into an agreement to obtain up to \$935 million of secured debt financing relating to the mainline aircraft for which we took title in late December 2001 and the mainline aircraft to be delivered in 2002. There were no borrowings outstanding under this facility at December 31, 2001.

During 2002, we will take delivery of 60 regional jets. We have obtained long-term, secured financing commitments for a substantial portion of the purchase price of these aircraft.

On January 25, 2002, we sold in a private placement \$176 million principal amount of a new, subordinated tranche of the 2000-1 enhanced equipment trust certificates. The new Series D Certificates bear interest at 9.11% per year and are due on November 18, 2005.

For additional information about our long-term debt and financing arrangements, see Note 8 of the Notes to the Consolidated Financial Statements.

We expect to meet our obligations as they become due through available cash, short-term investments, internally generated funds, borrowings and Stabilization Act compensation. Additionally, we have unencumbered assets available for use in potential financing transactions. We have not determined whether to apply for federal loan guarantees under the Stabilization Act. While we expect there to be financing available to us on commercially reasonable terms, this cannot be assured.

CREDIT RATINGS

At December 31, 2000, our senior unsecured long-term debt was rated Baa3 by Moody's and BBB- by Standard & Poor's. After September 11, both rating agencies downgraded the credit ratings of airlines, including us. At December 31, 2001, our senior unsecured long-term debt was rated Ba3 by Moody's and BB by Standard & Poor's. Moody's announced that its ratings outlook for us is negative. Standard & Poor's stated that our debt securities remain on credit watch for possible further downgrade.

The lowering of our credit ratings could negatively impact our ability to issue debt, to renew outstanding letters of credit which back certain of our obligations and to obtain certain financial instruments that we use in our fuel hedging program. It could also increase the cost of these transactions. As discussed in Note 18 of the Notes to the Consolidated Financial Statements, we may be required to repurchase outstanding receivables that we sold to a third party (\$212 million at December 31, 2001) if our senior unsecured long-term debt is rated below Ba2 by Moody's and below BB by Standard & Poor's.

We have obtained from third parties a \$424 million letter of credit relating to the Delta Family-Care Savings Plan's Series C Guaranteed Serial ESOP Notes and letters of credit totaling \$409 million relating to bonds issued by various municipalities to finance certain airport facilities leased to us. Certain of the obligations that these letters of credit enhance are included in our Consolidated Balance Sheets. As discussed under "Series C ESOP Notes" and "Letter of Credit Enhanced Municipal Bonds" in Note 8 of the Notes to the Consolidated Financial Statements, we may be required to accelerate the repayment of these obligations if we do not extend those letters of credit prior to their expiration dates, which occur between May 19, 2003 and December 4, 2003.

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

PRIOR YEARS

2000

During 2000, our principal sources of funds were \$2.9 billion of cash from operations, \$1.9 billion from the issuance of long-term debt (including \$1.5 billion of secured debt), \$384 million from the sale and leaseback of regional jets and the sale of other flight equipment and \$73 million from the sale of priceline common stock. In addition, we received \$33 million from the issuance of common stock. We invested \$3.4 billion in flight equipment and \$634 million in technology and ground property and equipment. We also made payments of \$972 million on debt and capital lease obligations and paid \$232 million to complete our acquisition of Comair Holdings. In addition, we repurchased \$502 million of common stock and paid \$40 million in cash dividends on preferred and common stock.

1999

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

FINANCIAL POSITION

DECEMBER 31, 2001 COMPARED TO DECEMBER 31, 2000

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

Prepaid expenses and other decreased by 36%, or \$128 million, primarily due to a decrease in prepaid travel agency commissions due to lower sales and a decrease in fuel inventory. Investments in associated companies decreased 19%, or \$42 million, primarily due to a Worldspan dividend, partially offset by our share of Worldspan net income. Other noncurrent assets decreased 7%, or \$70 million, mainly a result of a decrease in the fair market value of our long-term fuel hedge contracts.

Income and excise taxes payable increased 71%, or \$435 million, due to an increase in ticket, transportation and airport taxes payable for which payment was deferred under the Stabilization Act until January 2002. Current accrued rent increased by 19%, or \$53 million, due primarily to the timing of payments on aircraft and bond leases.

Other noncurrent liabilities increased 20% to \$464 million due primarily to the accrual for early retirement benefits related to our decision to reduce staffing levels following the September 11 terrorist attacks.

COMMITMENTS

In accordance with U.S. GAAP, certain contractual commitments are included in our Consolidated Balance Sheets and discussed in the Notes to the Consolidated Financial Statements, while other contractual commitments are discussed in the Notes to the Consolidated Financial Statements. The following items are included in our Consolidated Balance Sheets:

- debt, totaling \$9.3 billion, discussed in Note 8. A portion of this debt is backed by letters of credit totaling \$729 million which expire during 2003, also discussed in Note 8; and;

- capital lease obligations, totaling \$99 million, discussed in Note 10.

The following contractual commitments are discussed only in the Notes to the Consolidated Financial Statements:

- operating lease payments, totaling \$14 billion, discussed in Note 10; a portion of these obligations are backed by letters of credit totaling \$104 million, discussed in Note 8.

- estimated future expenditures for aircraft and engines on firm order as of January 31, 2002, totaling \$6 billion, discussed in Note 11;

- obligations under our contract carrier agreements with SkyWest Airlines and Atlantic Coast Airlines, discussed in Note 11, totaling \$520 million in 2002. Our future costs under these agreements will be impacted by certain variable operating costs that cannot be reasonably

determined at this time; and

- repurchase obligations related to accounts receivable sold to a third party, discussed in Note 18.

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CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. We periodically evaluate these estimates and assumptions, which are based on historical experience, changes in the business environment and other factors that management believes to be reasonable under the circumstances. Actual results may differ materially from these estimates.

Critical accounting policies are defined as those that are both important to the portrayal of the company's financial condition and results, and require management to exercise significant judgments. Our most critical accounting policies are briefly described below. For additional information about these and our other significant accounting policies, see Notes 1, 4, 6 and 12 of the Notes to the Consolidated Financial Statements.

Revenue Recognition

We record sales of passenger tickets as air traffic liability on our Consolidated Balance Sheets. Passenger revenues are recognized, and the related air traffic liability is reduced, when we provide the transportation. We make estimates about air traffic liability for tickets sold but not yet reported to us, the timing and amount of tickets used for travel on other airlines and the amount of tickets sold that will not be used. We periodically evaluate the liability and record any resulting adjustments, which may be significant, in the Consolidated Statements of Operations in the period in which the evaluations are completed.

Long-Lived Assets

We depreciate our property and equipment on a straight-line basis to their estimated residual values over their respective estimated useful life. In addition, we evaluate long-lived assets used in operations, goodwill and other intangible assets for impairment. When events and circumstances indicate the assets may be impaired, we estimate the future cash flows to be generated by those assets and we estimate their current fair value in determining the amount of the loss. Changes to these estimates may have a material effect on our Consolidated Financial Statements.

Frequent Flyer Program

We account for our frequent flyer program obligations by recording a liability for the estimated incremental cost of flight awards we expect to be redeemed. The estimated incremental cost is based on our system average cost per passenger for fuel, food and other direct passenger costs. Changes in the cost estimates or the estimated number of tickets to be redeemed may have a significant impact on our Consolidated Financial Statements.

We defer a portion of the revenue from the sale of mileage credits to participating partners such as credit card companies, hotels and car rental agencies. The revenue is recognized over the period in which the credits are expected to be redeemed for travel. Changes to the time period over which the credits are expected to be redeemed as well as the estimated number of tickets to be claimed may have a significant impact on our Consolidated Financial Statements.

The Emerging Issues Task Force is currently reviewing the accounting for programs such as our frequent flyer program. The outcome of this review cannot be predicted at this time. The issuance of a new accounting standard may have a significant impact on the accounting for our frequent flyer program.

Pension and Other Postretirement Benefits

We account for our pension and other postretirement benefit programs based on a number of assumptions that are reviewed periodically. These assumptions include the weighted average discount rate, the health care cost trend rate, the long-term rate of return on benefit plan assets and the rate of increase in future compensation levels. Changes in these assumptions may have a material impact on our Consolidated Financial Statements.

MARKET RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

We have market risk exposure related to aircraft fuel prices, stock prices, interest rates and foreign currency exchange rates. The market risk is the potential negative impact of adverse changes in these prices or rates on our consolidated financial statements. To manage the volatility relating to these exposures, we periodically enter into derivative transactions pursuant to stated policies (see Notes 4 and 5 of the Notes to the Consolidated Financial Statements). Management expects adjustments to the fair value of financial instruments

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

accounted for under SFAS 133 to result in ongoing volatility in earnings and shareowners' equity.

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

Aircraft Fuel Price Risk

Our results of operations can be significantly impacted by changes in the price of aircraft fuel. To manage this risk, we periodically enter into heating oil derivative contracts, such as forwards and options, to hedge a portion of our projected annual fuel requirements. Heating oil prices have a high correlation to aircraft fuel prices, making heating oil derivatives effective in offsetting changes in aircraft fuel prices. These contracts are intended to reduce our exposure to changes in aircraft fuel prices. Based on instruments held at December 31, 2001, we have hedged 46% of our projected annual air-craft fuel requirements for 2002 at an average hedge price of 60.50(cent) per gallon and a minimal portion of our projected fuel requirements for 2003.

The fair values of our heating oil derivative instruments were \$64 million at December 31, 2001 and \$449 million at December 31, 2000. A 10% decrease in the average annual price of heating oil would have decreased the fair values of these instruments by \$36 million at December 31, 2001.

During 2001, aircraft fuel accounted for 12% of our total operating expenses. Based on our projected aircraft fuel consumption of 2.5 billion gallons for 2002, a 10% rise in our jet fuel prices would increase our aircraft fuel expense by approximately \$86 million in 2002. This analysis includes the effects of fuel hedging instruments in place at December 31, 2001.

For additional information regarding our aircraft fuel price risk management program, see Note 5 of the Notes to the Consolidated Financial Statements.

Equity Securities Risk

We have equity-based interests in priceline and other companies. The estimated fair market values and aggregate unrealized and unrecognized losses from these investments were \$81 million and \$3 million, respectively, at December 31, 2001. At December 31, 2000, the estimated fair market values of our equity-based interests totaled \$205 million, with aggregate unrealized and unrecognized gains of \$92 million. The risk associated with these investments is the potential loss in fair market value resulting from a decrease in the price of the issuer's common stock. Based on the fair market value of these equity-based interests at December 31, 2001, a 10% decline in the price of their common stock would decrease the fair market value of these instruments by approximately \$8 million. For additional information regarding our equity-based interests in other companies, see Note 3 of the Notes to the Consolidated Financial Statements.

Interest Rate Risk

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

Market risk associated with our long-term debt is the potential change in fair market value resulting from a change in interest rates. A 10% decrease in average annual interest rates would have increased the estimated fair market value of our long-term debt by approximately \$373 million and \$338 million at December 31, 2001 and December 31, 2000, respectively. A 10% increase in average annual interest rates would have had a \$6 million impact on our interest expense in 2001.

Market risk associated with our cash portfolio is the potential change in earnings resulting from a change in interest rates. Based on our average balance of cash, cash equivalents and short-term investments during 2001, a 10% decrease in average annual interest rates would have decreased our interest income by approximately \$9 million.

We may use financial instruments to manage our interest rate risk, provided that the notional amount of these transactions does not exceed 50% of our long-term debt. We had no such instruments outstanding at December 31, 2001 and 2000.

Foreign Currency Exchange Rate Risk

We have limited revenues and expenses denominated in foreign currencies. As a result, we are exposed to limited foreign currency exchange rate risk. The majority of our exposure results from transactions denominated in the euro, British pound, Canadian dollar and Japanese yen. To manage

exchange rate risk, we net foreign currency revenues and expenses, to the extent practicable, to take advantage of natural offsets. We may use foreign currency option and forward contracts with maturities of up to 12 months to manage the remaining net exposure. We had an immaterial amount of these instruments outstanding at December 31, 2001. Based on our average annual net foreign currency positions during 2001, a 10% adverse change in average annual foreign currency exchange rates would not have had a material impact on our Consolidated Financial Statements.

OTHER MATTERS

EMPLOYEE MATTERS

On February 1, 2002, Delta's approximately 19,000 flight attendants rejected union representation by a 71% to 29% margin. The National Mediation Board (NMB) is investigating charges of interference filed against us by the union. We believe these charges are without merit.

Delta is in collective bargaining negotiations with the Transport Workers Union of America (TWU), which represents Delta's approximately 150 pilot ground training instructors. Comair is in negotiations with the International Brotherhood of Teamsters (IBT), which represents Comair's approximately 700 flight attendants. The NMB appointed a mediator to participate in the Delta/TWU negotiations in January 2001 and the Comair/IBT negotiations in April 2000. The outcome of these collective bargaining negotiations cannot presently be determined.

ENVIRONMENTAL AND LEGAL CONTINGENCIES

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

FORWARD-LOOKING INFORMATION

Statements in this Annual Report (or otherwise made by Delta or on Delta's behalf) which are not historical facts, including statements about Delta's 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 Delta's present expectations. Factors that could cause these differences include, but are not limited to:

1. the many effects on Delta and the airline industry from the terrorist attacks on the United States on September 11, including the following:
 - the adverse impact of the terrorist attacks on the demand for air travel;
 - the change in Delta's operations and higher costs resulting from new airline security directives, including the Aviation and Transportation Security Act;
 - the availability and cost of war risk and other insurance for Delta;
 - the extent to which Delta receives additional financial assistance under the Air Transportation Safety and System Stabilization Act;
 - the credit downgrades of Delta and other airlines by Moody's and Standard & Poor's, and the possibility of additional downgrades, to the extent it makes it more difficult and/or more costly for us to obtain financing;
 - potential declines in the values of the aircraft in Delta's fleet or facilities and related asset impairment charges;
 - additional terrorist activity and/or war;
2. general economic conditions, both in the United States and in our markets outside the United States, including the extent of the weakening in the U.S. economy and the related decline in business and leisure travel;
3. competitive factors in our industry, such as mergers and acquisitions, the airline pricing environment, international alliances, codesharing programs, and capacity decisions by competitors;
4. outcomes of negotiations on collective bargaining agreements and other labor issues;
5. changes in the availability or cost of aircraft fuel or fuel hedges;
6. disruptions to operations due to adverse weather conditions and air traffic control-related constraints;

7. fluctuations in foreign currency exchange rates;
8. actions by the United States or foreign governments, including the FAA and other regulatory agencies;
9. the willingness of customers to travel generally, and with Delta specifically, which could be affected by factors such as Delta's and the industry's safety record; and
10. the outcome of Delta's litigation.

Caution should be taken not to place undue reliance on Delta's forward-looking statements, which represent Delta's views only as of the date of this Annual Report, and which Delta has no current intention to update.

CONSOLIDATED BALANCE SHEETS

December 31, 2001 and 2000

ASSETS in millions	2001	2000
Current Assets:		
Cash and cash equivalents	\$ 2,210	\$ 1,364
Short-term investments	5	243
Accounts receivable, net of an allowance for uncollectible accounts of \$43 at December 31, 2001 and \$31 at December 31, 2000	368	406
Expendable parts and supplies inventories, net of an allowance for obsolescence of \$139 at December 31, 2001 and \$124 at December 31, 2000	181	170
Deferred income taxes	518	345
Fuel hedge contracts, at fair market value	55	319
Prepaid expenses and other	230	358
Total current assets	3,567	3,205
Property and Equipment:		
Flight equipment	19,427	17,371
Less: Accumulated depreciation	5,730	5,139
Flight equipment, net	13,697	12,232
Flight equipment under capital leases	382	484
Less: Accumulated amortization	262	324
Flight equipment under capital leases, net	120	160
Ground property and equipment	4,412	4,371
Less: Accumulated depreciation	2,355	2,313
Ground property and equipment, net	2,057	2,058
Advance payments for equipment	223	390
Total property and equipment, net	16,097	14,840
Other Assets:		
Investments in debt and equity securities	96	339
Investments in associated companies	180	222
Cost in excess of net assets acquired, net of accumulated amortization of \$253 at December 31, 2001 and \$196 at December 31, 2000	2,092	2,149
Operating rights and other intangibles, net of accumulated amortization of \$246 at December 31, 2001 and \$236 at December 31, 2000	94	102
Restricted investments for Boston airport terminal project	475	--
Other noncurrent assets	1,004	1,074
Total other assets	3,941	3,886
Total assets	\$23,605	\$21,931

LIABILITIES AND SHAREOWNERS' EQUITY

in millions, except share data	2001	2000
Current Liabilities:		
Current maturities of long-term debt	\$ 260	\$ 62
Short-term obligations	765	--
Current obligations under capital leases	31	40
Accounts payable and miscellaneous accrued liabilities	1,617	1,634
Air traffic liability	1,224	1,442
Income and excise taxes payable	1,049	614
Accrued salaries and related benefits	1,121	1,170
Accrued rent	336	283
Total current liabilities	6,403	5,245
Noncurrent Liabilities:		
Long-term debt	7,781	5,797
Long-term debt issued by Massachusetts Port Authority	498	--
Capital leases	68	99
Postretirement benefits	2,292	2,026
Accrued rent	781	721
Deferred income taxes	465	1,220
Other	464	388
Total noncurrent liabilities	12,349	10,251
Deferred Credits:		
Deferred gains on sale and leaseback transactions	519	568
Manufacturers' and other credits	310	290
Total deferred credits	829	858
Commitments and Contingencies (Notes 3, 4, 5, 8, 10 and 11)		
Employee Stock Ownership Plan Preferred Stock:		
Series B ESOP Convertible Preferred Stock, \$1.00 par value, \$72.00 stated and liquidation value; 6,278,210 shares issued and outstanding at December 31, 2001, and 6,405,563 shares issued and outstanding at December 31, 2000	452	460
Unearned compensation under employee stock ownership plan	(197)	(226)
Total Employee Stock Ownership Plan Preferred Stock	255	234
Shareowners' Equity:		
Common stock, \$1.50 par value; 450,000,000 shares authorized; 180,890,356 shares issued at December 31, 2001 and 180,764,057 shares issued at December 31, 2000	271	271
Additional paid-in capital	3,267	3,264
Retained earnings	2,930	4,176
Accumulated other comprehensive income	25	360
Treasury stock at cost, 57,644,690 shares at December 31, 2001 and 57,750,685 shares at December 31, 2000	(2,724)	(2,728)
Total shareowners' equity	3,769	5,343
Total liabilities and shareowners' equity	\$23,605	\$21,931

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

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31, 2001, 2000 and 1999

in millions, except per share data	2001	2000	1999
OPERATING REVENUES:			
Passenger	\$ 12,964	\$ 15,657	\$ 13,949
Cargo	506	583	561
Other, net	409	501	373
Total operating revenues	13,879	16,741	14,883
OPERATING EXPENSES:			
Salaries and related costs	6,124	5,971	5,194
Aircraft fuel	1,817	1,969	1,421
Depreciation and amortization	1,283	1,187	1,057
Other selling expenses	616	688	626
Passenger commissions	540	661	784
Contracted services	1,016	966	824
Landing fees and other rents	780	771	723
Aircraft rent	737	741	622
Aircraft maintenance materials and outside repairs	801	723	594
Passenger service	466	470	498
Asset writedowns and other nonrecurring items	1,119	108	469
Stabilization Act compensation	(634)	--	--
Other	816	849	753
Total operating expenses	15,481	15,104	13,565
OPERATING INCOME (LOSS)	(1,602)	1,637	1,318
OTHER INCOME (EXPENSE):			
Interest expense, net	(410)	(257)	(126)
Net gain from sale of investments	127	301	927
Miscellaneous income (expense), net	(47)	27	(26)
Fair value adjustments of SFAS 133 derivatives	68	(159)	--
Total other income (expense)	(262)	(88)	775
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(1,864)	1,549	2,093
INCOME TAX BENEFIT (PROVISION)	648	(621)	(831)
NET INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX	(1,216)	928	1,262
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX OF \$64 MILLION IN 2000 AND \$35 MILLION IN 1999	--	(100)	(54)
NET INCOME (LOSS)	(1,216)	828	1,208
PREFERRED STOCK DIVIDENDS	(14)	(13)	(12)
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREOWNERS	\$ (1,230)	\$ 815	\$ 1,196
BASIC EARNINGS (LOSS) PER SHARE BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$ (9.99)	\$ 7.39	\$ 9.05
BASIC EARNINGS (LOSS) PER SHARE	\$ (9.99)	\$ 6.58	\$ 8.66
DILUTED EARNINGS (LOSS) PER SHARE BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$ (9.99)	\$ 7.05	\$ 8.52
DILUTED EARNINGS (LOSS) PER SHARE	\$ (9.99)	\$ 6.28	\$ 8.15

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2001, 2000 and 1999

in millions	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ (1,216)	\$ 828	\$ 1,208
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Cumulative effect of change in accounting principle	--	100	54
Asset writedowns	339	0	453
Depreciation and amortization	1,283	1,187	1,057
Deferred income taxes	(648)	396	321
Fair value adjustments of SFAS 133 derivatives	(68)	159	--
Pension, postretirement and postemployment expense in excess of (less than) payments	419	(17)	33
Dividends in excess of (less than) equity income	51	(28)	48
Net gain from sale of investments	(127)	(301)	(927)
Income tax benefit from exercise of stock options	--	5	21
Changes in certain current assets and liabilities:			
Decrease in accounts receivable	47	86	310
Decrease (increase) in prepaid expenses and other current assets	60	92	(186)
(Decrease) increase in air traffic liability	(215)	(49)	73
Increase in other payables and accrued expenses	274	395	169
Other, net	37	45	13
Net cash provided by operating activities	236	2,898	2,647
CASH FLOWS FROM INVESTING ACTIVITIES:			
Property and equipment additions:			
Flight equipment, including advance payments	(2,321)	(3,426)	(2,497)
Ground property and equipment	(472)	(634)	(558)
Increase in restricted investments related to the Boston airport terminal project	(485)	--	--
Decrease (increase) in short-term investments, net	238	456	(367)
Proceeds from sale of flight equipment	66	384	215
Proceeds from sale of investments	286	73	1,167
Acquisitions of companies, net of cash acquired	--	(232)	(1,922)
Other, net	(8)	(17)	--
Net cash used in investing activities	(2,696)	(3,396)	(3,962)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on long-term debt and capital lease obligations	(173)	(853)	(1,927)
Prepayment of long-term lease obligations	--	(215)	--
Cash dividends	(40)	(40)	(43)
Issuance of long-term obligations	2,335	1,867	4,496
Issuance of long-term debt by Massachusetts Port Authority	498	--	--
Proceeds from (payments on) short-term obligations and notes payable, net	701	(51)	265
Issuance of common stock	2	33	104
Repurchase of common stock	--	(502)	(625)
Other, net	(17)	--	--
Net cash provided by financing activities	3,306	239	2,270
Net Increase (Decrease) In Cash and Cash Equivalents	846	(259)	955
Cash and cash equivalents at beginning of year	1,364	1,623	668
Cash and cash equivalents at end of year	\$ 2,210	\$ 1,364	\$ 1,623
SUPPLEMENTAL DISCLOSURE OF CASH PAID (REFUNDED) FOR:			
Interest, net of amounts capitalized	\$ 490	\$ 410	\$ 185
Income taxes	(103)	131	315
NON-CASH TRANSACTIONS:			
Aircraft delivered under seller-financing	\$ 77	\$ --	\$ --

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

CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

in millions, except share data	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
BALANCE AT DECEMBER 31, 1998	\$ 266	\$ 3,090	\$ 2,196	\$ 125	\$(1,600)	\$ 4,077
Comprehensive income:						
Net income	--	--	1,208	--	--	1,208
Other comprehensive income	--	--	--	141	--	141
Total comprehensive income (See Note 17)						1,349
Dividends on common stock (\$0.10 per share)	--	--	(14)	--	--	(14)
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	--	--	(12)	--	--	(12)
Issuance of 2,381,204 shares of common stock under dividend reinvestment and stock purchase plan and stock options (\$43.94 per share*)	4	100	--	--	--	104
Repurchase of 10,971,166 common shares (\$56.96 per share*)	--	--	--	--	(625)	(625)
Income tax benefit from exercise of stock options	--	21	--	--	--	21
Transfer of 30,830 shares of common stock from treasury under stock incentive plan (\$59.37 per share*)	--	--	--	--	(2)	(2)
Other	--	11	(1)	--	--	10
BALANCE AT DECEMBER 31, 1999	270	3,222	3,377	266	(2,227)	4,908
Comprehensive income:						
Net income	--	--	828	--	--	828
Other comprehensive income	--	--	--	94	--	94
Total comprehensive income (See Note 17)						922
Dividends on common stock (\$0.10 per share)	--	--	(12)	--	--	(12)
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	--	--	(13)	--	--	(13)
Issuance of 729,426 shares of common stock under dividend reinvestment and stock purchase plan and stock options (\$44.86 per share*)	1	32	--	--	--	33
Repurchase of 10,626,104 common shares (\$47.26 per share*)	--	--	--	--	(502)	(502)
Income tax benefit from exercise of stock options	--	5	--	--	--	5
Transfers and forfeitures of 16,580 shares of common stock under stock incentive plan (\$52.61 per share*)	--	--	--	--	1	1
Other	--	5	(4)	--	--	1
BALANCE AT DECEMBER 31, 2000	271	3,264	4,176	360	(2,728)	5,343
Comprehensive loss:						
Net loss	--	--	(1,216)	--	--	(1,216)
Other comprehensive loss	--	--	--	(335)	--	(335)
Total comprehensive loss (See Note 17)						(1,551)
Dividends on common stock (\$0.10 per share)	--	--	(12)	--	--	(12)
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	--	--	(14)	--	--	(14)
Issuance of 126,299 shares of common stock under dividend reinvestment and stock purchase plan and stock options (\$38.10 per share*)	--	5	--	--	--	5
Transfers and forfeitures of 105,995 shares of common from Treasury under stock incentive plan (\$37.10 per share*)	--	(4)	--	--	4	0
Other	--	2	(4)	--	--	(2)
BALANCE AT DECEMBER 31, 2001	\$ 271	\$ 3,267	\$ 2,930	\$ 25	\$(2,724)	\$ 3,769

(*) Average price per share

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Delta Air Lines, Inc. (a Delaware corporation) is a major air carrier that provides air transportation for passengers and freight throughout the United States and around the world. Our consolidated financial statements include the accounts of Delta Air Lines, Inc. and our wholly owned subsidiaries, including Comair Holdings, Inc. (Comair Holdings) and ASA Holdings, Inc. (ASA Holdings), collectively referred to as Delta. Comair Holdings is the parent of Comair, Inc. (Comair) and ASA Holdings is the parent of Atlantic Southeast Airlines, Inc. (ASA). We have eliminated all intercompany transactions in our Consolidated Financial Statements. The results of operations of companies purchased are included from the date of acquisition (see Note 19). These Consolidated Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States (U.S. GAAP). We have reclassified certain prior period amounts to be consistent with the presentation of our current period financial statements.

Change in Year End

Effective December 31, 2000, we changed our year end from June 30 to December 31. Accordingly, this Annual Report includes audited Consolidated Balance Sheets as of December 31, 2001 and 2000, and audited Consolidated Statements of Operations, Cash Flows and Shareowners' Equity for the years ended December 31, 2001, 2000 and 1999.

Use of Estimates

We are required to make estimates and assumptions when preparing our financial statements in conformity with U.S. GAAP. These estimates and assumptions affect the amounts reported in our financial statements and the accompanying notes. Actual results could differ materially from those estimates.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) 142, "Goodwill and Other Intangible Assets," which is effective for fiscal years beginning after December 15, 2001. We will adopt SFAS 142 on January 1, 2002. SFAS 142 requires that goodwill no longer be amortized. Instead, upon adoption of SFAS 142 and at least annually thereafter, we will apply a fair market value-based impairment test to our goodwill. SFAS 142 also redefines intangible assets and addresses their related amortization. We currently estimate that the adoption of SFAS 142 will have a positive impact of approximately \$37 million, net of tax, on our 2002 Consolidated Statements of Operations resulting from the discontinuance of amortization of existing goodwill. We are evaluating whether there will be additional impacts from the adoption of SFAS 142 on our Consolidated Financial Statements, such as an impairment of existing goodwill and other intangible assets.

In June 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations," which is effective for fiscal years beginning after June 15, 2002. We will adopt this statement on January 1, 2003. We believe the adoption of SFAS 143 will not have a material impact on our Consolidated Financial Statements.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years; accordingly, we will adopt this statement on January 1, 2002. SFAS 144 super- sedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." We are evaluating the impact of SFAS 144 on our Consolidated Financial Statements.

During 2000, we adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (see Note 4 for the impact) and SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The adoption of SFAS 140 has not had an impact on our Consolidated Financial Statements. During 1999, we adopted Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements" (see Note 6

Notes to the Consolidated Financial Statements

for the impact) and Statement of Position (SOP) 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use." The adoption of SOP 98-1 did not have a material impact on our Consolidated Financial Statements.

Cash and Cash Equivalents

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

Derivative Financial Instruments

We account for derivative financial instruments at their fair market value. Where we have designated these derivatives as hedges of certain anticipated cash flows, we record their change in fair market value as a component of other comprehensive income within the equity section of our Consolidated Balance Sheets. To the extent the change in fair market value of the hedge instrument is not perfectly offset by the change in value of the underlying exposure, the difference is recognized in our Consolidated Statements of Operations as fair market value adjustments of SFAS 133 derivatives. Changes in value of all other derivative instruments are recorded in our Consolidated Statements of Operations as fair market value adjustments of SFAS 133 derivatives.

Passenger Revenues

We record sales of passenger tickets as air traffic liability on our Consolidated Balance Sheets. Passenger revenues are recognized, and the related air traffic liability is reduced, when we provide the transportation. We periodically evaluate the estimated air traffic liability and record any resulting adjustments, which can be significant, in the Consolidated Statements of Operations in the period that the evaluations are completed.

Long-Lived Assets

We record our property and equipment at cost and depreciate these assets on a straight-line basis to their estimated residual values over their respective estimated useful life. Residual values for flight equipment range from 5%-40% of cost. The estimated useful lives for major asset classifications are as follows:

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

Purchased international route authorities are amortized over the lives of the authorities as determined by their expiration dates. Permanent route authorities with no stated expiration dates are amortized over 40 years. Our cost in excess of net assets acquired (goodwill) is amortized over 40 years and is primarily related to our acquisition of Comair Holdings and ASA Holdings in 1999 and Western Air Lines, Inc. in 1986.

Interest Capitalized

We capitalize interest on advance payments for the acquisition of new aircraft and on construction of ground facilities as an additional cost of the related assets. Interest is capitalized at our weighted average interest rate on long-term debt or, if applicable, the interest rate related to specific borrowings. Interest capitalization ends when the equipment or facility is ready for service or its intended use. Capitalized interest totaled \$32 million, \$45 million and \$48 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Measurement of Impairment

In accordance with SFAS 121 and Accounting Principles Board Opinion (APB) 17, "Intangible Assets," we record impairment losses on long-lived assets used in operations, goodwill and other intangible assets when events and circumstances indicate the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. To determine aircraft impairments, we

group assets at the lowest level for which there are identifiable cashflows and then estimate future cash flows based on projections of passenger yield, fuel costs, labor costs and other relevant factors in the markets in which these aircraft operate. If an impairment occurs, the amount of the impairment loss recognized is the amount by which the carrying value exceeds the estimated fair value. Aircraft fair values are estimated by management using published sources, appraisals and bids received from third parties, as available.

Investments in Associated Companies

We use the equity method to account for our 40% ownership interest in WORLDSPAN, L.P. (Worldspan), a computer reservations system partnership. Our equity earnings from this investment totaled \$19 million in 2001, \$59 million in 2000 and \$30 million in 1999. We also received cash dividends of \$70 million in 2001, \$32 million in 2000 and \$100 million in 1999 related to our investment in Worldspan. We account for our 18% ownership interest in Orbitz, LLC, an on-line travel agency, under the equity method. We accounted for our investments in Comair Holdings and ASA Holdings under the equity method until November 22, 1999 and April 1, 1999, respectively.

Frequent Flyer Program

We record an estimated liability for the incremental cost associated with providing free transportation under our SkyMiles frequent flyer program when a free travel award is earned. The liability is included in accounts payable and miscellaneous accrued liabilities. It is adjusted periodically based on awards earned, awards redeemed, changes in the SkyMiles program and changes in estimated incremental costs.

We also sell mileage credits in the SkyMiles program to participating partners such as credit card companies, hotels and car rental agencies. For additional information regarding our accounting for these mileage credits, see Note 6.

Deferred Gains on Sale and Leaseback Transactions

We amortize deferred gains on the sale and leaseback of property and equipment under operating leases over the lives of these leases. The amortization of these gains is recorded as a reduction in rent expense. Gains on the sale and leaseback of property and equipment under capital leases reduce the carrying value of the related assets.

Manufacturers' Credits

We periodically receive credits in connection with the acquisition of aircraft and engines. These credits are deferred until the aircraft and engines are delivered, then applied on a pro rata basis as a reduction to the cost of the related equipment.

Maintenance Costs

We record maintenance costs in operating expense as they are incurred.

Inventories

Inventories of expendable parts related to flight equipment are carried at cost and charged to operations as consumed. An allowance for obsolescence for the cost of these parts is provided over the remaining useful life of the related fleet.

Advertising Costs

We expense advertising costs as other selling expenses in the year incurred. Advertising expense in 2001, 2000 and 1999 was \$153 million, \$151 million and \$143 million, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency Remeasurement

We remeasure assets and liabilities denominated in foreign currencies using exchange rates in effect on the balance sheet date. Revenues and expenses denominated in foreign currencies are remeasured using average exchange rates for the periods presented. We recognize the resulting foreign exchange gains and losses as a component of miscellaneous income (expense). These gains and losses are immaterial for the periods presented. Fixed assets and the related depreciation or amortization charges are recorded at the exchange rates in effect on the date we acquired the assets.

Stock-Based Compensation

We account for stock-based compensation in accordance with APB 25, "Accounting for Stock Issued to Employees." Under APB 25, we do not recognize compensation expense for a stock option grant if the exercise price is equal to or greater than the fair market value of our common stock on the grant date (see Note 16).

Fair Value of Financial Instruments

The fair values of our cash equivalents and short-term investments approximate their cost. The estimated fair values of other financial instruments, including debt and derivative instruments, have been determined using available market information and valuation methodologies, primarily discounted cash flow analysis and the Black-Scholes model.

NOTE 2. SEPTEMBER 11, 2001 TERRORIST ATTACKS

On September 11, 2001, four commercial aircraft were hijacked by terrorists and crashed into The World Trade Center in New York City, the Pentagon in northern Virginia and a field in Pennsylvania. These attacks resulted in an overwhelming loss of life and extensive property damage. Immediately after the terrorist attacks, the Federal Aviation Administration (FAA) closed U.S. airspace, prohibiting all flights to, from and within the United States. Airports reopened on September 13, 2001, except for Ronald Reagan National Airport in Washington, D.C., which partially reopened on October 4, 2001.

When flights were permitted to resume, our passenger traffic and yields were significantly lower than before the attacks. Additionally, new security directives required by the FAA increased our costs and reduced our ability to continue our pre-September 11, 2001 schedule. Due to the significant reduction in traffic, we reduced our scheduled network capacity by 16%, effective November 1, 2001.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (Stabilization Act) which is intended to preserve the viability of the U.S. air transportation system. Among other things, the Stabilization Act:

- provides for payments from the U.S. Government totaling \$5 billion to compensate U.S. air carriers for losses incurred from September 11, 2001 through December 31, 2001 as a result of the September 11 terrorist attacks;
- authorizes, subject to certain conditions, the issuance of federal loan guarantees totaling up to \$10 billion to U.S. air carriers;
- instructs the Secretary of Transportation to ensure that communities that had scheduled air service before September 11, 2001 continue to receive adequate air transportation service;
- permits the Secretary of Transportation (1) to provide insurance to U.S. air carriers, and to reimburse U.S. air carriers for certain increases in the cost of insurance relating to the operation of an aircraft; and (2) to limit to \$100 million the total liability of a U.S. air carrier to third parties for terrorist acts committed during the 180 days following the enactment of the Stabilization Act;
- extends the due date for the payment by U.S. air carriers of certain excise taxes; and
- limits the liability of U.S. air carriers, and establishes a federal compensation program, for individuals physically injured or killed as a result of the September 11 terrorist attacks.

Under the Stabilization Act, each U.S. air carrier is entitled to receive the lesser of (1) its losses for the period of September 11, 2001 through December 31, 2001 that resulted from the September 11 terrorist attacks; or (2) its proportionate share of the \$5 billion in total compensation available to all U.S. air carriers, of which \$4.5 billion is available to passenger airlines

based on their available seat mile share, and \$0.5 billion is available to cargo carriers. Based on our available seat mile share, our allocated portion of compensation under the Stabilization Act is approximately \$654 million; however, due to uncertainties regarding the government's calculation of compensation, we recognized \$634 million of this amount in our 2001 Consolidated Statements of Operations. We received \$556 million during 2001. We expect to receive the remaining amount during the June 2002 quarter.

Subsequent to September 11, 2001, our insurance providers reduced our coverage and increased our premium rates for war and terrorism risk insurance effective September 25, 2001. Under the new terms, liability coverage limits remain unchanged for passengers and employees but have been significantly reduced for other parties such as persons and property on the ground. Provisions under the Stabilization Act provide for excess war risk coverage above \$50 million, provided by the FAA, for liabilities in excess of limits instituted by commercial insurance providers. The initial coverage was in force until January 11, 2002 and was renewed by the FAA for a period of 60 days. The FAA has the authority to continue extending such excess war risk coverage until other viable alternatives are available.

The Stabilization Act also provides for reimbursement of certain insurance premium increases, at the option of the Secretary of Transportation. The FAA agreed to reimburse airlines for increased costs of war risk insurance for a period of 30 days. As a result, in December 2001, we received \$6 million for the additional insurance premiums we paid for October 2001. Additional reimbursement is dependent upon the release of funds to the FAA by the Office of Management and Budget.

As a result of the September 11, 2001 terrorist attacks, we recorded \$1.1 billion of asset write-downs and other nonrecurring items in our 2001 Consolidated Statements of Operations. For additional information about these charges, see Note 9.

NOTE 3. MARKETABLE AND OTHER EQUITY SECURITIES

PRICELINE.COM, INCORPORATED

In 1998, we entered into an agreement with priceline.com Incorporated (priceline) under which ticket inventory provided by us may be sold through priceline's Internet-based e-commerce system. As part of this agreement, we received a warrant to purchase up to 18.6 million shares of priceline common stock for \$0.93 per share (1998 Warrant). We did not recognize the value of the 1998 Warrant in our Consolidated Financial Statements when received because its estimated fair value was not material.

We exercised the 1998 Warrant during 1999, acquiring 18.3 million shares of priceline common stock. We sold 11.1 million of these shares in 1999 for a pretax gain of \$711 million and 1.2 million of these shares in 2000 for a pretax gain of \$73 million.

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

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

On June 30, 2000, we exercised our Exchange Right in full, receiving six million shares of priceline Series A Convertible Preferred Stock (Series A Preferred Stock). As a result of the exchange, we recognized a pretax non-cash gain of \$228 million. On October 1, 2000, we received 549,764 shares of priceline common stock as a dividend on the Series A Preferred Stock. We recorded other income of \$14 million in our 2000 Consolidated Statements of Operations related to this dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On November 2, 2000, Delta and priceline amended the 1999 Warrant (1) to reduce the number of shares underlying the 1999 Warrant from 5.5 million to 4.7 million; and (2) to reduce our per share purchase price for those shares from \$56.63 to \$4.72 (Amended 1999 Warrant). The Amended 1999 Warrant became exercisable in full on January 1, 2001, and expires on November 17, 2004. The amendment of the 1999 Warrant did not have a material impact on our Consolidated Financial Statements.

On February 6, 2001, Delta and priceline agreed to restructure Delta's investment in priceline. In accordance with this agreement, we exchanged our six million shares of Series A Preferred Stock for (1) 80,000 shares of priceline Series B Redeemable Preferred Stock (Series B Preferred Stock); and (2) a warrant to purchase up to 26.9 million shares of priceline common stock for \$2.97 per share (2001 Warrant).

The Series B Preferred Stock (1) bears an annual per share dividend of approximately 36 shares of priceline common stock; (2) has a liquidation preference of \$1,000 per share plus any dividends accrued or accumulated but not yet paid (Liquidation Preference); (3) is subject to mandatory redemption on February 6, 2007 at a price per share equal to the Liquidation Preference; (4) is subject to redemption in whole, at the option of Delta or priceline, if priceline completes any of certain business combination transactions (Optional Redemption); and (5) entitles Delta to a premium payment of \$625 per share if any of these business combination transactions occurs on or before November 16, 2002.

Based on an independent third-party appraisal, we estimated the fair value of the Series B Preferred Stock to be \$80 million and the 2001 Warrant to be \$46 million at February 6, 2001. The total fair value of these securities equaled the carrying amount of the Series A Preferred Stock, including its conversion feature and accumulated dividends on the date the Series A Preferred Stock was exchanged for the Series B Preferred Stock and the 2001 Warrant. Accordingly, we did not recognize a gain or loss on this transaction.

As discussed above, the 2001 Warrant provides Delta the right to purchase up to an additional 26.9 million shares of priceline common stock for \$2.97 per share. Delta may exercise the 2001 Warrant, in whole or in part, at any time prior to the close of business on February 6, 2007, unless all of the shares of Series B Preferred Stock owned by Delta are redeemed in an Optional Redemption, in which case Delta may not exercise the 2001 Warrant after the date of the Optional Redemption. The exercise price may be paid by Delta only by the surrender of shares of Series B Preferred Stock, valued at \$1,000 per share.

The 2001 Warrant also provides that it will automatically be deemed exercised if the closing sales price of priceline common stock exceeds \$8.91 for 20 consecutive trading days. In that event, Delta's rights in the shares of Series B Preferred Stock necessary to pay the exercise price of the 2001 Warrant would automatically be converted into the right to receive shares of priceline common stock pursuant to the 2001 Warrant.

On August 6, 2001, we received a dividend of 986,491 shares of priceline common stock related to our equity interest in the Series B Preferred Stock. We recorded other income of \$9 million in our 2001 Consolidated Statements of Operations related to this dividend.

During 2001, we (1) exercised the 2001 Warrant in part to purchase 18.4 million shares of priceline common stock, paying the exercise price by surrendering to priceline 54,656 shares of Series B Preferred Stock; and (2) sold 18.7 million shares of priceline common stock on the open market for \$143 million. We recognized a pretax gain of \$4 million related to these transactions in our 2001 Consolidated Statements of Operations.

At December 31, 2001, Delta's equity interest in priceline consisted of (1) 25,344 shares of Series B Preferred Stock; (2) the 2001 Warrant to purchase up to 8.5 million shares of priceline common stock; (3) the Amended 1999 Warrant to purchase up to 4.7 million shares of priceline common stock; and (4) 1.3 million shares of priceline common stock. We have certain registration rights relating to shares of priceline common stock we acquire from the exercise of the Amended 1999 Warrant or the 2001 Warrant or receive as dividends on the Series B Preferred Stock.

At December 31, 2001, the carrying values of our holdings in Series B Preferred Stock and priceline common stock were \$25 million and \$7 million, respectively. The Series B

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Preferred Stock is accounted for as an available-for-sale debt security. In accordance with SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," the Series B Preferred Stock and the priceline common stock are recorded at fair market value in investments in debt and equity securities on our Consolidated Balance Sheets. At December 31, 2001, the carrying value of the 2001 Warrant and the Amended 1999 Warrant totaled \$44 million. The warrants are recorded at fair market value in investments in debt and equity securities on our Consolidated Balance Sheets in accordance with SFAS 133.

EQUANT, N.V.

During 1999, we sold a portion of our equity interest in Equant, N.V. (Equant), an international data services company, realizing a pretax gain of \$50 million. During 2001, we sold our remaining equity interest which resulted in a pretax gain of \$11 million. Both the 1999 and 2001 sales are recorded in net gain from sale of investments in our Consolidated Statements of Operations.

OTHER

Delta's equity investment in SkyWest, Inc., the parent company of SkyWest Airlines, was classified as an available-for-sale equity security under SFAS

115. The fair value of this investment was \$179 million at December 31, 2000. During 2001, we sold our equity interest in SkyWest, Inc. for \$125 million and recorded a pretax gain of \$111 million in our 2001 Consolidated Statements of Operations.

During 1999, we sold our equity interests in Singapore Airlines and SAirGroup, the parent company of Swissair, recognizing pretax gains of \$137 million and \$29 million, respectively, in our 1999 Consolidated Statements of Operations.

NOTE 4. DERIVATIVE INSTRUMENTS

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

The impact of SFAS 133 on our Consolidated Statements of Operations is summarized as follows:

in millions	Income (Expense)		
	FOR THE 12 MONTHS ENDED 12/31/2001	For the Six Months Ended 12/31/2000	Cumulative Effect 7/1/2000
Write-off of fuel hedge contract premiums	\$ --	\$ --	\$(143)
Ineffective portion of fuel hedge contracts	(4)	5	16
Fair value adjustments of equity rights	72	(164)	(37)
Total pretax	68	(159)	(164)
Total after tax	\$ 41	\$ (97)	\$(100)

FUEL HEDGE CONTRACTS

Because there is not a readily available market for derivatives in aircraft fuel, we use heating oil contracts to manage our exposure to changes in aircraft fuel prices. Changes in the market value of our heating oil contracts (also referred to as "fuel hedge contracts") have a high correlation to changes in aircraft fuel prices and therefore qualify as cash flow hedges under SFAS 133.

We record the fair market value of our fuel hedge contracts on our Consolidated Balance Sheets. On an ongoing basis, we adjust our balance sheet to reflect the current fair market value of our fuel hedge contracts. The related gains or losses on these contracts are deferred in shareowners' equity (as a component of other comprehensive income). These deferred gains and losses are recognized in income in the period in which the related aircraft fuel purchases being hedged are consumed and recognized in expense. However,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

to the extent that the change in fair market value of a fuel hedge contract does not perfectly offset the change in the value of the aircraft fuel purchase being hedged, the ineffective portion of the hedge is immediately recognized in income. In calculating the ineffective portion of our hedge performance under SFAS 133, we include all changes in the time value component related to any option premiums paid and recognize the amount in income during the life of the contract. Additionally, the ineffective portion of the hedge returns is included in our Consolidated Statements of Operations as fair market value adjustments of SFAS 133 derivatives. Prior to the adoption of SFAS 133, the fuel hedge gains that were netted against fuel expense included the total fuel-related hedge premiums.

At December 31, 2001, our fuel hedge contracts had an estimated short-term fair market value of \$55 million and an estimated long-term fair market value of \$9 million, with unrealized gains of \$25 million, net of tax, recorded in accumulated other comprehensive income. At December 31, 2000, our fuel hedge contracts had an estimated short-term fair market value of \$319 million and an estimated long-term fair market value of \$130 million, with unrealized gains of \$268 million, net of tax, recorded in accumulated other comprehensive income.

EQUITY WARRANTS AND OTHER SIMILAR RIGHTS

We own equity warrants and other similar rights in certain companies, primarily priceline. The total fair market value of these rights at December 31, 2001 and 2000 was \$48 million and \$11 million, respectively. Changes in the fair market value of these rights are recorded in our Consolidated Statements of Operations as fair market value adjustments of SFAS 133 derivatives. For additional information regarding these rights, see Note 3.

NOTE 5. RISK MANAGEMENT

AIRCRAFT FUEL PRICE RISK

Our results of operations can be significantly impacted by changes in the price of aircraft fuel. To manage this risk, we periodically purchase forwards, options and other similar non-leveraged derivative instruments which may have maturities of up to 36 months. We do not enter into fuel hedge contracts for speculative purposes. See Note 4 for additional information about our fuel hedge contracts.

INTEREST RATE RISK

Our exposure to market risk due to changes in interest rates primarily relates to our long-term debt obligations and cash portfolio. Market risk associated with our long-term debt relates to the potential change in fair market value resulting from a change in interest rates as well as the potential increase in interest we would pay on variable rate debt. Market risk associated with our cash portfolio relates to the potential change in our earnings resulting from a change in interest rates.

From time to time, we may enter into interest rate hedge transactions, provided that the notional amount of these transactions does not exceed 50% of our long-term debt. We do not enter into interest rate hedge contracts for speculative purposes. We did not have any interest rate hedge contracts at December 31, 2001 or 2000.

CREDIT RISK

To manage credit risk associated with our aircraft fuel price and foreign currency exchange risk management programs, we select counterparties based on their credit ratings and limit our exposure to any one counterparty under defined guidelines. We also monitor the market position of these programs and our relative market position with each counterparty. The credit exposure related to these programs was not significant at December 31, 2001 and 2000.

Our accounts receivable are generated largely from the sale of passenger airline tickets and cargo transportation services to customers. The majority of these sales are processed through major credit card companies, resulting in accounts receivable which are generally short-term in duration. We also have receivables from the sale of mileage credits to partners, such as credit card companies, hotels and car rental agencies, that participate in our SkyMiles program. We believe that the credit risk associated with these receivables is minimal and that the allowance for bad debts that we have provided is sufficient.

SELF-INSURANCE RISK

We self-insure a portion of our losses from claims related to workers' compensation, environmental issues, property damage, medical insurance for employees and general liability. Losses are accrued based on an estimate of the ultimate aggregate liability for claims incurred, using independent

actuarial reviews based on standard industry practices and our actual experience.

FOREIGN CURRENCY EXCHANGE RISK

We are subject to foreign currency exchange risk because we have revenues and expenses denominated in foreign currencies, primarily the euro, the British pound, the Canadian dollar and the Japanese yen. To manage exchange rate risk, we net foreign currency revenues and expenses, to the extent practicable. From time to time, we may also enter into foreign currency options and forward contracts with maturities of up to 12 months. The fair market value of our foreign currency hedge contracts at December 31, 2001 was immaterial. We did not have any foreign currency hedge contracts at December 31, 2000. We do not enter into foreign currency hedge contracts for speculative purposes.

NOTE 6. ADOPTION OF SAB 101

On January 1, 1999, we adopted SAB 101, which changed the method of accounting for the sale of mileage credits under our SkyMiles frequent flyer program to participating partners such as credit card companies, hotels and car rental agencies. Under SAB 101, a portion of the revenue from the sale of mileage credits is deferred until the credits are redeemed for travel. For accounting purposes, we amortize travel credits on a straight-line basis over a 30-month period. The majority of the revenue from the sale of mileage credits is recorded in passenger revenue, and the remaining portion is recorded as an offset to other selling expense. Previously, the revenue from the sale of mileage credits was recorded in other revenue in the period in which the credits were sold.

Our adoption of SAB 101 resulted in a cumulative effect charge of \$54 million, net of tax (\$89 million, pretax).

NOTE 7. INCOME TAXES

Deferred income taxes reflect the net tax effect of timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. At December 31, 2001, we had pretax net operating losses of approximately \$2.4 billion related to U.S. federal and state jurisdictions. These net operating losses expire at various times beginning in 2005 and ending in 2021. The following table shows significant components of our deferred tax assets and liabilities at December 31, 2001 and 2000:

in millions	2001	2000

Deferred Tax Assets:		
Postretirement benefits	\$ 1,025	\$ 821
Net Operating Loss Carryforwards	911	--
Other employee benefits	254	304
Gains on sale and leaseback transactions, net	239	206
Rent expense	220	221
Spare parts repair expense	56	164
Other	422	361
Valuation Allowance	(16)	--

Total deferred tax assets	\$ 3,111	\$ 2,077

Deferred Tax Liabilities:		
Depreciation and amortization	\$ 2,696	\$ 2,337
Unrealized gains on marketable securities and fuel hedge contracts	11	230
Other	351	385

Total deferred tax liabilities	\$ 3,058	\$ 2,952

Our Income tax benefit (provision) in 2001, 2000 and 1999 consisted of:

in millions	2001	2000	1999

Current tax provision	\$ --	\$ (230)	\$ (515)
Deferred tax benefit (provision)	644	(396)	(321)
Tax benefit of dividends on allocated Series B ESOP Convertible Preferred Stock	4	5	5

Income tax benefit (provision)	\$ 648	\$ (621)	\$ (831)

The following table presents the principal reasons for the difference between the effective tax rate and the U.S. federal statutory income tax rate

for 2001, 2000 and 1999:

in millions	2001	2000	1999
U.S. federal statutory income tax rate	-35.0%	35.0%	35.0%
State taxes, net of federal income tax effect	-2.6	3.4	3.7
Meals and entertainment	1.0	1.1	0.8
Amortization	1.0	1.0	0.3
Municipal Bond Interest	-0.1	-0.2	--
Increase in Valuation Allowance	0.8	--	--
Other, net	0.1	-0.2	-0.1
Effective income tax rate	-34.8%	40.1%	39.7%

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NOTE 8. DEBT

The following table summarizes our debt at December 31, 2001 and 2000:

in millions	2001	2000
Secured(1)		
2000-1 Enhanced Equipment Trust Certificates		
7.379% Series A-1 due in installments through May 18, 2010	\$ 308	\$ 341
7.57% Series A-2 due November 18, 2010	738	738
7.92% Series B due November 18, 2010	182	182
7.779% Series C due November 18, 2005	239	239
	1,467	1,500
2001-1 Enhanced Equipment Trust Certificates		
6.619% Series A-1 due in installments through March 18, 2011	300	--
7.111% Series A-2 due September 18, 2011	571	--
7.711% Series B due September 18, 2011	207	--
7.299% Series C due September 18, 2006	170	--
6.95% Series D due September 18, 2006	150	--
	1,398	--
2001-2 Enhanced Equipment Trust Certificates		
3.6% Series A due in installments through December 18, 2011(2)	449	--
4.8% Series B due in installments through December 18, 2011(2)	282	--
	731	--
Other secured debt due 2002 to 2017; interest rates of 2.6% to 6.2%(2)	506	199
Total secured debt	4,102	1,699
Unsecured		
1997 Bank Credit Agreement, 2.91%, due May 1, 2002(2)	625	--
Massachusetts Port Authority Special Facilities Revenue Bonds		
5.0%-5.5% Series 2001A due in installments between 2012 and 2027	338	--
2.2% Series 2001B due January 1, 2031(2)	80	--
2.3% Series 2001C due January 1, 2031(2)	80	--
	498	--
8.10% Series C Guaranteed Serial ESOP Notes, due in installments between 2002 and 2009	290	290
6.65% Medium-Term Notes, Series C, due March 15, 2004	300	300
7.7% Notes due December 15, 2005	500	500
7.9% Notes due December 15, 2009	499	499
9.75% Debentures due May 15, 2021	106	106
Development Authority of Clayton County, loan agreement,		
1.7% Series 2000A due June 1, 2029(2)	65	65
1.8% Series 2000B due May 1, 2035(2)	116	116
1.7% Series 2000C due May 1, 2035(2)	120	120
	301	301
8.3% Notes due December 15, 2029	925	1,000
8.125% Notes due July 1, 2039(3)	538	538
Other debt due 2002 to 2022; interest rates of 5.30% to 10.375%	620	626
Total unsecured debt	5,202	4,160
Total debt	9,304	5,859
Less: Current maturities and short-term obligations	1,025	62
Total long-term debt	\$ 8,279	\$ 5,797

(1) Our secured debt is secured by first mortgage liens on a total of 151 aircraft (47 B-737-800, 31 B-757-200, 17 B-767-300ER, 4 B-777-200, 37 CRJ 100/200, 11 EMB-120 and 4 ATR-72 aircraft) delivered to Delta from March 1992 through December 2001. These aircraft had an aggregate net book value of approximately \$4.7 billion at December 31, 2001.

(2) Our variable interest rate debt is shown using interest rates in effect at December 31, 2001.

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

The fair value of our total debt was \$8.9 billion and \$5.8 billion at December 31, 2001 and 2000, respectively.

FUTURE MATURITIES

At December 31, 2001, the scheduled maturities of our debt for the next five years are as follows:

Years Ending December 31, in millions	Principal Amount
2002	\$ 1,025
2003	202
2004	517
2005	937
2006	520
After 2006	6,103
Total	\$ 9,304

We expect to meet our obligations as they become due through available cash, short-term investments, internally generated funds, borrowings and Stabilization Act compensation. Additionally, we have unencumbered assets available for use in potential financing transactions. We have not determined whether to apply for federal loan guarantees under the Stabilization Act.

ENHANCED EQUIPMENT TRUST CERTIFICATES (EETC) FINANCING TRANSACTIONS

During 2001, we issued \$2.1 billion aggregate principal amount of Pass Through Certificates (Certificates), commonly referred to as an EETC financing, for general corporate purposes. For additional information about these financings, see "2001-1 Enhanced Equipment Trust Certificates" and "2001-2 Enhanced Equipment Trust Certificates" on the Table on page 38 of this Annual Report.

1997 BANK CREDIT AGREEMENT

Under our 1997 Bank Credit Agreement, as amended in November 2001, we may borrow up to \$625 million on an unsecured and revolving basis until May 1, 2002, subject to our compliance with certain conditions. Borrowings under this facility are available for general corporate purposes, may be prepaid by us at any time and currently bear interest at LIBOR plus a margin which is dependent on our long-term senior unsecured debt ratings.

The 1997 Bank Credit Agreement contains negative covenants that place certain limits on the amount of secured debt, current debt and other debt that we may have outstanding, and on our annual flight equipment rental expense. It also provides that, upon the occurrence of a change in control of Delta: (1) the banks' obligation to extend credit terminates; (2) any amounts outstanding under the 1997 Bank Credit Agreement become due and payable; and (3) Delta must deposit cash collateral with the banks in an amount equal to all letters of credit outstanding under that agreement.

At December 31, 2001, there were \$625 million of borrowings outstanding under the 1997 Bank Credit Agreement.

BOSTON AIRPORT TERMINAL PROJECT

During 2001, we entered into lease and financing agreements with the Massachusetts Port Authority (Massport) for the redevelopment and expansion of Terminal A at Boston's Logan International Airport. The completion of this project will enable us to consolidate all of our domestic operations at that airport into one location. Construction is currently expected to begin in the March 2002 quarter and to be completed during 2005. Project costs will be funded with \$498 million in proceeds from Special Facilities Revenue Bonds issued by Massport on August 16, 2001. Delta agreed to pay the debt service on the bonds under a long-term lease agreement with Massport and issued a guarantee to the bond trustee covering the payment of the debt service on the bonds. For additional information about these bonds, see "Massachusetts Port Authority Special Facilities Revenue Bonds" on the Table on page 38 of this Annual Report. Because we have issued a guarantee of the debt service on the bonds, we have included the bonds, as well as the related bond proceeds, on our Consolidated Balance Sheets. The bonds are reflected in noncurrent liabilities and the related proceeds, which are held in trust, are reflected as restricted investments in other assets on our Consolidated Balance Sheets.

SERIES C ESOP NOTES

At December 31, 2001, there were outstanding \$290 million principal amount of the Delta Family-Care Savings Plan's Series C Guaranteed Serial ESOP Notes (Series C ESOP Notes). The Series C ESOP Notes, which are payable in installments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

between 2002 and 2009, are guaranteed by Delta. We are generally required to purchase the Series C ESOP Notes at the option of the noteholders if the notes are not rated at least A3 by Moody's and A- by Standard & Poor's (Required Ratings). Our purchase price would be equal to the principal amount of the Series C ESOP Notes being purchased plus accrued interest and, if applicable, a make whole premium amount.

The holders of the Series C ESOP Notes are presently entitled to the benefits of an unconditional, direct-pay letter of credit issued by Bayerische Hypo-Und Vereinsbank AG under a credit agreement between Delta and a group of banks (the Letter of Credit Facility). Required payments of principal, interest and make whole premium amounts on the Series C ESOP Notes are paid under the letter of credit. At December 31, 2001, the letter of credit totaled \$424 million, covering the \$290 million outstanding principal amount of the Series C ESOP Notes, approximately one year of interest on the notes and \$101 million of potential make whole premium amounts.

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

Due to the existence of the letter of credit, the Series C ESOP Notes currently have the Required Ratings. However, these ratings are subject to change at any time. Circumstances that might cause Moody's or Standard & Poor's to lower its ratings on the Series C ESOP Notes include, among other things, the termination of the letter of credit or the lowering of the credit ratings of the issuer of the letter of credit. The Series C ESOP Notes are not likely to receive the Required Ratings without an appropriate credit enhancement.

LETTER OF CREDIT ENHANCED MUNICIPAL BONDS

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

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

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

There are also outstanding under the Reimbursement Agreement irrevocable direct-pay letters of credit totaling \$104 million relating to \$102 million principal amount of bonds issued by other municipalities to build certain airport facilities leased to Delta. These bonds currently bear interest at a variable rate, which is determined weekly, and may be tendered for purchase by their holders on seven days' notice. We pay the debt service on these bonds under long-term lease agreements (See Note 10). The related letters of credit expire between November 7, 2003, and December 4, 2003, and are otherwise similar to the letters of credit relating to the Development Authority bonds.

COVENANTS AND CHANGE IN CONTROL PROVISIONS

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

Our debt agreements do not limit the payment of

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dividends on our capital stock. The terms of the Series B ESOP Convertible Preferred Stock limit our ability to pay cash dividends to our common shareowners in certain circumstances (see Note 14).

ASA's credit agreements contain negative covenants that apply only to the financial position of ASA. The covenants, among other things, limit ASA's ability to transfer funds in the form of cash dividends, loans or advances. At December 31, 2001, approximately \$271 million of ASA's net assets were subject to these restrictions and there were no net assets available for distribution by ASA to Delta under the most restrictive of these provisions.

As is standard practice in the airline industry, our aircraft lease and financing agreements require that we maintain certain levels of insurance coverage.

OTHER FINANCING ARRANGEMENTS

On December 12, 2001, we entered into an agreement under which we may borrow prior to July 1, 2002, up to \$935 million on a secured basis, subject to certain conditions. Available borrowings under this facility become due or are reduced, as applicable, on the earlier of (1) 366 days after the date of the borrowing; or (2) our completion in 2002 of certain financings. The interest rate is LIBOR plus a margin that varies depending on the duration of the borrowing and our credit rating. At December 31, 2001, no borrowings were outstanding under this facility (see Note 21).

On December 28, 2001, we entered into a credit facility with a group of banks under which we may borrow up to \$625 million on a secured basis until December 27, 2002, subject to certain conditions. The banks' lending commitment under this facility is reduced, however, to the extent we receive net cash proceeds from the issuance of certain financings. The interest rate under this facility is, at our option, LIBOR or a specified base rate plus a margin that varies depending on the period during which borrowings are outstanding. Any borrowings under this facility will be secured by certain aircraft owned by us. At December 31, 2001, no borrowings were outstanding under this facility.

We have available to us long-term, secured financing commitments from a third party that we may elect to use for a substantial portion of the commitments for regional jet aircraft to be delivered to ASA and Comair through 2004. Any borrowings under these commitments would be at a fixed interest rate determined by reference to ten year U.S. Treasury Notes and would have various repayment dates.

NOTE 9. ASSET-WRITEDOWNS AND OTHER NONRECURRING ITEMS

2001

In 2001, we recorded asset writedowns and other non-recurring items totaling \$1.1 billion (\$695 million net of tax, or \$5.63 diluted EPS) in our Consolidated Statements of Operations, as follows:

- A \$566 million charge relating to our decision to reduce staffing across all workgroups due to the capacity reductions we implemented as a result of the September 11 terrorist attacks. We offered eligible employees several options, including voluntary severance, leaves of absence and early retirement. Approximately 10,000 employees elected to participate in one of the voluntary programs. Involuntary reductions will affect approximately 1,700 employees - up to 1,400 pilots and 300 employees from other workgroups. All employee reductions have been completed, with the exception of approximately 1,000 pilots. We expect the remaining pilots to be furloughed by December 2002 as training and operational requirements are met.

The total charge includes \$475 million for costs associated with the early retirement and certain voluntary leave of absence programs which are recorded as adjustments to our pension and post-retirement medical benefit obligations (see Note 12). The remaining \$91 million relates to severance and related costs.

As of December 31, 2001, approximately \$44 million had been paid for severance and related costs. The remaining \$47 million, which is recorded as a current liability in our Consolidated Balance Sheets, consists of severance for non-pilot employees, which was paid during January 2002; severance for pilots, which will be paid as pilots are furloughed during 2002; and medical benefits for employees who received severance or are participating in certain leave of absence programs, which will be paid monthly during 2002.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- A \$363 million charge resulting from a decrease in value of certain aircraft. This charge includes (1) impairment charges, in accordance with our policy discussed in Note 1, of \$191 million related to our 16 MD-90 and eight owned MD-11 aircraft, which reflects further reduction in the estimated future cash flows and fair values of these aircraft since our impairment review in 1999 (discussed below) as well as a revised schedule for retiring these aircraft over the next five to nine years, and \$83 million related to the accelerated retirement of 40 B-727 aircraft by 2003; and (2) a \$77 million writedown related to our decision to accelerate the retirement of nine B-737 aircraft in 2002 and a \$12 million writedown to fair market value of 18 L-1011 aircraft which are held for disposal. We recorded \$303 million of these charges as a result of the effects of the September 11 terrorist attacks. The remaining \$60 million was recorded in the June 2001 quarter when we initially decided to accelerate the retirement of the nine B-737 aircraft to more closely align capacity and demand, and to improve scheduling and operating efficiency.

- A \$160 million charge which relates primarily to discontinued contracts, facilities and information technology projects. It also includes \$9 million related to the write-off of certain receivables that we believe we will not be able to realize as a result of the September 11 terrorist attacks.

- We incurred \$30 million in expenses which are direct costs of our capacity reductions and represent the temporary cost of surplus pilots and grounded aircraft.

2000

In 2000, we recorded charges totaling \$108 million (\$66 million net of tax, or \$0.53 basic and \$0.50 diluted EPS) in our Consolidated Statements of Operations, as follows:

- An \$86 million charge relating to our decision to offer an early retirement medical option program to enable eligible employees to retire with continued medical coverage without paying certain early retirement medical premiums. Approximately 2,500 employees elected to participate in this program.

- A \$22 million restructuring charge relating to our decision to close our Pacific gateway in Portland, Oregon.

1999

In 1999, we recorded charges totaling \$469 million (\$286 million net of tax, or \$2.07 basic and \$1.94 diluted EPS) in our Consolidated Statements of Operations, as follows:

- A \$320 million charge related to our decision to accelerate the planned retirement of our 16 MD-90 aircraft and eight owned MD-11 aircraft as part of our fleet simplification strategy. We determined the amount of this charge based on our impairment policy discussed in Note 1.

- A \$107 million charge because we (1) changed our business practice regarding the disposal of surplus aircraft parts; and (2) entered into an agreement with a third party to sell all of our existing surplus aircraft parts inventory. As a result of these actions, we wrote down surplus aircraft parts and obsolete flight equipment and parts to their estimated fair values. We determined the estimated fair value of inventory using the negotiated purchase price.

- A \$42 million charge due to our implementation of certain technology initiatives which resulted in an abandonment of certain legacy hardware and software assets.

NOTE 10. LEASE OBLIGATIONS

Delta leases aircraft, airport terminal and maintenance facilities, ticket offices and other property and equipment. We record rent expense on a straight-line basis over the life of the lease. Rental expense for operating leases totaled \$1.3 billion, \$1.3 billion and \$1.1 billion in 2001, 2000 and 1999, respectively. Amounts due under capital leases are recorded as liabilities. Our interest in assets acquired under capital leases is shown as an asset on our Consolidated Balance Sheets. Amortization of assets recorded under capital leases is included in depreciation expense in our Consolidated Statements of Operations.

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The following table summarizes, as of December 31, 2001, our minimum rental commitments under capital leases and operating leases with initial or remaining terms in excess of one year:

Years Ending December 31, in millions	Capital Leases	Operating Leases
2002	\$ 39	\$ 1,271
2003	30	1,238
2004	21	1,197
2005	14	1,177
2006	6	1,144
After 2006	10	8,068

Total minimum lease payments	120	\$ 14,095
=====		
Less: Amounts of lease payments which represent interest	21	

Present value of future minimum capital lease payments	99	
Less: Current obligations under capital leases	31	

Long-term capital lease obligations	\$ 68	
=====		

As of December 31, 2001, we operated 313 aircraft under operating leases and 42 aircraft under capital leases. These leases have remaining terms ranging from six months to 16 years.

Certain municipalities have issued special facilities revenue bonds to build or improve airport and maintenance facilities leased to Delta. The facility lease agreements require Delta to make rental payments sufficient to pay principal and interest on the bonds. The above table includes \$1.9 billion of operating lease rental commitments for such payments.

NOTE 11. PURCHASE COMMITMENTS AND CONTINGENCIES

Future expenditures for aircraft and engines on firm order as of January 31, 2002 are estimated to be \$6.0 billion. The following table shows the timing of these commitments:

Years Ending December 31, in billions	Amount
2002	\$ 1.4
2003	1.1
2004	1.7
2005	1.3
2006	0.5
After 2006	--

Total	\$ 6.0
=====	

We have contract carrier agreements with two regional air carriers, Atlantic Coast Airlines and SkyWest Airlines which expire in 2010. Under these agreements, we schedule certain aircraft that are operated by those airlines using Delta's flight code, sell the seats on those flights and retain the related revenues. We pay those airlines an amount that is based on their cost of operating those flights plus a specified margin. In 2001, we paid these two carriers approximately \$239 million under these agreements. In 2002, we expect to pay approximately \$520 million on an anticipated capacity increase of 129% over 2001.

We may terminate these agreements at any time by giving the airline certain advance notice. If we terminate the agreements in these circumstances, the airline has the right (1) to assign to us leased aircraft which it operates for us under its agreement, provided we are able to continue the leases on the same terms as the airline; and (2) to require us to purchase at fair market value aircraft owned by the airline which it operates for us under its agreement. We estimate that the total fair market value of the aircraft that the airlines could assign to us or require that we purchase is approximately \$1.3 billion.

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

Approximately 18% of our employees, including all of our pilots, are represented by labor unions. See "Employee Matters" on page 23 of Management's Discussion and Analysis of Financial Condition and Results of Operations for additional unaudited information on this subject.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. EMPLOYEE BENEFIT PLANS

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

As discussed in Note 1, effective December 31, 2000, we changed our year end from June 30 to December 31. As a result of this change, we elected to restate our financial statements to provide comparability between periods. This change does not require a remeasurement of prior pension or postretirement obligations. Therefore, with the exception of net periodic costs, the financial data presented in this note has not been restated for the change in year end.

DEFINED BENEFIT PENSION PLANS

Our qualified defined benefit pension plans meet or exceed ERISA's minimum funding requirements as of December 31, 2001.

The following table shows the change in projected benefit obligation for our defined benefit pension plans for the 12 months ended December 31, 2001, the six months ended December 31, 2000 and the 12 months ended June 30, 2000:

in millions	12 Months Ended December 31, 2001	Six Months Ended December 31, 2000	12 Months Ended June 30, 2000
Projected benefit obligation at beginning of period	\$ 9,263	\$ 8,901	\$ 8,872
Service cost	246	121	251
Interest cost	763	354	644
Actuarial (gain) loss	531	156	(402)
Benefits paid	(623)	(269)	(491)
Special termination benefits	185	--	--
Curtailement loss	30	--	--
Plan amendments	262	--	27
Projected benefit obligation at end of period	\$ 10,657	\$ 9,263	\$ 8,901

> The special termination benefits reflected in the above table relate to the staffing reduction options offered to certain Delta employees in 2001 (see Note 9).

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

	September 30, 2001	September 30, 2000	March 31, 2000
Weighted average discount rate	7.75%	8.25%	8.25%
Rate of increase in future compensation levels	4.67%	5.35%	4.93%
Expected long-term rate of return on plan assets	10.00%	10.00%	10.00%

The following table shows the change in the fair value of our defined benefit pension plan assets for the 12 months ended December 31, 2001, the six months ended December 31, 2000 and the 12 months ended June 30, 2000:

in millions	12 Months Ended December 31, 2001	Six Months Ended December 31, 2000	12 Months Ended June 30, 2000
Fair value of plan assets at beginning of period	\$ 10,398	\$ 10,721	\$ 9,020
Actual return (loss) on plan assets	(1,521)	(80)	2,144
Employer contributions	50	26	48
Benefits paid	(623)	(269)	(491)
Fair value of plan assets at end of period	\$ 8,304	\$ 10,398	\$ 10,721

The accrued pension cost recognized for these plans on our Consolidated Balance Sheets at December 31, 2001 and 2000 is computed as follows:

in millions	December 31, 2001	December 31, 2000
Funded status	\$ (2,353)	\$ 1,135
Unrecognized net actuarial (gain) loss	1,584	(1,558)
Unrecognized transition obligation	49	58
Unrecognized prior service cost	308	55
Contributions made between measurement date and year end	12	12
Intangible asset	(7)	(8)
Other comprehensive income	(12)	(2)
Accrued pension cost recognized on the Consolidated Balance Sheets	\$ (419)	\$ (308)

Net periodic pension cost for the years ended December 31, 2001, 2000 and 1999 included the following components:

in millions	2001	2000	1999
Service cost	\$ 246	\$ 250	\$ 239
Interest cost	763	686	599
Expected return on plan assets	(1,040)	(924)	(794)
Amortization of prior service cost	5	4	4
Recognized net actuarial (gain) loss	(51)	(22)	1
Amortization of net transition obligation	4	2	2
Net periodic pension cost	\$ (73)	\$ (4)	\$ 51

Delta also sponsors non-qualified pension plans which are funded from current assets. The accumulated benefit obligation of these plans totaled \$303 million at September 30, 2001 and \$413 million at September 30, 2000.

DEFINED CONTRIBUTION PENSION PLANS

Delta Pilots Money Purchase Pension Plan (MPPP)

We contribute 5% of covered pay to the MPPP for each eligible Delta pilot. The MPPP is related to the Delta Pilots Retirement Plan. The defined benefit pension payable to a pilot is reduced by the actuarial equivalent of the accumulated account balance in the MPPP. During the years ended December 31, 2001, 2000 and 1999, we recognized expense of \$69 million, \$63 million and \$56 million, respectively, for this plan.

Delta Family-Care Savings Plan

Our Savings Plan includes an employee stock ownership plan (ESOP) feature. Eligible employees may contribute a portion of their covered pay to the Savings Plan.

Prior to July 1, 2001, Delta matched 50% of employee contributions with a maximum employer contribution of 2% of a participant's covered pay for all participants. Effective July 1, 2001, the Savings Plan was amended to provide all eligible Delta pilots with an employer contribution of 3% of their covered pay to replace their former matching contribution. We make our contributions for non-pilots and pilots by allocating Series B ESOP Convertible Preferred Stock, common stock or cash to the Savings Plan. Our contributions, which are recorded as salaries and related costs in the accompanying Consolidated Statements of Operations, totaled \$83 million, \$69 million and \$61 million in 2001, 2000 and 1999, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When we adopted the ESOP in 1989, we sold 6,944,450 shares of Series B ESOP Convertible Preferred Stock to the Savings Plan for \$500 million. We have recorded unearned compensation equal to the value of the shares of preferred stock not yet allocated to participants' accounts. We reduce the unearned compensation as shares of preferred stock are allocated to participants' accounts. Dividends on unallocated shares of preferred stock are used for debt service on the Savings Plan's Series C ESOP Notes and are not considered dividends for financial reporting purposes. Dividends on allocated shares of preferred stock are credited to participants' accounts and are considered dividends for financial reporting purposes. Only allocated shares of preferred stock are considered outstanding when we compute diluted earnings per share. At December 31, 2001, 3,509,922 shares of Series B ESOP Convertible Preferred Stock were allocated to participants' accounts and 2,768,288 shares were held by the ESOP for future allocations.

Other Plans

ASA, Comair and DAL Global Services, Inc., one of our wholly owned subsidiaries, sponsor defined contribution retirement plans for eligible employees. These plans did not have a material impact on our Consolidated Financial Statements in 2001, 2000 and 1999.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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

The following table shows the change in our accumulated postretirement benefit obligation (APBO) for the 12 months ended December 31, 2001, the six months ended December 31, 2000 and the 12 months ended June 30, 2000:

in millions	12 Months Ended December 31, 2001	Six Months Ended December 31, 2000	12 Months Ended June 30, 2000
APBO at beginning of period	\$ 1,780	\$ 1,749	\$ 1,612
Service cost	37	18	38
Interest cost	146	70	117
Benefits paid	(102)	(46)	(80)
Actuarial (gain) loss	163	(11)	(52)
Plan amendment	(176)	--	28
Curtailement loss	49	--	--
Special termination benefits	203	--	86
APBO at end of period	\$ 2,100	\$ 1,780	\$ 1,749

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The special termination benefits reflected in the above table relate to the staffing reduction programs and the early retirement medical option offered to certain Delta employees during 2001 and 2000 (see Note 9).

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

	September 30, 2001	September 30, 2000	March 31, 2000
Weighted average discount rate	7.75%	8.25%	8.25%
Assumed health care cost trend rate(*)	6.25%	7.00%	7.00%

(*) The assumed healthcare cost trend rate is assumed to decline gradually to 5.50% in 2003 and remain level thereafter.

A 1% change in the health care cost rate used in measuring the APBO at September 30, 2001 would have the following effects:

in millions	1% Increase	1% Decrease
Increase (decrease) in total service and interest cost	\$ 17	\$ (15)
Increase (decrease) in the APBO	\$112	\$(111)

The following table shows the calculation of the accrued postretirement benefit cost recognized on our Consolidated Balance Sheets at December 31, 2001 and 2000:

in millions	December 31, 2001	December 31, 2000
Funded status	\$(2,100)	\$(1,780)
Unrecognized net actuarial (gain) loss	100	(64)
Unrecognized prior service cost	(421)	(283)
Contributions made between measurement date and year end	29	22
Accrued postretirement benefit cost recognized on the Consolidated Balance Sheets	\$(2,392)	\$(2,105)

Our net periodic postretirement benefit cost for the years ended December 31, 2001, 2000 and 1999 included the following components:

in millions	2001	2000	1999
Service cost	\$ 37	\$ 37	\$ 35
Interest cost	146	129	106
Amortization of prior service cost	(39)	(40)	(38)
Other	--	--	(4)
Net periodic postretirement benefit cost	\$ 144	\$ 126	\$ 99

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Postemployment Benefits

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

Postemployment benefit income was \$23 million in 2001, \$51 million in 2000, and \$12 million in 1999. We include the amount funded in excess of the liability in other noncurrent assets on our Consolidated Balance Sheets. Future period expenses will vary based on actual claims experience and the return on plan assets. Gains and losses occur because actual experience differs from assumed experience. These gains and losses are amortized over the average future service period of employees. We also amortize differences in prior service costs resulting from amendments affecting the benefits of retired and inactive employees.

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

NOTE 13. EARNINGS (LOSS) PER SHARE

We calculate basic earnings (loss) per share by dividing the income (loss) available to common shareowners by the weighted average number of common shares outstanding. Diluted earnings (loss) per share includes the dilutive effects of stock options and convertible securities. To the extent stock options and convertible securities are anti-dilutive, they are excluded from the calculation of diluted earnings (loss) per share. The following table shows our computation of basic and diluted earnings (loss) per share:

Years Ended December 31, in millions, except per share data	2001	2000	1999
BASIC:			
Net income (loss) excluding cumulative effect of change in accounting principle	(1,216)	928	1,262
Dividends on allocated Series B ESOP Convertible Preferred Stock	(14)	(13)	(12)
Net income (loss) available to common shareowners, excluding cumulative effect of change in accounting principle	(1,230)	915	1,250
Weighted average shares outstanding	123.1	123.8	138.0
Basic earnings (loss) per share excluding cumulative effect of change in accounting principle	\$ (9.99)	\$ 7.39	\$ 9.05
DILUTED:			
Net income (loss) available to common shareowners, excluding cumulative effect of change in accounting principle	(1,230)	915	1,250
Income tax effect assuming conversion of allocated Series B ESOP Convertible Preferred stock	--	8	8
Income (loss) available to common shareowners including assumed conversions	(1,230)	923	1,258
Weighted average shares outstanding	123.1	123.8	138.0
Additional shares assuming:			
Exercise of stock options	--	1.6	4.7
Conversion of allocated Series B ESOP Convertible Preferred Stock	--	5.4	4.7
Conversion of performance-based stock units	--	0.2	0.2
Weighted average shares outstanding, as adjusted	123.1	131.0	147.6
Diluted earnings (loss) per share excluding cumulative effect of change in accounting principle	\$ (9.99)	\$ 7.05	\$ 8.52

NOTE 14. COMMON AND PREFERRED STOCK

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

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

To more closely align the interests of directors, officers and other employees with the interests of our shareowners, Delta maintains certain plans which provide for the issuance of common stock in connection with the exercise of stock options and for other stock-based awards. The following table includes information about these plans, including the number of shares of common stock reserved for issuance under each such plan at December 31, 2001.

Plan	Total Shares Authorized for Issuance	Non-Qualified Stock Options Granted	Shares Issued	Shares Reserved for Future Issuance
Broad-based employee stock option plans(1)	49,400,000	49,400,000	11,420,669	37,674,004
Delta 2000 Performance Compensation Plan(2)	16,000,000	2,355,000	1,155	15,998,845
Non-Employee Directors' Stock Plan(3)	500,000	--	33,025	466,975
Non-Employee Directors' Stock Option Plan(4)	250,000	89,050	--	250,000

(1) In 1996, shareowners approved broad-based pilot and non-pilot stock option plans. Under these two plans, we granted eligible employees non-qualified stock options to purchase a total of 49.4 million shares of common stock in three approximately equal installments on October 30, 1996, 1997 and 1998. These stock options (1) have an exercise price equal to the fair market value of the common stock on the grant date; (2) are generally exercisable beginning one year and ending 10 years after the grant date; (3) are forfeited upon termination of employment in certain circumstances; and (4) are not transferrable other than due to the employee's death. No additional stock options may be granted under these plans.

(2) On October 25, 2000, shareowners approved this plan, which authorizes the grant of stock options and a limited number of other stock awards, up to a total of 16 million shares of common stock. The plan amends and restates a prior plan which was also approved by shareowners. No awards have been, or will be, granted under the prior plan on or after October 25, 2000. At December 31, 2001, there were 11.9 million shares of common stock reserved for awards (primarily non-qualified stock options) that were outstanding under the prior plan. The current plan provides that shares reserved for awards under the plans which are forfeited, settled in cash rather than stock, or withheld, plus shares tendered to Delta in connection with such awards, may be added back to the shares available for future grants. At December 31, 2001, 788,639 shares had been added back pursuant to that provision.

(3) In 1995, shareowners approved this plan, which provides that a portion of each non-employee director's annual retainer will be paid in shares of common stock. It also permits non-employee directors to elect to receive all or a portion of their cash compensation for service as a director in shares of common stock at current market prices.

(4) On October 22, 1998, the Board of Directors approved this plan. Each non-employee director receives an annual grant of a non-qualified stock option which, at the time of grant, has a present value equal to approximately \$40,000.

SERIES B ESOP CONVERTIBLE PREFERRED STOCK

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All shares of Series B ESOP Convertible Preferred Stock are held of record by the trustee of the Delta Family-Care Savings Plan (See Note 12). At December 31, 2001, 10,770,269 shares of common stock were reserved for issuance for the conversion of the Series B ESOP Convertible Preferred Stock.

SHAREOWNER RIGHTS PLAN

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

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

If a person acquires beneficial ownership of 15% or more of our common stock and (1) we are involved in a merger or other business combination in which Delta is not the surviving corporation, or (2) we sell more than 50% of our assets or earning power, then each right will entitle its holder (other than the acquiring person) to exercise his rights to purchase common stock of the acquiring company having a market value of twice the exercise price.

The rights expire on November 4, 2006. Delta may redeem the rights for \$0.01 per right at any time before a person becomes the beneficial owner of 15% or more of our common stock. At December 31, 2001, 2,250,000 shares of preferred stock were reserved for issuance under the Shareowner Rights Plan.

NOTE 15. COMMON STOCK REPURCHASES

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

In 1996, our Board of Directors authorized us to repurchase up to 49.4 million shares of common stock issued under our broad-based employee stock option plans (See Note 14). As of December 31, 2001, we had repurchased 21.6 million shares of common stock under this authorization. We are authorized to repurchase the remaining shares as employees exercise their stock options under those plans. Repurchases are subject to market conditions and may be made in the open market or in privately negotiated transactions.

NOTE 16. STOCK OPTIONS AND AWARDS

The following table summarizes all stock option and stock appreciation rights (SAR) activity during 2001, 2000 and 1999:

	2001		2000		1999	
	Shares (000)	Weighted Average Exercise Price	Shares (000)	Weighted Average Exercise Price	Shares (000)	Weighted Average Exercise Price
Stock Options						
Outstanding at beginning of year	50,365	\$48	47,859	\$48	47,663	\$47
Granted	2,358	46	3,914	52	3,395	58
Exercised	(76)	34	(725)	41	(2,410)	44
Forfeited	(1,110)	53	(683)	53	(789)	49
Outstanding at end of year	51,537	48	50,365	48	47,859	48
Stock options exercisable at year end	44,751	\$48	46,309	\$48	44,615	\$47

The following table summarizes information about stock options outstanding and exercisable at December 31, 2001:

Stock Options	Stock Options Outstanding			Stock Options Exercisable	
	Number Outstanding (000)	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable (000)	Weighted Average Exercise Price
\$24-\$34	219	2	\$26	185	\$26
\$34-\$41	6,886	4	\$36	6,884	\$35
\$41-\$69	44,432	6	\$50	37,682	\$50

The estimated fair values of stock options granted in 2001, 2000 and 1999 were derived using the Black-Scholes stock option pricing model. The exercise price for stock options, and the base measuring price of tandem SAR (which were granted prior to 1993), is the fair market value of the common stock on the grant date.

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

Assumption	Stock Options Granted		
	2001	2000	1999
Risk-free interest rate	5.8%	6.2%	6.0%
Average expected life of stock options (in years)	7.5	7.5	7.5
Expected volatility of common stock	26.9%	26.9%	26.7%
Expected annual dividends on common stock	\$ 0.10	\$ 0.10	\$ 0.10
Weighted average fair value of stock options	\$ 20	\$ 23	\$ 26

The following table shows what our net income (loss) and earnings (loss) per share would have been for 2001, 2000 and 1999 had we accounted for our stock option plans under the fair value method of SFAS 123, "Accounting for Stock-Based Compensation":

in millions	2001	2000	1999
Net income (loss):			
As reported	\$(1,216)	\$ 828	\$1,208
As adjusted for the fair value method under SFAS 123	(1,246)	801	1,147
Basic earnings (loss) per share:			
As reported	\$ (9.99)	\$6.58	\$ 8.66
As adjusted for the fair value method under SFAS 123	(10.23)	6.36	8.23
Diluted earnings (loss) per share:			
As reported	\$ (9.99)	\$6.28	\$ 8.15
As adjusted for the fair value method under SFAS 123	(10.23)	6.07	7.75

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

In January 2002, we granted stock options covering a total of 3.8 million shares of common stock under the Delta 2000 Performance Compensation Plan, with a weighted average exercise price of \$32.02 (see Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes unrealized gains and losses on marketable equity securities and changes in the fair value of certain derivative instruments which qualify for hedge accounting. Comprehensive income (loss) totaled (\$1.6) billion, \$0.9 billion and \$1.3 billion for 2001, 2000 and 1999, respectively. The difference between net income (loss) and comprehensive income (loss) for 2001, 2000 and 1999 is detailed in the following table:

in millions	2001	2000	1999
Net income (loss)	\$(1,216)	\$ 828	\$ 1,208
Realization of gains from the sale of investments	(73)	(301)	(877)
Unrealized gain (loss) on marketable equity securities	(84)	16	1,108
Realization of gains on derivative instruments	(299)	(375)	--
Unrealized gain (loss) on derivative instruments	(100)	814	--
Other	2	--	--
Total other comprehensive income (loss)	(554)	154	231
Income tax effect on other comprehensive income (loss)	219	(60)	(90)
Total other comprehensive income (loss), net of income taxes	(335)	94	141
Comprehensive income (loss), net of income taxes	\$(1,551)	\$ 922	\$ 1,349

As of December 31, 2001 and 2000, we had recorded \$25 million and \$268 million, net of tax, respectively, as unrealized gains on open fuel hedge contracts in accordance with SFAS 133. These amounts are included in unrealized gain (loss) on derivative instruments in the table above. We anticipate that \$22 million, net of tax, will be realized during 2002 as the contracts settle and the related aircraft fuel purchases being hedged are consumed and recognized in expense. For additional information regarding our fuel hedge contracts, see Note 4.

NOTE 18. SALE OF RECEIVABLES

During 1999, we entered into an agreement under which we sold a defined pool of our accounts receivable, on a revolving basis, through a special-purpose, wholly owned subsidiary to a third party. We initially sold receivables with a fair value of \$547 million to the subsidiary. In exchange for the receivables sold, we received (1) \$325 million in cash from the subsidiary's sale of an undivided interest in the pool of receivables to a third party and (2) a \$222 million subordinated promissory note from the subsidiary. The amount of the promissory note fluctuates because it represents the portion of the purchase price payable for the volume of receivables sold. We retained servicing and record-keeping responsibilities for the receivables sold.

As part of the agreement, the subsidiary is required to pay fees to a third party based on the amounts invested by the third party. For 2001, 2000 and 1999, these fees were \$14 million, \$22 million and \$10 million, respectively. The fees are included in other income (expense) under miscellaneous (expense) income, net in our Consolidated Statements of Operations. As part of this transaction, Delta funded \$83 million to the subsidiary to purchase additional receivables in June 2000. The principal amount of the promissory note was \$144 million and \$92 million at December 31, 2001 and 2000, respectively, and is included as accounts receivable on our Consolidated Balance Sheets.

This agreement, as amended, expires on June 15, 2002. The third party may terminate the agreement, however, if Delta's senior unsecured long-term debt is rated below Ba2 by Moody's and below BB by Standard & Poor's. If the agreement were terminated in these circumstances, we would be required to repurchase the outstanding receivables from the third party. If the agreement had been terminated at December 31, 2001, Delta would have been required to repurchase outstanding receivables for \$212 million.

Subsequent to September 11, 2001, Moody's and Standard & Poor's downgraded Delta's senior unsecured long-term debt to Ba3 and BB, respectively. Moody's ratings outlook for Delta is negative. Our senior unsecured long-term debt remains on credit watch for possible further

downgrade by Standard & Poor's.

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NOTE 19. BUSINESS ACQUISITIONS

We acquired a majority interest in Comair Holdings in November 1999, and completed our acquisition of that company in January 2000 for a total purchase price of \$1.8 billion. Prior to this acquisition, we owned 22% of the outstanding common stock of Comair Holdings. Our Consolidated Financial Statements in this Annual Report include Comair Holdings' balance sheet as of December 31, 2001 and 2000, and its results of operations from November 22, 1999.

We acquired a majority interest in ASA Holdings in March 1999, and completed our acquisition of that company in April 1999 for a total purchase price of \$700 million. Prior to this acquisition, we owned 28% of the outstanding common stock of ASA Holdings. Our Consolidated Financial Statements in this Annual Report include ASA Holdings' balance sheets as of December 31, 2001 and 2000, and its results of operations from April 1, 1999.

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

NOTE 20. GEOGRAPHIC INFORMATION

SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," requires us to disclose certain information about our operating segments. Operating segments are defined as components of an enterprise with separate financial information which is evaluated regularly by the chief operating decision-maker and is used in resource allocation and performance assessments. We are managed as a single business unit that provides air transportation of passengers and cargo. Our operating revenues by geographic region for 2001, 2000 and 1999 are summarized in the following table:

in millions	2001	2000	1999
North America	\$11,288	\$14,004	\$12,259
Atlantic	1,823	1,988	1,930
Pacific	222	297	319
Latin America	546	452	375
Total	\$13,879	\$16,741	\$14,883

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

NOTE 21. SUBSEQUENT EVENTS (UNAUDITED)

NEW SECURED DEBT

On January 25, 2002, we sold in a private placement \$176 million principal amount of a new, subordinated tranche of the 2000-1 enhanced equipment trust certificates. The new Series D Certificates bear interest at 9.11% per year and are due on November 18, 2005. This financing reduces the borrowings available to us under the \$935 million credit facility discussed under Other Financing Arrangements in Note 8.

On January 31, 2002, we entered into financing arrangements with a third party which provide us with up to \$471 million of secured financing for a total of 29 regional jet aircraft delivered or scheduled to be delivered from October 2001 through April 2002. The terms of these financings are from 366 days to 18 months from the date of borrowing (subject to earlier repayment if permanent financing is obtained for these aircraft) at an interest rate based on LIBOR plus a margin. At February 25, 2002, \$15 million was outstanding under these arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes our unaudited quarterly results of operations for 2001 and 2000 (in millions, except per share data):

2001	Mar. 31	Three Months Ended			Dec. 31
		June 30	Sept. 30	Dec. 31	
Operating revenues	\$ 3,842	\$ 3,776	\$ 3,398	\$ 2,863	
Operating loss	\$ (115)	\$ (114)	\$ (251)	\$ (1,122)	
Net loss	\$ (133)	\$ (90)	\$ (259)	\$ (734)	
Basic loss per share*	\$ (1.11)	\$ (0.76)	\$ (2.13)	\$ (5.98)	
Diluted loss per share*	\$ (1.11)	\$ (0.76)	\$ (2.13)	\$ (5.98)	

2000	Mar. 31	Three Months Ended			Dec. 31
		June 30	Sept. 30	Dec. 31	
Operating revenues	\$ 3,911	\$ 4,469	\$ 4,345	\$ 4,016	
Operating income	\$ 343	\$ 606	\$ 510	\$ 178	
Net income before cumulative effect of change in accounting principle	\$ 217	\$ 460	\$ 233	\$ 18	
Net income	\$ 217	\$ 460	\$ 133	\$ 18	
Earnings per share before cumulative effect of change in accounting principle:					
Basic	\$ 1.68	\$ 3.73	\$ 1.86	\$ 0.12	
Diluted	\$ 1.61	\$ 3.51	\$ 1.77	\$ 0.12	
Earnings per share:					
Basic	\$ 1.68	\$ 3.73	\$ 1.05	\$ 0.12	
Diluted	\$ 1.61	\$ 3.51	\$ 1.01	\$ 0.12	

* The sum of the quarterly earnings per share does not equal the annual earnings per share due to changes in average shares outstanding.

The change in our financial results for 2001 versus 2000 is due to the following:

- In December 2000, we canceled a substantial number of flights due to a job action by some Delta pilots which significantly reduced pilot availability for overtime (or additional) flying. To provide more reliable service to our customers, we lowered the need for overtime flying by reducing Delta's mainline flight schedule from the previously planned levels by 2.7% for the March 2001 quarter and 2.4% for the June 2001 quarter.

- During the six months ended June 30, 2001, public concern over a possible strike by Delta pilots relating to the then ongoing collective bargaining negotiations caused some customers to make reservations and travel with airlines other than Delta. On June 20, 2001, Delta pilots ratified a new collective bargaining agreement, avoiding a possible strike.

- On March 26, 2001, Comair pilots began a strike, which continued until June 22, 2001 when Comair pilots ratified a new collective bargaining agreement. As a result of this 89-day strike, Comair suspended its operations between March 26, 2001 and July 1, 2001. Comair resumed partial service on July 2, 2001. Service was fully restored to pre-strike levels during January 2002.

- Prior to September 11, 2001, the slowing U.S. and world economies reduced the demand for air travel among both business and leisure passengers. This decline in demand negatively impacted our passenger traffic and yield for the year.

- The business environment significantly worsened as a result of the September 11 terrorist attacks. See Note 2 for a discussion of the impact of the September 11, 2001 terrorist attacks, in general, and Note 9 for a discussion of certain related charges and costs.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO DELTA AIR LINES, INC.:

We have audited the accompanying consolidated balance sheets of Delta Air Lines, Inc. (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, cash flows and shareowners' equity for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Delta Air Lines, Inc. and subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 4 to the consolidated financial statements, effective July 1, 2000, Delta Air Lines, Inc. changed its method of accounting for derivative instruments and hedging activities.

/s/ Arthur Andersen LLP

*Atlanta, Georgia
January 23, 2002*

REPORT OF MANAGEMENT

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

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

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

/s/ M. Michele Burns

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

/s/ Leo F. Mullin

*Leo F. Mullin
Chairman and
Chief Executive Officer*

CONSOLIDATED SUMMARY OF OPERATIONS

For the years ended December 31, 2001-1991

in millions, except per share data	2001(1)	2000(2)	1999(3)	1998
Operating revenues	\$ 13,879	\$ 16,741	\$ 14,883	\$ 14,312
Operating expenses	15,481	15,104	13,565	12,509
Operating income (loss)	(1,602)	1,637	1,318	1,803
Interest income (expense), net(8)	(410)	(257)	(126)	(66)
Miscellaneous income, net(9)	80	328	901	39
Fair value adjustments of SFAS 133 derivatives	68	(159)	--	--
Income (loss) before income taxes and cumulative effect of change in accounting principle	(1,864)	1,549	2,093	1,776
Income tax benefit (provision)	648	(621)	(831)	(698)
Amortization of investment tax credits	--	--	--	--
Net income (loss) before cumulative effect of change in accounting principle	(1,216)	928	1,262	1,078
Net income (loss) after cumulative effect of change in accounting principle	(1,216)	828	1,208	1,078
Preferred stock dividends	(14)	(13)	(12)	(11)
Net Income (loss) attributable to common shareowners	\$ (1,230)	\$ 815	\$ 1,196	\$ 1,067
Earnings (loss) per share before cumulative effect of change in accounting principle(10)				
Basic	\$ (9.99)	\$ 7.39	\$ 9.05	\$ 7.22
Diluted	\$ (9.99)	\$ 7.05	\$ 8.52	\$ 6.87
Earnings (loss) per share(10)				
Basic	\$ (9.99)	\$ 6.58	\$ 8.66	\$ 7.22
Diluted	\$ (9.99)	\$ 6.28	\$ 8.15	\$ 6.87
Dividends declared per common share	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10

OTHER FINANCIAL AND STATISTICAL DATA

For the years ended December 31, 2001-1991

	2001(1)	2000(2)	1999(3)	1998
Total assets (millions)	\$ 23,605	\$ 21,931	\$ 19,942	\$ 14,727
Long-term debt and capital leases (excluding current maturities) (millions)	\$ 8,347	\$ 5,896	\$ 4,303	\$ 1,720
Shareowners' equity (millions)	\$ 3,769	\$ 5,343	\$ 4,908	\$ 4,077
Shares of Common Stock outstanding at year end(10)	123,245,666	123,013,372	132,893,470	141,514,262
Revenue passengers enplaned (thousands)	104,943	119,930	110,083	105,304
Available seat miles (millions)	147,837	154,974	147,073	142,154
Revenue passenger miles (millions)	101,717	112,998	106,165	103,342
Operating revenue per available seat mile	9.39(cent)	10.80(cent)	10.12(cent)	10.07(cent)
Passenger mile yield	12.74(cent)	13.86(cent)	13.14(cent)	12.99(cent)
Operating cost per available seat mile	10.47(cent)	9.75(cent)	9.22(cent)	8.80(cent)
Passenger load factor	68.80%	72.91%	72.18%	72.70%
Breakeven passenger load factor	77.31%	65.29%	65.37%	62.94%
Available ton miles (millions)	22,282	22,925	21,245	20,312
Revenue ton miles (millions)	11,752	13,058	12,227	12,052
Operating cost per available ton miles	69.48(cent)	65.88(cent)	63.85(cent)	61.58(cent)

1 Includes \$299 million in pretax unusual charges, net (\$1.53 diluted loss per share). See Management's Discussion and Analysis, page 14.

2 Includes \$51 million in pretax unusual gains, net (\$0.25 basic and \$0.24 diluted earnings per share), excluding the cumulative effect of a change in accounting principle. See Management's Discussion and Analysis, page 14.

3 Includes \$418 million in pretax unusual gains, net (\$1.85 basic and \$1.73 diluted earnings per share), excluding the cumulative effect of a change in accounting principle. See Management's Discussion and Analysis, page 16.

4 Includes \$52 million in pretax restructuring and other unusual charges (\$0.35 basic and \$0.34 diluted earnings per share).

5 Includes \$829 million in pretax restructuring and other unusual charges (\$6.49 basic and \$5.25 diluted earnings per share).

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1997(4)	1996(5)	1995	1994(6)	1993(7)	1992	1991
\$ 13,868	\$ 12,898	\$ 12,218	\$ 12,044	\$ 11,808	\$ 11,580	\$ 10,020
12,240	12,324	11,174	12,259	11,954	12,432	10,277
1,628	574	1,044	(215)	(146)	(852)	(257)
(98)	(125)	(263)	(192)	(289)	(121)	(140)
13	(30)	74	(8)	60	36	31
--	--	--	--	--	--	--
1,543	419	855	(415)	(375)	(937)	(366)
(609)	(171)	(344)	140	149	332	115
--	--	--	--	--	5	11
934	248	511	(275)	(226)	(600)	(240)
934	248	511	(161)	(226)	(1,187)	(240)
(10)	(42)	(88)	(98)	(110)	(65)	(20)
\$ 924	\$ 206	\$ 423	\$ (259)	\$ (336)	\$ (1,252)	\$ (260)
\$ 6.28	\$ 1.62	\$ 4.15	\$ (3.70)	\$ (3.36)	\$ (6.70)	\$ (2.74)
\$ 6.02	\$ 1.62	\$ 3.35	\$ (3.70)	\$ (3.36)	\$ (6.70)	\$ (2.74)
\$ 6.28	\$ 1.62	\$ 4.15	\$ (2.57)	\$ (3.36)	\$ (12.61)	\$ (2.74)
\$ 6.02	\$ 1.62	\$ 3.35	\$ (2.57)	\$ (3.36)	\$ (12.61)	\$ (2.74)
\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.60	\$ 0.60

1997(4)	1996(5)	1995	1994(6)	1993(7)	1992	1991
\$ 13,137	\$ 12,026	\$ 11,998	\$ 11,384	\$ 11,600	\$ 10,156	\$ 9,083
\$ 1,692	\$ 2,045	\$ 2,981	\$ 3,051	\$ 3,433	\$ 2,491	\$ 2,494
\$ 3,407	\$ 2,470	\$ 2,079	\$ 1,611	\$ 1,785	\$ 2,699	\$ 2,258
149,037,632	146,281,410	102,343,078	101,215,994	100,415,724	99,471,880	98,838,570
103,233	97,281	86,992	89,054	85,032	83,117	74,281
138,831	133,714	130,176	130,367	132,921	131,389	111,420
99,689	93,929	85,168	86,357	82,860	80,496	67,269
9.99(cent)	9.65(cent)	9.39(cent)	9.24(cent)	8.88(cent)	8.81(cent)	8.99(cent)
13.04(cent)	12.91(cent)	13.37(cent)	12.98(cent)	13.67(cent)	13.33(cent)	13.91(cent)
8.82(cent)	9.22(cent)	8.58(cent)	9.40(cent)	8.99(cent)	9.46(cent)	9.22(cent)
71.81%	70.25%	65.43%	66.24%	62.34%	61.27%	60.37%
62.78%	66.91%	59.43%	67.51%	63.14%	66.13%	62.03%
19,462	18,489	18,047	18,109	18,375	17,956	14,885
11,644	10,806	9,927	10,117	9,601	9,263	7,704
62.89(cent)	66.65(cent)	61.92(cent)	67.70(cent)	65.06(cent)	69.24(cent)	69.04(cent)

6 Includes \$414 million in pretax restructuring charges (\$4.10 earnings per share), excluding the cumulative effect of change in accounting principle.

7 Includes \$194 million in pretax restructuring charges (\$1.94 earnings per share).

8 Includes interest income.

9 Includes gains from the sale of investments.

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

BUSINESS DESCRIPTION

Delta Air Lines, Inc. provides air transportation for passengers and freight throughout the United States and around the world. As of February 1, 2002, Delta (including its wholly owned subsidiaries, Atlantic Southeast Airlines, Inc. and Comair, Inc.) served 208 domestic cities in 45 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, as well as 46 cities in 31 countries. With its domestic and international codeshare partners, Delta's route network covers 230 domestic cities in 48 states and 182 cities in 71 countries.

Based on calendar 2001 data, Delta is the second-largest carrier in terms of passengers carried, and third-largest as measured by operating revenues and revenue passenger miles flown. Delta is the leading U.S. transatlantic airline, offering the most daily flight departures, serving the largest number of nonstop markets and carrying more passengers than any other U.S. airline.

Delta is a Delaware corporation headquartered in Atlanta, Georgia. Delta is subject to government regulation under the Federal Aviation Act of 1958, as amended, as well as many other federal, state and foreign laws.

SHAREOWNER INFORMATION

TRANSFER AGENT, REGISTRAR, AND DIVIDEND PAYING AGENT FOR COMMON STOCK

Registered shareowner inquiries related to stock transfers, address changes, lost stock certificates, dividend payments or account consolidations should be directed to:

EquiServe Trust Company, N.A.
P.O. Box 2500
Jersey City, New Jersey 07303-2500
Telephone (201) 324-1225
www.equiserve.com

DirectSERVICE(TM) INVESTMENT PROGRAM

Investors may purchase Delta Common Stock under this program, which is sponsored and administered by EquiServe. All correspondence and inquiries concerning the program should be directed to:

The DirectSERVICE Investment Program for Delta Air Lines, Inc. c/o EquiServe Trust Company, N.A.
P.O. Box 2598
Jersey City, New Jersey 07303-2598
Telephone (201) 324-1225
www.equiserve.com

FORM 10-K AND OTHER FINANCIAL INFORMATION

A copy of the Form 10-K for the year ended December 31, 2001 and other financial reports filed by Delta with the SEC are available on Delta's web site at www.delta.com or the SEC's web site at www.sec.gov. Copies may also be obtained without charge by calling (866) 240-0597 or by writing to:

Delta Air Lines, Inc.
Investor Relations, Department 829
P.O. Box 20706
Atlanta, Georgia 30320-6001

A copy of this Annual Report can be found on Delta's Web site, www.delta.com.

ELECTRONIC PROXY MATERIALS

Registered shareowners and participants in the Delta Family-Care Savings Plan may elect to receive future annual meeting materials electronically by signing up at www.delta.com/inside/investors/index.jsp

INVESTOR RELATIONS

Telephone inquiries related to financial information, other than requests for financial documents, may be directed to Delta Investor Relations at (866) 715-2170.

INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP
133 Peachtree Street, N.E.
Atlanta, Georgia 30303

COMMON STOCK

Delta Common Stock is traded on the New York Stock Exchange under the ticker symbol DAL. As of December 31, 2001, there were 21,953 registered owners of Common Stock.

MARKET PRICES AND DIVIDENDS

Year 2001	Price of Common Stock		Cash Dividends per Common Share
Quarter Ended:	High	Low	
March 31	\$ 52.94	\$ 37.51	\$ 0.025
June 30	48.05	37.80	0.025
September 30	46.56	20.00	0.025
December 31	31.15	22.20	0.025

Year 2000	Price of Common Stock		Cash Dividends per Common Share
Quarter Ended:	High	Low	
March 31	\$ 55.38	\$ 43.56	\$ 0.025
June 30	58.31	48.75	0.025
September 30	57.81	43.25	0.025
December 31	51.56	39.63	0.025

AVAILABILITY OF EQUAL EMPLOYMENT OPPORTUNITY REPORT

A copy of the report is available without charge upon written request to:

Delta Air Lines, Inc.
Equal Opportunity, Department 955
P.O. Box 20706
Atlanta, Georgia 30320-6001

AVAILABILITY OF ANNUAL REPORT ON SAFETY, HEALTH, ENVIRONMENTAL; COMMUNITY AFFAIRS AND GLOBAL DIVERSITY

A copy of the report is available online at www.delta.com or upon written request to:

Delta Air Lines, Inc.
Corporate Communications, Department 978 P.O. Box 20706
Atlanta, Georgia 30320-6001

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DELTA'S AIRCRAFT FLEET

MAINLINE AIRCRAFT FLEET

Delta's mainline fleet strategy is designed to achieve operational and cost efficiencies through fleet modernization. Delta has a long-term aircraft purchase agreement with The Boeing Company (Boeing) which covers firm orders, options and rolling options for certain aircraft through calendar year 2017. This agreement supports Delta's plan for disciplined growth, aircraft rationalization and fleet replacement. It also gives Delta certain flexibility to adjust scheduled aircraft deliveries and to substitute between aircraft models and aircraft types. The majority of the aircraft under firm order from Boeing will be used to replace older aircraft.

Delta's long-term plan is to reduce its mainline aircraft fleet to three family types. Fleet standardization will improve reliability and produce long-term cost savings. We retired our last L-1011 aircraft in August 2001, accelerated the planned retirement of our B-727 fleet from 2005 to 2003, and plan to retire our MD-90 fleet and owned MD-11 aircraft over the next five to nine years. Due to the significant decline in travel demand following the events of September 11, we grounded 50 aircraft. We intend to return approximately 33 of these aircraft to service as the business environment improves; the remainder of these aircraft are being permanently retired as part of our long-term fleet plan.

REGIONAL JET AIRCRAFT FLEET

Delta's regional jet program offers service to small and medium-sized cities and enables us to supplement frequencies and service to key cities. In 2000, ASA and Comair entered into agreements with Bombardier, Inc. to purchase a total of 94 Canadair Regional Jet (CRJ) aircraft, including 69 CRJ-200 aircraft with a mix of 40, 44, and 50 seats, and 25 CRJ-700 aircraft with 70 seats. ASA and Comair also received options to purchase an additional 406 CRJ aircraft through 2010.

AIRCRAFT FLEET AT DECEMBER 31, 2001

Aircraft Type	Current Fleet			Total	Average Age
	Owned	Capital Lease	Operating Lease		
B-727-200	40	--	7	47	22.5
B-737-200	4	42	6	52	16.8
B-737-300	3	--	20	23	15.3
B-737-800	67	--	--	67	1.3
B-757-200	80	--	41	121	10.3
B-767-200	15	--	--	15	18.6
B-767-300	4	--	24	28	11.9
B-767-300ER	51	--	8	59	5.9
B-767-400	18	--	--	18	1.0
B-777-200	7	--	--	7	2.3
MD-11	8	--	7	15	7.9
MD-88	63	--	57	120	11.5
MD-90	16	--	--	16	6.1
EMB-120	41	--	7	48	11.3
ATR-72	4	--	15	19	7.5
CRJ-100/200	38	--	121	159	3.3
CRJ-700	--	--	--	--	--
Total	459	42	313	814	9.1

AIRCRAFT ON FIRM ORDER AT DECEMBER 31, 2001

Aircraft Type	Delivery in Calendar Year					Total
	2002	2003	2004	2005	After 2005	
B-737-600/700/800	4	5	23	19	14	65
B-757-200	0	0	0	0	0	0
B-767-300/300ER	0	0	0	0	0	0
B-767-400	3	0	0	0	0	3
B-777-200	1	0	1	4	0	6
CRJ-100/200	40	20	0	0	0	60
CRJ-700	20	14	23	0	0	57
Total	68	39	47	23	14	191

AIRCRAFT ON OPTION(*) AT DECEMBER 31, 2001

Delivery in Calendar Year

Aircraft Type	2002	2003	2004	2005	After 2005	Total	Rolling Options
B-737-600/700/800	0	0	10	8	42	60	263
B-757-200	0	8	12	0	0	20	60
B-767-300/300ER	0	0	2	2	7	11	10
B-767-400	0	2	5	2	15	24	8
B-777-200	0	2	5	5	8	20	19
CRJ-100/200	0	24	38	33	129	224	0
CRJ-700	0	0	5	30	130	165	0
Total	0	36	77	80	331	524	360

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

[DELTA LOGO]

Delta Air Lines, Inc.
P.O. Box 20706
Atlanta, Georgia 30320-6001
404-715-2600
www.delta.com

EXHIBIT 16

Office of the Chief Accountant
Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549

March 27, 2002

Dear Sir/Madam:

We have read the first four (4) paragraphs of Item 9 included in the Form 10-K dated March 27, 2002 of Delta Air Lines, Inc. to be filed with the Securities and Exchange Commission and are in agreement with the statements contained therein.

Very truly yours,

/s/ Arthur Andersen LLP

cc: Mr. Leo F. Mullin, Chairman and CEO, Delta Air Lines, Inc.

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our reports dated January 23, 2002 included or incorporated by reference in Delta Air Lines, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001 into the Company's previously filed Registration Statement Files Nos. 2-94541, 33-30454, 33-65391, 333-16471, 333-46904, 333-48718, 333-49553, 333-92291, 333-65218, and 333-73856.

/s/ ARTHUR ANDERSEN LLP

*Atlanta, Georgia
March 25, 2002*

EXHIBIT 24

POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2001, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 5, 2002.

/s/ Edwin L. Artzt

Edwin L. Artzt
Director
Delta Air Lines, Inc.

POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2001, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 4, 2002.

/s/ James L. Broadhead

James L. Broadhead
Director
Delta Air Lines, Inc.

POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2001, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of January 31, 2002.

/s/ Edward H. Budd

Edward H. Budd
Director
Delta Air Lines, Inc.

POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2001, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 2, 2002.

/s/ R. Eugene Cartledge

R. Eugene Cartledge
Director
Delta Air Lines, Inc.

POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2001, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of January 31, 2002.

/s/ Mary Johnston Evans

Mary Johnston Evans
Director
Delta Air Lines, Inc.

POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2001, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of January 31, 2002.

/s/ George Fisher

George M.C. Fisher
Director
Delta Air Lines, Inc.

POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2001, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of January 31, 2002.

/s/ David R. Goode

David R. Goode
Director
Delta Air Lines, Inc.

POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2001, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of January 31, 2002.

/s/ Gerald Grinstein

Gerald Grinstein
Director
Delta Air Lines, Inc.

POWER OF ATTORNEY

I hereby constitute and appoint M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2001, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of March 18, 2002.

/s/ Leo F. Mullin

Leo F. Mullin
Director
Delta Air Lines, Inc.

POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2001, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of January 31, 2002.

/s/ John F. Smith, Jr.

John F. Smith, Jr.
Director
Delta Air Lines, Inc.

POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2001, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 23, 2002.

/s/ Joan E. Spero

Joan E. Spero
Director
Delta Air Lines, Inc.

POWER OF ATTORNEY

I hereby constitute and appoint Leo F. Mullin, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2001, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of January 31, 2002.

/s/ Andrew J. Young

Andrew J. Young
Director
Delta Air Lines, Inc.

End of Filing

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