DELTA AIR LINES INC /DE/
Form 10-Q
October 25, 2010

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

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2010
Or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number 001-5424
DELTA AIR LINES, INC.
State of Incorporation: Delaware
I.R.S. Employer Identification No.: 58-0218548
Post Office Box 20706, Atlanta, Georgia 30320-6001
Telephone: (404) 715-2600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

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

Yes þ No o

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

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

Yes o No þ

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

Yes þ No o

Number of shares outstanding by each class of common stock, as of September 30, 2010:
Common Stock, $0.0001 par value 788,920,494 shares outstanding

This document is also available through our website at http://www.delta.com/about_delta/investor_relations.

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Unless otherwise indicated, the terms Delta, we, us, and our refer to Delta Air Lines, Inc. and its subsidiaries. Pr to October 30, 2008, these references do not include Northwest Airlines Corporation and its wholly-owned subsidiaries, including Northwest Airlines, Inc.

FORWARD-LOOKING STATEMENTS

Statements in this Form 10-Q (or otherwise made by us or on our behalf) that are not historical facts, including statements about our estimates, expectations, beliefs, intentions, projections or strategies for the future, may be forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. For examples of such risks and uncertainties, please see the cautionary statements contained in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (Form 10-K) and in Part II, Item 1A. Risk Factors in this Form 10-Q. All forward-looking statements speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

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

(in millions, except share data)	September 30, 2010	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,436	$ 4,607
Short-term investments	439	71
Restricted cash, cash equivalents and short-term investments	418	423
Accounts receivable, net of an allowance for uncollectible accounts of $36 and $47 at September 30, 2010 and December 31, 2009, respectively	1,512	1,353
Expendable parts and supplies inventories, net of an allowance for obsolescence of $106 and $75 at September 30, 2010 and December 31, 2009, respectively	278	327
Deferred income taxes, net	167	107
Prepaid expenses and other	1,071	853
Total current assets	7,321	7,741
Property and Equipment, Net:		
Property and equipment, net of accumulated depreciation and amortization of $3,836 and $2,924 at September 30, 2010 and December 31, 2009, respectively	20,184	20,433
Other Assets:		
Goodwill	9,794	9,787
Identifiable intangibles, net of accumulated amortization of $512 and $451 at September 30, 2010 and December 31, 2009, respectively	4,766	4,829
Other noncurrent assets	1,088	749
Total other assets	15,648	15,365
Total assets	$ 43,153	$ 43,539
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Current maturities of long-term debt and capital leases	$ 2,302	$ 1,533
Air traffic liability	3,767	3,074
Accounts payable	1,661	1,249
Frequent flyer deferred revenue	1,610	1,614
Accrued salaries and related benefits	1,280	1,037

Taxes payable	592	525
Other accrued liabilities	608	765
Total current liabilities	11,820	9,797
Noncurrent Liabilities:		
Long-term debt and capital leases	13,063	15,665
Pension, postretirement and related benefits	11,383	11,745
Frequent flyer deferred revenue	2,916	3,198
Deferred income taxes, net	1,734	1,667
Other noncurrent liabilities	1,522	1,222
Total noncurrent liabilities	30,618	33,497
Commitments and Contingencies		
Stockholders Equity:		
Common stock at $0.0001 par value; 1,500,000,000 shares authorized, 801,847,705 and 794,873,058 shares issued at September 30, 2010 and December 31, 2009, respectively		
Additional paid-in capital	13,900	13,827
Accumulated deficit	(9,271)	(9,845)
Accumulated other comprehensive loss	(3,716)	(3,563)
Treasury stock, at cost, 12,927,211 and 10,918,274 shares at September 30, 2010 and December 31, 2009, respectively	(198)	(174)
Total stockholders equity	715	245
Total liabilities and stockholders equity	$ 43,153	$ 43,539

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

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DELTA AIR LINES, INC.
Consolidated Statements of Operations
(Unaudited)

(in millions, except per share data)	Three Months Ended September 30, 2010	2009	Nine Months Ended September 30, 2010	2009
Operating Revenue:				
Passenger:				
Mainline	$ 6,204	$ 5,122	$ 16,170	$ 14,053
Regional carriers	1,571	1,402	4,420	3,975
Total passenger revenue	7,775	6,524	20,590	18,028
Cargo	227	177	614	535
Other, net	948	873	2,762	2,695
Total operating revenue	8,950	7,574	23,966	21,258
Operating Expense:				
Aircraft fuel and related taxes	2,023	1,973	5,666	5,678
Salaries and related costs	1,669	1,722	5,043	5,151
Contract carrier arrangements	1,236	1,009	3,125	2,882
Aircraft maintenance materials and outside repairs	405	334	1,174	1,150
Contracted services	398	390	1,156	1,176
Passenger commissions and other selling expenses	404	384	1,145	1,069
Depreciation and amortization	375	385	1,139	1,152
Landing fees and other rents	331	340	968	971
Passenger service	190	181	493	477
Aircraft rent	92	123	305	363
Profit sharing	185		275	
Restructuring and merger-related items	206	129	342	286
Other	433	400	1,212	1,181
Total operating expense	7,947	7,370	22,043	21,536
Operating Income (Loss)	1,003	204	1,923	(278)
Other (Expense) Income:				
Interest expense	(256)	(217)	(780)	(647)
Amortization of debt discount, net	(53)	(102)	(170)	(304)
Interest income	7	4	30	23
Loss on extinguishment of debt	(360)	(83)	(360)	(83)
Miscellaneous, net	25	15	(55)	63
Total other expense, net	(637)	(383)	(1,335)	(948)

Income (Loss) Before Income Taxes	366	(179)	588	(1,226)
Income Tax (Provision) Benefit	(3)	18	(14)	14
Net Income (Loss)	$ 363	$ (161)	$ 574	$ (1,212)
Basic Earnings (Loss) per Share	$ 0.43	$ (0.19)	$ 0.69	$ (1.47)
Diluted Earnings (Loss) per Share	$ 0.43	$ (0.19)	$ 0.68	$ (1.47)

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

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DELTA AIR LINES, INC.
Condensed Consolidated Statements of Cash Flow
(Unaudited)

(in millions)	Nine Months Ended September 30, 2010	2009
Net cash provided by operating activities	$ 2,514	$ 1,452
Cash Flows From Investing Activities:		
Property and equipment additions:		
Flight equipment, including advance payments	(753)	(547)
Ground property and equipment, including technology	(168)	(185)
(Purchase) redemption of investments	(353)	121
Proceeds from sales of flight equipment	28	86
Proceeds from sale of subsidiary	21	
Increase in restricted cash, cash equivalents and short-term investments	(18)	(124)
Other investments	(98)	
Other, net	(16)	
Net cash used in investing activities	(1,357)	(649)
Cash Flows From Financing Activities:		
Payments on long-term debt and capital lease obligations	(2,546)	(2,056)
Proceeds from long-term obligations	223	2,472
Other, net	(5)	(78)
Net cash (used in) provided by financing activities	(2,328)	338
Net (Decrease) Increase in Cash and Cash Equivalents	(1,171)	1,141
Cash and cash equivalents at beginning of period	4,607	4,255
Cash and cash equivalents at end of period	$ 3,436	$ 5,396
Non-cash transactions:		
Flight equipment under capital leases	$ 203	$
Debt relief through vendor negotiations	160	
Debt discount on American Express Agreement	110	
Flight equipment	56	43
Aircraft delivered under seller financing	20	408

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

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DELTA AIR LINES, INC.

Notes to the Condensed Consolidated Financial Statements
September 30, 2010
(Unaudited)

NOTE 1. BACKGROUND AND BASIS OF PRESENTATION

Background

On October 29, 2008 (the Closing Date), a wholly-owned subsidiary of Delta merged (the Merger) with and into Northwest Airlines Corporation. On the Closing Date, Northwest Airlines Corporation and its wholly-owned subsidiaries, including Northwest Airlines, Inc. (collectively, Northwest), became wholly-owned subsidiaries of Delta.

On December 31, 2009, Northwest Airlines, Inc. merged with and into Delta. As a result of this merger, Northwest Airlines, Inc. ceased to exist as a separate entity.

Basis of Presentation

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

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

Due to seasonal variations in the demand for air travel, the volatility of aircraft fuel prices, changes in global economic conditions and other factors, operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of operating results for the entire year.

Based upon adjustments recorded at December 31, 2009, certain immaterial prior period amounts have been reclassified in the Consolidated Statements of Operations to conform to our current period presentation. The adjustments do not impact total operating expense or net income for any period presented in this Form 10-Q.

We reclassified travel and incidental expenses, primarily crew meals and lodging expenses, from salaries and related costs to other operating expense. These expenses totaled $117 million and $352 million for the three and nine months ended September 30, 2009, respectively. We also adjusted our Consolidated Statements of Operations for certain costs incurred to provide services to our contract carriers, excluding Comair, Inc. (Comair), Compass Airlines, Inc. (Compass) and Mesaba Aviation, Inc. (Mesaba); these costs are recorded as a reduction to salaries and related costs and contracted services, as appropriate, rather than as a reduction to other operating expense. These costs totaled $80 million and $222 million for the three and nine months ended September 30, 2009, respectively.

In July 2010, we sold Compass and Mesaba, our wholly-owned subsidiaries, to Trans States Airlines Inc. (Trans States) and Pinnacle Airlines Corp. (Pinnacle), respectively. For additional information regarding these sales, see Note 5.

We evaluated the financial statements for subsequent events through the date of the filing of this Form 10-Q, which is the date the financial statements were issued.

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Recently Issued Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board issued Revenue Arrangements with Multiple Deliverables. The standard revises guidance on (1) the determination of when individual deliverables may be treated as separate units of accounting and (2) the allocation of consideration among separately identified deliverables. It also expands disclosure requirements regarding an entity s multiple element revenue arrangements. The standard is effective for fiscal years beginning on or after June 15, 2010 and may be adopted on a prospective or retrospective basis. We are currently evaluating the impact of this standard on our Consolidated Financial Statements.

NOTE 2. FAIR VALUE MEASUREMENTS

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

(a) *Market approach*. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

(b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and

(c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

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

(in millions)	September 30, 2010	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique
Cash equivalents	$ 3,174	$ 3,174	$	$	(a)
Short-term investments	439	439			(a)
Restricted cash equivalents and short-term investments	449	449			(a)
Long-term investments	119			119	(c)
Hedge derivatives, net					
Aircraft fuel derivatives	301		301		(a)(c)
Interest rate derivatives	(100)		(100)		(a)(c)
Foreign currency derivatives	(56)		(56)		(a)

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(in millions)	December 31, 2009	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique
Cash equivalents	$ 4,335	$ 4,335	$	$	(a)
Short-term investments	71			71	(c)
Restricted cash equivalents and short-term investments	435	435			(a)
Long-term investments	129			129	(c)
Hedge derivatives, net					
Aircraft fuel derivatives	176		176		(a)(c)
Interest rate derivatives	(45)		(45)		(a)(c)
Foreign currency derivatives	(23)		(23)		(a)

Cash Equivalents. Short-term, highly liquid investments with maturities of three months or less when purchased, which primarily consist of money market funds and treasury bills, are classified as cash equivalents. These investments are recorded in cash and cash equivalents on our Consolidated Balance Sheets at cost, which approximates fair value.

Short-term Investments. As of September 30, 2010, short-term investments on our Consolidated Balance Sheet consist of treasury bills with maturities of greater than three months and less than one year when purchased. These investments are recorded at cost, which approximates fair value.

During the nine months ended September 30, 2010, we received $77 million in proceeds from an investment in a money market fund undergoing an orderly liquidation, $71 million of which was recorded in short-term investments on our Consolidated Balance Sheet at December 31, 2009. This investment was classified in Level 3 of the three-tier fair value hierarchy due to uncertainty regarding the timing and expected amount of our distribution.

Restricted Cash Equivalents and Short-term Investments. Restricted investments with maturities of less than one year when purchased, which primarily consist of money market funds and time deposits, are classified as restricted cash equivalents and short-term investments. At September 30, 2010 and December 31, 2009, we recorded $416 million and $419 million, respectively, in restricted cash, cash equivalents and short-term investments and $33 million and $16 million, respectively, in other noncurrent assets on our Consolidated Balance Sheets. These investments are recorded at cost, which approximates fair value.

Long-Term Investments. Our long-term investments are comprised of student loan backed and insured auction rate securities, which are recorded at fair value. At September 30, 2010 and December 31, 2009, the fair value of our auction rate securities was $119 million and $128 million, respectively. The cost of these investments was $143 million and $155 million, respectively. These investments are classified as long-term in other noncurrent assets on our Consolidated Balance Sheets due to the protracted failure in the auction process and long-term nature of these contractual maturities.

Because auction rate securities are not actively traded, fair values were estimated by discounting the cash flows expected to be received over the remaining maturities of the underlying securities. We based the valuations on our assessment of observable yields on instruments bearing comparable risks and consider the creditworthiness of the underlying debt issuer. Changes in market conditions could result in further adjustments to the fair value of these securities.

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Hedge Derivatives. Our derivative instruments are comprised of contracts that are privately negotiated with counterparties without going through a public exchange. Accordingly, our fair value assessments give consideration to the risk of counterparty default, including our own credit risk.

Aircraft Fuel Derivatives. Our aircraft fuel derivative instruments generally consist of crude oil, heating oil and jet fuel swap, collar, and call option contracts and are valued under the income approach using a discounted cash flow model or an option pricing model based on data either readily observable or derived from public markets.

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

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

For additional information regarding the classification of our derivative instruments on our Consolidated Balance Sheets, see Note 3.

Assets Measured at Fair Value on a Nonrecurring Basis

In September 2010, we recorded a $146 million impairment charge primarily related to our decision to substantially reduce Comair s fleet over the next two years by retiring older, less-efficient CRJ-100/200 50-seat aircraft. In evaluating these aircraft for impairment, we estimated their fair value by utilizing a market approach considering (1) published market data generally accepted in the airline industry, (2) recent market transactions, where available, (3) the current and projected supply and demand of these aircraft and (4) the overall condition and age of the aircraft. Based on our fair value assessments, these aircraft have an estimated fair value of $97 million and are classified in Level 3 of the three-tier fair value hierarchy. For additional information regarding the Comair fleet reduction initiative, see Note 8.

Fair Value of Debt

Market risk associated with our fixed and variable rate long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates. The following table presents information about our debt:

(in millions)	September 30, 2010	December 31, 2009
Total debt at par value	$ 15,715	$ 18,068
Unamortized discount, net	(1,001)	(1,403)
Net carrying amount	$ 14,714	$ 16,665
Fair value[(1)]	$ 15,000	$ 15,400

(1) The aggregate fair value of debt was based primarily on (1) reported market values and recently completed

market transactions and (2) estimates based upon interest rates, maturities, credit risk and underlying collateral.

NOTE 3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Our results of operations are significantly impacted by changes in aircraft fuel prices, interest rates and foreign currency exchange rates. In an effort to manage our exposure to these risks, we periodically enter into derivative instruments, including fuel, interest rate and foreign currency hedges.

We perform, at least quarterly, both a prospective and retrospective assessment of the effectiveness of our derivative instruments designated as hedges, including assessing the possibility of counterparty default. If we determine that a derivative is no longer expected to be highly effective, we discontinue hedge accounting prospectively and recognize subsequent changes in the fair value of the hedge in earnings. As a result of our effectiveness assessment at September 30, 2010, we believe our derivative instruments designated as hedges will continue to be highly effective in offsetting changes in cash flow attributable to the hedged risk.

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Hedge Position

The following tables reflect the estimated fair value asset (liability) positions of our hedge contracts:

			September 30, 2010				
(in millions, unless otherwise stated)	Notional Balance	Maturity Date	Prepaid Expenses and Other Assets	Other Noncurrent Assets	Other Accrued Liabilities	Other Noncurrent Liabilities	Hedge Margin Receivable, net
Fuel hedge swaps, collars and call options	2.2 billion gallons crude oil, jet fuel	October 2010 March 2012	$238	$ 67	$ (4)	$	
Interest rate swaps and call options	$1,216	August 2011 May 2019			(35)	(65)	
Foreign currency exchange forwards	85 billion Japanese yen; 282 million Canadian dollars	October 2010 September 2013	1	1	(39)	(19)	
Total designated as hedges			$239	$ 68	$ (78)	$ (84)	$ 11

			December 31, 2009			
(in millions, unless otherwise stated)	Notional Balance	Maturity Date	Assets	Other Accrued Liabilities	Other Noncurrent Liabilities	Hedge Margin Payable, net
Fuel hedge swaps, collars and call options	795 million gallons crude oil, heating oil, jet fuel	January 2010 December 2010	$180	$ (89)	$	
Interest rate swaps and call options	$1,478	September 2010 May 2019	2	(38)	(9)	
Foreign currency exchange forwards	55.8 billion Japanese yen; 295 million Canadian dollars	January 2010 September 2012	1	(12)	(12)	
Total designated as hedges			$183	$ (139)	$ (21)	$ (10)

As of September 30, 2010, our open fuel hedge position is as follows:

(in millions, unless otherwise stated)	Percentage of Projected Fuel Requirements Hedged	Fair Value at September 30, 2010
Three months ending December 31, 2010	64%	$ 52
Year ending December 31, 2011	39	228
Year ending December 31, 2012	2	21
Total		$ 301

Hedge Gains (Losses)

Gains (losses) recorded on our Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2010 and 2009 related to our hedge contracts are as follows:

	Effective Portion Recognized in Accumulated Other Comprehensive Loss		Effective Portion Reclassified from Accumulated Other Comprehensive Loss to Earnings		Ineffective Portion Recognized in Other (Expense) Income	
	Three Months Ended September 30,					
(in millions)	2010	2009	2010	2009	2010	2009
Fuel hedge swaps, collars and call options[1]	$165	$140	$(66)	$(226)	$12	$8
Interest rate swaps and call options[2]	(16)	(16)	(1)	1		
Foreign currency exchange forwards and collars[3]	(25)	(52)	(12)			
Total designated as hedges	$124	$ 72	$(79)	$(225)	$12	$8

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(in millions)	Effective Portion Recognized in Accumulated Other Comprehensive Loss		Effective Portion Reclassified from Accumulated Other Comprehensive Loss to Earnings		Ineffective Portion Recognized in Other (Expense) Income	
	Nine Months Ended September 30,					
	2010	2009	2010	2009	2010	2009
Fuel hedge swaps, collars and call options[1]	$ (61)	$1,154	$ (92)	$(1,287)	$(25)	$45
Interest rate swaps and call options[2]	(55)	31	(1)			
Foreign currency exchange forwards and collars[3]	(33)	(16)	(21)	2		
Total designated as hedges	$(149)	$1,169	$(114)	$(1,285)	$(25)	$45

(1) Gains (losses) on fuel hedge contracts reclassified from accumulated other comprehensive loss are recorded in aircraft fuel and related taxes.

(2) Gains (losses) on interest rate swaps and call options reclassified from accumulated other comprehensive loss are recorded in interest expense.

(3) Gains (losses) on

foreign currency exchange contracts reclassified from accumulated other comprehensive loss are recorded in passenger and cargo revenue.

We recorded a loss of $15 million in aircraft fuel and related taxes on our Consolidated Statement of Operations for the nine months ended September 30, 2009 related to Northwest derivative contracts that were not designated as hedges. As of September 30, 2010, we recorded in accumulated other comprehensive loss on our Consolidated Balance Sheet $76 million of net losses on our hedge contracts scheduled to settle in the next 12 months.

Credit Risk

To manage credit risk associated with our aircraft fuel price, interest rate and foreign currency hedging programs, we select counterparties based on their credit ratings and limit our exposure to any one counterparty. We also monitor the market position of these programs and our relative market position with each counterparty.

In accordance with our fuel and interest rate hedge agreements, (1) we may require counterparties to fund the margin associated with our gain position on hedge contracts and/or (2) counterparties may require us to fund the margin associated with our loss position on these contracts. The amount of the margin, if any, is periodically adjusted based on the fair value of the hedge contracts. The margin requirements are intended to mitigate a party s exposure to market volatility and the associated contracting party risk.

Due to the estimated fair value position of our hedge contracts as of September 30, 2010, the hedge margin received from and provided to counterparties was not significant.

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NOTE 4. DEBT

The following table summarizes our debt at September 30, 2010 and December 31, 2009:

(in millions)	September 30, 2010	December 31, 2009
Senior Secured Exit Financing Facilities due 2012 and 2014	$ 1,461	$ 2,444
Senior Secured Credit Facilities due 2013	248	249
Senior Secured Notes due 2014	675	750
Senior Second Lien Notes due 2015	397	600
Bank Revolving Credit Facilities due 2010 and 2012		
Other Financing Arrangements		
Certificates due in installments from 2010 to 2023	5,312	5,709
Aircraft financings due in installments from 2010 to 2025	5,481	6,005
Other secured financings due in installments from 2010 to 2031	753	911
Total secured debt	14,327	16,668
American Express Agreement	1,000	1,000
Clayton County Bonds, Series 2009 due in installments from 2014 to 2035	150	150
Other unsecured debt due in installments from 2011 to 2030	238	250
Total unsecured debt	1,388	1,400
Total secured and unsecured debt	15,715	18,068
Unamortized discount, net	(1,001)	(1,403)
Total debt	14,714	16,665
Less: current maturities	(2,197)	(1,445)
Total long-term debt	$ 12,517	$ 15,220

Significant debt related events during the nine months ended September 30, 2010 included the following:

Senior Secured Exit Financing Facilities due 2012 and 2014. During the June 2010 quarter, we amended our $1.0 billion first-lien revolving credit facility (the Exit Revolving Facility) to convert the $86 million revolving commitment of Lehman Commercial Paper, Inc. to a fully funded, non-revolving loan due April 2012. In addition, we prepaid the remaining $914 million of the Exit Revolving Facility. Borrowings under the Exit Revolving Facility can be prepaid without penalty and amounts prepaid can be reborrowed. As of September 30, 2010, the $914 million Exit Revolving Facility was undrawn.

Senior Secured Notes due 2014. During the September 2010 quarter, we redeemed $75 million of 9.5% Senior Secured Notes due 2014.

Senior Second Lien Notes due 2015. During the September 2010 quarter, we purchased in a cash tender offer $171 million of Senior Second Lien Notes due 2015, which have a fixed interest rate of 12.25% per annum.

Other Financing Arrangements. During the September 2010 quarter, we (1) purchased in cash tender offers $129 million of four series of Pass-Through Trust Certificates, (2) achieved $160 million of debt relief through vendor negotiations and (3) repurchased $153 million of debt in open market transactions and private purchases. We also restructured $783 million of existing debt, including changes in applicable interest rates and other payment terms. The restructured debt has a book value of $783 million, which approximates fair value.

In July 2010, we completed a $450 million offering of Pass Through Certificates, Series 2010-1A, through a pass through trust. We used $160 million in net proceeds to partially finance two B-777-200LR aircraft purchased in March 2010. The remaining $290 million will be used to partially refinance 22 aircraft currently supporting the 2000-1 EETC and will be held in escrow until the final maturity of the 2000-1 EETC in November 2010. The debt securities in this offering bear interest at a fixed rate of 6.2% per year and have a final maturity in July 2018. At September 30, 2010, $276 million of the $290 million principal amount of the 2000-1 EETC is classified as long-term debt.

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American Express Agreement. In March 2010, we and American Express modified our December 2008 agreement under which we received $1.0 billion from American Express for their advance purchase of SkyMiles. This advance payment is classified as long-term debt on our Consolidated Balance Sheets. Our obligations with respect to, the advance payment will be satisfied by the use of SkyMiles by American Express over a specified period (SkyMiles Usage Period) rather than by cash payments from us to American Express. The March 2010 modification, among other things, (1) provides that Delta-American Express co-branded credit card holders may check their first bag for free on every Delta flight through June 2013, (2) changes the SkyMiles Usage Period to a three-year period beginning in December 2011 from a two-year period beginning in December 2010, and (3) gives American Express the option to extend the December 2008 agreement for one year. The change in the SkyMiles Usage Period deferred $31 million and $480 million of debt maturities for the three months ending December 31, 2010 and year ending December 31, 2011, respectively.

Unamortized Discount, Net. Unamortized discount, net represents a reduction in the carrying value of (1) Northwest s debt as a result of purchase accounting related to the Merger, (2) the debt recorded in connection with our American Express Agreement and (3) fair value adjustments to our long-term debt in connection with our adoption of fresh start reporting upon emergence from bankruptcy. As described in the table below, we amortize these adjustments over the remaining maturities of the respective debt to amortization of debt discount, net on our Consolidated Statements of Operations.

During the September 2010 quarter, we completed the transactions described under Senior Secured Notes due 2014 , Senior Secured Lien Notes due 2015 and Other Financing Arrangements . As a result of these transactions, we recorded a $360 million loss on extinguishment of debt, of which $288 million related to a non-cash write-off of debt discounts that were recorded as part of purchase accounting.

Future Maturities

The following table summarizes scheduled maturities of our debt, including current maturities, at September 30, 2010:

Years Ending December 31, (in millions)	**Total Secured and Unsecured Debt**	**Amortization of Debt Discount, Net**	
Three months ending December 31, 2010	$ 448	$ (50)	
2011	2,091	(206)	
2012	2,366	(206)	
2013	1,765	(168)	
2014	3,092	(110)	
Thereafter	5,953	(261)	
Total	$ 15,715	$ (1,001)	$14,714

Covenants

We were in compliance with all covenants in our financing agreements at September 30, 2010.

NOTE 5. PURCHASE COMMITMENTS AND CONTINGENCIES

Aircraft Commitments

Future aircraft purchase commitments at September 30, 2010 are estimated to total approximately $2.9 billion. The following table shows the timing of these commitments:

Years Ending December 31, (in millions)	**Total**

Three months ending December 31, 2010	$ 190
2011	60
2020 and thereafter	2,610
Total	$2,860

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Our aircraft commitments at September 30, 2010 relate to 18 B-787-8 aircraft, 13 previously owned MD-90 aircraft and four B-737-800 aircraft. Our aircraft purchase commitments do not include orders for five A319-100 aircraft and two A320-200 aircraft because we have the right to cancel these orders.

During the September 2010 quarter, we entered into an agreement with The Boeing Company to reaffirm our previous orders for 18 B-787-8 aircraft and to defer delivery of those aircraft from 2008-2010 to 2020-2022.

We have entered into definitive agreements to sell the four B-737-800 aircraft to third parties immediately following delivery of those aircraft to us by the manufacturer. We have not received any notice that these third parties have defaulted on their purchase obligations. These sales will reduce our future commitments by approximately $150 million through December 31, 2010.

Contract Carrier Agreements

During the nine months ended September 30, 2010, we had contract carrier agreements with 10 contract carriers, including our wholly-owned subsidiary, Comair. For additional information about our contract carrier agreements, see Note 8 of the Notes to the Consolidated Financial Statements in our Form 10-K.

In May 2010, the U.S. District Court for the Northern District of Georgia ruled that in March 2008 we properly terminated our capacity purchase agreement with Freedom Airlines, Inc. (Freedom) and its parent company, Mesa Air Group, Inc. Freedom ceased operating flights for us under a capacity purchase agreement on September 1, 2010.

In July 2010, we sold Compass and Mesaba, our wholly-owned subsidiaries, to Trans States and Pinnacle, respectively. The sales of Compass and Mesaba did not have a material impact on our Consolidated Financial Statements. Upon the closing of these transactions, we entered into new or amended long-term capacity purchase agreements with Compass, Mesaba and Pinnacle, which increased our aggregate minimum fixed obligations under capacity purchase agreements by $1.1 billion over the next ten years. These obligations (1) contemplate minimum levels of flying by Compass, Mesaba, and Pinnacle and (2) reflect assumptions regarding certain associated costs such as for fuel, labor, maintenance, insurance, catering, property taxes and landing fees. Accordingly, our actual payments under these agreements could differ materially from the minimum fixed obligations.

Contingencies Related to Termination of Contract Carrier Agreements

We may terminate the Chautauqua and Shuttle America contract carrier agreements without cause at any time after May 2010 and January 2016, respectively, by providing certain advance notice. If we terminate either the Chautauqua or Shuttle America agreements without cause, Chautauqua or Shuttle America, respectively, has the right to (1) assign to us leased aircraft that the airline operates for us, provided we are able to continue the leases on the same terms the airline had prior to the assignment and (2) require us to purchase or lease any of the aircraft that the airline owns and operates for us at the time of the termination. If we are required to purchase aircraft owned by Chautauqua or Shuttle America, the purchase price would be equal to the amount necessary to (1) reimburse Chautauqua or Shuttle America for the equity it provided to purchase the aircraft and (2) repay in full any debt outstanding at such time that is not being assumed in connection with such purchase. If we are required to lease aircraft owned by Chautauqua or Shuttle America, the lease would have (1) a rate equal to the debt payments of Chautauqua or Shuttle America for the debt financing of the aircraft calculated as if 90% of the aircraft was debt financed by Chautauqua or Shuttle America and (2) other specified terms and conditions.

We estimate that the total fair values, determined as of September 30, 2010, of the aircraft that Chautauqua or Shuttle America could assign to us or require that we purchase if we terminate without cause our contract carrier agreements with those airlines (the Put Right) are approximately $180 million and $350 million, respectively. The actual amount that we may be required to pay in these circumstances may be materially different from these estimates. If the Chautauqua or Shuttle America Put Right is exercised, we must also pay the exercising carrier 10% interest (compounded monthly) on the equity the carrier provided when it purchased the put aircraft. These equity amounts for Chautauqua and Shuttle America total $25 million and $52 million, respectively.

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Legal Contingencies

We are involved in various legal proceedings related to employment practices, environmental issues, bankruptcy matters, antitrust matters and other matters concerning our business. We cannot reasonably estimate the potential loss for certain legal proceedings because, for example, the litigation is in its early stages or the plaintiff does not specify the damages being sought.

Credit Card Processing Agreements

Visa/MasterCard Processing Agreement

Our Visa/MasterCard credit card processing agreement provides that no cash reserve (Reserve) is required except in certain circumstances, including when we do not maintain a required level of unrestricted cash. In circumstances in which the processor can establish a Reserve, the amount of the Reserve would be equal to the potential liability of the credit card processor for tickets purchased with Visa or MasterCard that had not yet been used for travel. There was no Reserve as of September 30, 2010 or December 31, 2009.

American Express

Our American Express credit card processing agreement provides that no withholding of payment related to receivables collected will occur except in certain circumstances, including when we do not maintain a required level of unrestricted cash. In circumstances in which American Express is permitted to withhold payment related to receivables collected, the amount that can be withheld is an amount up to American Express potential liability for tickets purchased with the American Express credit card that had not yet been used for travel. No amounts were withheld as of September 30, 2010 or December 31, 2009.

Other Contingencies

General Indemnifications

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

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

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

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

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

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Employees Under Collective Bargaining Agreements

At September 30, 2010, we had 79,005 full-time equivalent employees. Approximately 37% of these employees were represented by unions.

In connection with efforts to resolve union representation for employee groups where representation has not been resolved following our merger with Northwest, the National Mediation Board recently authorized and set the dates for elections for the following employee groups:

Employee Group	Union Seeking Representation	Approximate Number of Employees (as of June 30, 2010)	Election Period
Flight Attendants	AFA[1]	20,100	September 29 - November 3, 2010
Fleet Service [2]	IAM[3]	14,100	October 14 - November 18, 2010
Stores Employees [4]	IAM	700	October 25 - November 22, 2010
Passenger Service [5]	IAM	16,400	November 2 - December 7, 2010

(1) Association of Flight Attendants-CWA

(2) Includes below-wing airport customer service employees, cargo warehouse employees and related positions

(3) International Association of Machinists and Aerospace Workers

(4) Includes technical operations supply attendants, stock clerks and stores utility employees

(5) Includes above-wing airport customer service agents, cargo sales agents and passenger

reservations sales agents

In an election ending in September 2010, Delta s 91 simulator technicians rejected representation by the IAM.

War-Risk Insurance Contingency

As a result of the terrorist attacks on September 11, 2001, aviation insurers significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons (other than employees or passengers) for claims resulting from acts of terrorism, war or similar events. At the same time, aviation insurers significantly increased the premiums for such coverage and for aviation insurance in general. Since September 24, 2001, the U.S. government has been providing U.S. airlines with war-risk insurance to cover losses, including those resulting from terrorism, to passengers, third parties (ground damage) and the aircraft hull. The U.S. Secretary of Transportation has extended coverage through December 31, 2010, and we expect the coverage to be further extended. The withdrawal of government support of airline war-risk insurance would require us to obtain war-risk insurance coverage commercially, if available. Such commercial insurance could have substantially less desirable coverage than currently provided by the U.S. government, may not be adequate to protect our risk of loss from future acts of terrorism, may result in a material increase to our operating expense or may not be obtainable at all, resulting in an interruption to our operations.

Other

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

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NOTE 6. EMPLOYEE BENEFIT PLANS

The following tables show the components of net periodic cost:

(in millions)	Pension Benefits Three Months Ended September 30, 2010	2009	Other Postretirement and Postemployment Benefits Three Months Ended September 30, 2010	2009
Service cost	$	$	$ 14	$ 14
Interest cost	245	250	49	54
Expected return on plan assets	(169)	(153)	(22)	(21)
Amortization of prior service benefit			(1)	
Recognized net actuarial loss (gain)	12	9	(1)	1
Settlements	4	4		
Net periodic cost	$ 92	$ 110	$ 39	$ 48

(in millions)	Pension Benefits Nine Months Ended September 30, 2010	2009	Other Postretirement and Postemployment Benefits Nine Months Ended September 30, 2010	2009
Service cost	$	$	$ 44	$ 40
Interest cost	737	752	147	156
Expected return on plan assets	(508)	(461)	(68)	(59)
Amortization of prior service benefit			(3)	
Recognized net actuarial loss (gain)	36	25	(3)	(1)
Special termination and settlements	10	8		6
Net periodic cost	$ 275	$ 324	$117	$142

NOTE 7. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table shows the components of accumulated other comprehensive loss:

(in millions)	Pension and Other Benefits Liability	Derivative Instruments	Valuation Allowance	Total
Balance at December 31, 2009	$ (2,011)	$ (345)	$(1,207)	$(3,563)
Pension and other benefit adjustments	11			11

Changes in fair value		33		33
Reclassification to earnings		17		17
Tax effect	(4)	(19)	23	
Balance at March 31, 2010	(2,004)	(314)	(1,184)	(3,502)
Pension and other benefit adjustments	(28)			(28)
Changes in fair value		(341)		(341)
Reclassification to earnings		18		18
Tax effect	10	120	(130)	
Balance at June 30, 2010	(2,022)	(517)	(1,314)	(3,853)
Pension and other benefit adjustments	13			13
Changes in fair value		45		45
Reclassification to earnings		79		79
Tax effect	(5)	(46)	51	
Balance at September 30, 2010	$ (2,014)	$ (439)	$(1,263)	$(3,716)

Total other comprehensive income for the three and nine months ended September 30, 2010 was $500 million and $421 million, respectively. Total other comprehensive loss for the three and nine months ended September 30, 2009 was $105 million and $39 million, respectively.

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NOTE 8. RESTRUCTURING AND MERGER-RELATED ITEMS

The following table shows charges recorded in restructuring and merger-related items on our Consolidated Statements of Operations:

(in millions)	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Asset impairment	$146	$	$182	$
Merger-related items	53	70	145	177
Severance and related costs	7	51	15	101
Facilities and other		8		8
Total restructuring and merger-related items	$206	$129	$342	$286

Asset Impairment. In September 2010, we recorded a $146 million impairment charge related to our decision to substantially reduce Comair s fleet over the next two years by retiring older, less-efficient CRJ-100/200 50-seat aircraft. For a discussion of the techniques used to estimate the current fair values, see Note 2.

During the March 2010 quarter, we recorded an impairment charge related to our retired B-747-200 aircraft, which we sold in the September 2010 quarter.

Merger-Related Items. Merger-related items are costs associated with Northwest and the integration of Northwest operations into Delta.

Severance and Related Costs. During the three and nine months ended September 30, 2010, we recorded $7 million and $15 million, respectively, in severance charges for our wholly-owned subsidiaries primarily associated with (1) the Comair fleet reduction initiative announced in the September 2010 quarter and (2) the consolidation of operations at the Cincinnati/Northern Kentucky International Airport during the March 2010 quarter. During the three and nine months ended September 30, 2009, we recorded $51 million and $101 million, respectively, primarily associated with voluntary workforce reduction programs.

The following table shows the balances for restructuring charges as of September 30, 2010, and the activity for the nine months then ended:

(in millions)	Liability Balance at December 31, 2009	Additional Costs and Expenses	Payments	Liability Balance at September 30, 2010
Severance and related costs	$ 69	$ 15	$(51)	$ 33
Facilities and other	74		(18)	56
Total	$ 143	$ 15	$(69)	$ 89

NOTE 9. BANKRUPTCY CLAIMS RESOLUTION

In September 2005, we and substantially all of our subsidiaries (the Delta Debtors) filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. On April 30, 2007, the Delta Debtors emerged from bankruptcy. Under the Delta Debtors Joint Plan of Reorganization (Delta s Plan of Reorganization), most holders of allowed general, unsecured claims against the Delta Debtors received or will receive Delta common stock in satisfaction of their claims. Delta s Plan of Reorganization contemplates the distribution of 400 million shares of common stock, consisting of 386 million shares to holders of allowed, general, unsecured claims and 14 million

shares to eligible non-contract, non-management employees. As of September 30, 2010, we have (1) distributed 335 million shares of common stock to holders of $14 billion of allowed general, unsecured claims, (2) issued 14 million shares of common stock to eligible non-contract, non-management employees and (3) reserved 51 million shares of common stock for issuance to holders of allowed general, unsecured claims.

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In September 2005, Northwest Airlines Corporation and substantially all of its subsidiaries (the Northwest Debtors) filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code. On May 31, 2007, the Northwest Debtors emerged from bankruptcy. The Northwest Debtors First Amended Joint and Consolidated Plan of Reorganization (Northwest s Plan of Reorganization) generally provides for the distribution of Northwest common stock to the Northwest Debtors creditors, employees and others in satisfaction of allowed general, unsecured claims. Pursuant to the Merger, each outstanding share of Northwest common stock (including shares issuable pursuant to Northwest s Plan of Reorganization) was converted into the right to receive 1.25 shares of Delta common stock. As of September 30, 2010, five million shares of Delta common stock were reserved for issuance in exchange for shares of Northwest common stock that, but for the Merger, would have been issued under Northwest s Plan of Reorganization.

We believe there will be no further material impact to the Consolidated Statements of Operations from the settlement of claims because the holders of such claims will receive under Delta s and Northwest s Plan of Reorganization, as the case may be, only their pro rata share of the distributions of common stock contemplated by the applicable Plan of Reorganization.

NOTE 10. EARNINGS (LOSS) PER SHARE

We calculate basic earnings (loss) per share by dividing the net income (loss) by the weighted average number of common shares outstanding. Shares issuable upon the satisfaction of certain conditions are considered outstanding and included in the computation of basic earnings (loss) per share. Accordingly, the calculation of basic earnings (loss) per share for the three and nine months ended September 30, 2010 and 2009 assumes there was outstanding at the beginning of each of these periods (1) all 386 million shares of Delta common stock contemplated by Delta s Plan of Reorganization to be distributed to holders of allowed general, unsecured claims and (2) nine million shares of Delta common stock reserved for issuance in exchange for shares of Northwest common stock that, but for the Merger, would have been issued under Northwest s Plan of Reorganization. Similarly, the calculation of basic loss per share for the three and nine months ended September 30, 2009 assumes there was outstanding at the beginning of the period 50 million shares of Delta common stock we agreed to issue on behalf of Delta and Northwest pilots in connection with the Merger.

The following table shows our computation of basic and diluted earnings (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share data)	2010	2009	2010	2009
Basic:				
Net income (loss)	$ 363	$ (161)	$ 574	$(1,212)
Basic weighted average shares outstanding	835	828	834	826
Basic earnings (loss) per share	$0.43	$(0.19)	$0.69	$ (1.47)
Diluted:				
Net income (loss)	$ 363	$ (161)	$ 574	$(1,212)
Basic weighted average shares outstanding	835	828	834	826
Dilutive effects of share based awards	7		8	
Diluted weighted average shares outstanding	842	828	842	826
Diluted earnings (loss) per share	$0.43	$(0.19)	$0.68	$ (1.47)
Antidilutive common stock equivalents excluded from diluted earnings (loss) per share	25	33	23	33

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

General Information

We provide scheduled air transportation for passengers and cargo throughout the United States (U.S.) and around the world. On October 29, 2008 (the Closing Date), a wholly-owned subsidiary of ours merged (the Merger) with and into Northwest Airlines Corporation. On the Closing Date, Northwest Airlines Corporation and its wholly-owned subsidiaries, including Northwest Airlines, Inc. (collectively, Northwest), became wholly-owned subsidiaries of Delta.

On December 31, 2009, Northwest Airlines, Inc. merged with and into Delta. As a result of this merger, Northwest Airlines, Inc. ceased to exist as a separate entity.

We believe the Northwest merger better positions us to manage through economic cycles and volatile fuel prices, invest in our fleet, improve services for customers and achieve our strategic objectives. We also believe the merger will generate approximately $2 billion in annual revenue and cost synergies from more effective aircraft utilization, a more comprehensive and diversified route system, reduced overhead and improved operational efficiency. We have completed substantially all customer facing merger-related milestones and the majority of our merger integration.

September 2010 Quarter Financial Highlights

We reported net income of $363 million in the September 2010 quarter, compared to a net loss of $161 million in the September 2009 quarter. Our improved results primarily reflect a strengthening of the airline industry revenue environment, including increased demand for business travel, which as discussed below, was partially offset by a primarily non-cash loss on extinguishment of debt as well as higher fuel prices, profit sharing expense and restructuring and merger related costs.

Total passenger revenue increased $1.3 billion, or 19%, in the September 2010 quarter while capacity, or available seat miles (ASMs), increased 2% compared to the September 2009 quarter. Passenger revenue per available seat mile (PRASM) increased over 16% driven by a 16% increase in passenger mile yield on a flat load factor, reflecting both an increase in demand for air travel and an increase in fares. Our international mainline passenger revenue increased $724 million, or 33%, due to a 29% increase in PRASM and a 2.2 point increase in load factor on a 3% increase in capacity. International mainline passenger mile yield rose 26%, reflecting an increase in business and leisure travel and an increase in fares. Domestic mainline passenger revenue increased $358 million, or 12%, on an 11% increase in passenger mile yield and 3% increase in capacity.

Volatile fuel prices continue to represent a significant risk to our business and the airline industry as a whole. Including our contract carriers under capacity purchase agreements, our unhedged fuel price increased 17% to $2.23 per gallon compared to $1.91 per gallon in the September 2009 quarter. Our fuel price, including the impact of our fuel hedge contracts, was $2.29 per gallon for the September 2010 quarter compared to $2.13 per gallon for the September 2009 quarter. We recorded $64 million in net fuel hedge costs as operating expense in the September 2010 quarter, compared to $226 million in fuel hedge losses in the September 2009 quarter. In an on-going effort to manage fuel price risk, we enter into derivative instruments to hedge a portion of our projected aircraft fuel requirements. As of September 30, 2010, we have hedged approximately 64% and 39% of our projected fuel requirements for the December 2010 quarter and calendar year 2011, respectively.

Our consolidated operating cost per ASM for the September 2010 quarter excluding aircraft fuel and related taxes, profit sharing and special items (CASM excluding certain items), (a non-GAAP financial measure as defined in Supplemental Information below) was $7.84 cents. The performance of this metric was flat compared to the September 2009 quarter on 2% higher capacity. Merger cost synergies and productivity improvements offset higher revenue-related expenses and pay increases for frontline employees. We continue to focus on maintaining a competitive cost structure through disciplined spending and productivity initiatives.

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Our net income for the September 2010 quarter includes (1) a $360 million charge associated with the primarily non-cash loss on extinguishment of debt, including the write-off of unamortized debt discount, as part of our debt reduction initiatives, (2) a $153 million charge related to the Comair fleet reduction initiative, and (3) a $53 million charge primarily for merger-related items associated with Northwest and the integration of Northwest operations into Delta. Our net loss for the September 2009 quarter includes (1) an $83 million non-cash loss on extinguishment of debt for the write-off of unamortized debt discount, (2) a $70 million charge for merger-related items and (3) a $51 million charge primarily associated with voluntary workforce reduction programs.

At September 30, 2010, we had $3.9 billion in cash and cash equivalents and short-term investments, and $1.6 billion in undrawn revolving credit facilities. During the September 2010 quarter, cash provided by operating activities was $514 million. During that period, we repaid $924 million in long-term debt and capital lease obligations. We also invested $397 million in property and equipment, including the purchase of 10 leased B-767-300 aircraft, three leased MD-88 aircraft, two B-737-800 aircraft, two previously owned MD-90 aircraft and one leased B-767-300ER aircraft. In July 2010, we completed a $450 million offering of Pass Through Certificates, Series 2010-1A. For additional information, see Note 4 of the Notes to the Condensed Consolidated Financial Statements.

Recent Initiatives

New York Strategy. Strengthening our position in New York City through increased corporate sales, improved facilities and increased and new service from New York is a key component of our network strategy. During the September 2010 quarter, we announced plans to redevelop our facilities at John F. Kennedy Airport (JFK). This project includes (1) the enhancement and expansion of an existing terminal which we plan to use to operate all of our international flights at JFK (Expanded Terminal); (2) the demolition of the aging terminal we currently use at JFK for most of our international flights; (3) the development of that site for aircraft parking positions to support our operations; and (4) the construction of a pedestrian connector between the terminal we primarily use for domestic flights and the Expanded Terminal. This project is intended to strengthen our competitive position and customer service in New York City, the largest airline market in the United States. Once our project is complete, we expect that passengers will benefit from an enhanced customer experience and improved operational performance, including reduced taxi times and better on-time performance.

We estimate this redevelopment project will cost approximately $1.2 billion and will be completed in stages over the next three to five years. We expect a substantial majority of the project costs will be funded by special project bonds to be issued by the Port Authority of New York and New Jersey (Port Authority). Principal and interest on those bonds will be paid from rental payments made by the lessee of the Expanded Terminal under its lease with the Port Authority. We will sublease space in the Expanded Terminal and our payments under the sublease will be sufficient to cover (1) the payment of principal and interest on the bonds allocable to our use of the space in the Expanded Terminal and (2) other costs related to our use of that space.

In August 2009, we announced our intention to make New York s LaGuardia Airport a domestic hub through a slot transaction with US Airways. In May 2010, the Federal Aviation Administration and the U.S. Department of Transportation issued an order granting the waiver necessary to approve our agreement with US Airways. However, the waiver was conditioned on the parties agreement to a slot divestiture process which was not acceptable. In July 2010, we and US Airways appealed the order to the U.S. Court of Appeals for the District of Columbia Circuit. We cannot predict the outcome of the appeal.

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Debt Reduction Initiatives. During the September 2010 quarter, we completed several debt reduction and delevering initiatives, including the following:

Reducing scheduled debt maturities by $688 million principal amount by:

- Repurchasing $300 million of our debt in cash tender offers;
- Achieving $160 million of debt relief through vendor negotiations;
- Repurchasing $153 million of debt through open market transactions and private purchases; and
- Redeeming $75 million of other secured financings;

Restructuring $783 million of existing debt, including changes in applicable interest rates and other payment terms;

Purchasing aircraft off-lease for $108 million;

We used $682 million during the September 2010 quarter to complete these debt reduction initiatives. These transactions resulted in a $360 million loss on extinguishment of debt, of which $288 million related to a non-cash write-off of debt discounts that were recorded as part of purchase accounting to recognize Northwest s debt at fair value.

Comair Fleet Reduction. In September 2010, we announced an initiative to substantially reduce Comair s fleet over the next two years by retiring older, less-efficient CRJ-100/200 50-seat aircraft. This initiative will reduce staffing across the Comair organization through voluntary and involuntary workforce reductions.

Other Initiatives. We believe our global network, hub structure and alliances with other airlines enables us to offer our customers an improved global reach. We continue to increase our global reach through alliance and codeshare partnerships, including Alitalia joining our transatlantic joint venture with Air France-KLM retroactive to April 2010 as well as the decisions by Aerolineas Argentinas; China Airlines; China Eastern; TAROM, Romania s flag carrier; and Vietnam Airlines to join the SkyTeam global airline alliance.

We plan to invest $1 billion through mid-2013 to improve the customer experience and the efficiency of our aircraft fleet. Planned enhancements include installing full flat-bed seats in BusinessElite on 90 trans-oceanic aircraft, adding in-seat audio and video throughout Economy Class on 68 widebody aircraft, adding First Class cabins to 66 CRJ-700 aircraft and installing winglets on more than 170 aircraft to extend aircraft range and increase fuel efficiency.

Employee Matters. In connection with efforts to resolve union representation for employee groups where representation has not been resolved following our merger with Northwest, the National Mediation Board recently authorized and set the dates for elections for several employee groups. For additional information, see Note 5 of the Notes to the Condensed Consolidated Financial Statements.

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Results of Operations September 2010 and 2009 Quarters

Operating Revenue

(in millions)	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	vs. Three Months Ended September 30, 2009 Increase (Decrease)	vs. Three Months Ended September 30, 2009 % Increase (Decrease)
Operating Revenue:				
Passenger:				
Mainline	$ 6,204	$ 5,122	$1,082	21%
Regional carriers	1,571	1,402	169	12%
Total passenger revenue	7,775	6,524	1,251	19%
Cargo	227	177	50	28%
Other, net	948	873	75	9%
Total operating revenue	$ 8,950	$ 7,574	$1,376	18%

(in millions)	Three Months Ended September 30, 2010	Increase (Decrease) vs. Three Months Ended September 30, 2009 Passenger Revenue	Passenger RPMs[1] (Traffic)	Passenger ASMs (Capacity)	Passenger Mile Yield	Passenger PRASM	Passenger Load Factor
Passenger Revenue:							
Domestic	$ 3,259	12%	1%	3%	11%	9%	(1.5) pts
Atlantic	1,698	25%	2%	1%	23%	25%	1.2 pts
Pacific	881	54%	13%	6%	36%	45%	5.3 pts
Latin America	366	24%	8%	7%	15%	16%	0.6 pts
Total Mainline	6,204	21%	3%	3%	18%	18%	0.2 pts
Regional carriers	1,571	12%	(2)%	(1)%	14%	13%	(0.8)pts
Total passenger revenue	$ 7,775	19%	2%	2%	16%	16%	0.1 pts

[1] Revenue passenger miles (RPMs)

Mainline Passenger Revenue. Mainline passenger revenue increased 21% in the September 2010 quarter compared to the September 2009 quarter primarily due to increased business demand for air travel and an increase in fares. During the September 2009 quarter, weakened demand for air travel from the global recession and related capacity

reductions had a significant negative impact on our mainline passenger revenue.

Domestic Passenger Revenue. Domestic passenger revenue increased 12% from a 9% increase in PRASM on a 3% increase in capacity. The passenger mile yield increased 11%, reflecting an increase in business travel and an increase in fares.

International Passenger Revenue. International passenger revenue increased 33% from a 29% increase in PRASM and a 2.2 point increase in load factor on a 3% increase in capacity. The passenger mile yield increased 26%, reflecting an increase in business and leisure travel and an increase in fares. The Atlantic and Pacific markets realized a 23% and 36% increase in passenger mile yield, respectively, due to the strengthening airline revenue environment and increased business demand.

Regional carriers. Passenger revenue of regional carriers increased 12% from a 13% increase in PRASM on a 1% decline in capacity. The passenger mile yield increased 14%, reflecting an increase in demand for air travel and an increase in fares.

Cargo. Cargo revenue increased $50 million due to higher cargo yield and international volume, partially offset by capacity reductions.

Other, net. Other, net revenue increased $75 million primarily due to increased volume of checked bags.

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Operating Expense

(in millions)	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	vs. Three Months Ended September 30, 2009 Increase (Decrease)	vs. Three Months Ended September 30, 2009 % Increase (Decrease)
Operating Expense:				
Aircraft fuel and related taxes	$2,023	$1,973	$ 50	3%
Salaries and related costs	1,669	1,722	(53)	(3)%
Contract carrier arrangements	1,236	1,009	227	22%
Aircraft maintenance materials and outside repairs	405	334	71	21%
Contracted services	398	390	8	2%
Passenger commissions and other selling expenses	404	384	20	5%
Depreciation and amortization	375	385	(10)	(3)%
Landing fees and other rents	331	340	(9)	(3)%
Passenger service	190	181	9	5%
Aircraft rent	92	123	(31)	(25)%
Profit sharing	185		185	NM(1)
Restructuring and merger-related items	206	129	77	60%
Other	433	400	33	8%
Total operating expense	$7,947	$7,370	$577	8%

(1) NM not meaningful

In July 2010, we sold Compass and Mesaba to Trans States and Pinnacle, respectively. Prior to these sales, expenses related to Compass and Mesaba as our wholly-owned subsidiaries were reported in the applicable expense line items. Subsequent to these sales, expenses related to Compass and Mesaba are reported as contract carrier arrangements expense.

Aircraft fuel and related taxes. Aircraft fuel and related taxes increased primarily due to higher average unhedged fuel prices increasing fuel costs $269 million, partially offset by (1) a $162 million reduction in fuel hedge losses and (2) $77 million as a result of the sales of Compass and Mesaba. We recorded $64 million in net fuel hedge costs in the September 2010 quarter, compared to $226 million in fuel hedge losses in the September 2009 quarter. The fuel hedge losses in the September 2009 quarter were primarily from hedge contracts purchased in 2008 when fuel prices reached record highs and were expected to continue to rise.

Salaries and related costs. The decrease in salaries and related costs is primarily due to (1) the sales of Compass and Mesaba, (2) a 1% average decrease in staffing related to voluntary workforce reduction programs and (3) lower pension expense primarily from an increase in the value of our defined benefit plan assets. These factors were partially offset by pay increases for frontline employees.

Contract carrier arrangements. Contract carrier arrangements expense increased primarily due to (1) the sales of Compass and Mesaba and (2) higher average fuel prices. These increases were partially offset by (1) lower overall expense from a reduction in capacity and (2) reduced contract carrier rates from the transfer of ground handling services to one of our wholly-owned subsidiaries and third party vendors.

Aircraft maintenance materials and outside repairs. Aircraft maintenance materials and outside repairs increased primarily due to increased volume of outside airframe and engine repairs for our aircraft.

Aircraft rent. Aircraft rent decreased due to (1) the sales of Compass and Mesaba and (2) the renegotiation of existing leases.

Profit sharing. We recorded $185 million related to our broad-based employee profit sharing plans during the September 2010 quarter. We did not record any profit sharing expense in 2009. Our broad-based profit sharing plans provide that, for each year in which we have an annual pre-tax profit (as defined), we will pay a specified portion of that profit to eligible employees.

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Restructuring and merger-related items. Restructuring and merger-related items increased $77 million, primarily due to the following:

During the September 2010 quarter, we recorded a $206 million charge primarily related to (1) the Comair fleet reduction initiative and (2) merger-related items associated with Northwest and the integration of Northwest operations into Delta.

During the September 2009 quarter, we recorded (1) a $78 million charge primarily for merger-related items and (2) a $51 million charge in connection with employee workforce reduction programs.

Other (Expense) Income

Other expense, net for the September 2010 quarter was $637 million compared to $383 million for the September 2009 quarter. This change is attributable to the following:

(in millions)	(Unfavorable) Favorable vs. Three Months Ended September 30, 2009
Loss on extinguishment of debt	$ (277)
Net interest expense	(36)
Foreign currency exchange rates	(5)
Amortization of debt discount, net	49
Mark-to-market adjustments on the ineffective portion of fuel hedge contracts	4
Other	11
Total other expense, net	$ (254)

For additional information regarding our loss on extinguishment of debt and amortization of debt discount, net, see Note 4 of the Notes to the Condensed Consolidated Financial Statements.

Income Taxes

We recorded an income tax provision of $3 million for the September 2010 quarter, primarily related to international and state income taxes. For U.S. federal income tax purposes, we did not record an income tax provision for the September 2010 quarter, since our deferred tax assets are fully reserved by a valuation allowance. We recorded an income tax benefit of $18 million for the September 2009 quarter, primarily related to a refund of income tax partially offset by international and state income taxes. The income tax benefit recorded was not a result of our loss in that period. The deferred tax asset resulting from such a net operating loss was fully reserved by a valuation allowance.

Results of Operations Nine Months Ended September 30, 2010 and 2009

Operating Revenue

(in millions)	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	vs. Nine Months Ended September 30, 2009 Increase (Decrease)	vs. Nine Months Ended September 30, 2009 % Increase (Decrease)
Operating Revenue:				
Passenger:				
Mainline	$ 16,170	$ 14,053	$2,117	15%

Regional carriers	4,420	3,975	445	11%
Total passenger revenue	20,590	18,028	2,562	14%
Cargo	614	535	79	15%
Other, net	2,762	2,695	67	2%
Total operating revenue	$ 23,966	$ 21,258	$2,708	13%

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(in millions)	Nine Months Ended September 30, 2010	Increase (Decrease) vs. Nine Months Ended September 30, 2009 Passenger Revenue	RPMs (Traffic)	ASMs (Capacity)	Passenger Mile Yield	PRASM	Load Factor
Passenger Revenue:							
Domestic	$ 9,061	11%	%	1%	10%	10%	(0.3)pts
Atlantic	3,926	17%	(2)%	(7)%	20%	26%	3.6 pts
Pacific	2,085	35%	13%	7%	19%	27%	5.1 pts
Latin America	1,098	13%	5%	4%	7%	9%	1.2 pts
Total Mainline	16,170	15%	1%	%	14%	16%	1.5 pts
Regional carriers	4,420	11%	(1)%	(3)%	12%	15%	1.6 pts
Total passenger revenue	$ 20,590	14%	1%	(1)%	13%	15%	1.5 pts

Mainline Passenger Revenue. Mainline passenger revenue increased 15% primarily due to increased business demand for air travel and an increase in fares. Passenger mile yield and PRASM increased 14% and 16%, respectively. During the nine months ended September 30, 2009, weakened demand for air travel from the global recession and the effects of the H1N1 virus and related capacity reductions had a significant negative impact on our mainline passenger revenue.

Domestic Passenger Revenue. Domestic passenger revenue increased 11% from a 10% increase in PRASM on a 1% increase in capacity. The passenger mile yield increased 10%, reflecting an increase in business travel and an increase in fares.

International Passenger Revenue. International passenger revenue increased 21% from a 23% increase in PRASM and a 3.6 point increase in load factor on a 2% decline in capacity. The passenger mile yield increased 18%, reflecting an increase in business and leisure travel and an increase in fares. The Atlantic market realized a 20% increase in passenger mile yield due to the strengthening airline revenue environment after experiencing the largest decline in passenger mile yield compared to our other international regions during the nine months ended September 30, 2009 relative to the corresponding period in 2008.

Regional carriers. Passenger revenue of regional carriers increased 11% from a 15% increase in PRASM and a 1.6 point increase in load factor on a 3% decline in capacity. The passenger mile yield increased 12%, reflecting an increase in demand for air travel and an increase in fares.

Cargo. Cargo revenue increased $79 million due to higher cargo yield and international volume, partially offset by capacity reductions. The results for the nine months ended September 30, 2009 include the operations of dedicated freighter B-747-200F aircraft, which we retired during 2009.

Other, net. Other, net revenue increased $67 million primarily due to increased volume of checked bags, partially offset by a reduction in our aircraft maintenance and repair service revenue.

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Operating Expense

(in millions)	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	vs. Nine Months Ended September 30, 2009 Increase (Decrease)	vs. Nine Months Ended September 30, 2009 % Increase (Decrease)
Operating Expense:				
Aircraft fuel and related taxes	$ 5,666	$ 5,678	$ (12)	%
Salaries and related costs	5,043	5,151	(108)	(2)%
Contract carrier arrangements	3,125	2,882	243	8 %
Aircraft maintenance materials and outside repairs	1,174	1,150	24	2 %
Contracted services	1,156	1,176	(20)	(2)%
Passenger commissions and other selling expenses	1,145	1,069	76	7 %
Depreciation and amortization	1,139	1,152	(13)	(1)%
Landing fees and other rents	968	971	(3)	%
Passenger service	493	477	16	3 %
Aircraft rent	305	363	(58)	(16)%
Profit sharing	275		275	NM
Restructuring and merger-related items	342	286	56	20 %
Other	1,212	1,181	31	3 %
Total operating expense	$22,043	$21,536	$ 507	2 %

In July 2010, we sold Compass and Mesaba to Trans States and Pinnacle, respectively. Prior to these sales, expenses related to Compass and Mesaba as our wholly-owned subsidiaries were reported in the applicable expense line items. Subsequent to these sales, expenses related to Compass and Mesaba are reported as contract carrier arrangements expense.

Aircraft fuel and related taxes. Aircraft fuel and related taxes remained flat as a $1.4 billion increase associated with higher average unhedged fuel prices was offset by (1) a $1.2 billion reduction in fuel hedge losses and (2) $77 million as a result of the sales of Compass and Mesaba. We recorded $90 million in net fuel hedge costs in the nine months ended September 30, 2010, compared to $1.3 billion in fuel hedge losses in the nine months ended September 30, 2009. The fuel hedge costs in the nine months ended September 30, 2009 were primarily from hedge contracts purchased in 2008 when fuel prices reached record highs and were expected to continue to rise.

Salaries and related costs. The decrease in salaries and related costs is primarily due to (1) a 2% average decrease in staffing related to voluntary workforce reduction programs, (2) the sales of Compass and Mesaba, (3) lower pension expense primarily from an increase in the value of our defined benefit plan assets, and (4) the inclusion in 2009 of expense associated with Delta airline tickets we awarded to employees as a part of an employee recognition program. These factors were partially offset by pay increases for frontline employees.

Contract carrier arrangements. Contract carrier arrangements expense increased primarily due to (1) higher average fuel prices and (2) the sales of Compass and Mesaba. These increases were partially offset by (1) lower overall expense from a reduction in capacity and (2) reduced contract carrier rates from the transfer of ground handling services to one of our wholly-owned subsidiaries and third party vendors.

Profit sharing. We recorded $275 million related to our broad-based employee profit sharing plans in the nine months ended September 30, 2010. We did not record any profit sharing expense in 2009. Our broad-based profit sharing plans provide that, for each year in which we have an annual pre-tax profit (as defined), we will pay a specified portion of that profit to eligible employees.

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Restructuring and merger-related items. Restructuring and merger-related items increased primarily due to the following:

During the nine months ended September 30, 2010, we recorded (1) $182 million in asset impairment charges related to the Comair fleet reduction initiative and retired B-747-200 aircraft, (2) a $145 million charge for merger-related items associated with Northwest and the integration of Northwest operations into Delta and (3) a $15 million severance charge for our wholly-owned subsidiaries associated with the Comair fleet reduction and the consolidation of operations at the Cincinnati/Northern Kentucky International Airport.

During the nine months ended September 30, 2009, we recorded a $185 million charge primarily for merger-related items and a $101 million charge in connection with employee workforce reduction programs.

Other (Expense) Income

Other expense, net for the nine months ended September 30, 2010 was $1.3 billion, compared to $948 million for the nine months ended September 30, 2009. This change is attributable to the following:

(in millions)	**(Unfavorable) Favorable vs. Nine Months Ended September 30, 2009**
Loss on extinguishment of debt	$ (277)
Net interest expense	(126)
Mark-to-market adjustments on the ineffective portion of fuel hedge contracts	(70)
Foreign currency exchange rates	(54)
Amortization of debt discount, net	134
Other	6
Total other expense, net	$ (387)

For additional information regarding our loss on extinguishment of debt and amortization of debt discount, net, see Note 4 of the Notes to the Condensed Consolidated Financial Statements.

Income Taxes

We recorded an income tax provision of $14 million for the nine months ended September 30, 2010, primarily related to international and state income taxes. For U.S. federal income tax purposes, we did not record an income tax provision for the nine months ended September 30, 2010, since our deferred tax assets are fully reserved by a valuation allowance. We recorded an income tax benefit of $14 million for the nine months ended September 30, 2009, primarily related to a refund of income tax partially offset by international and state income taxes. The income tax benefit recorded was not a result of our loss in that period. The deferred tax asset resulting from such a net operating loss was fully reserved by a valuation allowance.

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Operating Statistics

The following table sets forth our operating statistics:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Consolidated[1]:				
RPMs (millions)	54,675	53,371	146,936	145,384
ASMs (millions)	63,658	62,234	175,657	177,003
Passenger mile yield	14.22¢	12.22¢	14.01¢	12.40¢
PRASM	12.21¢	10.48¢	11.72¢	10.19¢
CASM[2]	12.48¢	11.84¢	12.55¢	12.17¢
Passenger load factor	85.9%	85.8%	83.6%	82.1%
Fuel gallons consumed (millions)	1,051	1,043	2,887	2,951
Average price per fuel gallon, net of hedging activity	$ 2.29	$ 2.13	$ 2.28	$ 2.15
Full-time equivalent employees, end of period	79,005	81,740	79,005	81,740
Mainline:				
RPMs (millions)	47,984	46,552	127,913	126,169
ASMs (millions)	55,276	53,772	151,528	152,141
CASM	11.29¢	10.87¢	11.45¢	11.30¢
Fuel gallons consumed (millions)	856	845	2,335	2,378
Average price per fuel gallon, net of hedging activity	$ 2.29	$ 2.18	$ 2.28	$ 2.24

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

(2) Consolidated operating cost per available seat mile (CASM)

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Fleet Information

Our active aircraft fleet, commitments, options and rolling options at September 30, 2010 are summarized in the following table:

	Current Fleet[1][2]							
Aircraft Type	Owned	Capital Lease	Operating Lease	Total	Average Age	Commitments[3]	Options[4]	Rolling Options[4]
B-737-700	10			10	1.7			
B-737-800	73			73	9.7	4[5]	60	83
B-747-400	4	7	5	16	16.9			
B-757-200	88	40	36	164	17.6			
B-757-300	16			16	7.6			
B-767-300	9		5	14	19.2			
B-767-300ER	49		8	57	14.4		5	
B-767-400ER	21			21	9.6		10	
B-777-200ER	8			8	10.7			
B-777-200LR	10			10	1.5		16	
B-787-8						18[6]		
A319-100	55		2	57	8.7			
A320-200	41		28	69	15.6			
A330-200	11			11	5.5			
A330-300	21			21	5.1			
MD-88	66	49	2	117	20.2			
MD-90	19			19	14.6	13		
DC-9	42			42	34.3			
CRJ-100	21	13	26	60	12.7			
CRJ-200			8	8	12.4			
CRJ-700	15			15	6.9			
CRJ-900	13			13	2.8			
Embraer 175							36	
Total Aircraft	592	109	120	821	14.9	35	127	83

(1) Excludes all grounded aircraft, including 25 DC-9, 10 CRJ-100 and nine SAAB 340B+ aircraft that were grounded during the nine months ended September 30, 2010.

(2) Excludes 175 CRJ-200, 51 CRJ-900, 36 Embraer 175, 32 SAAB 340+ and 12 CRJ-700 aircraft, which are operated by our third party contract carriers on our behalf and included in the third party contract carriers table below.

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

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

(5) Includes four aircraft that we have entered into definitive agreements to sell to third parties immediately following delivery of these aircraft to us by the manufacturer.

(6) During the September 2010 quarter, we entered into an agreement with The Boeing Company to reaffirm our previous orders for 18 B-787-8 aircraft and to defer delivery of those aircraft from 2008-2010 to 2020-2022.

During the nine months ended September 30, 2010, we had the following activity:

Purchased 18 B-737-800 (16 of which were immediately sold to third parties) and two B-777-200LR aircraft.

Purchased 11 previously owned MD-90 aircraft, 10 leased B-767-300 aircraft, four leased B-757-200 aircraft, three leased MD-88 aircraft and one leased B-767-300ER aircraft.

Entered into an agreement to lease from a third party eight previously owned MD-90 aircraft. Three of these aircraft will be delivered in 2010 and the remainder in 2011.

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The following table summarizes the aircraft fleet operated by third party contract carriers on our behalf at September 30, 2010:

	Fleet Type						
Carrier	**CRJ-200**	**CRJ-700**	**CRJ-900**	**ERJ-145**	**Embraer 175**	**SAAB 340+**	**Total**
Atlantic Southeast Airlines, Inc.	98	42	10				150
Pinnacle Airlines, Inc.	126		16				142
Mesaba Aviation, Inc.	19		41			32	92
SkyWest Airlines, Inc.	52	13	21				86
Chautauqua Airlines, Inc.				24			24
Compass Airlines, Inc.					36		36
Shuttle America Corporation					16		16
Total	295	55	88	24	52	32	546

Financial Condition and Liquidity

We expect to meet our cash needs for the next 12 months from cash flows from operations, cash and cash equivalents, short-term investments and financing arrangements. As of September 30, 2010, we had $5.5 billion in unrestricted liquidity, consisting of $3.9 billion in cash and cash equivalents and short-term investments and $1.6 billion in undrawn revolving credit facilities.

The global economic recession in 2008 and 2009 weakened demand for air travel, decreasing our revenue and negatively impacting our liquidity. In an effort to lessen the impact of the global recession, we implemented initiatives to reduce costs, increase revenues and preserve liquidity, primarily through reducing capacity to align with demand, workforce reduction programs and the acceleration of merger synergy benefits. While we are seeing a strengthening of the airline industry revenue environment due to improving economic conditions, the revenue environment continues to be weaker than before the onset of the global recession. Moreover, fuel prices have been increasing. Accordingly, we continue to focus on maintaining a competitive cost structure through disciplined spending and productivity initiatives.

Our ability to obtain additional financing, if needed, on acceptable terms could be affected by the fact that substantially all of our assets are subject to liens.

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Liquidity Events

Significant liquidity events during the nine months ended September 30, 2010 included the following (see also Note 4 of the Notes to the Condensed Consolidated Financial Statements for additional information):

Quarter Ended March 31, 2010

American Express Agreement. In March 2010, we and American Express modified our December 2008 agreement under which we received $1.0 billion from American Express for their advance purchase of SkyMiles. Our obligations with respect to the advance payment will be satisfied by the use of SkyMiles by American Express over a specified period (SkyMiles Usage Period) rather than by cash payments from us to American Express. The March 2010 modification, among other things, changes the SkyMiles Usage Period to a three-year period beginning in December 2011 from a two-year period beginning in December 2010.

Pension Obligations. We sponsor a defined benefit pension plan for eligible non-pilot Delta employees and retirees and defined benefit pension plans for eligible pre-merger Northwest employees and retirees, all of which have been frozen for future benefit accruals. Our funding obligations for these plans are governed by the Employee Retirement Income Security Act. We contributed $680 million to our defined benefit pension plans during the nine months ended September 30, 2010.

Quarter Ended June 30, 2010

Exit Revolving Facility. During the June 2010 quarter, we amended our $1.0 billion first-lien revolving credit facility (the Exit Revolving Facility) to convert the $86 million revolving commitment of Lehman Commercial Paper, Inc. to a fully funded, non-revolving loan due April 2012. In addition, we prepaid the remaining $914 million of the Exit Revolving Facility.

Quarter Ended September 30, 2010

2010-1 EETC. In July 2010, we completed a $450 million offering of Pass Through Certificates, Series 2010-1A (2010-1 EETC), through a pass through trust. We used $160 million in net proceeds to partially finance two B-777-200LR aircraft purchased in March 2010. The remaining $290 million will be used to partially refinance 22 aircraft currently supporting the 2000-1 EETC and will be held in escrow until the final maturity of the 2000-1 EETC in November 2010. The debt securities in this offering bear interest at a fixed rate of 6.2% per year and have a final maturity in July 2018. At September 30, 2010, $276 million of the $290 million principal amount of the 2000-1 EETC is classified as long-term debt.

Debt Reduction Initiatives. We used $682 million to complete the following debt reduction and delevering initiatives. We repurchased in cash tender offers $300 million principal amount of debt. This included:

- Substantially all of the $18 million then outstanding Northwest Pass Through Certificates, Series 2002-1C-2;
- $79 million of the $231 million then outstanding Northwest Pass Through Certificates, Series 2002-1G-1;
- $5 million of the $91 million then outstanding Northwest Pass Through Certificates, Series 2007-1B;
- $27 million of the $159 million then outstanding Delta Pass Through Certificates, Series 2007-1C; and
- $171 million of the $568 million then outstanding of Delta 11.75% Senior Second Lien Notes due 2015.

We also repurchased $153 million in existing debt and restructured $783 million in existing debt, resulting in different payment terms, including revised interest rates. Additionally, we redeemed $75 million of 9.5% Senior Secured Notes due 2014.

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Sources and Uses of Cash

Cash flows from operating activities

Cash provided by operating activities totaled $2.5 billion for the nine months ended September 30, 2010, primarily reflecting (1) $1.9 billion in net income after adjusting for items such as depreciation and amortization, (2) a $693 million increase in advance ticket sales primarily due to seasonal variations in the demand for air travel, and (3) a $470 million increase in accounts payable and accrued liabilities primarily related to increased operations due to seasonality and the improving economy. Cash provided by operating activities for the nine months ended September 30, 2010 was partially offset by (1) a $286 million decrease in frequent flyer liability and (2) a $206 million increase in accounts receivable associated with advance ticket sales and the timing of settlements.

Cash provided by operating activities totaled $1.5 billion for the nine months ended September 30, 2009, primarily reflecting (1) the return from counterparties of $1.1 billion of hedge margin primarily used to settle fuel hedge losses during the period and (2) $296 million in net income after adjusting for items such as depreciation and amortization.

Cash flows from investing activities

Cash used in investing activities totaled $1.4 billion for the nine months ended September 30, 2010, primarily reflecting investments of (1) $753 million for flight equipment, (2) $353 million related to short-term investments and (3) $168 million for ground property and equipment. Included in flight equipment acquisitions are 10 leased B-767-300 aircraft, nine previously owned MD-90 aircraft, four leased B-757-200 aircraft, three leased MD-88 aircraft, two B-777-200LR aircraft, two B-737-800 aircraft and one leased B-767-300ER aircraft.

Cash used in investing activities totaled $649 million for the nine months ended September 30, 2009, primarily reflecting (1) net investments of $547 million for flight equipment and advanced payments for aircraft order commitments and $185 million for ground property and equipment and (2) a $124 million increase in restricted cash primarily associated with the cash collateralization of certain letters of credit. Cash used in investing activities was partially offset by (1) a $121 million distribution of our investment in The Reserve Primary Fund and (2) $86 million of proceeds from the sale of flight equipment.

Cash flows from financing activities

Cash used in financing activities totaled $2.3 billion for the nine months ended September 30, 2010, reflecting the repayment of $2.5 billion in long-term debt and capital lease obligations, including the prepayment of $914 million of our Exit Revolving Facility. Cash used in financing activities is partially offset by $223 million in proceeds from aircraft financing including the 2010-1 EETC.

Cash provided by financing activities totaled $338 million for the nine months ended September 30, 2009, primarily reflecting $2.5 billion in proceeds from long-term debt and aircraft financing, largely associated with the issuance of $2.1 billion under three new financings, partially offset by the repayment of $2.1 billion in long-term debt and capital lease obligations.

Application of Critical Accounting Policies

Critical Accounting Estimates

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

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Recently Issued Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board issued Revenue Arrangements with Multiple Deliverables. The standard revises guidance on (1) the determination of when individual deliverables may be treated as separate units of accounting and (2) the allocation of consideration among separately identified deliverables. It also expands disclosure requirements regarding an entity s multiple element revenue arrangements. The standard is effective for fiscal years beginning on or after June 15, 2010 and may be adopted on a prospective or retrospective basis. We are currently evaluating the impact of this standard on our Consolidated Financial Statements.

Supplemental Information

We sometimes use information that is derived from our Condensed Consolidated Financial Statements, but that is not presented in accordance with accounting principles generally accepted in the U.S. (GAAP). Certain of this information is considered non-GAAP financial measures under the U.S. Securities and Exchange Commission rules. The non-GAAP financial measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results.

The following tables show reconciliations of non-GAAP financial measures to the corresponding GAAP financial measures. We exclude the following items from CASM:

Ancillary businesses. Ancillary businesses are not related to the generation of a seat mile. These businesses include aircraft maintenance and staffing services we provide to third parties, our vacation wholesale operations and our dedicated freighter operations, which we discontinued on December 31, 2009.

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

Restructuring and merger-related items. Management believes the exclusion of this item is helpful to investors to evaluate our recurring operational performance.

Aircraft fuel and related taxes. Management believes the volatility in fuel prices impacts the comparability of year-over-year financial performance.

	Three Months Ended September 30,	
	2010	**2009**
CASM	12.48¢	11.84¢
Items excluded:		
Ancillary businesses	(0.26)	(0.28)
Profit sharing	(0.29)	
Restructuring and merger-related items	(0.32)	(0.21)
Aircraft fuel and related taxes	(3.77)	(3.53)
CASM excluding certain items	7.84¢	7.82¢

The following table reconciles consolidated operating expense to mainline operating expense, which is used to calculate mainline CASM.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2010**	**2009**	**2010**	**2009**
Consolidated operating expense	$ 7,947	$ 7,370	$ 22,043	$ 21,536

Less regional carriers operating expense	(1,708)	(1,527)	(4,695)	(4,347)
Mainline operating expense	$ 6,239	$ 5,843	$ 17,348	$ 17,189

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The following sensitivity analysis does not consider the effects of a change in demand for air travel, the economy as a whole or actions we may take to seek to mitigate our exposure to a particular risk. For these and other reasons, the actual results of changes in these prices or rates may differ materially from the following hypothetical results.

Aircraft Fuel Price Risk

Our results of operations are materially impacted by changes in aircraft fuel prices. In an effort to manage our exposure to this risk, we periodically enter into derivative instruments designated as cash flow hedges, which are comprised of crude oil, heating oil and jet fuel call option, collar and swap contracts, to hedge a portion of our projected aircraft fuel requirements, including those of our contract carriers under capacity purchase agreements.

As of September 30, 2010, our open fuel hedge position for the three months ending December 31, 2010 and years ending December 31, 2011 and 2012, respectively, is as follows:

(in millions, unless otherwise stated)	Weighted Average Contract Strike Price per Gallon	Percentage of Projected Fuel Requirements Hedged	Contract Fair Value at September 30, 2010 Based Upon $80 per Barrel of Crude Oil
Three months ending December 31, 2010			
Crude Oil			
Call options	$ 2.03	16%	$ 8
Collars cap/floor	2.08/1.77	20	1
Swaps	1.85	12	10
Jet Fuel			
Call options	2.08	5	9
Swaps	2.08	11	24
Total		64%	$ 52
Year ending December 31, 2011			
Crude Oil			
Call options	$ 2.03	22%	$ 180
Collars cap/floor	2.10/1.78	10	19
Swaps	1.90	7	29
Total		39%	$ 228
Year ending December 31, 2012			
Crude Oil			
Call options	$ 1.97	1%	$ 19
Swaps	2.00	1	2

Total		2%	$ 21

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For the nine months ended September 30, 2010, aircraft fuel and related taxes, including our contract carriers under capacity purchase agreements, accounted for $6.6 billion, or 30%, of our total operating expense, including $90 million of net fuel hedge costs. The following tables show the projected impact to aircraft fuel expense and fuel hedge margin for the three months ending December 31, 2010 and year ending December 31, 2011 based on the impact of our open fuel hedge contracts at September 30, 2010, assuming the following per barrel prices of crude oil:

	Three months ending December 31, 2010			Year ending December 31, 2011			Fuel Hedge Margin Received from (Posted to)
(in millions)	(Increase) Decrease to Fuel Expense[1]	Hedge Gain (Loss)[2]	Net impact	(Increase) Decrease to Fuel Expense[1]	Hedge Gain (Loss)[2]	Net impact	Counterparties
$60 / barrel	$ 451	$ (203)	$ 248	$ 1,470	$ (471)	$ 999	$ (196)
$80 / barrel	(4)	(25)	(29)	(412)	(198)	(610)	49
$100 / barrel	(460)	217	(243)	(2,295)	455	(1,840)	799
$120 / barrel	(916)	507	(409)	(4,177)	1,190	(2,987)	1,746

(1) Projections based upon the decrease (increase) to fuel expense as compared to the estimated crude oil price per barrel of $83 and estimated aircraft fuel consumption of 1.0 billion gallons and 4.0 billion gallons for the three months ending December 31, 2010 and year ending December 31, 2011, respectively.

(2) Projections based upon average futures prices per gallon by contract settlement month.

ITEM 4. CONTROLS AND PROCEDURES

Our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. Our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the controls and procedures were effective as of September 30, 2010 to ensure that material information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Except as set forth below, during the three months ended September 30, 2010, we did not make any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On October 29, 2008, a wholly-owned subsidiary of ours merged with and into Northwest. On December 31, 2009, Northwest merged with and into Delta, ending Northwest s separate existence. We are currently integrating policies, processes, people, technology and operations for the combined company. Management will continue to evaluate our internal control over financial reporting as we execute merger integration activities.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the condensed consolidated balance sheet of Delta Air Lines, Inc. (the Company) as of September 30, 2010, and the related condensed consolidated statements of operations for the three-month and nine-month periods ended September 30, 2010 and 2009, and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2010 and 2009. These financial statements are the responsibility of the Company s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Delta Air Lines, Inc. as of December 31, 2009 and the related consolidated statements of operations, stockholders equity, and cash flows for the year ended December 31, 2009 and in our report dated February 24, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2009, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP
Atlanta, Georgia
October 25, 2010

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The legal proceeding discussed below has been described previously, including in our Form 10-K. The matter is described in this Form 10-Q to include recent developments in the case. Item 3. Legal Proceedings of our Form 10-K includes a discussion of other legal proceedings.

First Bag Fee Antitrust Litigation

In May, June and July, 2009, a number of purported class action antitrust lawsuits were filed in the U.S. District Courts for the Northern District of Georgia, the Middle District of Florida, and the District of Nevada, against Delta and AirTran Airways (AirTran).

In these cases, the plaintiffs originally alleged that Delta and AirTran engaged in collusive behavior in violation of Section 1 of the Sherman Act in November 2008 based upon certain public statements made in October 2008 by AirTran s CEO at an analyst conference concerning fees for the first checked bag, Delta s imposition of a fee for the first checked bag on November 4, 2008 and AirTran s imposition of a similar fee on November 12, 2008. The plaintiffs sought to assert claims on behalf of an alleged class consisting of passengers who paid the first bag fee after December 5, 2008 and seek injunctive relief and unspecified treble damages. All of these cases have been consolidated for pre-trial proceedings in the Northern District of Georgia by the Multi-District Litigation (MDL) Panel.

In February 2010, the plaintiffs in the MDL proceeding filed a Consolidated Amended Class Action Complaint which substantially expanded the scope of the original complaint. In the consolidated amended complaint, the plaintiffs add new allegations concerning alleged signaling by both Delta and AirTran based upon statements made to the investment community by both carriers relating to industry capacity levels during 2008-2009. The plaintiffs also add a new cause of action against Delta alleging attempted monopolization in violation of Sherman Act Section 2, paralleling a claim previously asserted against AirTran but not Delta.

In August 2010, the District Court issued an order granting Delta s motion to dismiss the Section 2 claim, but denying its motion to dismiss the Section 1 claim, which is now proceeding through discovery. Plaintiffs have filed a motion to certify the Section 1 class, which remains pending. Delta believes the claims in these cases are without merit and is vigorously defending these lawsuits.

ITEM 1A. RISK FACTORS

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

Our business is subject to the effects of weather and natural disasters and seasonality, which can cause our results to fluctuate.

Severe weather conditions and natural disasters can significantly disrupt service and create air traffic control problems. These events decrease revenue and can also increase costs. In addition, demand for air travel is typically 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. As a result, our results of operations will reflect fluctuations from weather and natural disasters and seasonality. Therefore, operating results for a historical period are not necessarily indicative of operating results for a future period and operating results for an interim period are not necessarily indicative of operating results for an entire year.

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An extended disruption in services provided by our third party regional carriers could have a material adverse effect on our results of operation.

We utilize the services of third party providers in a number of areas in support of our operations that are integral to our business, including third party carriers in the Delta Connection program. While we have agreements with these providers that define expected service performance, we do not have direct control over the operations of these carriers. To the extent that a significant disruption in our regional operations occurs because any of these providers are unable to perform their obligations over an extended period of time, our revenue may be reduced or our expenses may be increased resulting in a material adverse effect on our results of operations.

ITEM 2. ISSUER PURCHASES OF EQUITY SECURITIES

We withheld the following shares of Delta common stock to satisfy tax withholding obligations during the September 2010 quarter from the distributions described below. These shares may be deemed to be issuer purchases of shares that are required to be disclosed pursuant to this Item.

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plan or Programs
July 1-31, 2010	48,438	$11.72	48,438	(1)
August 1-31, 2010	23,866	$11.64	23,866	(1)
September 1-30, 2010	2,368	$11.12	2,368	(1)
Total	74,672		74,672	

(1) Shares were withheld from employees to satisfy certain tax withholding obligations due in connection with grants of stock under our 2007 Performance Compensation Plan. The 2007 Performance Compensation Plan provides for the withholding of shares to satisfy tax obligations. It does not specify a maximum number of shares that can be withheld for this purpose.

ITEM 6. EXHIBITS

(a) Exhibits

15	Letter from Ernst & Young LLP regarding unaudited interim financial information
31.1	Certification by Delta s Chief Executive Officer with respect to Delta s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010
31.2	Certification by Delta s Senior Vice President and Chief Financial Officer with respect to Delta s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010
32	Certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code by Delta s Chief Executive Officer and Senior Vice President and Chief Financial Officer with respect to Delta s Quarterly

Report on Form 10-Q for the quarterly period ended September 30, 2010

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURE

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

Delta Air Lines, Inc.
(Registrant)

/s/ Hank Halter
Hank Halter
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

October 25, 2010