FC 5586.

FINANCIAL HIGHLIGHTS
FISCAL 1995 AND 1994

(Dollar amounts in millions, except per share data. Data excludes restructuring charges and cumulative effects of accounting changes.)

	1995	1994	*Change*
Operating Revenues	$12,194	$12,077	+ 1%
Operating Expenses	$11,533	$11,998	– 4%
Operating Income	$661	$79	*
Net Income (Loss)	$294	$(77)	*
Primary Income (Loss) Per Common Share	$4.07	$(3.73)	*
Fully Diluted Income (Loss) Per Common Share	$4.01	$(3.73)	*
Dividends Declared on Common Stock	$10	$10	–
Dividends Per Common Share	$0.20	$0.20	–
Common Shares Issued and Outstanding at Year End	50,816,010	50,453,272	+ 1%
Debt-to-Equity Position	65%/35%	70%/30%	–
Revenue Passengers Enplaned (Thousands)	88,893	87,399	+ 2%
Revenue Passenger Miles (Millions)	86,355	85,206	+ 1%
Available Seat Miles (Millions)	130,525	131,780	– 1%
Passenger Mile Yield	13.09¢	13.21¢	– 1%
Operating Revenue Per Available Seat Mile	9.34¢	9.16¢	+ 2%
Operating Cost Per Available Seat Mile	8.84¢	9.10¢	– 3%
Passenger Load Factor	66.2%	64.7%	+1.5 pts.
Breakeven Passenger Load Factor	62.3%	64.2%	–1.9 pts.
Cargo Ton Miles (Millions)	1,500	1,384	+ 8%
Cargo Ton Mile Yield	37.67¢	39.80¢	– 5%
Fuel Gallons Consumed (Millions)	2,533	2,550	– 1%
Average Jet Fuel Price Per Gallon	54.09¢	55.34¢	– 2%
Number of Aircraft in Fleet at Year End	543	550	– 1%
Average Age of Aircraft Fleet at Year End (Years)	10.4	9.6	+ 8%
Stage 3 Aircraft at Year End (As a Percent of Total Aircraft)	68%	67%	+ 1 pt.
Average Seats Per Aircraft Mile	179	178	+ 1%
Average Passenger Trip Length (Miles)	971	975	–
Average Aircraft Flight Length (Miles)	753	756	–
Average Aircraft Utilization (Hours Per Day)	8.2	8.3	– 1%
Full-Time Equivalent Delta Employees at Year End	59,717	69,555	– 14%

*Exceeds 100%

Lloyds
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DELTA'S CORPORATE GOALS

For Stockholders: Delta will achieve superior, sustained financial results by controlling costs, maximizing revenues and building our businesses worldwide.

For Customers: Delta will provide outstanding, consistent and coordinated customer service by understanding what customers value and will pay for, and then exceeding their expectations. Delta will offer superior products at a competitive cost by being efficient and productive. Delta will build on its operational and system strengths around the world, including its strategic alliances.

For Delta People: Delta will expand the responsibility, authority and accountability of Delta people. Delta will evaluate and compensate people based on their performance in achieving Company goals.

DESCRIPTION OF BUSINESS

Delta Air Lines, Inc. provides scheduled air transportation over an extensive route network. Based on calendar 1994 data, Delta is the largest U.S. airline as measured by aircraft departures and passengers enplaned, and the third largest U.S. airline as measured by operating revenues and revenue passenger miles flown.

At September 1, 1995, Delta provided scheduled service to 153 domestic cities in 43 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, and 51 cities in 31 foreign countries. Service over most of Delta's routes is highly competitive. In addition to scheduled passenger service, Delta also provides air freight, mail and other related aviation services.

Delta is incorporated under the laws of the State of Delaware and is subject to government regulation under the Federal Aviation Act of 1958, as amended, as well as many other federal, state and foreign laws and regulations.

REPORT TO STOCKHOLDERS

To The Owners Of Delta Air Lines:

It was a remarkable year. During fiscal 1995, the people of Delta met our first Leadership 7.5 commitment to you to reduce costs as we move toward sustained profitability and increased stockholder value. This is the most difficult and important task in Delta's history, and we are on track. The tangible results of this work are solid profits for fiscal 1995, including record profits for the June quarter.

Here are some of the financial highlights:

- Operating income was $661 million ($449 million for the June quarter).
- Net income, including a $114 million after-tax benefit from an accounting change implemented in the September 1994 quarter, was $408 million ($251 million for the June quarter).
- Earnings per common share (fully diluted after preferred dividends) were $5.43 ($3.21 for the June quarter).
- Delta's common stock price closed 60% higher at the end of the fiscal year than at the beginning of the year, and our market capitalization increased $1.6 billion.
- Long-term debt, including current maturities, declined to $2.8 billion from $3.4 billion in the previous year, primarily due to voluntary debt repurchases.
- Delta generated over $1 billion in cash from operations.
- Our year-end liquidity position, including cash, short-term investments and available bank lines, was $2.5 billion.

All of us at Delta are proud to report this good news to you. We achieved these results in the midst of enormous change in our Company. They are a tribute to the professionalism of Delta people. As a result of their work, eligible Delta people earned profit sharing payouts totaling $34 million for the year.

We have much more work to do to lower costs further and strengthen profitability. Our commitment to you is that we will build on the momentum of the past fiscal year to improve our financial and competitive strengths and gain greater control of our future. Our intention is unchanged: to become a strong, consistently profitable domestic and international airline renowned for distinctive "Delta-style" service and poised for growth. We intend to become the Worldwide Airline of Choice for stockholders, customers and Delta people. More on this later.

LEADERSHIP 7.5

Leadership 7.5 is the driving force behind the financial improvements at Delta. It is a three-year program that faces up to the fundamental issue in our industry: increasing pressure on revenues and yields from low-cost, low-fare competitors. Our goal is to reduce annual operating costs by some $2 billion by the end of the June 1997 quarter, and our operating cost per available seat mile, or unit cost, to 7.5¢. Our strategy is to attack operating costs everywhere so we can be profitable in any market in which we choose to compete. We set interim unit cost goals of 8.6¢ for the June 1995 quarter and 8.0¢ for the June 1996 quarter to track our progress.

We hit our first target. Delta's unit cost in the June 1995 quarter was 8.39¢. That is a significant achievement made possible by cost reduction programs planned and led by Delta people. Technical Operations re-engineered its work to reduce man-hours on certain tasks and lower inventories. Airport Customer Service reshaped its workforce to more closely match staffing levels with flight schedules and outsourced certain activities. Flight Operations improved fuel efficiency through careful management. In-Flight Service fine-tuned service processes and staffing needs. The list goes on, and everyone contributed.

Leadership 7.5 was introduced as a three-year program, but it has developed into a continuous improvement process. We expect to maintain our costs at competitive levels to give us the flexibility to respond to industry changes while reducing the risk to future profits.

FISCAL 1995 OPERATIONS

Here are some operational highlights for the year, all accomplished against the backdrop of Leadership 7.5:

Safety: We further strengthened our commitment to safety by bringing together ground and flight safety efforts into an integrated department under Dr. John Lauber, a former two-term member of the National Transportation Safety Board.

Customer Service: In June, Delta was named the best short-haul and long-haul domestic airline by the J.D. Power and Associates Frequent Flyer Satisfaction Survey of nearly 3,000 frequent flyers – the toughest and most important audience in commercial aviation. Winning both awards in the same year is a tremendous achievement at any time, but to win both during a major restructuring demonstrates the dedication of Delta people to serving our customers.

Transatlantic Operations: Delta's transatlantic operations, as reported to the U.S. Department of Transportation, produced an operating profit for the September and June quarters of fiscal 1995, and a $292 million, or

87%, operating improvement for the fiscal year, as compared with the prior year. Our marketing efforts focused on business customers, and an award-winning advertising program in Europe helped position Delta as a worldwide business airline. We continued to exit unprofitable transatlantic routes that did not respond to our marketing and sales efforts. We are ahead of our aggressive schedule to regain profitability on transatlantic routes.

Delta Shuttle: The Delta Shuttle has generated operating profits since we acquired it in September 1991. Fiscal 1995, however, was our best year in terms of profitability, passenger boardings and market share. The unique nature of the Shuttle business market dictates high reliability and fast service. Thus, we are also proud of our on-time departure performance, which exceeded 95% for the year.

Sales and Marketing: A maximum payment, or cap, on commissions for domestic airline tickets, along with changes to other commissions paid to travel agents, reduced commission expenses. Restructuring of the field sales organization reduced costs and positioned our sales people to better serve our best customers. New, more sophisticated technology provides sales people with better business information.

Route Realignments: We realigned domestic routes and reassigned the Company's resources to produce greater revenue. We expect the route changes made in fiscal 1995 and additional changes announced in August 1995 to improve operating results by more than $100 million a year.

We increased flights at our major hubs in Atlanta, Cincinnati and Salt Lake City, while we restructured our operations at Dallas/Fort Worth to focus on east-west connecting flows between the West Coast and the Gulf Coast. We discontinued flying to some smaller cities where we could not make a profit. The Delta Connection carriers extended their service to most of these smaller cities, which preserves important traffic feed at our hubs.

In addition to exiting money-losing transatlantic routes, we announced in August 1995 plans to discontinue flights to Hong Kong, Taipei and Bangkok. Our analysis of operating and competitive pressures showed it is unlikely that Delta could be profitable on those routes. We will reassign the MD-11 aircraft previously flown on these Asian routes to the transatlantic to support our renewed strength there.

Code Sharing: We continued to enter code sharing agreements with quality international airlines to expand our worldwide network. These arrangements allow us to continue service on routes while more efficiently managing our resources, or to extend our access to markets that were otherwise closed to us because of restrictive bilateral agreements between the United States and foreign governments. During the fiscal year, we started code sharing flights with Aeromexico and Singapore Airlines, and we began a combined code sharing arrangement with Austrian Airlines and Swissair. Code sharing flights with Virgin Atlantic Airways began in April 1995, giving Delta access for the first time to London's Heathrow Airport, an important business destination.

In July 1995, we signed a code sharing agreement with Korean Air, and in August 1995, we signed a code sharing agreement with All Nippon Airways on flights between the United States and Japan, pending government approval. We hope to expand this agreement with All Nippon to include their flights within and beyond Japan to other Asian markets.

Finance: We completed the voluntary repurchase of $534 million of long-term debt, saving $48 million per year in interest payments. As market conditions permit, we will continue to pursue opportunities to strengthen our capital structure. We also extended leases on 40 aircraft at attractive rates.

Legal: A U.S. District Court in New York ruled that Delta had no liability in the lawsuit filed by the Pan Am Creditors Committee and Pan Am Corporation. The court also ordered Pan Am to repay the $139 million debtor-in-possession loan including interest. Equally important, the court ruled that Delta acted in good faith in its dealings with Pan Am.

Information Technology: We joined with an AT&T affiliate to form a joint venture – TransQuest – to provide information technology support for Delta. The agreement gives Delta access to improved technology and expertise for our frequent flyer and revenue control programs, flight operations and other technology-dependent activities.

That is only a partial list of what Delta people have accomplished. This vast amount of change was essential to the recovery we have underway at Delta, but it came at a cost. We reduced staffing by some 10,000 jobs during the year. Eighty percent of the people affected by these reductions participated in voluntary programs, and many of those who left involuntarily found jobs through Delta's outplacement programs. But good people and valued colleagues who made important contributions to Delta are gone. They have earned our sincere thanks and best wishes.

STRATEGY FOR THE NEXT THREE YEARS

During the past year, we introduced a rigorous new process for setting corporate strategies and goals, and then aligning the efforts of each of the Company's divisions and departments to reach those goals. It is called Leadership

Planning and Management, and it institutionalizes the fact-based, results-oriented thinking of Leadership 7.5, carrying that discipline into the future.

Leadership Planning sets out specific strategies for the primary constituencies recognized in our corporate goals: stockholders, customers and Delta people.

Stockholders: We intend to offer stockholders superior returns on their investments through sustained profitability and by building a stronger financial base for profitable growth.

To do that, we intend to systematically reduce operating costs through Leadership 7.5 while we work to improve revenues through a corporate-wide focus on our best customers. We also will continue to strengthen our balance sheet, primarily by reducing debt. Long-term debt at the end of fiscal 1995 was the lowest in over two years. We intend to bring it down further as part of our longer-term goal of returning to well within the investment grade credit rating category. We also will continue to be prudent with our capital spending.

Customers: We will consistently offer our customers distinctive service in all our markets by learning from them and responding to what they value most.

We will focus our efforts on high-value customers. These are knowledgeable flyers who travel frequently or on short notice, usually on business trips, and whose schedules often require connections across Delta's extensive route system. They often are members of our SkyMiles frequent flyer program. They know our business well, and they demand the best. We believe that when we routinely meet the needs of these customers, we will also serve leisure customers very well.

The key to this strategy is Integrated Customer Service. It goes beyond the services we offer to a reassessment of the processes that produce good service – training, technology, reservations, baggage handling, boarding procedures, seat assignments, onboard service and recognition for our best customers. The program is based on careful research of what our customers want and will pay for, and then a disciplined and integrated approach to delivering that service. Our goal is to offer distinctive Delta service that will maintain the loyalty of current customers and attract new ones. These new processes and the services they support will be introduced over the next three years, consistent with the requirements of Leadership 7.5. We intend to make "Delta-style" service our competitive edge.

Delta Personnel: The people who work for Delta make the critical difference for our Company. Our goal is to have Delta people align their professional lives closely with corporate goals. The Leadership Planning and Management process, which sets out corporate goals, is the means to get this done. New, performance-based appraisal systems make a clear connection between daily work and achieving these goals. Finally, we will improve our communications programs and activities, so that Delta people understand the Company's goals and have an opportunity to give their views and suggestions.

CHALLENGES AND CONCERNS

Few of us could have foreseen how far Delta would come in one year under Leadership 7.5. However, harder work is ahead of us. We must not only continue the programs we have in place, but also find new ways to control costs, increase revenues and profitability, and better serve customers. We have always run a great airline operation; becoming a great business through the execution of carefully constructed plans is the key to our ability to grow again.

One task that we must complete successfully this fiscal year is our negotiations with the Air Line Pilots Association (ALPA), which represents Delta pilots. Our pilot cockpit costs are simply not competitive in this business environment. We need Delta pilots to work with us to find a Delta solution to this critical issue. As this letter is written, we are in federal mediation with ALPA. The sooner we complete this process and establish competitive pilot costs, the sooner we can get to the business of finding ways to grow Delta profitably.

One year doesn't make a turnaround, but a good year like fiscal 1995 is an important start. We are a stronger Company today than a year ago, and we will build on that strength during fiscal 1996. A taste of success is a great motivator. We are focused and determined. More than ever before, we know where we are going. We know how we must get there. And we know we are up to the task.

Ronald W. Allen

RONALD W. ALLEN
Chairman of the Board, President and Chief Executive Officer

August 18, 1995

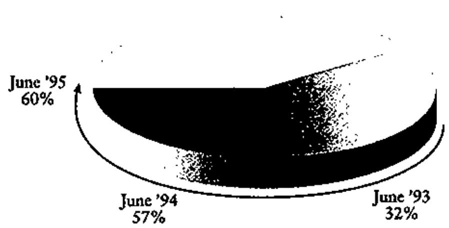
OPERATIONAL
REVIEW

LEADERSHIP 7.5

On April 28, 1994, Delta announced Leadership 7.5, a three-year plan with the goal of reducing the Company's annual operating expenses by approximately $2 billion by the end of the June 1997 quarter. Delta also established operating cost per available seat mile (unit cost) goals of 8.6¢ for the June 1995 quarter, 8.0¢ for the June 1996 quarter and 7.5¢ for the June 1997 quarter. These unit cost goals reflect the phase-in of the approximately $2 billion in targeted cost savings, exclude restructuring and other non-recurring charges, and assume other costs and operating capacity remain at calendar 1993 levels. To the extent other costs increase, the Company will seek additional cost reductions to achieve its goals.

Industry events during fiscal 1995 validated Delta's determination that cost reductions are essential to compete in today's highly competitive airline industry. Low-cost,

Percent of Delta's Domestic RPMs Competitive with Low-Fare Carriers



low-fare carriers increased their presence in domestic markets, resulting in continued reductions in Delta's domestic passenger mile yield and flat or declining domestic unit revenue. At the end of fiscal 1995, approximately 60% of Delta's domestic origin and destination revenue passenger miles were in markets also served by low-cost, low-fare carriers, up from 57% at the end of fiscal 1994. The airline industry has experienced a permanent shift in the preferences of its customers, with more business and leisure passengers citing ticket prices as the most important factor in their purchase decisions.

At the beginning of the Leadership 7.5 program, 11 internal teams developed plans to reach cost reduction goals for their areas. During fiscal 1995, additional teams were established to examine areas outside or beyond the scope of the first phase of Leadership 7.5.

Leadership 7.5 initiatives made a significant contribution to Delta's operating profit in fiscal 1995. The Company achieved its first Leadership 7.5 unit cost target, recording a unit cost of 8.39¢ for the June 1995 quarter. By the end of fiscal 1995, the implementation of initiatives expected to generate approximately $1.6 billion in annual cost reductions was in process or completed.

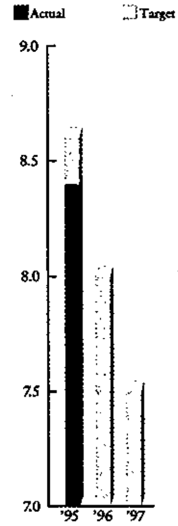
Key initiatives contributing to fiscal 1995 cost reductions included:

- Outsourcing of certain non-passenger contact functions and changes in staffing formulas in Airport Customer Service, resulting in the reduction of approximately 3,700 full-time equivalent employees.
- Re-engineering of processes in Technical Operations, resulting in the elimination of approximately 2,300 full-time equivalent employees and reductions in inventory.
- Implementing a maximum travel agent commission payment of $25 one-way or $50 roundtrip for any domestic ticket with a base fare in excess of $250 or $500, respectively.
- Adjusting service levels on certain flights and improving flight attendant productivity through staffing changes.
- Changing a number of employee medical and other benefit programs, with greater emphasis on managed care through preferred provider networks.
- Realigning the Company's domestic route system, with a focus on increasing flying in longer-haul markets and repositioning resources to produce greater revenue and operating efficiencies.
- Implementing the planned phase-out of the Airbus A310 fleet.

Changes in the Company's collective bargaining agreement with the Air Line Pilots Association (ALPA), which represents the Company's 8,100 pilots, are critical to the continued success of Leadership 7.5 and the Company's ability to achieve its future unit cost targets. Delta is seeking $340 million in annual productivity improvements and wage and benefit reductions from its pilots. The collective bargaining agreement became amendable January 1, 1995, and federally mediated negotiations are currently in progress. The outcome of these negotiations cannot presently be determined.

Delta's cost reduction and unit cost goals are aggressive, and no assurance can be given that Delta will achieve these goals.

Leadership 7.5 Targets Operating Cost/ASM
In Cents

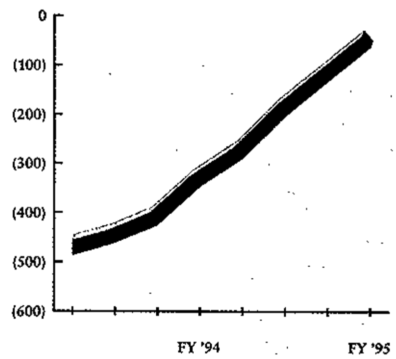


June Quarters

TRANSATLANTIC

Delta made substantial progress during fiscal 1995 in moving toward its goal of achieving annual operating profitability in its transatlantic operations. For fiscal 1995, the transatlantic operating loss narrowed by 87% to $43 million from $335 million in fiscal 1994, excluding restructuring charges in fiscal 1994. Delta reported year-over-year improvements in its transatlantic operating results for each quarter of fiscal 1995, including operating profits in the September 1994 and June 1995 quarters. These results are based on allocations performed in accordance with requirements established by the U.S. Department of Transportation.

Transatlantic Operating Results*
12 Month Moving Totals
In Millions of Dollars



**As reported to U.S. Department of Transportation excluding restructuring charges*

Sales, marketing and cost reduction programs, as well as improved economies in the U.S. and parts of Europe, contributed to transatlantic improvements during fiscal 1995. Programs focused on increasing Delta's transatlantic market share and targeting business traffic contributed to 10% growth in full-fare transatlantic passenger traffic and a slight increase in total transatlantic passenger traffic, even though operating capacity declined 10%. The transatlantic passenger mile yield in fiscal 1995 increased 4% from fiscal 1994. In addition, recognition of Delta's presence in Europe increased, partly due to a European advertising campaign, which contributed to a 5% increase in European originating traffic for the year.

Delta also implemented programs to reduce transatlantic operating costs, including a decrease in travel agent full-fare commission rates, reductions in staffing, and changes in ground-handling procedures. As a result of these and other programs, as well as a 10% decline in operating capacity, Delta reduced transatlantic operating expenses by 9% in fiscal 1995 compared to fiscal 1994 excluding restructuring charges.

During fiscal 1995, Delta continued its Worldwide Partners™ strategy by pursuing new or expanded code sharing arrangements with other airlines. These arrangements allow Delta to establish, maintain or increase its presence in key international markets, while more efficiently managing its resources. During the year, the Company expanded its code sharing agreement with Sabena to include service from Chicago and Boston to Brussels and beyond Brussels to a number of destinations in Germany. Delta also expanded its code sharing agreement with Swissair beyond Zurich to a number of destinations in Germany; began a code sharing arrangement with Austrian Airlines between New York-Kennedy and Vienna; and implemented a trilateral code sharing agreement with Austrian and Swissair from Washington, D.C. to Geneva and Vienna.

In addition, Delta implemented a code sharing arrangement with Virgin Atlantic Airways, between seven U.S. gateways and London's Heathrow and Gatwick airports. This agreement provides Delta customers with access to London's Heathrow Airport for the first time, making Delta a stronger competitor in the transatlantic marketplace.

Consistent with the Company's commitment to eliminate unprofitable routes, Delta discontinued service in five transatlantic markets during fiscal 1995: from Cincinnati to Munich; from Detroit and Miami to London-Gatwick; and from New York-Kennedy to Oslo and Stockholm. In addition, the Company announced plans to discontinue service from Paris to Tel Aviv, effective September 2, 1995; from Dallas/Fort Worth to Frankfurt, effective November 30, 1995; and from Frankfurt to Delhi, effective December 1, 1995.

Subsequent to the end of fiscal 1995, Delta announced the discontinuation of service from Atlanta and New York-Kennedy to Hamburg, effective October 28, 1995. Delta will continue to serve Hamburg through its code sharing agreement with Sabena, via Brussels. In addition, the Company announced plans to discontinue service from New York-Kennedy to Lisbon.

Delta's transatlantic operation plays an important role in the Company's vision to be the Worldwide Airline of Choice. The Company continues to monitor specific route performance and will make adjustments as necessary, as part of the ongoing review and implementation of its strategic plan.

OTHER INTERNATIONAL OPERATIONS

During fiscal 1995, the Company completed a study of its Pacific operations, and subsequently implemented a number of operational and route structure changes that are designed to increase revenues and reduce costs. Key initiatives include: enhanced sales programs, refinements to distribution system processes, and the negotiation of lower costs for certain contracted services.

During fiscal 1995, Delta implemented a code sharing arrangement with Singapore Airlines for service between New York-Kennedy and Singapore, via Frankfurt. Subsequent to the end of fiscal 1995, Delta announced a code sharing arrangement with Korean Air on flights between Atlanta and Seoul, via Chicago, and plans for a code sharing arrangement with All Nippon Airways on flights between Los Angeles and Tokyo. The Company also announced the discontinuation of service from Portland to Taipei and Bangkok, and from Los Angeles to Hong Kong, effective December 1, 1995.

Delta expanded other international operations during fiscal 1995, including the implementation of a code sharing arrangement with Aeromexico on flights from Atlanta, Dallas/Fort Worth and Orlando to Mexico City. Delta continues to review opportunities and develop relationships with governments and potential code sharing partners in other parts of the world, including Africa, China, Latin America, the Middle East and Vietnam.

DELTA CUSTOMERS

Through all of the changes at Delta during fiscal 1995, the Company continued to place a high priority on serving the needs of its customers. Delta's reputation for superior customer service is one of the Company's core strengths, and this reputation has resulted in a loyal base of business and leisure passengers. At the end of fiscal 1995, over 18 million Delta customers were members of the Delta SkyMiles™ frequent flyer program, including over 350,000 members who individually fly over 25,000 miles, or at least 30 flight segments, per year on Delta flights.

During fiscal 1995, Delta implemented or continued a number of programs to ensure its service levels meet or exceed customers' expectations. Employees from across the Company were selected by their peers to participate in Integrated Customer Service, a program to develop standards, training and measurements for enhanced levels of customer service. The goal of Integrated Customer Service is to attract and retain customers by ensuring a consistent, high level of service throughout the entire customer service experience with Delta.

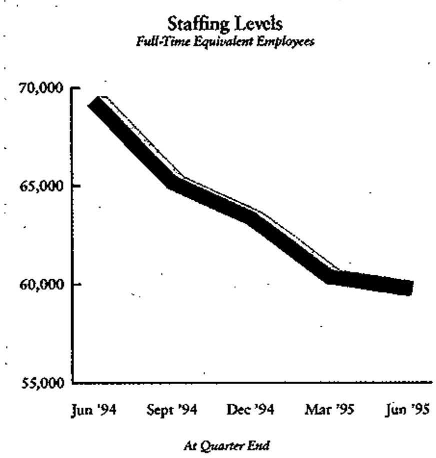
Delta also continued to meet directly with customers through Business Travel Advisory Councils, whose members include business travelers and corporate travel managers from key Delta cities. Business Travel Advisory Councils were created to establish credible and effective lines of communication between Delta and its valued business customers. As a result of input received from council members, Delta implemented a number of changes during fiscal 1995, including those related to carry-on baggage requirements and preferred seating programs. Delta also became the first airline to introduce a worldwide no-smoking policy. Delta is committed to understanding the priorities of business travelers and successfully responding to their needs.

During fiscal 1995, Delta also began a program to monitor customer satisfaction during implementation of Leadership 7.5 initiatives by surveying 1,100 of its U.S. customers each month. This program allows the Company to quickly gauge customer reaction to changes impacting service levels and respond in the appropriate manner.

These and other customer service enhancement efforts are producing positive results. During fiscal 1995, Delta ranked number-one in airline satisfaction among U.S. frequent flyers in both long-haul and short-haul market categories in an annual survey conducted by J.D. Power and Associates. In addition, Delta was designated "Best Airline" by the ROBB REPORT's sixth annual "Best of the Best" reader survey.

DELTA PERSONNEL

Delta people, as much as any other group, were affected by Leadership 7.5 cost reduction initiatives during fiscal 1995. For the year, the number of full-time equivalent employees declined 14% to 59,717. These staffing reductions were achieved through voluntary early retirement incentives, leaves of absence, severance programs, the transfer of employees to TransQuest Information Solutions and WORLDSPAN, and furloughs.



These difficult, but necessary, personnel reductions resulted in significant cost reductions, as well as improvements in employee productivity. Employee productivity at the end of fiscal 1995, as measured by available seat miles per employee, was 17% higher than at the end of fiscal 1994.

In November 1994, Delta began formal negotiations with ALPA, which represents Delta pilots, related to its current contract, which became amendable on January 1, 1995. As previously discussed, the Company is seeking $340 million in annual productivity improvements and wage and benefit reductions from its pilots in connection with the Leadership 7.5 program. Federally mediated discussions began on July 11, 1995, and are in progress. Delta remains firm in its commitment to reduce annual pilot-related expenses as part of these negotiations and hopes ALPA will join forces with Delta's noncontract employees by participating in Leadership 7.5 in a manner consistent with the Company's goals for its stockholders.

Delta people responded professionally to a great deal of change in fiscal 1995, and their positive spirit and ongoing commitment are among the Company's most valuable assets. Delta intends to preserve this competitive advantage through open communication with all personnel and through continued profit sharing awards to eligible personnel.

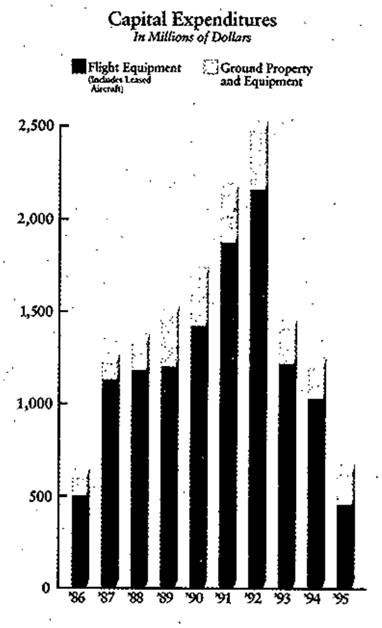
AIRCRAFT FLEET

Delta's fleet of 543 aircraft is among the youngest and most technologically advanced in the U.S. airline industry. During fiscal 1995, Delta focused on refining its aircraft fleet plan to increase operating efficiency and reduce costs.

AIRCRAFT FLEET
AT JUNE 30, 1995

TYPE OF AIRCRAFT	AVERAGE AGE OF AIRCRAFT TYPE (YEARS)	OWNED	LEASED	TOTAL
A310-300	1.7	–	9	9
B-727-200	18.3	106	28	134
B-737-200	10.6	1	53	54
B-737-300	9.4	–	13	13
B-757-200	6.5	44	41	85
B-767-200	12.1	15	–	15
B-767-300	6.1	2	24	26
B-767-300ER	3.4	8	7	15
L-1011-1	18.3	32	–	32
L-1011-200	17.0	1	–	1
L-1011-250	12.7	6	–	6
L-1011-500	14.4	17	–	17
MD-11	2.4	4	7	11
MD-88	5.0	63	57	120
MD-90	0.2	5	–	5
TOTAL	10.4	304	239	543

During fiscal 1995, Delta accepted delivery of one B-757-200 aircraft, one B-767-300ER aircraft, and also introduced the MD-90 aircraft into the fleet, accepting delivery of five MD-90 aircraft. The Company returned to lessors four B-727-200 aircraft, four B-737-200 aircraft and one A310-200 aircraft, and sold two B-737-300 aircraft and three A310-200 aircraft. In addition, the Company extended the lease terms for 40 B-737-200 aircraft (see Note 8 of Notes to Consolidated Financial Statements).



Also during fiscal 1995, Delta entered into a definitive agreement with Federal Express Corporation to purchase, between fiscal years 1995 and 2000, 46 shipsets of Stage 3 heavyweight engine hushkits and 9 spare engine hushkits for B-727-200 aircraft, with an option to purchase an additional 52 shipsets of Stage 3 heavyweight engine hushkits and 10 spare engine hushkits.

AIRCRAFT DELIVERY SCHEDULE
AIRCRAFT ON FIRM ORDER AT JUNE 30, 1995

	DELIVERY IN YEAR ENDING JUNE 30:						
ORDERS:	1996	1997	1998	1999	2000	AFTER 2000	TOTAL
B-737-300	–	6	6	5	5	30	52
B-757-200	1	2	2	–	–	–	5
B-767-300ER	2	4	–	–	–	–	6
MD-11	–	2	2	–	–	–	4
MD-90	6	8	20	8	–	–	42
TOTAL	9	22	30	13	5	30	109

The aircraft orders include 22 B-737-300 aircraft and 16 MD-90 aircraft scheduled for delivery after fiscal 2001 and fiscal 1996, respectively, that are subject to reconfirmation by Delta. The B-737-300 aircraft orders may be converted to B-737-400 or B-737-500 aircraft orders at Delta's election.

Delta's aircraft subject to reconfirmation and on option provide the Company with flexibility to adjust aircraft deliveries. During fiscal 1995, Delta allowed to expire 8 aircraft subject to reconfirmation and 22 aircraft options.

Aircraft Delivery Schedule
Aircraft on Option at June 30, 1995

	Delivery in Year Ending June 30:						
Options:	1996	1997	1998	1999	2000	After 2000	Total
B-737-300 . . .	–	–	2	6	5	43	56
B-757-200 . . .	–	–	3	5	6	22	36
B-767-300ER .	–	–	5	4	–	–	9
MD-11	–	–	5	5	5	7	22
MD-88	–	–	15	15	–	–	30
MD-90	–	–	–	11	7	32	50
Total	–	–	30	46	23	104	203

The MD-88 aircraft options may be converted to MD-90 aircraft orders, the B-737-300 aircraft options may be converted to B-737-400 or B-737-500 aircraft orders, and the B-767-300ER aircraft options may be converted to B-767-300 aircraft orders, all at Delta's election.

Delta intends to continue its efforts to control capital spending and simplify the Company's fleet. Certain aircraft returned to lessors or sold during fiscal 1995 were part of Delta's fleet simplification program. Delta also plans to phase out its remaining fleet of A310-300 aircraft by the end of calendar 1995.

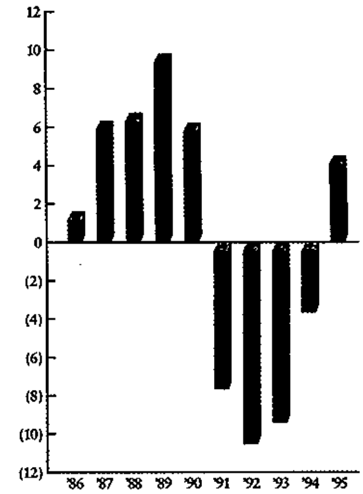
FINANCIAL REVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS – FISCAL 1995 COMPARED WITH FISCAL 1994

For fiscal 1995, Delta recorded net income of $408 million ($6.32 primary and $5.43 fully diluted earnings per common share after preferred stock dividend requirements) and operating income of $661 million. In fiscal 1994, Delta recorded a net loss of $409 million ($10.32 primary and fully diluted loss per common share after preferred stock dividend requirements), and an operating loss of $447 million.

Primary Earnings (Loss) Per Common Share*
In Dollars



Excludes restructuring charges and cumulative effects of accounting changes

Fiscal 1995 results include a one-time $114 million after-tax benefit ($2.25 primary and $1.42 fully diluted benefit per common share) related to the adoption, effective July 1, 1994, of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112). See Note 10 of Notes to Consolidated Financial Statements.

Fiscal 1994 results include pretax restructuring charges totaling $526 million ($331 million after tax, or $6.59 per common share) related to the Company's Leadership 7.5 program, and an early retirement program completed during the December 1993 quarter.

Excluding the cumulative effect of the adoption of SFAS 112 and restructuring charges, net income for fiscal 1995 totaled $294 million ($4.07 primary and $4.01 fully diluted earnings per common share after preferred stock dividend requirements) and operating income was $661 million, compared to a net loss of $77 million ($3.73 primary and fully diluted loss per common share after preferred stock dividend requirements) and operating income of $79 million in fiscal 1994.

The improvement in financial results for fiscal 1995 versus fiscal 1994 was primarily due to cost reductions under the Company's Leadership 7.5 program. Leadership 7.5 initiatives contributed to cost reductions in most expense categories, resulting in a $465 million, or 4%, decline in operating expenses for fiscal 1995 compared to fiscal 1994, excluding restructuring charges in fiscal 1994. During fiscal 1995, low-cost, low-fare carriers increased their presence in domestic markets served by Delta, which contributed to a 1% decline in the system passenger mile yield. Traffic stimulated by the influence of low-cost, low-fare carriers, discount fare promotions and general improvements in economies worldwide offset the yield decline, resulting in a less than 1% increase in passenger revenue from the previous year.

FINANCIAL RESULTS SUMMARY

	1995	1994	CHANGE
	(IN MILLIONS, EXCEPT SHARE DATA)		
OPERATING REVENUES	$12,194	$12,077	+ 1%
OPERATING EXPENSES	11,533	12,524	− 8
OPERATING INCOME (LOSS)	661	(447)	*
OTHER EXPENSE, NET	(167)	(213)	−22
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES	494	(660)	*
INCOME TAXES (PROVIDED) CREDITED, NET	(200)	251	*
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	294	(409)	*
CUMULATIVE EFFECT OF ACCOUNTING CHANGES, NET OF TAX	114	–	*
NET INCOME (LOSS)	408	(409)	*
PREFERRED STOCK DIVIDENDS	(88)	(110)	−20
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 320	$ (519)	* %
PRIMARY INCOME (LOSS) PER COMMON SHARE:			
BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	$ 4.07	$ (10.32)	* %
CUMULATIVE EFFECT OF ACCOUNTING CHANGES	2.25	–	*
	$ 6.32	$ (10.32)	* %
FULLY DILUTED INCOME (LOSS) PER COMMON SHARE:			
BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	$ 4.01	$ (10.32)	* %
CUMULATIVE EFFECT OF ACCOUNTING CHANGES	1.42	–	*
	$ 5.43	$ (10.32)	* %
NUMBER OF SHARES USED TO COMPUTE NET INCOME (LOSS) PER COMMON SHARE:			
PRIMARY	50,657,613	50,257,721	N/A
FULLY DILUTED	80,118,720	50,257,721	N/A

*EXCEEDS 100%

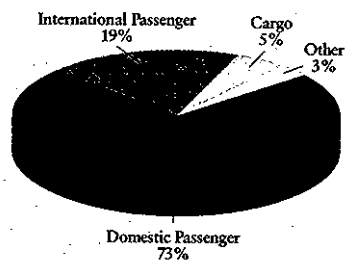
Transatlantic and intra-European operations improved in fiscal 1995 from fiscal 1994, but negatively impacted financial results in both years. In fiscal 1995 and 1994, these operations accounted for 18% and 20%, respectively, of the Company's system available seat miles, and 75% and 78%, respectively, of the Company's international available seat miles.

OPERATING REVENUE DETAIL

	1995	1994	CHANGE
	(IN MILLIONS)		
PASSENGER	$11,303	$11,252	–%
CARGO	565	551	+ 3
OTHER, NET	326	274	+19
TOTAL	$12,194	$12,077	+ 1%

Operating revenues for fiscal 1995 were $12.2 billion, up 1% from $12.1 billion in fiscal 1994. Passenger revenue increased less than 1%, the result of 1% growth in revenue passenger miles, partly offset by a 1% decline in the passenger mile yield to 13.09¢. Domestic load factor increased slightly, as domestic revenue passenger miles grew 2%, while domestic capacity rose 1%. Domestic traffic growth is primarily due to traffic stimulated through the increased presence of low-cost, low-fare carriers in markets served by Delta and discount fare promotions, both of which contributed to a 1% decrease in the domestic passenger mile yield. International load factor rose five points, as international revenue passenger miles grew 1% and international operating capacity fell 6%. International traffic growth is mainly the result of generally improved economies, discount fare promotions and other marketing programs. The international passenger mile yield was unchanged, primarily due to an increase in full-fare passengers, which offset the impact of discount fare promotions.

1995 Distribution of Operating Revenues



Cargo revenues in fiscal 1995 increased 3% to $565 million. Cargo ton miles increased 8%, primarily due to international cargo traffic growth, and the ton mile yield declined 5%, mainly the result of increases in long-haul cargo traffic, which has lower ton mile yields than short-haul cargo traffic, and lower domestic mail contract rates.

All other revenues were up 19% to $326 million, mainly due to increased revenues from joint marketing programs.

REVENUE-RELATED STATISTICS

	1995	1994	CHANGE
REVENUE PASSENGERS ENPLANED (THOUSANDS)	88,893	87,399	+ 2%
REVENUE PASSENGER MILES (MILLIONS)	86,355	85,206	+ 1%
PASSENGER LOAD FACTOR	66.2%	64.7%	+1.5 PTS.
PASSENGER MILE YIELD	13.09¢	13.21¢	– 1%
CARGO TON MILES (MILLIONS)	1,500	1,384	+ 8%
CARGO TON MILE YIELD	37.67¢	39.80¢	– 5%
OPERATING REVENUE PER AVAILABLE SEAT MILE	9.34¢	9.16¢	+ 2%

Operating expenses in fiscal 1995 totaled $11.5 billion, down 8% from $12.5 billion in fiscal 1994. Operating capacity decreased 1% to 130.5 billion available seat miles, and cost per available seat mile declined 7% to 8.84¢. Excluding restructuring charges in fiscal 1994, operating expenses were down 4%, and cost per available seat mile decreased 3%.

OPERATING EXPENSE DETAIL

	1995	1994	CHANGE
	(IN MILLIONS)		
SALARIES AND RELATED COSTS	$ 4,354	$ 4,589	– 5%
AIRCRAFT FUEL	1,370	1,411	– 3
PASSENGER COMMISSIONS	1,195	1,255	– 5
AIRCRAFT RENT	671	732	– 8
DEPRECIATION AND AMORTIZATION	622	678	– 8
OTHER SELLING EXPENSES	618	614	+ 1
CONTRACTED SERVICES	556	457	+22
PASSENGER SERVICE	443	522	–15
FACILITIES AND OTHER RENT	436	380	+15
AIRCRAFT MAINTENANCE MATERIALS AND OUTSIDE REPAIRS	430	418	+ 3
LANDING FEES	266	261	+ 2
RESTRUCTURING CHARGES	–	526	*
OTHER	572	681	–16
TOTAL	$11,533	$12,524	– 8%

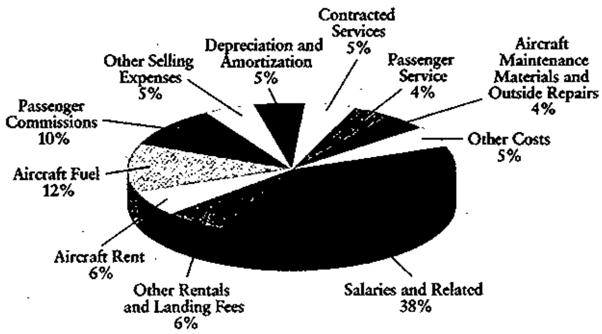
*EXCEEDS 100%

Salaries and related expenses decreased 5%, due to a 14% reduction in full-time equivalent employees and lower employee travel and benefit expenses, partly offset by increased costs associated with employee profit sharing and other incentive compensation plans. The decrease in the number of employees is primarily the result of workforce reductions under the Company's Leadership 7.5 program.

Aircraft fuel expense decreased 3%, as fuel gallons consumed declined 1% and the average price per fuel gallon dropped 2% to 54.09¢, Delta's lowest average price per fuel gallon for any fiscal year since 1989.

Passenger commissions expense declined 5%, mainly due to the implementation of a maximum commission payment on domestic tickets and reductions in commission rates for certain international fares. Aircraft rent expense decreased 8% due to the return of nine aircraft to lessors

1995 Operating Expenses
As a Percent of Total Operating Expenses



and the extension of leases on 40 B-737-200 aircraft in the June 1995 quarter which, for accounting purposes, resulted in those leases being reclassified from operating leases to capital leases.

Depreciation and amortization expense decreased 8%, primarily related to the early termination of certain routes at the end of fiscal 1994 and other routes becoming fully amortized during fiscal 1995, and reduced amortization of spare parts due to lower inventory levels. Other selling expenses increased 1%, primarily the result of higher credit card service charges and increased booking fee payments to computer reservation system providers, partly offset by lower advertising and promotion expenses.

Contracted services expenses rose 22%, the result of increased outsourcing of information technologies services and certain airport functions. Passenger service expense declined 15%, reflecting continued benefits from catering changes and other cost reduction programs, partially offset by increased passenger traffic.

Facilities and other rent expenses increased 15%, the result of new passenger facilities and increased rental rates at certain locations. Aircraft maintenance materials and outside repairs expense rose 3%, reflecting an increase in scheduled engine repair activity and higher airframe maintenance costs. Landing fees expense increased 2%, mainly reflecting rate increases at some domestic and international locations.

All other operating expenses decreased 16%, largely due to reductions in certain navigation charges and other miscellaneous expenses, and favorable foreign exchange rates in fiscal 1995; and higher litigation costs and a $14 million one-time charge related to frequent flyer program changes in fiscal 1994.

Fiscal 1994 operating expenses include a $414 million restructuring charge related to the Leadership 7.5 program, which includes costs associated with workforce reductions, reductions in inventory, facilities closings and route terminations, and a $112 million restructuring charge for costs associated with an early retirement program, under which approximately 1,500 employees elected to retire effective November 1, 1993.

The cash payments for the fiscal 1994 restructuring charges will approximate $473 million, of which $49 million has been incurred; $310 million is associated with workforce reductions and represents future funding of pension and postretirement benefits that will occur over many periods; and $114 million is designated for costs associated with severance payments and lease termination fees for aircraft and facilities, of which approximately $90 million is expected to occur during fiscal 1996. See Note 16 of Notes to Consolidated Financial Statements.

OPERATING STATISTICS

	1995	1994	CHANGE
AVAILABLE SEAT MILES (MILLIONS)	130,525	131,780	– 1%
AVAILABLE TON MILES (MILLIONS)	18,150	18,302	– 1%
FUEL GALLONS CONSUMED (MILLIONS)	2,533	2,550	– 1%
AVERAGE FUEL PRICE PER GALLON	54.09¢	55.34¢	– 2%
BREAKEVEN PASSENGER LOAD FACTOR:			
INCLUDING RESTRUCTURING CHARGES	62.3%	67.2%	–4.9 PTS.
EXCLUDING RESTRUCTURING CHARGES	62.3%	64.2%	–1.9 PTS.
COST PER AVAILABLE SEAT MILE:			
INCLUDING RESTRUCTURING CHARGES	8.84¢	9.50¢	– 7%
EXCLUDING RESTRUCTURING CHARGES	8.84¢	9.10¢	– 3%

Nonoperating expense for fiscal 1995 totaled $167 million, compared to $213 million in fiscal 1994. Interest expense decreased 4%, primarily due to a lower average level of outstanding debt, partly offset by an increase in interest expense related to the extension of 40 B-737-200 aircraft leases, as previously discussed. Interest capitalized on funds advanced for the purchase of flight equipment and construction of facilities declined 9%, primarily resulting from a lower average balance in construction work in progress. Interest income increased 67%, or $38 million, primarily due to a higher average level of short-term investments and higher interest rates during the year.

RESULTS OF OPERATIONS – FISCAL 1994 COMPARED WITH FISCAL 1993

For fiscal 1994, Delta recorded a net loss of $409 million ($10.32 primary and fully diluted loss per common share after preferred stock dividend requirements) and an operating loss of $447 million. In fiscal 1993, Delta recorded a net loss of $1.0 billion ($22.32 primary and fully diluted loss per common share after preferred stock dividend requirements) and an operating loss of $575 million.

Fiscal 1994 results include pretax restructuring charges totaling $526 million ($331 million after tax, or $6.59 per common share), as previously discussed. Fiscal 1993 results include an $82 million pretax fleet restructuring charge ($52 million after tax, or $1.05 per common share), reflecting nonrecurring costs associated with the retirement of 21 A310 aircraft. Fiscal 1993 results were also affected by Delta's adoption effective July 1, 1992, of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106) and Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109), which resulted in an aggregate $587 million after-tax charge ($11.78 per common share). See Notes 10 and 15, respectively, of Notes to Consolidated Financial Statements.

Excluding restructuring charges and the cumulative effect of accounting changes, the net loss for fiscal 1994 was $77 million ($3.73 primary and fully diluted loss per common share after preferred stock dividend requirements), and operating income was $79 million, compared to a net loss of $363 million ($9.49 primary and fully diluted loss per common share after preferred stock dividend requirements) and an operating loss of $493 million in fiscal 1993.

Operating revenues for fiscal 1994 were $12.1 billion, up 4% from $11.7 billion in fiscal 1993. Passenger revenue increased 3% to $11.3 billion, the result of 3% growth in revenue passenger miles. The passenger mile yield was 13.21¢ in fiscal 1994, down slightly from the previous year. Domestic revenue passenger miles increased 1% and the domestic passenger mile yield declined less than 1%, primarily due to discount fare promotions and the growing presence of low-cost, low-fare carriers in many markets served by Delta. International revenue passenger miles grew 10% and the international passenger mile yield increased 3%.

Cargo revenues increased 3% to $551 million in fiscal 1994. Cargo ton miles increased 10%, primarily due to Delta's international expansion, and the ton mile yield declined 6%. All other revenues were up 22% to $274 million, mainly due to increased revenue from joint marketing programs and fees collected for passenger ticket changes.

Operating expenses in fiscal 1994 totaled $12.5 billion, up 2% from $12.2 billion in fiscal 1993. Operating capacity decreased less than 1% to 131.8 billion available seat miles. Domestic operating capacity declined 2% and international operating capacity rose 4%, compared to fiscal 1993. The cost per available seat mile increased 3% to 9.50¢. Excluding restructuring charges in both periods, operating expenses totaled $12.0 billion in fiscal 1994, down 1% from $12.1 billion in fiscal 1993, and the cost per available seat mile decreased 1% to 9.10¢.

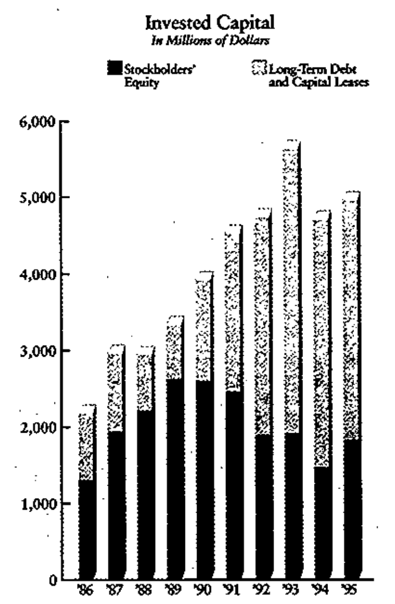
Nonoperating expense for fiscal 1994 totaled $213 million, compared to $76 million in fiscal 1993. Interest expense rose 27% to $304 million, principally due to a full year's interest incurred on debt issued in fiscal 1993. Interest capitalized on funds advanced for the purchase of flight equipment and construction of facilities totaled $33 million, down 46% from fiscal 1993, resulting from a decline in the average balance of advance payments for aircraft. Interest income for fiscal 1994 totaled $57 million, up from $22 million in fiscal 1993, primarily due to a higher average level of short-term investments. Gains from the disposition of flight equipment totaled $2 million in fiscal 1994, compared to $65 million in fiscal 1993.

CAPITALIZATION, FINANCING AND LIQUIDITY–FISCAL YEAR 1995

Cash and cash equivalents and short-term investments totaled $1.8 billion at June 30, 1995, compared to $1.7 billion at June 30, 1994. The principal sources of funds during fiscal 1995 were $1.1 billion of cash from operations; $139 million from Pan Am Corporation for the repayment of certain debtor-in-possession financing (including $24 million recorded in cash from operations representing accrued interest, net of the settlement of certain other claims); and $137 million from the sale of flight equipment.

During fiscal 1995, Delta invested $458 million in flight equipment and $168 million in ground property and equipment. The Company also made payments of $572 million on long-term debt and capital lease obligations, including Delta's voluntary repurchase and retirement of $403 million principal amount of long-term debt and the Delta Family-Care Savings Plan's (Savings Plan) voluntary prepayment in whole, with funds provided by Delta, of the $131 million aggregate principal amount of the Savings Plan's 1990 Series A and Series B Guaranteed Serial ESOP Notes, which were guaranteed by Delta. In addition, the Company paid cash dividends of $80 million on its Series C Convertible Preferred Stock, $30 million on its Series B ESOP Convertible Preferred Stock, and $10 million on its Common Stock. The Company may repurchase additional long-term debt from time to time.

As of June 30, 1995, the Company had negative working capital of $427 million, compared to negative working capital of $313 million at June 30, 1994. A negative working capital position is normal for Delta and does not indicate a lack of liquidity. The Company expects to meet its current obligations as they become due through available cash, short-term investments and internally generated funds, supplemented as necessary by debt financings and proceeds from sale and leaseback transactions. At August 18, 1995, the Company also had $780 million of credit available under its 1992 Bank Credit Agreement, subject to compliance with certain conditions (see Note 7 of Notes to Consolidated Financial Statements).



During fiscal 1995, Delta extended the lease terms of 40 B-737-200 aircraft which, for accounting purposes, resulted in the reclassification of the leases from operating leases to capital leases. The Company recorded in its Consolidated Balance Sheets a $385 million increase in flight equipment under capital leases, net of deferred rent credits, and a $415 million increase in capital lease obligations. See Note 8 of Notes to Consolidated Financial Statements.

Long-term debt and capital lease obligations, including current maturities, totaled $3.3 billion at June 30, 1995, compared to $3.5 billion at June 30, 1994. Stockholders' equity was $1.8 billion at June 30, 1995, compared to $1.5 billion at June 30, 1994. The Company's debt-to-equity position, including current maturities, was 65% debt and 35% equity at June 30, 1995, compared to 70% debt and 30% equity at June 30, 1994.

During fiscal 1995, Delta elected to discontinue selling new receivables under its revolving accounts receivable facility. See Note 5 of Notes to Consolidated Financial Statements.

At August 18, 1995, there was outstanding $290 million principal amount of the Savings Plan's Series C Guaranteed Serial ESOP Notes (Series C ESOP Notes), which are guaranteed by Delta. The Series C ESOP Notes currently have the benefit of a credit enhancement in the form of a letter of credit in the amount of $470 million under Delta's 1992 Bank Credit Agreement. Delta is required to purchase the Series C ESOP Notes in certain circumstances. See Note 7 of Notes to Consolidated Financial Statements.

FISCAL YEAR 1994

In fiscal 1994, the principal sources of funds were $1.3 billion of cash from operations, which included $300 million from the sale of certain accounts receivable (see Note 5 of Notes to Consolidated Financial Statements); $748 million proceeds from aircraft sale and leaseback transactions; $226 million of long-term borrowings; and $103 million from the sale of flight equipment. Delta invested $1.0 billion in flight equipment, net of advance payment refunds of $94 million, and $173 million in ground property and equipment. The Company made payments of $547 million on long-term debt and capital lease obligations, and paid cash dividends of $80 million on its Series C Convertible Preferred Stock, $30 million on its Series B ESOP Convertible Preferred Stock, and $10 million on its Common Stock.

FISCAL YEAR 1993

In fiscal 1993, the principal sources of funds were $1.4 billion of long-term borrowings; $1.1 billion from the issuance of Series C Convertible Preferred Stock; $684 million proceeds from aircraft sale and leaseback transactions; $677 million of cash from operations; and $87 million from the sale of flight equipment. Delta invested $1.2 billion in flight equipment, net of $104 million of advance payment refunds received, and $193 million in ground property and equipment. The Company made payments of $801 million on short-term borrowings, $519 million on long-term debt and capital lease obligations, and paid cash dividends of $73 million on its Series C Convertible Preferred Stock, $35 million on its Common Stock, and $30 million on its Series B ESOP Convertible Preferred Stock.

NEW ACCOUNTING STANDARDS

Effective June 30, 1995, Delta adopted Statement of Financial Accounting Standards No. 119, "Disclosure About Derivative Financial Instruments and Fair Value of Financial Instruments." See Note 4 of Notes to Consolidated Financial Statements.

Effective July 1, 1994, Delta adopted SFAS 112, which resulted in a cumulative after-tax transition benefit of $114 million ($2.25 primary and $1.42 fully diluted benefit per common share) in fiscal 1995, primarily due to the net overfunded status of the Company's disability and survivorship plans. See Note 10 of Notes to Consolidated Financial Statements.

Also effective July 1, 1994, the Company adopted American Institute of Certified Public Accountants Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans" (SOP 93-6). The adoption of SOP 93-6 increased reported net income available to common stockholders shown in the Consolidated Statements of Operations by $8 million for fiscal 1995, and increased primary and fully diluted earnings per common share for that period by $0.16 and $0.28, respectively. See Note 14 of Notes to Consolidated Financial Statements.

Effective June 30, 1994, Delta adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). The adoption of SFAS 115 resulted in a net increase in stockholders' equity of $53 million at June 30, 1994, primarily related to its investments in Singapore Airlines and Swissair, and may result in volatility in stockholders' equity due to changes in unrealized gains and losses on securities classified as available-for-sale. See Note 2 of Notes to Consolidated Financial Statements.

The Financial Accounting Standards Board has issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121), which will be effective for fiscal 1997. SFAS 121 requires that the carrying values of long-lived assets, including certain identifiable intangibles, held and used by an entity be reviewed for impairment, and potentially written down, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The adoption of SFAS 121 is not expected to have a material impact on the Company's consolidated financial statements.

FUTURE OUTLOOK

Deferred Tax Asset – At June 30, 1995, Delta had net cumulative deferred tax assets of $740 million, which consist of $2.1 billion of deferred tax assets, offset by $1.3 billion of deferred tax liabilities. Included in the deferred tax assets are, among other items, $655 million related to obligations for postretirement benefits, $284 million related to alternative minimum tax (AMT) credit carryforwards and $122 million of net operating loss (NOL) carryforwards. The AMT credit carryforwards do not expire; the NOL carryforwards will generally expire in 2008 and 2009 if not utilized prior to that time.

Management believes that a significant portion of the deferred tax assets will be realized through reversals of existing taxable temporary differences with similar reversal patterns. To realize the benefits of the remaining deferred tax assets, excluding AMT credits, Delta needs to generate approximately $1.2 billion in future taxable income. Based on expectations for future taxable income, the extended period over which postretirement benefits will be recognized, and the fact that AMT credits do not expire, management believes that it is more likely than not that the deferred tax assets will be realized.

Although Delta experienced book and tax losses in fiscal years 1991 through 1994, the Company reported book and tax income in fiscal 1995. Furthermore, the Company reported book income in all other fiscal years since 1947, with the exception of fiscal 1983. Following is a summary of Delta's pretax book income (loss) and taxable income (loss) for the last five fiscal years, prior to NOL carrybacks:

	1995	1994	1993	1992	1991
	(In Millions)				
Pretax Book					
Income (Loss)	$494	$(660)	$(651)	$(786)	$(500)
Taxable Income (Loss)	$282	$(411)	$(580)	$(568)	$(204)

The Company's losses in fiscal years 1991 through 1994 reflect numerous external factors beyond management's control, including weak economies in a number of regions worldwide and the effects of many deeply discounted fare promotions initiated by other airlines; the Middle East crisis during fiscal 1991; an uneconomic fare structure implemented by another airline late in fiscal 1992, which spurred a half-off fare sale in fiscal 1993; and the growing presence of low-cost, low-fare carriers in many of the domestic markets served by Delta.

Management believes that it has taken and continues to take appropriate actions to improve the Company's financial performance, including the implementation of Leadership 7.5, a three-year plan introduced during fiscal 1994, with the goal of reducing annual operating expenses by approximately $2 billion by the end of the June 1997 quarter. During fiscal 1995, Leadership 7.5 cost reduction initiatives contributed to a $465 million, or 4%, decline in operating expenses from fiscal 1994, excluding restructuring charges in the 1994 period as previously discussed. Management is prepared to take further actions to return the Company to consistent levels of profitability.

Delta's ability to generate the expected amounts of taxable income from future operations is dependent upon various factors, many of which are beyond management's control. Accordingly, there can be no assurance that Delta will meet its expectations of future taxable income. However, after considering Delta's earnings history, the actions that Delta has already taken and will continue to take to improve its financial performance, expectations of future taxable income, and other relevant considerations, management believes that it is more likely than not that future taxable income will be sufficient to fully utilize the deferred tax assets which existed at June 30, 1995. See Note 15 of Notes to Consolidated Financial Statements.

Commitments – Future expenditures for aircraft, engines and engine hushkits on firm order as of June 30, 1995, are estimated to be $2.9 billion, excluding aircraft orders subject to reconfirmation by Delta. The Company expects to finance these commitments using available cash, short-term investments and internally generated funds, supplemented as necessary by debt financings and proceeds from sale and leaseback transactions. The Company also has certain commitments related to its code sharing arrangements and TransQuest. See Note 9 of Notes to Consolidated Financial Statements. Also, see Note 8 of Notes to Consolidated Financial Statements for information on the Company's lease commitments.

Aircraft Fuel – The Omnibus Budget Reconciliation Act of 1993 imposes a 4.3¢ per gallon tax on commercial aviation jet fuel purchased for use in domestic operations, effective October 1, 1995. Based on Delta's fiscal 1996 expected domestic fuel requirement of 1.9 billion gallons, the new fuel tax, if implemented, is expected to increase Delta's operating expenses by approximately $80 million annually. Delta and other U.S. airlines are actively lobbying for a repeal of this tax. The outcome of these efforts cannot presently be determined.

Travel Agency Commissions – On February 10, 1995, Delta changed its domestic travel agency commission program by introducing a maximum commission payment of $50 for any roundtrip domestic ticket with a base fare in excess of $500 and $25 for any one-way ticket with a base fare in excess of $250. The maximum commission applies to all tickets issued by U.S. and Canada-based travel agents for travel within and between the Continental U.S., Alaska, Hawaii, Puerto Rico and the U.S. Virgin Islands. The Company expects that this change in commission structure will result in lower future commissions expenses; however, the impact cannot presently be determined. Certain litigation challenging these changes is pending (see Note 11 of Notes to Consolidated Financial Statements).

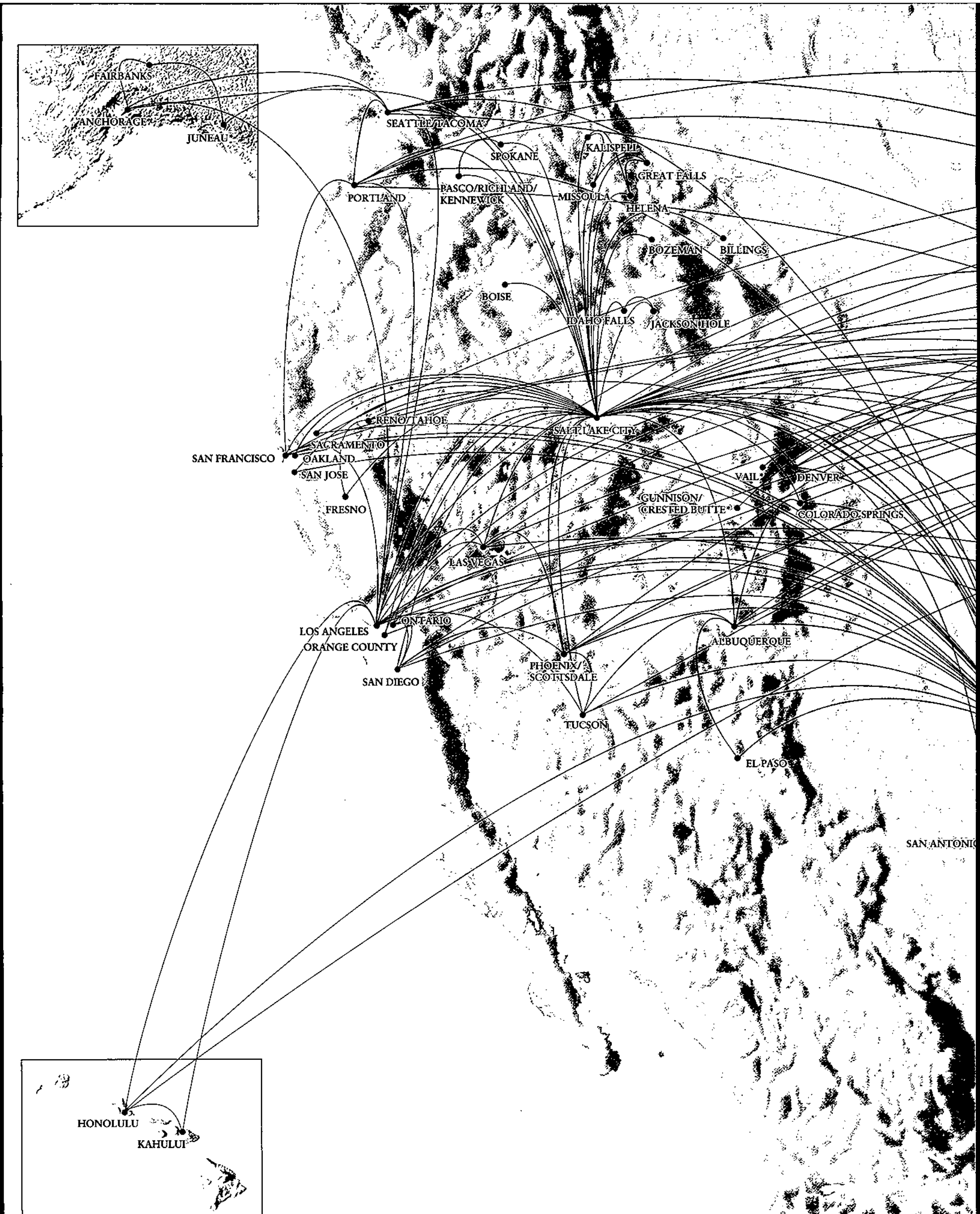
Domestic Route System Realignments – On May 1, 1995, Delta realigned its domestic route system to position the Company's aircraft and other resources in areas offering greater revenue-generating potential. As a result of the realignment, Delta increased flights at its Atlanta, Cincinnati and Salt Lake City hubs, and decreased flights at Boston and its Dallas/Fort Worth, Los Angeles and Orlando hubs.

On August 3, 1995, Delta announced plans to further increase flights at Atlanta and Cincinnati, and further reduce flights at Dallas/Fort Worth, effective December 1, 1995. Delta Connection carriers replaced or plan to replace Delta service in certain markets as part of the May 1, 1995 and December 1, 1995 route alignments. Due mainly to competitive factors, there can be no assurance that these route realignments will result in increased passenger revenues.

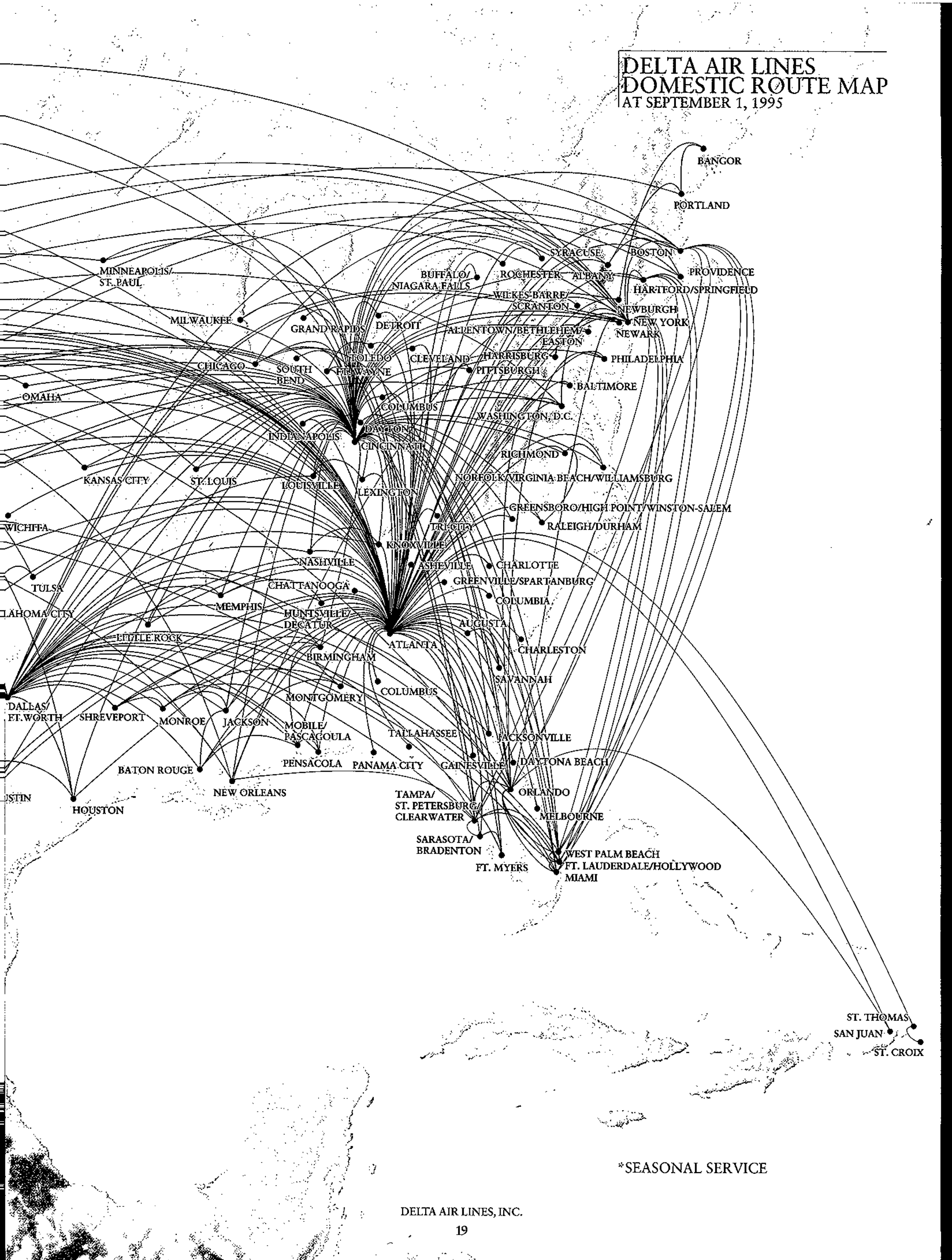
Competitive Environment – Delta expects that low-fare competition is likely to continue in domestic and international markets. If price reductions are not offset by increases in traffic or changes in the mix of traffic that improve the passenger mile yield, Delta's operating results will be adversely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

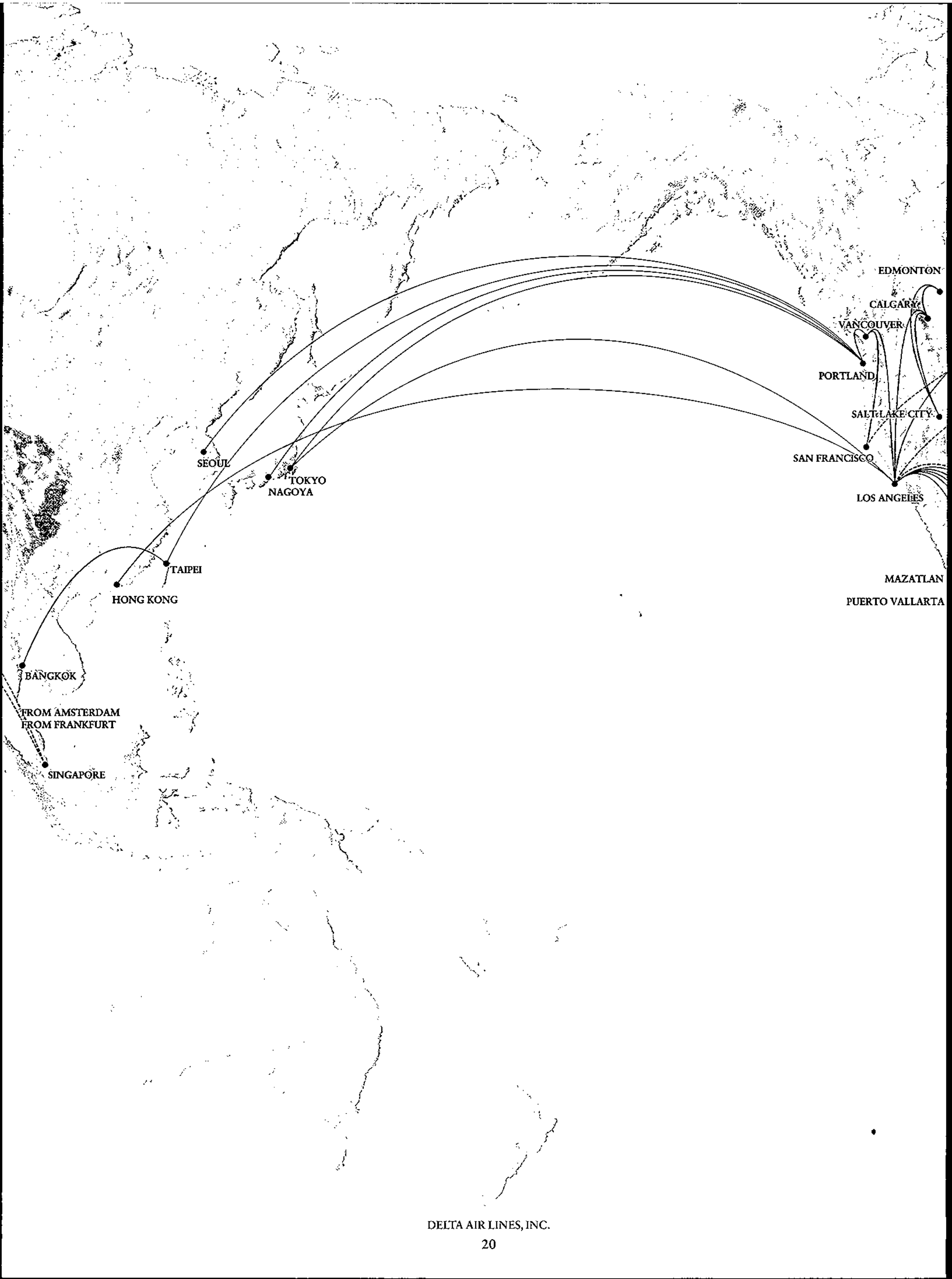
Antitrust Settlement – During 1992, Delta and five other U.S. airlines agreed to settle class action claims asserted against them in the Domestic Air Transportation Antitrust Litigation. Under the settlement, which was approved by the United States District Court for the Northern District of Georgia in 1994, the six carriers issued $397 million in face amount of certificates for discounts of approximately 10% on future domestic air travel on any of the six carriers.

Delta will account for the certificates that are redeemed for travel on Delta as a reduction to revenue equal to the value of the redeemed certificates when transportation is provided. The Company anticipates that its share of certificate redemptions will approximate, but will not necessarily be limited to, its relative domestic market share among the six carriers, which was approximately 22% in calendar 1994. The ultimate impact of the settlement on Delta's future revenues, operating margins and earnings is not reasonably estimable, because neither the face amount of the certificates to be redeemed on Delta nor the generative or dilutive revenue effect of certificate redemptions is known.


FAIRBANKS
ANCHORAGE
JUNEAU
SEATTLE/TACOMA
SPOKANE
KALISPELL
GREAT FALLS
PORTLAND
PASCO/RICHLAND/
KENNEWICK
MISSOULA
HELENA
BOZEMAN
BILLINGS
BOISE
IDAHO FALLS
JACKSON HOLE
RENO/TAHOE
SALT LAKE CITY
SACRAMENTO
SAN FRANCISCO
OAKLAND
SAN JOSE
FRESNO
VAIL
DENVER
GUNNISON/
CRESTED BUTTE
COLORADO SPRINGS
LAS VEGAS
LOS ANGELES
ONTARIO
ORANGE COUNTY
ALBUQUERQUE
PHOENIX/
SCOTTSDALE
SAN DIEGO
TUCSON
EL PASO
HONOLULU
KAHULUI

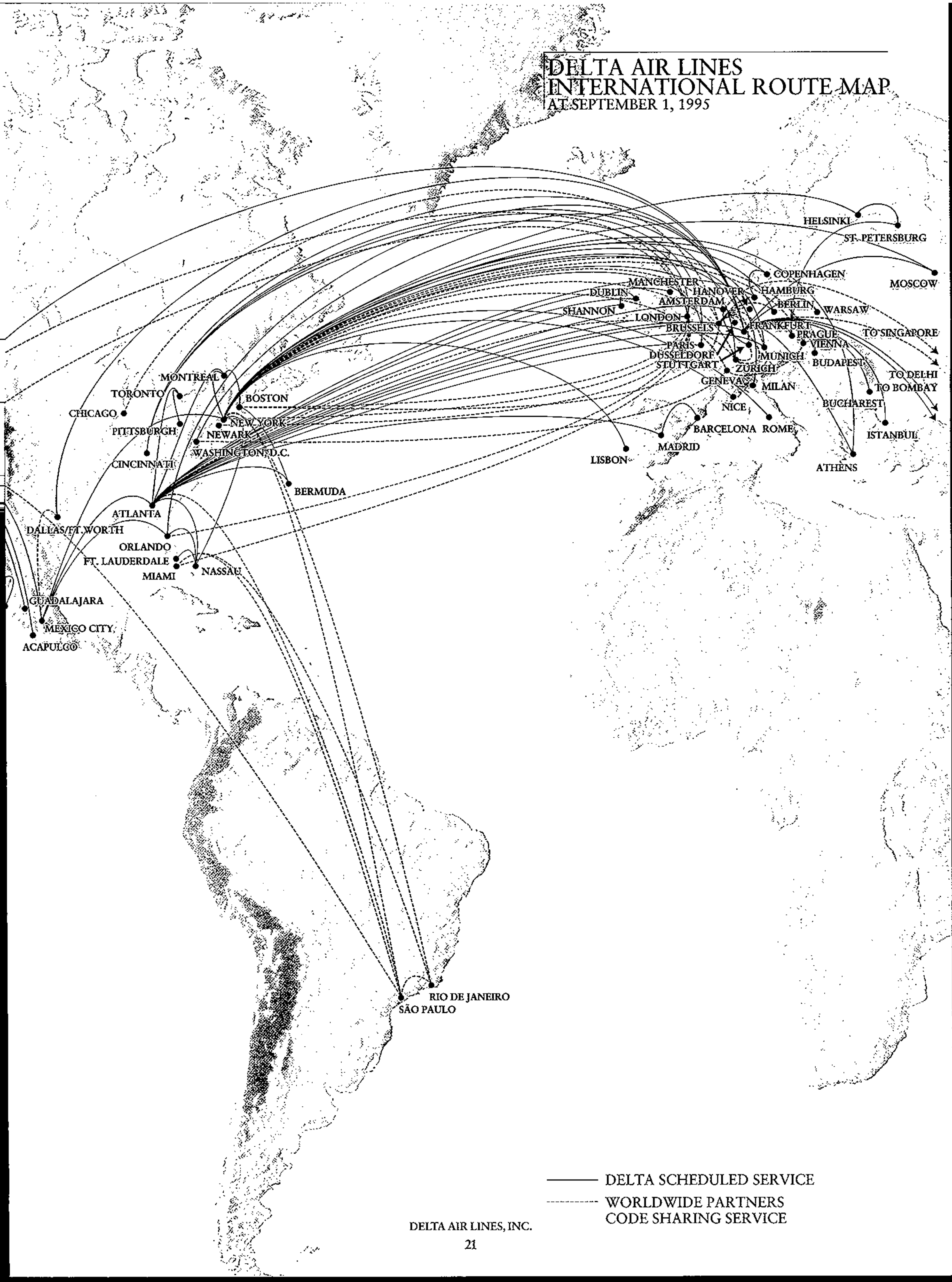
DELTA AIR LINES DOMESTIC ROUTE MAP
AT SEPTEMBER 1, 1995




EDMONTON
CALGARY
VANCOUVER
PORTLAND
SALT LAKE CITY
SAN FRANCISCO
LOS ANGELES
MAZATLAN
PUERTO VALLARTA
SEOUL
TOKYO
NAGOYA
TAIPEI
HONG KONG
BANGKOK
FROM AMSTERDAM
FROM FRANKFURT
SINGAPORE

DELTA AIR LINES INTERNATIONAL ROUTE MAP

AT SEPTEMBER 1, 1995



DELTA SCHEDULED SERVICE

WORLDWIDE PARTNERS CODE SHARING SERVICE

CONSOLIDATED BALANCE SHEETS

June 30, 1995 and 1994

ASSETS	1995	1994
	(In Millions)	
Current Assets:		
Cash and cash equivalents	$ 1,233	$ 1,302
Short-term investments	529	408
Accounts receivable, net of allowance for uncollectible accounts of $29 at June 30, 1995, and $50 at June 30, 1994	755	886
Maintenance and operating supplies, at average cost	68	67
Deferred income taxes	234	336
Prepaid expenses and other	195	224
Total current assets	3,014	3,223
Property and Equipment:		
Flight equipment	9,288	9,063
Less: Accumulated depreciation	4,209	3,880
	5,079	5,183
Flight equipment under capital leases	537	173
Less: Accumulated amortization	99	142
	438	31
Ground property and equipment	2,442	2,398
Less: Accumulated depreciation	1,354	1,250
	1,088	1,148
Advance payments for equipment	331	241
	6,936	6,603
Other Assets:		
Marketable equity securities	398	351
Deferred income taxes	506	560
Investments in associated companies	265	219
Cost in excess of net assets acquired, net of accumulated amortization of $75 at June 30, 1995, and $66 at June 30, 1994	274	283
Leasehold and operating rights, net of accumulated amortization of $165 at June 30, 1995, and $135 at June 30, 1994	177	207
Other	573	450
	2,193	2,070
	$12,143	$11,896

Authorised Representative

LIABILITIES AND STOCKHOLDERS' EQUITY	1995	1994
	(In Millions, Except Share Data)	
Current Liabilities:		
Current maturities of long-term debt	$ 151	$ 227
Current obligations under capital leases	61	11
Accounts payable and miscellaneous accrued liabilities	1,578	1,552
Air traffic liability	1,143	1,247
Accrued rent	235	195
Accrued vacation pay	167	196
Transportation tax payable	106	108
Total current liabilities	3,441	3,536
Noncurrent Liabilities:		
Long-term debt	2,683	3,142
Postretirement benefits	1,714	1,641
Accrued rent	556	541
Capital leases	438	86
Other	395	395
	5,786	5,805
Deferred Credits:		
Deferred gain on sale and leaseback transactions	860	923
Manufacturers and other credits	109	63
	969	986
Commitments and Contingencies (Notes 7, 8, 9 and 11)		
Employee Stock Ownership Plan Preferred Stock:		
Series B ESOP Convertible Preferred Stock, $1.00 par value, $72.00 stated and liquidation value; issued and outstanding 6,786,632 shares at June 30, 1995, and 6,878,292 shares at June 30, 1994	489	495
Less: Unearned compensation under employee stock ownership plan	369	393
	120	102
Stockholders' Equity:		
Series C Convertible Preferred Stock, $1.00 par value, $50,000 liquidation preference; issued and outstanding 23,000 shares at June 30, 1995 and 1994	–	–
Common Stock, $3.00 par value; authorized 150,000,000 shares; issued 54,537,103 shares at June 30, 1995, and 54,469,491 shares at June 30, 1994	164	163
Additional paid-in capital	2,016	2,013
Accumulated deficit	(184)	(490)
Net unrealized gain on marketable securities	83	53
Less: Treasury stock at cost, 3,721,093 shares at June 30, 1995, and 4,016,219 shares at June 30, 1994	252	272
	1,827	1,467
	$12,143	$11,896

The accompanying notes are an integral part of these consolidated balance sheets.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended June 30, 1995, 1994 and 1993

	1995	1994	1993
	(In Millions, Except Per Share Data)		
Operating Revenues:			
Passenger	$11,303	$11,252	$10,899
Cargo	565	551	534
Other, net	326	274	224
Total operating revenues	12,194	12,077	11,657
Operating Expenses:			
Salaries and related costs	4,354	4,589	4,798
Aircraft fuel	1,370	1,411	1,592
Passenger commissions	1,195	1,255	1,074
Aircraft rent	671	732	729
Depreciation and amortization	622	678	735
Other selling expenses	618	614	569
Contracted services	556	457	450
Passenger service	443	522	542
Facilities and other rent	436	380	356
Aircraft maintenance materials and outside repairs	430	418	465
Landing fees	266	261	262
Restructuring charges	–	526	82
Other	572	681	578
Total operating expenses	11,533	12,524	12,232
Operating Income (Loss)	661	(447)	(575)
Other Income (Expense):			
Interest expense	(292)	(304)	(239)
Interest capitalized	30	33	62
Interest income	95	57	22
Gain on disposition of flight equipment	–	2	65
Miscellaneous income (expense), net	–	(1)	14
	(167)	(213)	(76)
Income (Loss) Before Income Taxes and Cumulative Effect of Accounting Changes	494	(660)	(651)
Income Taxes (Provided) Credited, Net	(200)	251	236
Income (Loss) Before Cumulative Effect of Accounting Changes	294	(409)	(415)
Cumulative Effect of Accounting Changes, Net of Tax	114	–	(587)
Net Income (Loss)	408	(409)	(1,002)
Preferred Stock Dividends	(88)	(110)	(110)
Net Income (Loss) Attributable to Common Stockholders	$ 320	$ (519)	$(1,112)
Primary Income (Loss) Per Common Share:			
Before cumulative effect of accounting changes	$ 4.07	$(10.32)	$(10.54)
Cumulative effect of accounting changes	2.25	–	(11.78)
	$ 6.32	$(10.32)	$(22.32)
Fully Diluted Income (Loss) Per Common Share:			
Before cumulative effect of accounting changes	$ 4.01	$(10.32)	$(10.54)
Cumulative effect of accounting changes	1.42	–	(11.78)
	$ 5.43	$(10.32)	$(22.32)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 1995, 1994 and 1993

	1995	1994	1993
		(In Millions)	
Cash Flows From Operating Activities:			
Net income (loss)	$ 408	$ (409)	$ (1,002)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Cumulative effect of accounting changes	(114)	–	587
Restructuring charges	–	526	82
Depreciation and amortization	622	678	735
Deferred income taxes	96	(242)	(209)
Amortization of investment tax credits	–	(1)	(2)
Amortization of deferred gain on sale and leaseback transactions	(63)	(62)	(57)
Gain on disposition of flight equipment	–	(2)	(65)
Rental expense in excess of rent payments	54	134	89
Postemployment benefits expense less than payments	(22)	–	–
Pension expense in excess of (less than) payments	(89)	(45)	47
Compensation under ESOP	38	29	27
Other postretirement expense in excess of payments	73	66	129
Changes in certain assets and liabilities:			
Decrease in accounts receivable	131	169	199
Decrease (increase) in prepaid expenses and other current assets	28	123	(19)
Increase (decrease) in air traffic liability	(104)	57	(58)
Increase in accounts payable and miscellaneous accrued liabilities	26	207	215
Increase (decrease) in other payables and accrued expenses	(31)	(34)	50
Increase in other noncurrent liabilities	–	64	14
Other, net	61	66	(85)
Net cash provided by operating activities	1,114	1,324	677
Cash Flows From Investing Activities:			
Property and equipment additions:			
Flight equipment, including advance payments	(458)	(1,032)	(1,221)
Ground property and equipment	(168)	(173)	(193)
Increase in short-term investments, net	(121)	(408)	–
Proceeds from sale of flight equipment	137	103	87
Debtor-in-possession loan repayment	115	–	–
Net cash used in investing activities	(495)	(1,510)	(1,327)
Cash Flows From Financing Activities:			
Payments on long-term debt and capital lease obligations	(572)	(547)	(519)
Cash dividends	(120)	(120)	(138)
Issuance of common stock	4	1	1
Proceeds from sale and leaseback transactions	–	748	684
Issuance of long-term obligations	–	226	1,427
Issuance of Series C Convertible Preferred Stock, net	–	–	1,126
Net short-term borrowings (repayments)	–	–	(801)
Net cash provided by (used for) financing activities	(688)	308	1,780
Net Increase (Decrease) in Cash and Cash Equivalents	(69)	122	1,130
Cash and cash equivalents at beginning of period	1,302	1,180	50
Cash and Cash Equivalents at End of Period	$ 1,233	$ 1,302	$ 1,180

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the years ended June 30, 1995, 1994 and 1993

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Unrealized Gain (Loss) on Equity Securities	Treasury Stock	Total
			(In Millions, Except Share Amounts)			
Balance at June 30, 1992	$ 163	$ 886	$1,177	$ (12)	$ (320)	$1,894
Fiscal Year 1993:						
Net loss	–	–	(1,002)	–	–	(1,002)
Issuance of Series C Convertible Preferred Stock	–	1,126	–	–	–	1,126
Dividends on Series C Convertible Preferred Stock	–	–	(80)	–	–	(80)
Dividends on common stock ($0.70 per share)	–	–	(35)	–	–	(35)
Dividends on Series B ESOP Convertible Preferred Stock, net of tax benefit of $9	–	–	(21)	–	–	(21)
Issuance of 26,202 shares of common stock under dividend reinvestment and stock purchase plan ($53.13 per share)	–	1	–	–	–	1
Transfer of 336,064 shares of common stock from treasury under ESOP and stock incentive plan ($67.75 per share)	–	(1)	(3)	–	23	19
Net unrealized gain on marketable equity securities	–	–	–	11	–	11
Balance at June 30, 1993	163	2,012	36	(1)	(297)	1,913
Fiscal Year 1994:						
Net loss	–	–	(409)	–	–	(409)
Dividends on Series C Convertible Preferred Stock	–	–	(80)	–	–	(80)
Dividends on common stock ($0.20 per share)	–	–	(10)	–	–	(10)
Dividends on Series B ESOP Convertible Preferred Stock, net of tax benefit of $8	–	–	(22)	–	–	(22)
Issuance of 17,140 shares of common stock under dividend reinvestment and stock purchase plan ($50.38 per share)	–	1	–	–	–	1
Transfer of 370,226 net shares of common stock from treasury under ESOP and stock incentive plan ($67.75 per share)	–	–	(5)	–	25	20
Net unrealized gain on marketable equity securities	–	–	–	54	–	54
Balance at June 30, 1994	163	2,013	(490)	53	(272)	1,467
Fiscal Year 1995:						
Net income	–	–	408	–	–	408
Dividends on Series C Convertible Preferred Stock	–	–	(80)	–	–	(80)
Dividends on common stock ($0.20 per share)	–	–	(10)	–	–	(10)
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	–	–	(8)	–	–	(8)
Issuance of 67,612 shares of common stock under dividend reinvestment and stock purchase plan, stock incentive plan and Series C Preferred Stock conversions ($56.13 per share)	1	3	–	–	–	4
Transfer of 295,126 net shares of common stock from treasury under ESOP and stock incentive plan ($67.75 per share)	–	–	(4)	–	20	16
Net unrealized gain on marketable equity securities	–	–	–	30	–	30
Balance at June 30, 1995	$ 164	$2,016	$ (184)	$ 83	$ (252)	$1,827

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1995, 1994 and 1993

1. Summary of Significant Accounting Policies:

Basis of Presentation – The consolidated financial statements include the accounts of Delta Air Lines, Inc. and its wholly-owned subsidiaries (Delta or the Company). All significant intercompany accounts and transactions have been eliminated. Certain prior year amounts have been reclassified to conform with the current financial statement presentation.

Investments in Associated Companies – The Company's investments in the following companies are accounted for under the equity method: TransQuest Information Solutions (TransQuest), an information technology joint venture; WORLDSPAN, L.P. (WORLDSPAN), a computer reservations system partnership; Atlantic Southeast Airlines, Inc. (ASA); Comair Holdings, Inc. (Comair), the parent of Comair, Inc.; and SkyWest, Inc. (SkyWest), the parent of SkyWest Airlines, Inc. ASA, Comair, Inc., and SkyWest Airlines, Inc. are participants in the Delta Connection program. (See Note 3.)

Accounting Changes – Effective July 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112), and American Institute of Certified Public Accountants Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans" (SOP 93-6). (See Notes 10 and 14, respectively.) Effective June 30, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). (See Note 2.) Effective July 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106), and Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). (See Notes 10 and 15, respectively.)

Cash and Cash Equivalents – Investments with an original maturity of three months or less are classified as cash and cash equivalents. These investments are stated at cost, which approximates fair value.

Short-Term Investments – Cash in excess of operating requirements is invested in short-term, highly liquid investments. These investments are classified as available-for-sale under SFAS 115 and stated at fair value. (See Note 2.)

Cost in Excess of Net Assets Acquired – The cost in excess of net assets acquired (goodwill), which is being amortized over 40 years, is related to the Company's acquisition of Western Air Lines, Inc. on December 18, 1986. The Company periodically reviews the value assigned to goodwill to determine if it has been other than temporarily impaired. Management believes that goodwill is appropriately valued.

Leasehold and Operating Rights – Costs assigned to the purchase of leasehold rights and landing slots are amortized over the lives of the respective leases at the associated airports. Purchased international route authorities are amortized over the lives of the authorities as determined by the expiration dates of such authorities. Permanent route authorities with no stated expiration dates are amortized over 40 years. The Company periodically reviews the values assigned to leasehold and operating rights to determine if they have been other than temporarily impaired. Management believes that leasehold and operating rights are appropriately valued.

Deferred Gains on Sale and Leaseback Transactions – Gains on the sale and leaseback of property and equipment under operating leases are deferred and amortized over the lives of the respective leases as a reduction in rent expense. Gains on the sale and leaseback of property under capital leases are credited directly to the carrying value of the related asset.

Manufacturers Credits – In connection with the acquisition of certain aircraft and engines, the Company receives various credits. These credits are deferred until the aircraft and engines are delivered, at which time the credits are applied on a pro rata basis as a reduction of the acquisition cost of the related equipment.

Frequent Flyer Program – The Company sponsors a travel incentive program (SkyMiles™) whereby frequent travelers accumulate mileage credits that entitle them to certain awards, including free travel. The Company accrues the estimated incremental cost of providing free travel awards under its SkyMiles program when free travel award levels are achieved. The accrued incremental cost is included in accounts payable and miscellaneous accrued liabilities in the Company's Consolidated Balance Sheets.

The Company also sells mileage credits to participating partners in the SkyMiles program such as hotels, car rental agencies and credit card companies. The resulting revenue, net of the incremental cost of the credits sold, is recorded as other operating revenue in the Company's Consolidated Statements of Operations during the period in which the credits are sold.

Passenger and Cargo Revenues – Passenger and cargo revenues are recorded when the transportation is provided. The value of unused passenger tickets is included in current liabilities as air traffic liability in the Company's Consolidated Balance Sheets.

Effective July 1, 1994, Delta began recording as reductions of revenue certain international air transportation price adjustments which had previously been recorded as commissions expense. The related amounts in the Consolidated Statements of Operations for fiscal years 1994 and 1993 have been reclassified to conform with the current financial statement presentation.

Delta has entered into code sharing agreements under which the Company purchases seats from and sells seats to certain foreign airlines. Under these agreements, each airline separately markets its respective seats. The revenue resulting from Delta's sale of code sharing seats purchased from other airlines is reported as other operating revenue, offset by the cost of acquiring these code sharing seats and other direct costs incurred in operating the code sharing flights, in the Company's Consolidated Statements of Operations. The revenue generated from Delta's code sharing seat sales to other airlines is reported as passenger revenue in the Company's Consolidated Statements of Operations.

Depreciation and Amortization – Prior to April 1, 1993, the Company depreciated substantially all of its flight equipment on a straight-line basis to residual values (10% of cost) over a 15-year period from the dates placed in service. As a result of a fleet plan review, effective April 1, 1993, the Company increased the estimated useful lives of substantially all of its flight equipment. Flight equipment that was not already fully depreciated is being depreciated on a straight-line basis to residual values (5% of cost) over a 20-year period from the dates placed in service. The effect of this change was a $34 million decrease in depreciation expense and a $22 million ($0.44 per common share) decrease in net loss for fiscal 1993.

Ground property and equipment are depreciated on a straight-line basis over their estimated service lives, which range from 3 to 30 years. Flight equipment under capital leases are amortized on a straight-line basis over the lives of their respective leases, which range from 8 to 15 years.

Interest Capitalized – Interest attributable to funds used to finance the acquisition of new aircraft and construction of major ground facilities is capitalized as an additional cost of the related asset. Interest is capitalized at the Company's weighted average interest rate on long-term debt or, where applicable, the interest rate related to specific borrowings. Capitalization of interest ceases when the property or equipment is placed in service.

Earnings (Loss) Per Share – Primary earnings (loss) per common share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of Delta common stock (Common Stock) and, if dilutive, Common Stock equivalents outstanding during the year. Common Stock equivalents consist of the shares issuable upon exercise of outstanding stock options less the number of shares deemed to be repurchased under application of the treasury stock method. The weighted average number of shares of Common Stock outstanding was 50,657,613 for fiscal 1995; 50,257,721 for fiscal 1994; and 49,836,959 for fiscal 1993.

To compute fully diluted earnings (loss) per common share, it is assumed that all outstanding shares of Series C Convertible Preferred Stock (Series C Preferred Stock), all allocated shares of Series B ESOP Convertible Preferred Stock (ESOP Preferred Stock), the 3.23% Convertible Subordinated Notes due 2003 and Common Stock equivalents are converted, if dilutive, into Common Stock. The weighted average number of shares of Common Stock used to compute fully diluted earnings (loss) per common share was 80,118,720 for fiscal 1995; 50,257,721 for fiscal 1994; and 49,836,959 for fiscal 1993. In addition, to compute fully diluted earnings (loss) per common share, net income or loss is adjusted for the additional contribution that would be required to service the ESOP's long-term debt if the ESOP Preferred Stock was converted into Common Stock and for the interest expense that would be avoided if the 3.23% Convertible Subordinated Notes due 2003 were converted into Common Stock. (See Notes 7, 12, 13 and 14.)

Foreign Currency Translation – Assets and liabilities denominated in foreign currencies are translated generally at exchange rates in effect at the balance sheet date, except that fixed assets are translated at exchange rates in effect when these assets were acquired. Revenues and expenses of foreign operations are translated at average monthly exchange rates prevailing during the year, except that depreciation and amortization charges are translated at the exchange rates in effect when the related assets were acquired. The resulting foreign exchange gains and losses are recognized as incurred. Such amounts were not significant for any of the years presented in this report.

2. Investments in Debt and Equity Securities:

Under SFAS 115, which Delta adopted effective June 30, 1994, the Company's investments in Singapore Airlines Limited (Singapore Airlines) and Swissair, Swiss Air Transport Company Ltd. (Swissair), which are accounted for under the cost method, are classified as available-for-sale and carried at aggregate market value. Prior to June 30, 1994, these investments were carried at the lower of aggregate cost or market. At June 30, 1995 and 1994, the gross unrealized gain on the Company's investment in Singapore Airlines was $143 million and $109 million, respectively, and the gross unrealized loss on the Company's investment in Swissair was $12 million and $24 million, respectively. The $83 million and $53 million net unrealized gains, net of the related deferred tax provision, on these investments at June 30, 1995 and 1994, respectively, are reflected in stockholders' equity. Delta's rights to vote, transfer or acquire additional shares of the stock of Singapore Airlines and Swissair are subject to certain restrictions.

Delta's other investments in available-for-sale securities, which were also carried at the lower of aggregate cost or market prior to the adoption of SFAS 115, are recorded as short-term investments in the Company's Consolidated Balance Sheets. These investments at June 30, 1995 and 1994, were as follows:

Type	Percentage 1995	Percentage 1994	Average Stated Maturity (Months) 1995	Average Stated Maturity (Months) 1994
Government agency debt	36%	52%	12	21
Corporate debt securities	64	48	5	23

During fiscal years 1995 and 1994, the proceeds from sales of available-for-sale securities were $926 million and $473 million, respectively, which resulted in realized losses of $4 million and $3 million, respectively. The unrealized gains on these investments were less than $1 million and were reflected in stockholders' equity at June 30, 1995 and 1994, respectively.

3. Investments in Associated Companies:

The Company's percent ownership in associated companies at June 30, 1995, and equity earnings (losses) for fiscal 1995, 1994 and 1993, were as follows:

Investment	Percent Ownership	Equity Earnings (Losses) 1995	1994	1993
		(In Millions)		
TransQuest	50.0%	$ (3)	$ –	$ –
WORLDSPAN	38.0	(4)	1	5
ASA	24.2	12	12	9
Comair	21.3	6	6	4
SkyWest	15.0	2	2	1

During the December 1994 quarter, Delta and AT&T Global Information Solutions Company (AT&T) formed TransQuest, a joint venture to provide information technology services to Delta and others in the travel and transportation industries. Delta and AT&T each own a 50% interest in TransQuest. Delta's investment in TransQuest, which initially consisted of software valued at $25 million, is being accounted for under the equity method. This investment is recorded as an investment in associated companies in the accompanying Consolidated Balance Sheets. Billings for information technology services provided by TransQuest to Delta totaled $66 million in fiscal 1995.

WORLDSPAN provides computer reservations services to Delta. Fees billed to Delta for these services were $78 million in fiscal 1995, $60 million in fiscal 1994 and $47 million in fiscal 1993. Additionally, Delta made monthly subscriber support payments to WORLDSPAN; these payments totaled $18 million in fiscal 1995, $23 million in fiscal 1994 and $32 million in fiscal 1993. Delta provides communications, information processing and administrative services to WORLDSPAN; WORLDSPAN reimbursed Delta for these services in the amount of $3 million in fiscal 1995, $15 million in fiscal 1994, and $26 million in fiscal 1993.

4. Financial Instruments and Off-Balance Sheet Risk:

Balance Sheet Financial Instruments: Fair Values – The carrying amounts reported in the Company's Consolidated Balance Sheets for cash and cash equivalents approximate fair values at June 30, 1995 and 1994. Short-term investments classified as available-for-sale are recorded at fair value in accordance with SFAS 115. (See Note 2.)

The fair values and carrying values of long-term debt, including current maturities, at June 30, 1995 and 1994, were as follows:

	1995	1994
	(In Billions)	
Fair value	$3.0	$3.3
Carrying value	2.8	3.4

These values are based on quoted market prices, where available, or discounted cash flow analyses. The carrying values of all other financial instruments approximate their fair values.

Off-Balance Sheet Financial Instruments: Risks and Fair Values – The Company has entered into certain foreign exchange forward contracts, all with maturities of less than one month, in an effort to manage risks associated with foreign currency exchange rate and interest rate volatility. The aggregate face amount of such contracts was approximately $20 million at June 30, 1995. The related realized and unrealized gains and losses for such contracts were not material for any of the years presented.

Under the Company's revolving accounts receivable facility (see Note 5), the full amount of the allowance for doubtful accounts related to the receivables sold was retained, as the Company had substantially the same credit risk as if the receivables had not been sold.

Financial Guarantees – Certain municipalities and airport authorities have issued special facility revenue bonds to build or improve airport terminal and maintenance facilities that Delta leases under operating leases. Under these lease agreements, the Company is required to make rental payments sufficient to pay principal and interest on the bonds as they become due. At June 30, 1995, Delta had guaranteed $675 million principal amount of such bonds. (See Note 8.)

Concentration of Credit Risk – Delta's accounts receivable are generated primarily from airline ticket and cargo services sales to individuals and various commercial enterprises that are economically and geographically dispersed, and the accounts receivable are generally short-term in duration. Accordingly, Delta does not believe it is subject to any significant concentration of credit risk.

5. Sale of Receivables:

In June 1994, Delta entered into a revolving accounts receivable facility (Facility) providing for the sale of a defined pool of accounts receivable (Receivables) through a wholly-owned subsidiary to a trust in exchange for a senior certificate in the principal amount of $300 million (Senior Certificate) and a subordinate certificate in the principal amount of $189 million (Subordinate Certificate). The subsidiary retained the Subordinate Certificate, and the Company received $300 million in cash from the sale of the Senior Certificate to a third party. The principal amount of the Subordinate Certificate fluctuates daily depending upon the volume of Receivables sold. At June 30, 1995 and 1994, the principal amount of the Senior Certificate was $229 million and $300 million, respectively, and is recorded as a reduction in accounts receivable in the Company's Consolidated Balance Sheets. The principal amount of the Subordinate Certificate at June 30, 1995 and 1994, was $190 million and $164 million, respectively, and is included in accounts receivable in the Company's Consolidated Balance Sheets.

Under the terms of the Facility, the Company is obligated to pay fees which approximate the Senior Certificate holder's cost of issuing an amount of commercial paper equivalent to the principal amount of the Senior Certificate plus certain administrative costs. For fiscal 1995 and 1994, these fees totaled $19 million and $7 million, respectively, and are included in other income (expense) under miscellaneous, net in the Company's Consolidated Statements of Operations.

During fiscal 1995, Delta elected to discontinue selling new receivables under the Facility, and the Senior Certificate was reduced to $0 on August 14, 1995.

6. Short-Term Borrowings:

The maximum and average outstanding balances of short-term bank borrowings and the weighted average interest rates during fiscal 1995, 1994 and 1993 were as follows:

	1995	1994	1993
	(Dollar Amounts In Millions)		
Maximum amount of borrowings outstanding during period	–	$164	$917
Average daily borrowings during period	–	$ 2	$251
Weighted average interest rate on borrowings during period	–	5.03%	3.86%

At June 30, 1995 and 1994, no commercial paper or short-term notes were outstanding.

7. Long-Term Debt:

At June 30, 1995 and 1994, the Company's long-term debt (including current maturities) was as follows:

	1995	1994
	(In Millions)	
3.23% Convertible Subordinated Notes, unsecured, due June 15, 2003, net of unamortized discount of $179 million and $202 million at June 30, 1995 and 1994, respectively	$ 621	$ 598
8.10% Series C Guaranteed Serial ESOP Notes, unsecured, payable in installments between 2002 and 2009	290	290
9¾% Debentures, unsecured, due May 15, 2021	271	350
Medium-Term Notes, Series A and B, unsecured, interest rates ranging from 7.55% to 9.15% and with maturities ranging from 1997 to 2007	235	381
9⅞% Notes, unsecured, due January 1, 1998	225	225
9¼% Debentures, unsecured, due March 15, 2022	184	200
10⅜% Debentures, unsecured, due February 1, 2011	176	200
9⅞% Notes, unsecured, due May 15, 2000	165	175
8¼% Notes, unsecured, due May 15, 1996	150	150
9% Debentures, unsecured, due May 15, 2016	135	150
10⅛% Debentures, unsecured, due May 15, 2010	113	125
8½% Notes, unsecured, due March 15, 2002	96	100
10⅜% Debentures, unsecured, due December 15, 2022	66	175
Clayton County Development Authority, 7⅝% unsecured loan agreement, repayable on January 1, 2020	45	45
Development Authority of Clayton County, 6⅝% unsecured loan agreement, repayable in installments beginning in 2000, with the remaining balance payable in 2011	35	35
Development Authority of Fulton County, unsecured loan agreement, repayable $10 million on November 1, 2007, and $20 million on November 1, 2012. Interest ranges from 6.85% to 6.95% over the life of the loan	30	30
7.26%–7.63% 1990 Series A and Series B Guaranteed Serial ESOP Notes, unsecured	–	142
Other, net	(3)	(2)
Total	2,834	3,369
Less: Current maturities	151	227
Total long-term debt	$2,683	$3,142

During fiscal 1995, the Company voluntarily repurchased and retired $403 million principal amount of its long-term debt, and the Delta Family-Care Savings Plan (Savings Plan) voluntarily prepaid in whole, with funds provided by Delta, the Savings Plan's 1990 Series A and Series B Guaranteed Serial ESOP Notes, which were guaranteed by Delta. As a result of these transactions, the Company recognized a net pretax loss of $4 million, which is included in miscellaneous income (expense) in the Company's Consolidated Statements of Operations.

The 1992 Bank Credit Agreement provides for unsecured borrowings by the Company of up to $1.25 billion on a revolving basis until December 4, 1996. Up to $700 million of this facility may be used for the issuance of letters of credit. The interest rate under this facility is, at the Company's option, an adjusted certificate of deposit rate, the LIBOR rate, or the prime rate, in each case plus a margin which is subject to adjustment based on certain changes in the credit ratings of the Company's long-term senior unsecured debt. The 1992 Bank Credit Agreement contains certain negative covenants that restrict the Company's ability to grant liens, incur or guarantee debt, and enter into flight equipment leases. It also provides that if there is a change of control (as defined) of the Company, the banks' obligation to extend credit terminates, any amounts outstanding become immediately due and payable, and the Company will immediately deposit cash collateral with the banks in an amount equal to all outstanding letters of credit. At June 30, 1995, there were no borrowings outstanding under the 1992 Bank Credit Agreement, but there was outstanding a letter of credit in the amount of $466 million (which was increased to $470 million at July 28, 1995) to credit enhance the Savings Plan's Series C Guaranteed Serial ESOP Notes (Series C ESOP Notes).

At August 18, 1995, there was outstanding $290 million principal amount of Series C ESOP Notes guaranteed by Delta. The Series C ESOP Notes, which were issued pursuant to certain note purchase agreements, are payable in installments between July 1, 2002 and January 1, 2009. The note purchase agreements require Delta to purchase the Series C ESOP Notes at the option of the holders thereof (Noteholders) if the credit rating of Delta's long-term senior unsecured debt falls below Baa3 by Moody's and BBB- by Standard & Poor's (Purchase Event); provided that Delta has no obligation to purchase the Series C ESOP Notes under the note purchase agreements so long as it obtains, within 127 days of a Purchase Event, certain credit enhancements (Approved Credit Enhancement) that result in the Series C ESOP Notes being rated A3 or higher by Moody's and A- or higher by Standard & Poor's (Required Ratings). If Delta is required to purchase the Series C ESOP Notes because of the occurrence of a Purchase Event, such purchase would be made at a price (Purchase Price) equal to the outstanding principal amount of the Series C ESOP Notes being purchased, together with accrued interest and a Make Whole Premium Amount. The Make Whole Premium Amount for the Series C ESOP Notes is based on, among other factors, the yield to maturity of U.S. Treasury Notes having maturities equal to the remaining average life to maturity of the Series C ESOP Notes as of the date Delta purchases the Series C ESOP Notes.

As a result of Moody's rating action on May 11, 1993, a Purchase Event occurred, and Delta became obligated to purchase on September 15, 1993, any Series C ESOP Notes properly tendered to it. Prior to September 15, 1993, Delta obtained an Approved Credit Enhancement in the form of a letter of credit (Letter of Credit) to credit enhance the Series C ESOP Notes. The Letter of Credit was issued by NationsBank of Georgia, National Association (NationsBank), in favor of Wilmington Trust Company, as trustee (Trustee), under Delta's 1992 Bank Credit Agreement. Due to the issuance of the Letter of Credit, which is scheduled to expire on December 4, 1996, the Series C ESOP Notes received the Required Ratings. Accordingly, Delta no longer has an obligation to purchase the Series C ESOP Notes as a result of the Purchase Event that occurred on May 11, 1993.

At August 18, 1995, the face amount of the Letter of Credit was $470 million. It covers the $290 million outstanding principal amount of the Series C ESOP Notes, up to $148 million of Make Whole Premium Amount and approximately one year of interest on the Series C ESOP Notes.

Delta, the Trustee, and Fidelity Management Trust Company, as ESOP trustee, entered into an Indenture of Trust, dated as of August 1, 1993 (Indenture), that contains certain terms and conditions relating to the Letter of Credit. The Indenture requires the Trustee to draw under the Letter of Credit to make regularly scheduled payments of principal and interest on the Series C ESOP Notes. The Indenture also requires the Trustee to draw under the Letter of Credit to purchase the Series C ESOP Notes in certain circumstances in which Delta would not be required to purchase the Series C ESOP Notes under the note purchase agreements. Subject to certain conditions, the Indenture requires the Trustee to purchase the Series C ESOP Notes at the Purchase Price at the option of the Noteholders in the event that (1) the Required Ratings on the Series C ESOP Notes are not maintained; (2) the Letter of Credit is not extended 20 days before its scheduled expiration date; (3) Delta elects to terminate the Letter of Credit; or (4) the Trustee receives notice there has occurred an Event of Default (as defined) under the 1992 Bank Credit Agreement; unless, generally within 10 days of any such event, the Series C ESOP Notes receive the Required Ratings due to Delta's obtaining a substitute credit enhancement or otherwise.

The Required Ratings on the Series C ESOP Notes are subject to reconsideration at any time, and to annual confirmation, by Moody's and Standard & Poor's. Circumstances that might cause either rating agency to lower or fail to confirm its rating include, without limitation, a downgrading of the deposits of NationsBank below A3 by Moody's or A- by Standard & Poor's, or a determination that the Make Whole Premium Amount covered by the Letter of Credit is insufficient.

Subject to certain conditions, the Indenture does not permit the Trustee to purchase the Series C ESOP Notes at the option of the Noteholders if the Series C ESOP Notes receive the Required Ratings without the benefit of a credit enhancement. The Series C ESOP Notes are not likely to receive the Required Ratings absent a credit enhancement unless Delta's long-term senior unsecured debt is rated at least A3 by Moody's and A- by Standard & Poor's. On August 18, 1995, Delta's long-term senior unsecured debt was rated Ba1 by Moody's and BB by Standard & Poor's.

If the Trustee draws under the Letter of Credit to purchase the Series C ESOP Notes, Delta is required to reimburse NationsBank under the 1992 Bank Credit Agreement by, at Delta's election, (1) immediately repaying the amount drawn; or (2) converting its reimbursement obligation to an outstanding borrowing under that Agreement. The 1992 Bank Credit Agreement is scheduled to expire on December 4, 1996.

On June 24, 1993, the Company issued $800 million principal amount at stated maturity of 3.23% Convertible Subordinated Notes due June 15, 2003 (Notes). The Notes were issued at an original issue discount of 28.2% from, and bear interest at the rate of 3.23% per annum on, the principal amount at stated maturity. This original issue discount and rate of interest represents a yield to maturity, compounded semiannually, of 7.25% per annum. The Notes are convertible at any time prior to stated maturity by the holders thereof, unless previously redeemed, into shares of Common Stock, at a conversion rate of 12.68 shares per $1,000 principal amount at stated maturity of the Notes, subject to adjustment in certain circumstances. The Notes are redeemable at any time on or after June 15, 1996, at the Company's option at a price (Repurchase Price) for each Note equal to the issue price plus accrued original issue discount to the redemption date, together with accrued and unpaid interest to the redemption date. If a Change in Control (as defined) of the Company occurs, the holders of Notes may require the Company to repurchase their Notes at the Repurchase Price, payable in cash or, at the Company's option, in shares of Common Stock.

At June 30, 1995, the annual scheduled maturities of long-term debt during the next five fiscal years were as follows:

Years Ending June 30	Amount
	(In Millions)
1996	$151
1997	40
1998	254
1999	106
2000	165

The Company's debt agreements contain certain restrictive covenants, but do not limit the payment of dividends on the Company's capital stock. The terms of the ESOP Preferred Stock and Series C Preferred Stock limit the Company's ability to pay cash dividends on Common Stock in certain circumstances.

Cash payments of interest, net of interest capitalized, totaled $210 million in fiscal 1995; $231 million in fiscal 1994; and $171 million in fiscal 1993.

8. Lease Obligations:

The Company leases certain aircraft, airport terminal and maintenance facilities, ticket offices, and other property and equipment. Rent expense is generally recorded on a straight-line basis over the lease term. Amounts charged to rental expense for operating leases were $1.1 billion in each of fiscal years 1995, 1994 and 1993.

During the June 1995 quarter, the Company extended the lease terms for 40 B-737-200 aircraft. As a result of the extensions, these aircraft leases were reclassified, for accounting purposes, from operating leases to capital leases. This event resulted in an increase of $385 million, net of deferred rent credits, in flight equipment under capital leases, and an increase of $415 million in capital lease obligations in the Company's Consolidated Balance Sheets at June 30, 1995. This transaction was treated as a noncash transaction in the Company's Consolidated Statements of Cash Flows for the year ended June 30, 1995.

At June 30, 1995, the Company's minimum rental commitments under capital leases and noncancelable operating leases with initial or remaining terms of more than one year were as follows:

Years Ending June 30	Capital Leases	Operating Leases
	(In Millions)	
1996	$101	$ 929
1997	100	919
1998	97	893
1999	96	883
2000	65	865
After 2000	221	12,211
Total minimum lease payments	680	$16,700
Less: Amounts representing interest	181	
Present value of future minimum capital lease payments	499	
Less: Current obligations under capital leases	61	
Long-term capital lease obligations	$438	

9. Purchase Commitments:

Future expenditures for aircraft, engines and engine hushkits on firm order as of June 30, 1995, are estimated to be $2.9 billion, excluding aircraft orders subject to reconfirmation by Delta, as follows:

Years Ending June 30	Amount
	(In Millions)
1996	$ 510
1997	940
1998	720
1999	320
2000	190
After 2000	220
Total	$2,900

In addition, at August 18, 1995, the Company had authorized capital expenditures of approximately $300 million for fiscal 1996 for improvement of airport and office facilities, various ground equipment and other assets.

The Company expects to finance its aircraft, engine and engine hushkit commitments, as well as other authorized capital expenditures, using available cash, short-term investments and internally generated funds, supplemented as necessary by debt financings and proceeds from sale and leaseback transactions.

The Company has entered into code sharing agreements under which it has agreed to purchase seats at established prices from specific foreign airlines, subject to certain conditions. None of these agreements has noncancelable terms in excess of one year.

Subject to certain conditions, Delta has agreed to purchase a minimum of $35 million of products and services from AT&T each calendar year during the first five years of the TransQuest joint venture between Delta and AT&T. (See Note 3.)

10. Employee Benefit Plans:

Substantially all of the Company's permanent employees are covered under various defined benefit pension plans, medical plans, and disability and survivorship plans, and certain employees meeting service requirements are eligible to participate in the Savings Plan discussed in Note 14.

Defined Benefit Pension Plans – The following table sets forth the defined benefit pension plans' funded status and amounts recognized in Delta's Consolidated Balance Sheets as of June 30, 1995 and 1994:

	1995	1994
	(In Millions)	
Actuarial present value of benefit obligations:		
Accumulated benefit obligation[1]	$5,293	$4,518
Projected benefit obligation	$6,532	$5,846
Plan assets at fair value[2]	6,108	5,365
Projected benefit obligation in excess of plan assets	424	481
Unrecognized net loss	(196)	(176)
Unrecognized transition obligation	(67)	(67)
Unrecognized prior service cost	(20)	(8)
Accrued pension cost recognized in the consolidated balance sheets	$ 141	$ 230

[1]Substantially all of the accumulated benefit obligation is vested.

[2]Plan assets were invested at June 30, 1995, approximately as follows: cash equivalents (7%), government and corporate bonds and notes (18%), common stock and other equity-oriented investments (71%) and real estate investments (4%).

The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 8.0% and 4.7%, respectively, at June 30, 1995, and 8.25% and 4.8%, respectively, at June 30, 1994. The expected long-term rate of return on assets was 10% at June 30, 1995 and 1994.

Effective April 1, 1993, the Company increased the expected annual return on plan assets associated with defined benefit pension plans from 9% to 10%. This change reduced pretax operating expenses by $13 million and decreased net loss by $8 million ($0.16 per common share) in fiscal 1993.

The net periodic cost of defined benefit pension plans for fiscal 1995, 1994 and 1993 included the following components:

	1995	1994	1993
		(In Millions)	
Service cost – benefits earned during the year	$ 221	$ 248	$ 240
Interest cost on projected benefit obligation	489	466	431
Actual return on plan assets	(795)	(355)	(647)
Net amortization and deferral	266	(119)	259
Net periodic pension cost	$ 181	$ 240	$ 283

Postretirement Benefits Other Than Pensions – Delta's medical plans provide medical and dental benefits to substantially all retirees and their eligible dependents. Benefits are funded from general assets on a current basis, although amounts sufficient to pay claims incurred, but not yet paid, are held in trust. Plan benefits are subject to co-payments, deductibles and certain other limits described in the plans and are reduced once a retiree is eligible for Medicare. The Company has reserved the right to modify or terminate the medical and dental plans for both current and future retirees.

Effective July 1, 1992, the Company adopted SFAS 106, which requires the accrual of the cost of providing postretirement benefits over the active service period of the employee. The Company adopted SFAS 106 using the immediate recognition transition option, and recorded a one-time pretax charge of $1.3 billion ($818 million after tax) as the cumulative effect of the accounting change.

Net periodic postretirement benefit cost for fiscal 1995, 1994 and 1993 included the following components:

	1995	1994	1993
		(In Millions)	
Service cost – benefits earned during the year	$ 32	$ 35	$ 47
Interest cost on accumulated postretirement benefit obligation	118	101	119
Amortization of prior service cost	(29)	(31)	–
Amortization of accumulated losses	4	6	–
Net periodic postretirement benefit cost	$ 125	$ 111	$ 166

The accumulated postretirement benefit obligation (APBO) at June 30, 1995 and 1994 consisted of the following components:

	1995	1994
	(In Millions)	
Retirees and dependents	$ 879	$ 810
Fully eligible participants	333	352
Other active participants	271	262
Total accumulated postretirement benefit obligation	1,483	1,424
Unamortized prior service cost (from plan changes)	396	405
Unrecognized net loss	(109)	(132)
Accrued postretirement cost	$1,770	$1,697

The weighted average discount rate used to estimate the APBO was 8.0% at June 30, 1995, and 8.25% at June 30, 1994. The assumed health care cost trend rate used in measuring the APBO was 8.5% in fiscal 1995, declining gradually to 4.25% by 2002, and remaining level thereafter. The assumed health care cost trend rate used in measuring the APBO was 9.5% in fiscal 1994, declining gradually to 4.5% by 2002, and remaining level thereafter. Increasing the assumed health care cost trend rate annually by 1% for all future years would increase the APBO as of June 30, 1995, by approximately $156 million, and the net periodic postretirement benefit cost by $16 million for fiscal 1995.

Gains and losses that occur because actual experience differs from that assumed will be amortized over the average future service period of employees. Amounts allocable to prior service for amendments to retiree insurance plans are amortized in a similar manner.

The Company continues to evaluate ways in which it can better manage employee benefits and control costs. Any changes in the plan or revisions to assumptions that affect the amount of expected future benefits may have a significant effect on the amount of the reported obligation and future annual expense.

Included in the restructuring charges described in Note 16 are aggregate charges of $112 million and $198 million, respectively, for defined benefit pension plans and postretirement benefit plans. These charges represent costs primarily associated with special termination benefits and curtailment losses related to workforce reductions.

Postemployment Benefits – The Company provides certain benefits to its former or inactive employees after employment but before retirement. Such benefits primarily include those related to disability and survivorship plans.

Effective July 1, 1994, Delta adopted SFAS 112, which requires recognition of the liability for postemployment benefits during the period of employment. The adoption of SFAS 112 resulted in a cumulative after-tax transition benefit of $114 million in fiscal 1995, primarily due to the net overfunded status of the Company's disability and survivorship plans. The Company's postemployment benefit expense for fiscal 1995 was $85 million. The amount funded in excess of the liability at transition was included in other noncurrent assets in the Company's Consolidated Balance Sheets. Future period expenses will vary based on actual claims experience and the return on plan assets.

11. Contingencies:

The Company is a defendant in certain legal actions relating to alleged employment discrimination practices, antitrust matters, the Company's participation in Pan Am's proposed plan of reorganization, environmental issues and other matters concerning the Company's business. Although the ultimate outcome of these matters cannot be predicted with certainty and could have a material adverse effect on Delta's consolidated financial condition, results of operations or liquidity, management presently believes that the resolution of these actions is not likely to have a material adverse effect on Delta's consolidated financial condition, results of operations or liquidity.

12. Common and Preferred Stock:

At June 30, 1995, 5,824,575 common shares were reserved for issuance under the 1989 Stock Incentive Plan, 5,821,573 common shares were reserved for conversion of the ESOP Preferred Stock, 17,490,306 common shares were reserved for conversion of the Series C Preferred Stock and 10,149,072 common shares were reserved for conversion of the 3.23% Convertible Subordinated Notes due 2003.

Each outstanding share of Common Stock is accompanied by a preferred stock purchase right which entitles the holder to purchase from the Company 1/100th of a share of Series A Junior Participating Preferred Stock for $200, subject to adjustment in certain circumstances. The rights become exercisable only after a person or group acquires beneficial ownership of 20% or more of the Common Stock, or commences a tender or exchange offer that would result in such person or group beneficially owning 30% or more of the Common Stock. The rights expire on November 4, 1996, and may be redeemed by Delta for $0.05 per right until 15 days following the announcement that a person or group beneficially owns 20% or more of the Common Stock. Subject to certain conditions, if a person or group becomes the beneficial owner of 30% or more of the Common Stock, or a person or group beneficially owning 20% or more of the Common Stock receives compensation from Delta other than compensation for full-time employment as a regular employee, each right will entitle its holder (other than certain acquiring persons) to receive, upon exercise, Common Stock having a value equal to two times the right's exercise price. In addition, subject to certain conditions, if Delta is involved in a merger or certain other business combination transactions, each right will entitle its holder (other than certain acquiring persons) to receive, upon exercise, common stock of the acquiring company having a value equal to two times the right's exercise price.

Each share of ESOP Preferred Stock has a stated value of $72; bears an annual cumulative cash dividend of 6%, or $4.32; is convertible into 0.8578 shares of Common Stock (a conversion price of $83.94), subject to adjustment in certain circumstances; has a liquidation preference of $72, plus any accrued and unpaid dividends; generally votes together as a single class with the Common Stock on matters upon which the Common Stock is entitled to vote; and has one vote, subject to adjustment in certain circumstances. The ESOP Preferred Stock is redeemable at Delta's option at specified redemption prices payable, at Delta's election, in cash or Common Stock. If full cumulative dividends on the ESOP Preferred Stock have not been paid when due, Delta may not pay cash dividends on the Common Stock.

On July 1, 1992, the Company issued 23 million Depositary Shares, each representing 1/1,000th of a share of Series C Preferred Stock. Each share of Series C Preferred Stock bears annual cumulative cash dividends of $3,500 (equivalent to $3.50 per annum per Depositary Share); has a liquidation preference of $50,000 (equivalent to $50 per Depositary Share) plus accrued and unpaid dividends; and is convertible at any time at the option of the holder into shares of Common Stock at a conversion price of $65.75 per share of Common Stock (equivalent to a conversion rate of 0.7605 shares of Common Stock per Depositary Share), subject to adjustment in certain circumstances. Except under certain circumstances, the holders of the Series C Preferred Stock have no voting rights.

The Series C Preferred Stock is redeemable by Delta at its option on and after July 1, 1995, for such number of shares of Common Stock as equals the liquidation preference of the Series C Preferred Stock being redeemed divided by the conversion price (equivalent to a conversion rate of 0.7605 shares of Common Stock for each Depositary Share), subject to adjustment in certain circumstances. Delta may exercise its redemption option only if for 20 trading days within any period of 30 consecutive trading days, including the last trading day of such period, the closing price of the Common Stock on the New York Stock Exchange exceeds $82.125, subject to adjustment in certain circumstances.

The Series C Preferred Stock ranks senior to the Common Stock and on a parity with the ESOP Preferred Stock with respect to payment of dividends and amounts upon liquidation, dissolution or winding up. The terms of the Series C Preferred Stock prohibit Delta from paying cash dividends on the Common Stock unless (1) all accrued and unpaid dividends on the Series C Preferred Stock and the ESOP Preferred Stock have been paid or set apart for payment; and (2) sufficient funds have been paid or set apart for payment for the current dividend period with respect to the Series C Preferred Stock and the ESOP Preferred Stock.

13. Stock Options and Awards:

Under the Company's stock option plans, selected employees have received awards of stock options and, prior to fiscal 1993, tandem stock appreciation rights.

The option price for all stock options, and the base upon which stock appreciation rights are measured, is the fair market value of Common Stock on the date of grant. Awards exercised as stock appreciation rights are payable in a combination of cash and Common Stock.

Transactions involving stock options and tandem stock appreciation rights during fiscal 1993, 1994 and 1995 were as follows:

	Awards	Award Price Range
Balance June 30, 1992	2,503,350	$43.25–$73.125
Fiscal 1993:		
Exercised	(55,400)	$43.25–$54.00
Balance June 30, 1993	2,447,950	$54.00–$73.125
Fiscal 1994:		
Granted	650,200	$54.375
Exercised	(47,400)	$54.00
Expired	(9,000)	$54.00
Forfeited	(27,000)	$68.375–$73.125
Balance June 30, 1994	3,014,750	$54.00–$73.125
Fiscal 1995:		
Granted	718,750	$52.00
Exercised	(78,900)	$54.00–$68.375
Expired	(257,750)	$67.375
Forfeited	(10,700)	$52.00–$73.125
Balance June 30, 1995	3,386,150	$52.00–$73.125

Subject to certain exceptions, stock options and tandem stock appreciation rights, if any, are generally exercisable between one and ten years after the date of award. Awards outstanding as of June 30, 1995, and the option prices of those awards were as follows:

Date of Award	Awards Outstanding	Award Price
January 26, 1989	83,000	$54.00
January 25, 1990	404,800	$67.375
January 24, 1991	737,000	$68.375
January 23, 1992	843,000	$73.125
January 27, 1994	600,600	$54.375
January 26, 1995	717,750	$52.00
	3,386,150	$52.00-$73.125

Substantially all awards of stock options with tandem stock appreciation rights have been exercised as stock appreciation rights. In fiscal 1995, the Company issued 1,643 shares of Common Stock, at an average price of $65.75 per share, in connection with the exercise of stock appreciation rights.

14. Employee Stock Ownership Plan:

The Company sponsors the Savings Plan, a qualified defined contribution pension plan under which eligible Delta personnel may contribute a portion of their earnings. The Savings Plan includes an employee stock ownership plan (ESOP) feature. Subject to certain conditions, the Company contributes to the ESOP 50% of a participant's contributions to the Savings Plan, up to a maximum employer contribution of 2% of a participant's earnings.

In connection with the adoption of the ESOP, the Company sold 6,944,450 shares of ESOP Preferred Stock to the Savings Plan for approximately $500 million. The Company has recorded unearned compensation to reflect the value of ESOP Preferred Stock sold to the ESOP but not yet allocated to participants' accounts. As shares of the ESOP Preferred Stock are allocated to participants, compensation expense is recorded and unearned compensation is reduced. Interest expense on the Guaranteed Serial ESOP Notes is also recorded as an additional component of ESOP expense.

Effective July 1, 1994, Delta adopted SOP 93-6. Under SOP 93-6, the compensation and interest components of ESOP costs are reduced by the amount of dividends accrued on the allocated ESOP Preferred Stock, and only the allocated ESOP Preferred Stock is considered outstanding in computing primary and fully diluted earnings per common share. Prior to adoption of SOP 93-6, the compensation and interest components of ESOP costs were reduced by the amount of dividends accrued on all ESOP Preferred Stock, and all ESOP Preferred Stock was considered outstanding for primary and fully diluted earnings per common share calculations.

The adoption of SOP 93-6 increased reported net income attributable to common stockholders shown in the Company's

Consolidated Statements of Operations by $8 million for fiscal 1995 and increased primary and fully diluted earnings per common share for that period by $0.16 and $0.28, respectively. The provisions of SOP 93-6 require that it be adopted prospectively.

Delta recorded compensation and interest expense, made cash contributions to the ESOP, and incurred actual interest on the Guaranteed Serial ESOP Notes in fiscal 1995, 1994 and 1993, as follows:

	1995	1994	1993
		(In Millions)	
Compensation expense	$38	$29	$27
Interest expense	25	20	20
Cash contributions, including dividends on the ESOP Preferred Stock	47	50	43
Interest on Guaranteed Serial ESOP Notes	28	34	35

15. Income Taxes:

Effective July 1, 1992, Delta adopted SFAS 109, which changed the Company's method of accounting for income taxes from the deferred method to the liability method. The cumulative effect of adopting SFAS 109 decreased the net loss for fiscal 1993 by $231 million.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of June 30, 1995 and 1994, are a result of temporary differences related to the items described as follows:

	1995 Deferred Tax		1994 Deferred Tax	
	Assets	Liabilities	Assets	Liabilities
		(In Millions)		
Postretirement benefits	$ 655	$ –	$ 610	$ –
Gains on sale and lease-back transactions (net)	344	–	357	–
Alternative minimum tax credit carryforwards	284	–	185	–
Rent expense	174	–	153	–
Other employee benefits	161	–	164	–
Net operating loss carryforwards	122	–	237	–
Spare parts repair expense	97	–	85	–
Accrued compensation expense	42	–	22	–
Frequent flyer expense	37	–	35	–
Depreciation and amortization	–	1,084	–	950
Postemployment benefits	–	89	–	–
Marketable equity securities	–	49	–	31
Other	167	121	170	141
	$2,083	$1,343	$2,018	$1,122

The alternative minimum tax credit carryforwards do not expire; the net operating loss carryforwards will generally expire in 2008 and 2009 if not utilized prior to that time.

Management believes, based on the Company's earnings history, the actions that the Company has already taken and will continue to take to improve its financial performance, expectations of future taxable income, and other relevant considerations, that it is more likely than not that future taxable income will be sufficient to fully utilize the deferred tax assets which existed at June 30, 1995.

Income taxes (provided) credited in fiscal 1995, 1994 and 1993 consisted of:

	1995	1994	1993
		(In Millions)	
Current taxes	$(104)	$ 8	$ 25
Deferred taxes	(99)	227	207
Increase in corporate statutory rate	–	13	–
Tax benefit of dividends on allocated ESOP Preferred Stock	3	2	2
	(200)	250	234
Amortization of investment tax credits	–	1	2
Income taxes (provided) credited	$(200)	$ 251	$ 236

Components of the deferred tax (provision) credits are as follows:

	1995	1994	1993
		(In Millions)	
Postretirement benefits	$ 45	$ 82	$ 48
Gains on sale and leaseback transactions	(13)	(14)	4
Alternative minimum tax credit carryforwards	99	(8)	114
Rent expense	21	11	22
Net operating loss carryforwards	(115)	163	74
Spare parts repair expense	12	11	12
Accrued compensation expense	20	22	(1)
Depreciation and amortization	(134)	(93)	(117)
Tax accruals	14	2	3
Pension expense	5	12	22
Software development costs	(5)	(17)	(12)
Inventory	5	48	(26)
Other, net	(53)	8	64
	$ (99)	$ 227	$ 207

The income tax (provision) credits generated for fiscal 1995, 1994 and 1993 differ from amounts which would result from applying the federal statutory tax rate to pretax income (loss), as follows:

	1995	1994	1993
		(In Millions)	
Income (loss) before income taxes	$ 494	$(660)	$(651)
Items not deductible for tax purposes:			
Meals and entertainment	41	16	16
Depreciation and amortization	9	9	11
Other, net	3	–	(8)
Adjusted pretax income (loss)	547	(635)	(632)
Federal statutory tax rate	x35%	x35%	x34%
Income tax (provision) credit at statutory rate	(191)	222	215
State and other income taxes, net of federal income tax (provision) credit	(9)	15	19
Benefit due to increase in corporate statutory tax rate	–	13	–
Amortization of investment tax credits	–	1	2
Income taxes (provided) credited	$(200)	$ 251	$ 236

The Company made income tax payments, net of income tax refunds, of $25 million in fiscal 1995 and received income tax refunds, net of cash income tax payments, of $13 million in fiscal 1994 and $166 million in fiscal 1993.

16. Restructuring Charges:

During fiscal 1993 and 1994, the Company recorded pretax restructuring charges of $82 million ($1.05 primary and fully diluted per common share) and $526 million ($6.59 primary and fully diluted per common share), respectively. These charges are summarized in the table below:

	Charges (Credits)		
	1993	1994	Total
		(In Millions)	
Fleet simplification	$ 82	$ (24)	$ 58
Early retirement program	–	112	112
Leadership 7.5	–	438	438
Total	$ 82	$526	$608

The fiscal 1993 fleet simplification program included an $82 million restructuring charge related to the planned retirement of 21 Airbus A310 aircraft acquired in 1991 in connection with the Company's purchase of certain assets from Pan Am Corporation and certain of its subsidiaries. The Company returned 17 of these aircraft to lessors during fiscal 1994, recognizing cash and noncash costs totaling $28 million and $30 million, respectively, and reversed $24 million of the restructuring charge due to lower than expected maintenance costs associated with the return of the 17 aircraft.

During fiscal 1994, the Company recorded restructuring charges totaling $526 million, which included a $112 million charge primarily for special termination benefits relating to an early retirement program under which approximately 1,500 employees elected to retire effective November 1, 1993, and a $438 million charge for the Company's Leadership 7.5 program announced during the June 1994 quarter, partially offset by a $24 million reversal related to the fleet simplification charge discussed above.

The $438 million charge for the Leadership 7.5 program includes $280 million for workforce reductions of approximately 8,700 employees that were expected to occur during fiscal 1995, including pension plan curtailment losses of $33 million, special termination benefits of $165 million (for approximately 2,500 employees), and severance payments and related costs of $82 million. During fiscal 1995, the Company reduced its staffing by approximately 9,200 personnel, which included the transfer of approximately 1,200 employees to TransQuest and WORLDSPAN. Cash payments in fiscal 1995 for workforce reductions totaled approximately $30 million, primarily for severance payments, with the remaining $52 million expected to occur during fiscal 1996. Payments associated with the curtailment loss and special termination benefits will be expended as required for funding appropriate pension and other postretirement plans in future years.

Also included in the $438 million restructuring charge is $158 million representing cash and noncash costs associated with reductions in inventory levels, the suspension of service in certain transatlantic markets, and lease termination costs for facilities to be abandoned as a result of the restructuring. The Company incurred cash costs of approximately $19 million for these initiatives during fiscal 1995, and expects to incur approximately $38 million in cash costs during fiscal 1996.

Actual costs incurred for certain amounts accrued, realization on the sales of excess inventories, and costs associated with lease terminations and abandoned facilities may vary from current estimates. The appropriate accrued liability will be adjusted upon completion of these activities.

17. Foreign Operations:

Delta conducts operations in various foreign countries, principally in North America, Europe, the Middle East and Asia. Operating revenues from foreign operations were approximately $2.6 billion in fiscal 1995, $2.5 billion in fiscal 1994 and $2.3 billion in fiscal 1993.

18. Quarterly Financial Data (Unaudited):

The following is a summary of the unaudited quarterly results of operations for fiscal 1995 and 1994 (in millions, except per share data):

	Three Months Ended			
	Sept. 30	Dec. 31	Mar. 31	June 30
Fiscal 1995				
Operating revenues	$ 3,157	$ 2,919	$ 2,902	$ 3,216
Operating income	$ 154	$ 18	$ 40	$ 449
Income (loss) before cumulative effect of accounting changes	$ 72	$ (18)	$ (11)	$ 251
Cumulative effect of accounting changes, net of tax	114	–	–	–
Net income (loss)	$ 186	$ (18)	$ (11)	$ 251
Primary income (loss) per common share:				
Before cumulative effect of accounting changes	$ 1.00	$ (0.79)	$ (0.66)	$ 4.49
Cumulative effect of accounting changes	2.25	–	–	–
	$ 3.25	$ (0.79)	$ (0.66)	$ 4.49
Fully diluted income (loss) per common share:				
Before cumulative effect of accounting changes	$ 0.99	$ (0.79)	$ (0.66)	$ 3.21
Cumulative effect of accounting changes	1.43	–	–	–
	$ 2.42	$ (0.79)	$ (0.66)	$ 3.21
Fiscal 1994				
Operating revenues	$ 3,138	$ 2,952	$ 2,878	$ 3,109
Operating income (loss)	$ 121	$ (180)	$ (67)	$ (321)
Net income (loss)	$ 60	$ (141)	$ (78)	$ (250)
Primary and fully diluted income (loss) per common share	$ 0.65	$ (3.36)	$ (2.10)	$ (5.50)

Operating expenses for the June 1994 quarter include a $414 million restructuring charge for costs associated with Leadership 7.5 initiatives. Operating expenses for the December 1993 quarter include a $112 million restructuring charge for costs associated with the early retirement of approximately 1,500 employees who elected to retire effective November 1, 1993. (See Note 16.)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

ARTHUR ANDERSEN LLP

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

We have audited the accompanying consolidated balance sheets of Delta Air Lines, Inc. (a Delaware corporation) and subsidiaries as of June 30, 1995 and 1994, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended June 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delta Air Lines, Inc. and subsidiaries as of June 30, 1995 and 1994 and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1995, in conformity with generally accepted accounting principles.

As discussed in Notes 14 and 10 in the Notes to Consolidated Financial Statements, effective July 1, 1994, the Company changed its methods of accounting for employee stock ownership plans and postemployment benefits. As discussed in Note 2 in the Notes to Consolidated Financial Statements, effective June 30, 1994, the Company changed its method of accounting for certain debt and equity securities. As discussed in Notes 15 and 10 in the Notes to Consolidated Financial Statements, effective July 1, 1992, the Company changed its methods of accounting for income taxes and postretirement benefits other than pensions.

Arthur Andersen LLP

Atlanta, Georgia
August 18, 1995

REPORT OF MANAGEMENT

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

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

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

Tom Roeck Ronald W. Allen

THOMAS J. ROECK, JR.	RONALD W. ALLEN
Senior Vice President – Finance and Chief Financial Officer	*Chairman of the Board, President and Chief Executive Officer*

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

RONALD W. ALLEN	*Chairman of the Board, President and Chief Executive Officer, Delta Air Lines, Inc.*
EDWIN L. ARTZT	*Chairman of the Executive Committee of the Board of Directors, The Procter & Gamble Company; Retired Chairman of the Board and Chief Executive Officer, The Procter & Gamble Company, Cincinnati, Ohio*
HENRY A. BIEDENHARN, III	*Chairman of the Board, President and Chief Executive Officer, Ouachita Coca-Cola Bottling Company, Inc., Monroe, Louisiana*
JAMES L. BROADHEAD	*Chairman of the Board and Chief Executive Officer, FPL Group, Inc.; Chairman of the Board and Chief Executive Officer, Florida Power & Light Company, Juno Beach, Florida*
EDWARD H. BUDD	*Chairman of the Executive Committee of the Board of Directors, The Travelers Inc., New York, New York; Retired Chairman of the Board and Chief Executive Officer, The Travelers Corporation, Hartford, Connecticut*
GEORGE D. BUSBEE	*Of counsel to law firm of King & Spalding, Atlanta, Georgia; former Governor of Georgia*
R. EUGENE CARTLEDGE	*Retired Chairman of the Board and Chief Executive Officer, Union Camp Corporation, Wayne, New Jersey*
MARY JOHNSTON EVANS	*Director of various corporations*
GERALD GRINSTEIN	*Chairman and Chief Executive Officer, Burlington Northern Inc.; Chairman and Chief Executive Officer, Burlington Northern Railroad Company, Fort Worth, Texas*
JESSE HILL, JR.	*Retired Chairman of the Board, Atlanta Life Insurance Company, Atlanta, Georgia*
ANDREW J. YOUNG	*Vice Chairman, Law Companies Group, Inc., Atlanta, Georgia; former Mayor of Atlanta, Georgia; Co-Chairman of the Atlanta Committee for the Olympic Games*

AUDIT COMMITTEE
JESSE HILL, JR., *Chairman*
HENRY A. BIEDENHARN, III
JAMES L. BROADHEAD
GEORGE D. BUSBEE
MARY JOHNSTON EVANS

BENEFIT FUNDS INVESTMENT COMMITTEE
EDWARD H. BUDD, *Chairman*
EDWIN L. ARTZT
HENRY A. BIEDENHARN, III
JESSE HILL, JR.
ANDREW J. YOUNG

EXECUTIVE COMMITTEE
RONALD W. ALLEN, *Chairman*
EDWARD H. BUDD
R. EUGENE CARTLEDGE
GERALD GRINSTEIN
JESSE HILL, JR.

FINANCE COMMITTEE
R. EUGENE CARTLEDGE, *Chairman*
EDWIN L. ARTZT
EDWARD H. BUDD
GEORGE D. BUSBEE
GERALD GRINSTEIN

PERSONNEL, COMPENSATION & NOMINATING COMMITTEE
GERALD GRINSTEIN, *Chairman*
JAMES L. BROADHEAD
R. EUGENE CARTLEDGE
MARY JOHNSTON EVANS

OFFICERS

RONALD W. ALLEN	*Chairman of the Board, President and Chief Executive Officer*
HARRY C. ALGER	*Executive Vice President - Operations*
W. MARTIN BRAHAM	*Senior Vice President - Airport Customer Service*
ROBERT W. COGGIN	*Senior Vice President - Marketing*
ROBERT S. HARKEY	*Senior Vice President - General Counsel and Secretary*
RUSSELL H. HEIL	*Senior Vice President - Technical Operations*
REX A. MCCLELLAND	*Senior Vice President - Corporate Services*
THOMAS J. ROECK, JR.	*Senior Vice President - Finance and Chief Financial Officer*
MAURICE W. WORTH	*Senior Vice President - Personnel*
ROBERT G. ADAMS	*Vice President - Personnel Services*
N. BRUCE ASHBY	*Vice President - Marketing Development*
HAROLD L. BEVIS	*Vice President - Public Affairs*
VINCENT F. CAMINITI	*Vice President - Sales*
W. E. DOLL	*Vice President - Cargo*
TERRY M. ERSKINE	*Vice President - Personnel Relations*
VICKI B. ESCARRA	*Vice President - Reservations Sales*
H. D. GREENBERG	*Vice President - Flight Operations*
JULIUS P. GWIN	*Vice President - Corporate Planning*
JOHN K. LAUBER	*Vice President - Corporate Safety and Compliance*
PAUL G. MATSEN	*Vice President - Advertising and Consumer Marketing*
HAROLD G. MCDONALD	*Vice President - Aircraft and Hangar Maintenance*
MICHAEL G. MEDLICOTT	*Vice President - Europe*
LEON A. PIPER	*Vice President - Personnel Benefits*
JENNY R. POOLE	*Vice President - In-Flight Service*
THOMAS J. SLOCUM	*Vice President - Corporate Communications*
RAY VALEIKA	*Vice President - Technical Operations*
D. SCOTT YOHE	*Vice President - Government Affairs*
JAMES G. MATHEWS	*Controller*
JAMES H. SANREGRET	*Treasurer*
DEAN C. ARVIDSON	*Assistant Secretary*
SUSAN T. HUDSON	*Assistant Secretary*
LESLIE P. KLEMPERER	*Assistant Secretary*
KIMBERLY A. SHRECKENGOST	*Assistant Secretary*

CONSOLIDATED SUMMARY OF OPERATIONS

(In millions, except per share data)

For the years ended June 30	1995[1]	1994[2]	1993[3]	1992
Operating revenues	$ 12,194	$ 12,077	$ 11,657	$ 10,837
Operating expenses	11,533	12,524	12,232	11,512
Operating income (loss)	661	(447)	(575)	(675)
Interest expense, net	(262)	(271)	(177)	(151)
Gain (loss) on disposition of flight equipment	–	2	65	35
Miscellaneous income, net[4]	95	56	36	5
Income (loss) before income taxes	494	(660)	(651)	(786)
Income taxes (provided) credited	(200)	250	233	271
Amortization of investment tax credits	–	1	3	9
Net income (loss)	294	(409)	(415)	(506)
Preferred stock dividends	(88)	(110)	(110)	(19)
Net income (loss) attributable to common stockholders	$ 206	$ (519)	$ (525)	$ (525)
Net income (loss) per common share:				
Primary	$ 4.07	$ (10.32)	$ (10.54)	$ (10.60)
Fully diluted	$ 4.01	$ (10.32)	$ (10.54)	$ (10.60)
Dividends declared on common stock	$ 10	$ 10	$ 35	$ 59
Dividends declared per common share	$ 0.20	$ 0.20	$ 0.70	$ 1.20

OTHER FINANCIAL AND STATISTICAL DATA

(Dollar amounts in millions)

For the years ended June 30	1995	1994[2]	1993[3]	1992
Total assets	$ 12,143	$ 11,896	$ 11,871	$ 10,162
Long-term debt and capital leases (excluding current maturities)	$ 3,121	$ 3,228	$ 3,716	$ 2,833
Stockholders' equity	$ 1,827	$ 1,467	$ 1,913	$ 1,894
Shares of common stock outstanding at year end	50,816,010	50,453,272	50,063,841	49,699,098
Revenue passengers enplaned (thousands)	88,893	87,399	85,085	77,038
Available seat miles (millions)	130,525	131,780	132,282	123,102
Revenue passenger miles (millions)	86,355	85,206	82,406	72,693
Operating revenue per available seat mile	9.34¢	9.16¢	8.81¢	8.80¢
Passenger mile yield	13.09¢	13.21¢	13.23¢	13.91¢
Operating cost per available seat mile	8.84¢	9.50¢	9.25¢	9.35¢
Passenger load factor	66.16%	64.66%	62.30%	59.05%
Breakeven passenger load factor	62.29%	67.23%	65.58%	62.99%
Available ton miles (millions)	18,150	18,302	18,182	16,625
Revenue ton miles (millions)	10,142	9,911	9,503	8,361
Cost per available ton mile	63.55¢	68.43¢	67.27¢	69.24¢

[1]Summary of operations excludes $114 million after-tax cumulative effect of change in accounting standards ($2.25 primary and $1.42 fully diluted earnings per common share).

[2]Summary of operations and other financial and statistical data include $526 million in pretax restructuring charges ($6.59 after-tax per common share).

[3]Summary of operations and other financial and statistical data include $82 million pretax restructuring charge ($1.05 after-tax per common share). Summary of operations excludes $587 million after-tax cumulative effect of changes in accounting standards ($11.78 after-tax per common share).

[4]Includes interest income.

1991	1990	1989	1988	1987	1986	1985
$ 9,171	$ 8,583	$ 8,089	$ 6,915	$ 5,318	$ 4,460	$ 4,684
9,621	8,163	7,411	6,418	4,913	4,426	4,318
(450)	420	678	497	405	34	366
(97)	(27)	(39)	(65)	(62)	(55)	(62)
17	18	17	(1)	96	16	94
30	57	55	25	8	8	7
(500)	468	711	456	447	3	405
163	(187)	(279)	(181)	(219)	2	(187)
13	22	29	32	36	42	41
(324)	303	461	307	264	47	259
(19)	(18)	–	–	–	–	–
$ (343)	$ 285	$ 461	$ 307	$ 264	$ 47	$ 259
$ (7.73)	$ 5.79	$ 9.37	$ 6.30	$ 5.90	$ 1.18	$ 6.50
$ (7.73)	$ 5.28	$ 9.37	$ 6.30	$ 5.90	$ 1.18	$ 6.50
$ 54	$ 85	$ 59	$ 59	$ 44	$ 40	$ 28
$ 1.20	$ 1.70	$ 1.20	$ 1.20	$ 1.00	$ 1.00	$ 0.70

1991	1990	1989	1988	1987	1986	1985
$ 8,411	$ 7,227	$ 6,484	$ 5,748	$ 5,342	$ 3,785	$ 3,627
$ 2,059	$ 1,315	$ 703	$ 729	$ 1,018	$ 869	$ 535
$ 2,457	$ 2,596	$ 2,620	$ 2,209	$ 1,938	$ 1,302	$ 1,287
49,401,779	46,086,110	49,265,884	49,101,271	48,639,469	40,116,383	39,958,467
69,127	67,240	64,242	58,565	48,173	39,582	39,341
104,328	96,463	90,742	85,834	69,014	53,336	51,637
62,086	58,987	55,904	49,009	38,415	30,123	29,062
8.79¢	8.90¢	8.91¢	8.06¢	7.71¢	8.36¢	9.07¢
13.80¢	13.63¢	13.56¢	13.15¢	12.81¢	13.72¢	15.06¢
9.22¢	8.46¢	8.17¢	7.48¢	7.12¢	8.30¢	8.36¢
59.51%	61.15%	61.61%	57.10%	55.66%	56.48%	56.28%
62.64%	57.96%	56.09%	52.69%	51.09%	56.01%	51.57%
13,825	12,500	11,725	11,250	9,000	6,934	6,668
7,104	6,694	6,338	5,557	4,327	3,372	3,275
69.59¢	65.30¢	63.21¢	57.05¢	54.60¢	63.82¢	64.76¢

STOCKHOLDER INFORMATION

TRANSFER AGENT, REGISTRAR AND DIVIDEND PAYING AGENT FOR SERIES C CONVERTIBLE PREFERRED STOCK AND COMMON STOCK

Registered stockholder inquiries regarding stock transfers, address changes, lost stock certificates, dividend payments, or account consolidations should be directed to the following address or phone number:

First Chicago Trust Company of New York
P. O. Box 2500
Jersey City, New Jersey 07303-2500
Telephone (201) 324-0498

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

Registered holders of Common Stock may purchase additional shares of such stock through automatic dividend reinvestment or cash contributions under the Company's Dividend Reinvestment and Stock Purchase Plan. Inquiries, notices, requests and other communications regarding participation in the plan should be directed to:

First Chicago Trust Company of New York
P.O. Box 2598
Jersey City, New Jersey 07303-2598
Telephone (201) 324-0498

INDEPENDENT PUBLIC ACCOUNTANTS

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

ANNUAL MEETING

The Annual Meeting of Stockholders will be held on Thursday, October 26, 1995, at 9:00 a.m., local time, in the Thomas B. Murphy Ballroom of the Georgia World Congress Center, 285 International Boulevard, N.W., Atlanta, Georgia.

AVAILABILITY OF FORM 10-K AND OTHER FINANCIAL INFORMATION

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1995, will be provided without charge upon written request. Requests for other financial documents may also be directed to:

Delta Air Lines, Inc.
Investor Relations, Department 829
P.O. Box 20706
Atlanta, Georgia 30320-6001
Telephone (404) 715-2391

Telephone inquiries related to financial information, other than requests for financial documents, may be directed to Delta Investor Relations at (404) 715-6679.

COMMON STOCK AND DEPOSITARY SHARES REPRESENTING SERIES C CONVERTIBLE PREFERRED STOCK

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

NUMBER OF STOCKHOLDERS

As of August 11, 1995, there were 24,628 registered holders of Common Stock.

MARKET PRICES AND DIVIDENDS

Fiscal Year 1995	*Market Price Range of Common Stock on New York Stock Exchange*		*Cash Dividends Per Common Share*
Quarter Ended:	*High*	*Low*	
September 30	\$50¼	\$43½	\$0.05
December 31	53	42¾	0.05
March 31	64	50¼	0.05
June 30	75⅜	58¼	0.05
Fiscal Year 1994			
Quarter Ended:	*High*	*Low*	
September 30	\$56	\$45⅞	\$0.05
December 31	61⅛	52	0.05
March 31	57⅞	43⅞	0.05
June 30	47¾	39½	0.05