DELTA AIR LINES INC /DE/
Form 10-K
February 13, 2013

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

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

For the fiscal year ended December 31, 2012
Or

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

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

| | |
|---|---|
| Delaware | 58-0218548 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| Post Office Box 20706<br>Atlanta, Georgia | 30320-6001 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (404) 715-2600
Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, par value $0.0001 per share | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes R No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No R
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes R No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. R
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

| Large accelerated filer | R | Accelerated filer | o | Non-accelerated filer | o | Smaller reporting company | o |
|---|---|---|---|---|---|---|---|

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No R

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2012 was approximately $9.3 billion.

On January 31, 2013, there were outstanding 851,590,992 shares of the registrant's common stock.

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

Documents Incorporated By Reference

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission.

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

FORWARD-LOOKING STATEMENTS

Statements in this Form 10-K (or otherwise made by us or on our behalf) that are not historical facts, including statements about our estimates, expectations, beliefs, intentions, projections or strategies for the future, may be “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. Known material risk factors applicable to Delta are described in “Risk Factors Relating to Delta” and “Risk Factors Relating to the Airline Industry” in “Item 1A. Risk Factors” of this Form 10-K, other than risks that could apply to any issuer or offering. All forward-looking statements speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

Part I

ITEM 1. BUSINESS

General

We provide scheduled air transportation for passengers and cargo throughout the United States and around the world. Our global route network gives us a presence in every major domestic and international market. Our route network is centered around a system of hub and international gateway airports that we operate in Amsterdam, Atlanta, Cincinnati, Detroit, Memphis, Minneapolis-St. Paul, New York - LaGuardia, New York-JFK, Paris-Charles de Gaulle, Salt Lake City, Seattle and Tokyo-Narita. Each of these hub operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub or gateway to domestic and international cities and to other hubs or gateways. Our network is supported by a fleet of aircraft that is varied in terms of size and capabilities, giving us flexibility to adjust aircraft to the network.

Other key characteristics of our route network include:

- our alliances with foreign airlines, including our membership in SkyTeam, a global airline alliance;
- our international joint ventures, particularly our transatlantic joint venture with Air France-KLM and Alitalia;
- our domestic marketing alliance with Alaska Airlines, which expands our west coast service; and
- agreements with multiple domestic regional carriers, which operate as Delta Connection.

We are incorporated under the laws of the State of Delaware. Our principal executive offices are located at Hartsfield-Jackson Atlanta International Airport in Atlanta, Georgia. Our telephone number is (404) 715-2600 and our Internet address is www.delta.com. Information contained on our website is not part of, and is not incorporated by reference in, this Form 10-K.

International Alliances

We have bilateral and multilateral marketing alliances with foreign airlines, which are an increasingly important part of our business as they improve our access to international markets and enable Delta to market expanded and globally integrated air transportation services. These arrangements include reciprocal codesharing and frequent flyer program participation and airport lounge access arrangements, and may also include joint sales and marketing coordination, co-location of airport facilities and other commercial cooperation arrangements. These alliances also often present opportunities in other areas, such as airport ground handling arrangements and aircraft maintenance insourcing.

We have international codeshare arrangements with the following international carriers: Aeroméxico, Air Europa, Air France, Alitalia, Aeroflot, China Airlines, China Eastern, China Southern, CSA Czech Airlines, KLM Royal Dutch Airlines, Korean Air, Olympic Air, VRG Linhas Aéreas (operating as GOL), Vietnam Airlines, Virgin Australia and WestJet (and affiliated carriers operating in conjunction with some of these airlines).

SkyTeam. In addition to our marketing alliance agreements with individual foreign airlines, we are a member of the SkyTeam global airline alliance. The other members of SkyTeam are Aeroflot, Aerolineas Argentinas, Aeroméxico, Air Europa, Air France, Alitalia, China Airlines, China Eastern, China Southern, CSA Czech Airlines, Kenya Airways, KLM, Korean Air, Middle East Airlines, Saudi Arabian Airlines, Tarom, Vietnam Airlines and Xiamen Airlines. Garuda Indonesia also has announced its formal intent to join SkyTeam. Through alliance arrangements with

other SkyTeam carriers, Delta is able to link its network with the route networks of the other member airlines, providing opportunities for increased connecting traffic while offering enhanced customer service through reciprocal codesharing and frequent flyer arrangements and airport lounge access programs and coordinated cargo operations.

Transatlantic joint venture with Air France-KLM and Alitalia. In addition to being members in SkyTeam, we operate a transatlantic joint venture with Air France and KLM, both of which are subsidiaries of the same holding company, and Alitalia, which covers routes between North America and Europe. The joint venture agreement provides for the sharing of revenues and costs, as well as joint marketing and sales, coordinated pricing and revenue management, network planning and scheduling and other coordinated activities with respect to the parties' operations on joint venture routes.

Proposed transatlantic joint venture with Virgin Atlantic. In December 2012, in connection with entering into an agreement for the purchase by Delta from Singapore Airlines of a 49% equity stake in Virgin Atlantic Limited ("VAL"), we and Virgin Atlantic Airways entered into a joint venture agreement with respect to operations on non-stop routes between the United Kingdom and North America. The joint venture agreement provides for the sharing of revenues and costs, as well as joint marketing and sales activities, coordinated pricing and revenue management, network planning and scheduling and other coordinated activities with respect to the parties' operations on joint venture routes. We and Virgin Atlantic will file an application with the U.S. Department of Transportation for U.S. antitrust immunity with respect to the joint venture. The share purchase transaction will be reviewed by the U.S. Department of Justice and regulatory authorities in Europe and other relevant jurisdictions. The closing of the share purchase transaction is subject to certain conditions, including receipt of required governmental approvals. At the closing of the share purchase transaction, Delta will enter into a shareholders agreement with VAL and affiliates of Virgin Group (the controlling shareholder of VAL) containing provisions relating to the governance and management of VAL and the rights and obligations of the shareholders.

Transpacific joint venture with Virgin Australia Airlines. In November 2012, following the grant of U.S. antitrust immunity by the U.S. Department of Transportation and the receipt of required regulatory approvals from the Australian and New Zealand authorities, we and Virgin Australia implemented our joint venture covering operations on certain transpacific routes between North America and the South Pacific. The joint venture agreement provides for the sharing of incremental revenues on the joint venture routes, as well as joint marketing and sales activities, joint pricing and revenue management, network planning and scheduling with respect to the parties' operations on joint venture routes.

Enhanced commercial agreements with Latin American Carriers. In 2011, we entered into separate agreements with Grupo Aeroméxico, S.A.B. de C.V., the parent company of Aeroméxico, and GOL Linhas Aéreas Inteligentes, S.A, the parent company of GOL, for a strategic equity investment in each company and an exclusive commercial relationship with each company's affiliated air carrier. We invested in GOL and Aeromexico because they operate in Latin America's two largest markets, Brazil and Mexico, respectively. The agreements provide for expansion of reciprocal codesharing and frequent flyer program participation, airport lounge access arrangements, improved passenger connections and potential joint sales cooperation. In addition to our commercial cooperation arrangements for passenger service with Aeromexico, we and Aeromexico have established a joint venture relating to an engine maintenance, repair and overhaul operation that will be located in Queretaro, Mexico.

Domestic Alliances

We have entered into a marketing alliance with Alaska Airlines, which includes reciprocal codesharing and frequent flyer and airport lounge access arrangements. Our alliance agreement with Alaska Airlines provides for extensive cooperation with respect to our west coast presence. We also have reciprocal codesharing and frequent flyer and airport lounge access arrangements with Hawaiian Airlines.

Regional Carriers

We have air service agreements with multiple domestic regional air carriers that feed traffic to our route system by serving passengers primarily in small-and medium-sized cities. These arrangements enable us to increase the number of flights we have available in certain locations and to better match capacity with demand. Approximately 21% of our passenger revenue in 2012 was related to flying by regional air carriers.

Through our regional carrier program, we have contractual arrangements with seven regional carriers to operate regional jet and, in certain cases, turbo-prop aircraft using our “DL” designator code. We have contractual arrangements with: ExpressJet Airlines, Inc. and SkyWest Airlines, Inc., both subsidiaries of SkyWest, Inc.; Chautauqua Airlines,

Inc. and Shuttle America Corporation, both subsidiaries of Republic Airways Holdings, Inc.; Pinnacle Airlines, Inc., a subsidiary of Pinnacle Airlines Corp.; Compass Airlines, Inc. (“Compass”) and GoJet Airlines, LLC, both subsidiaries of Trans States Holdings, Inc. (“Trans States”). In connection with the exit of Pinnacle Airlines Corp. and Pinnacle Airlines, Inc. from bankruptcy reorganization, we expect to become the sole equity holder of Pinnacle Airlines Corp. as the result of being the primary provider of financing during its bankruptcy.

Our contractual agreements with regional carriers primarily are capacity purchase arrangements, under which we control the scheduling, pricing, reservations, ticketing and seat inventories for the regional carriers' flights operating under our “DL” designator code, and we are entitled to all ticket, cargo, mail and in-flight and ancillary revenues associated with these flights. We pay those airlines an amount, as defined in the applicable agreement, which is based on a determination of their cost of operating those flights and other factors intended to approximate market rates for those services. These capacity purchase agreements are long-term agreements, usually with initial terms of at least 10 years, which grant us the option to extend the initial term. Certain of these agreements provide us the right to terminate the entire agreement, or in some cases remove some of the aircraft from the scope of the agreement, for convenience at certain future dates.

A portion of the flights operated for us by SkyWest Airlines are structured as revenue proration agreements. These proration agreements establish a fixed dollar or percentage division of revenues for tickets sold to passengers traveling on connecting flight itineraries.

Fuel

Our results of operations are significantly impacted by changes in the price and availability of aircraft fuel. The following table shows our aircraft fuel consumption and costs.

| Year | Gallons Consumed[1] (Millions) | Cost[1][2] (Millions) | Average Price Per Gallon[1][2] | Percentage of Total Operating Expense[1][2] |
|---|---|---|---|---|
| 2012 | 3,769 | $ 12,251 | $3.25 | 36 % |
| 2011 | 3,856 | $ 11,783 | $3.06 | 36 % |
| 2010 | 3,823 | $ 8,901 | $2.33 | 30 % |

[1] Includes the operations of our contract carriers under capacity purchase agreements.

[2] Includes fuel hedge (losses) gains under our fuel hedging program of $(66) million, $420 million and $(89) million for 2012, 2011 and 2010, respectively.

General

Jet fuel costs have continued to increase in recent years, making fuel expense our single largest expense. We have historically purchased most of our aircraft fuel under contracts that establish the price based on various market indices and therefore do not provide material protection against price increases or assure the availability of our fuel supplies. We also purchase aircraft fuel on the spot market, from off-shore sources and under contracts that permit the refiners to set the price.

Monroe Energy

Because global demand for jet fuel and related products is increasing at the same time that jet fuel refining capacity is decreasing in the U.S. (particularly in the Northeast), the refining margin reflected in the prices we pay for jet fuel has increased. Our wholly-owned subsidiaries, Monroe Energy, LLC and MIPC, LLC (collectively, “Monroe”), acquired the Trainer refinery and related assets located near Philadelphia, Pennsylvania in June 2012 as part of our strategy to mitigate the increasing cost of the refining margin we are paying.

Refinery Acquisition. Monroe invested $180 million to acquire the refinery from Phillips 66. Monroe received a $30 million grant from the Commonwealth of Pennsylvania. The acquisition includes pipelines and terminal assets that allow the refinery to supply jet fuel to our airline operations throughout the Northeastern U.S., including our New

York hubs at LaGuardia and John F. Kennedy International Airport ("JFK"). Prior to the transaction, Phillips 66 had shut down operations at the refinery.

Refinery Operations. The facility is capable of refining 185,000 barrels of crude oil per day. In addition to jet fuel, the refinery's production consists of gasoline, diesel and refined products (“non-jet fuel products”). Production at the refinery restarted in September 2012. BP is the primary supplier of crude oil used by the refinery under a three year agreement. We are also exploring other sources of crude oil supply, such as bringing supply to the refinery by rail from the Bakken oil field in North Dakota.

Strategic Agreements. Under a multi-year agreement, we are exchanging a significant portion of the non-jet fuel products with Phillips 66 for jet fuel to be used in our airline operations. Substantially all of the remaining production of non-jet fuel products is being sold to BP under a long-term buy/sell agreement effectively exchanging those non-jet fuel products for jet fuel. Our agreement with Phillips 66 requires us to deliver specified quantities of non-jet fuel products and they are required to deliver jet fuel to us. If we or Phillips 66 do not have the specified quantity and type of product available, the delivering party is required to procure any such shortage to fulfill its obligation under the agreement. Substantially all of the refinery's expected production of non-jet fuel products is included in these agreements.

Segments. Because the products and services of Monroe's refinery operations are discrete from our airline services, segment results are prepared for our airline segment and our refinery segment. Financial information on our segment reporting can be found in Note 2 of the Notes to the Consolidated Financial Statements.

Fuel Hedging Program

We actively manage our fuel price risk through a hedging program intended to reduce the financial impact on us from changes in the price of jet fuel. This fuel hedging program utilizes several different contract and commodity types. The economic effectiveness of this hedge portfolio is frequently tested against our financial targets. The hedge portfolio is rebalanced from time to time according to market conditions, which may result in locking in gains or losses on hedge contracts prior to their settlement dates.

Fuel Supply Availability

We are currently able to obtain adequate supplies of aircraft fuel, including through our purchases from Monroe, but it is impossible to predict the future availability or price of aircraft fuel. Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in government policy concerning aircraft fuel production, transportation or marketing, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events may result in fuel supply shortages and fuel price increases in the future.

Frequent Flyer Program

Our SkyMiles® frequent flyer program is designed to retain and increase traveler loyalty by offering incentives to customers to increase travel on Delta. The SkyMiles program allows program members to earn mileage for travel awards by flying on Delta, Delta's regional carriers and other participating airlines. Mileage credit may also be earned by using certain services offered by program participants, such as credit card companies, hotels and car rental agencies. In addition, individuals and companies may purchase mileage credits. Miles do not expire, but are subject to all program rules. We reserve the right to terminate the program with six months advance notice, and to change the program's terms and conditions at any time without notice.

SkyMiles program mileage credits can be redeemed for air travel on Delta and participating airlines, for membership in our Delta Sky Clubs® and for other program participant awards. Mileage credits are subject to certain transfer restrictions and travel awards are subject to capacity-controlled seating. In 2012, program members redeemed more than 262 billion miles in the SkyMiles program for 11 million award redemptions. During this period, 8% of revenue miles flown on Delta were from award travel.

Other Businesses

Cargo

Through our global network, our cargo operations are able to connect all of the world's major freight gateways. We generate cargo revenues in domestic and international markets primarily through the use of cargo space on regularly scheduled passenger aircraft. We are a member of SkyTeam Cargo, a global airline cargo alliance, whose other members are Aeroflot, Aeromexico Cargo, Air France-KLM Cargo, Alitalia Cargo, China Airlines Cargo, China Southern Cargo, Czech Airlines Cargo and Korean Air Cargo. SkyTeam Cargo offers a global network spanning six continents.

Delta TechOps, Delta Global Services, MLT Vacations and Delta Private Jets

We have several other businesses arising from our airline operations, including aircraft maintenance, repair and overhaul ("MRO"), staffing services for third parties, vacation wholesale operations and our private jet operations. In 2012, the total revenue from these businesses was approximately $1 billion.

- In addition to providing maintenance and engineering support for our fleet of over 700 aircraft, our MRO operation, known as Delta TechOps, serves aviation and airline customers from around the world.

- Our staffing services business, Delta Global Services, provides staffing services, professional security, training services and aviation solutions.

- Our vacation wholesale business, MLT Vacations, provides vacation packages.

- Our private jet operations, Delta Private Jets, provides aircraft charters, aircraft management and programs allowing members to purchase flight time by the hour.

Distribution and Expanded Product Offerings

Our tickets are sold through various distribution channels including telephone reservations, delta.com, global distribution systems and online travel agencies. An increasing number of our tickets are sold through delta.com, which reduces our distribution costs and gives us closer contact with our customers. We launched a new delta.com platform in November 2012, which we expect will result in additional purchases of tickets and services through that channel.

We are transforming distribution from a commodity approach to a differentiated and merchandised approach. We expect that the merchandising initiatives we are implementing, primarily through delta.com, will generate additional revenue opportunities for us and will improve the experience of our customers. We provide our customers with opportunities to purchase what they value, such as first class upgrades, economy comfort seating, WiFi access and SkyClub passes. We expect to benefit from increased traffic on delta.com through a combination of advertising revenue and sales of third party merchandise and services such as car rentals, hotels and trip insurance.

Competition

The airline industry is highly competitive, marked by significant competition with respect to routes, fares, schedules (both timing and frequency), services, products, customer service and frequent flyer programs. The industry is going through a period of transformation through consolidation, both domestically and internationally, and changes in international alliances. Consolidation in the airline industry and changes in international alliances have altered and will continue to alter the competitive landscape in the industry by resulting in the formation of airlines and alliances with increased financial resources, more extensive global networks and altered cost structures. In addition, other network carriers have also significantly reduced their costs over the last several years including through restructuring and bankruptcy reorganization. American Airlines is nearing the end of its bankruptcy restructuring, which is enabling it to reduce its costs. Our ability to compete effectively depends, in part, on our ability to maintain a competitive cost structure.

Domestic

Our domestic operations are subject to competition from both traditional network and discount carriers, some of which may have lower costs than we do and provide service at low fares to destinations served by us. In particular, we face significant competition at our domestic hub airports in Atlanta, Cincinnati, Detroit, Memphis, Minneapolis-St. Paul,

New York-LaGuardia, New York-JFK and Salt Lake City either directly at those airports or at the hubs of other airlines that are located in close proximity to our hubs. We also face competition in smaller to medium-sized markets from regional jet operators.

International

Our international operations are subject to competition from both domestic and foreign carriers. Through alliance and other marketing and codesharing agreements with foreign carriers, U.S. carriers have increased their ability to sell international transportation, such as services to and beyond traditional European and Asian gateway cities. Similarly, foreign carriers have obtained increased access to interior U.S. passenger traffic beyond traditional U.S. gateway cities through these relationships. In particular, alliances formed by domestic and foreign carriers, including SkyTeam, the Star Alliance (among United Airlines, Lufthansa German Airlines, Air Canada, All Nippon Airways and others) and the oneworld alliance (among American Airlines, British Airways, Iberia, Qantas and others) have significantly increased competition in international markets.

Increased competition has also emerged from well-funded carriers in the Gulf region, including Emirates, Etihad and Qatar. These carriers have large numbers of international widebody aircraft on order and are increasing service to the United States from their hubs in the Middle East. Several of these carriers, along with carriers from China, India and Latin America, are government supported or funded, which has allowed them to grow quickly, reinvest in their product and expand their global presence at the expense of U.S. airlines. In addition, the adoption of liberalized Open Skies Aviation Agreements with an increasing number of countries around the world, including in particular the Open Skies Treaties that the U.S. has with the Member States of the European Union, Japan and the Gulf states, could significantly increase competition among carriers serving those markets.

Several joint ventures among U.S. and foreign carriers, including our transatlantic joint venture with Air France-KLM and Alitalia and our transpacific joint venture with Virgin Australia, have received grants of antitrust immunity allowing the participating carriers to coordinate schedules, pricing, sales and inventory. Other joint ventures that have received anti-trust immunity include a transatlantic alliance among United, Air Canada and Lufthansa, a transpacific joint venture among United and All Nippon Airways, a transatlantic joint venture among American, British Airways and Iberia and a transpacific joint venture between American and Japan Air Lines.

Regulatory Matters

The Department of Transportation (“DOT”) and the Federal Aviation Administration (the “FAA”) exercise regulatory authority over air transportation in the U.S. The DOT has authority to issue certificates of public convenience and necessity required for airlines to provide domestic air transportation. An air carrier that the DOT finds fit to operate is given authority to operate domestic and international air transportation (including the carriage of passengers and cargo). Except for constraints imposed by regulations regarding “Essential Air Services,” which are applicable to certain small communities, airlines may terminate service to a city without restriction.

The DOT has jurisdiction over certain economic and consumer protection matters, such as unfair or deceptive practices and methods of competition, advertising, denied boarding compensation, baggage liability and disabled passenger transportation. The DOT also has authority to review certain joint venture agreements between major carriers and engages in regulation of economic matters such as slot transactions. The FAA has primary responsibility for matters relating to the safety of air carrier flight operations, including airline operating certificates, control of navigable air space, flight personnel, aircraft certification and maintenance and other matters affecting air safety.

Authority to operate international routes and international codesharing arrangements is regulated by the DOT and by the governments of the foreign countries involved. International certificate authorities are also subject to the approval of the U.S. President for conformance with national defense and foreign policy objectives.

The Transportation Security Administration and the U.S. Customs and Border Protection, each a division of the Department of Homeland Security, are responsible for certain civil aviation security matters, including passenger and

baggage screening at U.S. airports and international passenger prescreening prior to entry into or departure from the U.S.

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

Fares and Rates

Airlines set ticket prices in all domestic and most international city pairs with minimal governmental regulation, and the industry is characterized by significant price competition. Certain international fares and rates are subject to the jurisdiction of the DOT and the governments of the foreign countries involved. Many of our tickets are sold by travel agents, and fares are subject to commissions, overrides and discounts paid to travel agents, brokers and wholesalers.

Route Authority

Our flight operations are authorized by certificates of public convenience and necessity and also by exemptions and limited-entry frequency awards issued by the DOT. The requisite approvals of other governments for international operations are controlled by bilateral agreements (and a multilateral agreement in the case of the U.S. and the European Union) with, or permits or approvals issued by, foreign countries. Because international air transportation is governed by bilateral or other agreements between the U.S. and the foreign country or countries involved, changes in U.S. or foreign government aviation policies could result in the alteration or termination of such agreements, diminish the value of our international route authorities or otherwise affect our international operations. Bilateral agreements between the U.S. and various foreign countries served by us are subject to renegotiation from time to time. The U.S. government has negotiated “open skies” agreements with many countries, which allow unrestricted access between the U.S. and the foreign markets. These agreements include separate agreements with the European Union and Japan.

Certain of our international route authorities are subject to periodic renewal requirements. We request extension of these authorities when and as appropriate. While the DOT usually renews temporary authorities on routes where the authorized carrier is providing a reasonable level of service, there is no assurance this practice will continue in general or with respect to a specific renewal. Dormant route authorities may not be renewed in some cases, especially where another U.S. carrier indicates a willingness to provide service.

Airport Access

Operations at four major domestic airports and certain foreign airports served by us are regulated by governmental entities through allocations of “slots” or similar regulatory mechanisms which limit the rights of carriers to conduct operations at those airports. Each slot represents the authorization to land at or take off from the particular airport during a specified time period.

In the U.S., the FAA currently regulates the allocation of slots, slot exemptions, operating authorizations, or similar capacity allocation mechanisms at Reagan National in Washington, D.C. and LaGuardia, John F. Kennedy International Airport (“JFK”) and Newark in the New York City area. Our operations at these airports generally require the allocation of slots or analogous regulatory authorizations. Similarly, our operations at Tokyo's Narita and Haneda Airports, London's Gatwick and Heathrow airports and other international airports are regulated by local slot coordinators pursuant to the International Air Transport Association's Worldwide Scheduling Guidelines and applicable local law. We currently have sufficient slots or analogous authorizations to operate our existing flights, and we have generally been able to obtain the rights to expand our operations and to change our schedules. There is no assurance, however, that we will be able to do so in the future because, among other reasons, such allocations are subject to changes in governmental policies.

Environmental Matters

Emissions. The U.S. Environmental Protection Agency (the “EPA”) is authorized to regulate aircraft emissions and has historically implemented emissions control standards previously adopted by the International Civil Aviation Organization (“ICAO”). Our aircraft comply with existing EPA standards as applicable by engine design date. The

ICAO has adopted two additional aircraft engine emissions standards, the first of which is applicable to engines certified after December 31, 2007, and the second of which is applicable to engines certified after December 31, 2013. In June 2012, the EPA published a final rulemaking for new emission standards for oxides of nitrogen (NOx), adopting ICAO's additional standards. Included in the rule are two new tiers of more stringent emission standards for NOx. These standards, referred to as the Tier 6 standards, become effective for newly-manufactured aircraft engines beginning in 2013.

Concern about aviation environmental issues, including climate change and greenhouse gases, has led to taxes on our operations in the United Kingdom and in Germany, both of which have levied taxes directly on our customers. We may face additional regulation of aircraft emissions in the United States and abroad and become subject to further taxes, charges or additional requirements to obtain permits or purchase allowances or emission credits for greenhouse gas emissions in various jurisdictions. This could result in taxation or permitting requirements from multiple jurisdictions for the same operations. Ongoing bilateral discussions between the United States and other nations as well as discussions at the ICAO Assembly and Conference of the Parties, most recently in Doha, Qatar in December 2012, may lead to international treaties or other actions focusing on reducing greenhouse gas emissions from aviation.

The European Union has required its member states to implement regulations including aviation in its Emissions Trading Scheme ("ETS"). Under these regulations, any airline with flights originating or landing in the European Union is subject to the ETS and, beginning in 2012, is required to purchase emissions allowances if the airline exceeds the number of free allowances allocated to it under the ETS. In November 2012, the European Commission proposed to defer airlines' compliance obligations for non-European flights and suspended related non-compliance sanctions until after the 38th ICAO Assembly to be held in late September and early October of 2013. The European Commission has taken this action to give the process at ICAO time to come to a conclusion. Under the proposal, airlines will not face enforcement action if they do not surrender allowances for their emissions related to flights operated to and from non-EU destinations; however, all intra-EU flights on any carrier (based in the EU or not) will still have to comply with the requirements of the ETS. Legislation is required to implement this proposed change and a co-decision by both the EU Member States and the European Parliament on this change is necessary. A decision is expected before April 2013. Further, at the end of November 2012, the United State government enacted legislation exempting U.S. airlines from the ETS.

Cap and trade restrictions have also been proposed in the United States. In addition, other legislative or regulatory action, including by the EPA, to regulate greenhouse gas emissions is possible. In particular, the EPA has found that greenhouse gases threaten the public health and welfare, which could result in regulation of greenhouse gas emissions from aircraft. In the event that legislation or regulation is enacted in the U.S. or in the event similar legislation or regulation is enacted in jurisdictions other than the European Union where we operate or where we may operate in the future, it could result in significant costs for us and the airline industry. In addition to direct costs, such regulation may have a greater effect on the airline industry through increases in fuel costs that could result from fuel suppliers passing on increased costs that they incur under such a system. We are monitoring and evaluating the potential impact of such legislative and regulatory developments.

We seek to minimize the impact of greenhouse gas emissions from our operations through reductions in our fuel consumption and other efforts and have realized reductions in our greenhouse gas emission levels since 2005. We have reduced the fuel needs of our aircraft fleet through the retirement and replacement of certain elements of our fleet and with newer, more fuel efficient aircraft. In addition, we have implemented fuel saving procedures in our flight and ground support operations that further reduce carbon emissions. We are also supporting efforts to develop alternative fuels and efforts to modernize the air traffic control system in the U.S., as part of our efforts to reduce our emissions and minimize our impact on the environment.

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

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

Other Environmental Matters. We had been identified by the EPA as a potentially responsible party (a “PRP”) with respect to certain Superfund Sites, and entered into consent decrees or settlements regarding some of these sites. Our alleged disposal volume at each of these sites was small or was considered de minimis when compared to the total contributions of all PRPs at each site.

We are aware of soil and/or ground water contamination present on our current or former leaseholds at several domestic airports. To address this contamination, we have a program in place to investigate and, if appropriate, remediate these sites. Although the ultimate outcome of these matters cannot be predicted with certainty, we believe that the resolution of these matters will not have a material adverse effect on our consolidated financial statements.

We are also subject to various other federal, state and local laws governing environmental matters, including the management and disposal of chemicals, waste and hazardous materials, protection of surface and subsurface waters and regulation of air emissions and aircraft drinking water.

Civil Reserve Air Fleet Program

We participate in the Civil Reserve Air Fleet program (the "CRAF Program"), which permits the U.S. military to use the aircraft and crew resources of participating U.S. airlines during airlift emergencies, national emergencies or times of war. We have agreed to make available under the CRAF Program a portion of our international long-range aircraft during the contract period ending September 30, 2013. We have also committed aircraft to international short-range requirements. The CRAF Program has only been activated twice since it was created in 1951.

Employee Matters

Railway Labor Act

Our relations with labor unions representing our airline employees in the U.S. are governed by the Railway Labor Act. Under the Railway Labor Act, a labor union seeking to represent an unrepresented craft or class of employees is required to file with the National Mediation Board (the "NMB") an application alleging a representation dispute, along with authorization cards signed by at least 50% of the employees in that craft or class. The NMB then investigates the dispute and, if it finds the labor union has obtained a sufficient number of authorization cards, conducts an election to determine whether to certify the labor union as the collective bargaining representative of that craft or class. A labor union will be certified as the representative of the employees in a craft or class if more than 50% of votes cast are for that union. A certified labor union would commence negotiations toward a collective bargaining agreement with the employer.

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

Collective Bargaining

As of December 31, 2012, we had approximately 74,000 full-time equivalent employees, approximately 15% of whom were represented by unions. The following table shows our domestic airline employee groups that are represented by unions.

| Employee Group | Union |
|---|---|

| | Approximate Number of Active Employees Represented | | Date on which Collective Bargaining Agreement Becomes Amendable |
|---|---|---|---|
| Delta Pilots | 10,700 | ALPA | December 31, 2015 |
| Delta Flight Superintendents (Dispatchers) | 340 | PAFCA | December 31, 2013 |

In addition, 220 refinery employees of Monroe are represented by the United Steel Workers under an agreement that expires on February 26, 2015. This agreement is governed by the National Labor Relations Act, which generally allows either party to engage in self-help upon the expiration of the agreement.

Labor unions periodically engage in organizing efforts to represent various groups of our employees, including at our operating subsidiaries, that are not represented for collective bargaining purposes.

Executive Officers of the Registrant

Richard H. Anderson, Age 57: Chief Executive Officer of Delta since September 1, 2007; Executive Vice President of UnitedHealth Group and President of its Commercial Services Group (December 2006-August 2007); Executive Vice President of UnitedHealth Group (November 2004-December 2006); Chief Executive Officer of Northwest Airlines Corporation ("Northwest") (2001-November 2004).

Edward H. Bastian, Age 55: President of Delta since September 1, 2007; President of Delta and Chief Executive Officer Northwest Airlines, Inc. (October 2008-December 2009); President and Chief Financial Officer of Delta (September 2007-October 2008); Executive Vice President and Chief Financial Officer of Delta (July 2005-September 2007); Chief Financial Officer, Acuity Brands (June 2005-July 2005); Senior Vice President-Finance and Controller of Delta (2000-April 2005); Vice President and Controller of Delta (1998-2000).

Michael H. Campbell, Age 64: Executive Vice President-HR & Labor Relations of Delta since October 2008; Executive Vice President-HR, Labor & Communications of Delta (December 2007-October 2008); Executive Vice President-Human Resources and Labor Relations of Delta (July 2006-December 2007); Of Counsel, Ford & Harrison (January 2005-July 2006); Senior Vice President-Human Resources and Labor Relations, Continental Airlines, Inc. (1997-2004); Partner, Ford & Harrison (1978-1996).

Stephen E. Gorman, Age 57: Executive Vice President and Chief Operating Officer of Delta since October 2008; Executive Vice President-Operations of Delta (December 2007-October 2008); President and Chief Executive Officer of Greyhound Lines, Inc. (June 2003-October 2007); President, North America and Executive Vice President Operations Support at Krispy Kreme Doughnuts, Inc. (August 2001-June 2003); Executive Vice President, Technical Operations and Flight Operations of Northwest (February 2001-August 2001), Senior Vice President, Technical Operations of Northwest (January 1999-February 2001) and Vice President, Engine Maintenance Operations of Northwest (April 1996-January 1999).

Glen W. Hauenstein, Age 52: Executive Vice President-Network Planning and Revenue Management of Delta since April 2006; Executive Vice President and Chief of Network and Revenue Management of Delta (August 2005-April 2006); Vice General Director-Chief Commercial Officer and Chief Operating Officer of Alitalia (2003-2005); Senior Vice President-Network of Continental Airlines (2003); Senior Vice President-Scheduling of Continental Airlines (2001- 2003); Vice President Scheduling of Continental Airlines (1998-2001).

Richard B. Hirst, Age 68: Senior Vice President and General Counsel of Delta since October 2008; Senior Vice President-Corporate Affairs and General Counsel of Northwest (March 2008- October 2008); Executive Vice President and Chief Legal Officer of KB Home (March 2004-November 2006); Executive Vice President and General Counsel of Burger King Corporation (March 2001-June 2003); General Counsel of the Minnesota Twins (1999-2000); Senior Vice President-Corporate Affairs of Northwest (1994-1999); Senior Vice President-General Counsel of Northwest (1990-1994); Vice President-General Counsel and Secretary of Continental Airlines (1986-1990).

Paul A. Jacobson, Age 41. Senior Vice President and Chief Financial Officer of Delta since March 2012; Senior Vice President and Treasurer for Delta (December 2007 - March 2012); Vice President and Treasurer (August 2005 - December 2007).

Additional Information

We make available free of charge on our website our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after these reports are filed with or furnished to the Securities and Exchange Commission. Information on our website is not

incorporated into this Form 10-K or our other securities filings and is not a part of those filings.

ITEM 1A. RISK FACTORS

Risk Factors Relating to Delta

Our business and results of operations are dependent on the price of aircraft fuel. High fuel costs or cost increases, including in the cost of crude oil, could have a materially adverse effect on our operating results.

Our operating results are significantly impacted by changes in the price of aircraft fuel. Fuel prices have increased substantially since the middle part of the last decade and have been extremely volatile during the last several years. In 2012, our average fuel price per gallon was $3.25, a 6% increase from our average fuel price in 2011. In 2011, our average fuel price per gallon was $3.06, a 31% increase from our average fuel price in 2010. In 2010, our average fuel price per gallon was $2.33, an 8% increase from an average fuel price of $2.15 in 2009, which in turn was significantly higher than fuel prices just a few years earlier. Fuel costs represented 36%, 36% and 30% of our operating expense in 2012, 2011 and 2010, respectively. Volatility in fuel costs has had a significant negative effect on our results of operations and financial condition.

Our ability to pass along the increased costs of fuel to our customers may be affected by the competitive nature of the airline industry. We often have not been able to increase our fares to offset fully the effect of increased fuel costs in the past and we may not be able to do so in the future. This is particularly the case when fuel prices increase rapidly. Because passengers often purchase tickets well in advance of their travel, a significant increase in fuel price may result in the fare charged not covering that increase.

We expect to acquire a significant amount of jet fuel from our wholly-owned subsidiary, Monroe, and through strategic agreements that Monroe has with BP and Phillips 66. The cost of the fuel we purchase under these arrangements will remain subject to volatility in the cost of crude oil and jet fuel. In addition, we will continue to purchase a significant amount of aircraft fuel in addition to what we obtain from Monroe. Our aircraft fuel purchase contracts do not provide material protection against price increases as these contracts typically establish the price based on various market indices. We also purchase aircraft fuel on the spot market, from offshore sources and under contracts that permit the refiners to set the price.

Our business and results of operations are also dependent on the availability of aircraft fuel. Significant disruptions in the supply of aircraft fuel, including from our wholly-owned subsidiary, would materially adversely affect our operations and operating results.

We are currently able to obtain adequate supplies of aircraft fuel, but it is impossible to predict the future availability of aircraft fuel. Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in governmental policy concerning aircraft fuel production, transportation, taxes or marketing, environmental concerns and other unpredictable events may result in crude oil and fuel supply shortages in the future. Shortages in fuel supplies could have negative effects on our results of operations and financial condition.

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

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

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

Our fuel hedging activities are intended to reduce the financial impact from changes in the price of jet fuel. Our obligation to post collateral in connection with our hedge contracts may have a substantial impact on our short-term liquidity.

We actively manage our fuel price risk through a hedging program intended to reduce the financial impact on us from changes in the price of jet fuel. This fuel hedging program utilizes several different contract and commodity types. The economic effectiveness of this hedge portfolio is frequently tested against our financial targets. The hedge portfolio is rebalanced from time to time according to market conditions, which may result in locking in gains or losses on hedge contracts prior to their settlement dates and may have a negative impact on our financial results.

Our fuel hedge contracts contain margin funding requirements. The margin funding requirements may cause us to post margin to counterparties or may cause counterparties to post margin to us as market prices in the underlying hedged items change. If fuel prices decrease significantly from the levels existing at the time we enter into fuel hedge contracts, we may be required to post a significant amount of margin, which could have a material adverse impact on the level of our unrestricted cash and cash equivalents and short-term investments.

Our funding obligation with respect to defined benefit pension plans we sponsor is significant and can vary materially because of changes in investment asset returns and values.

As of December 31, 2012, our defined benefit pension plans had an estimated benefit obligation of approximately $21.5 billion and were funded through assets with a value of approximately $8.2 billion. The benefit obligation is significantly affected by investment asset returns and changes in interest rates, neither of which is in our control. We estimate that our funding requirement for our defined benefit pension plans, which are governed by ERISA and have been frozen for future accruals, is approximately $675 million in 2013. Estimates of pension plan funding requirements can vary materially from actual funding requirements because the estimates are based on various assumptions concerning factors outside our control, including, among other things, the market performance of assets; statutory requirements; and demographic data for participants, including the number of participants and the rate of participant attrition. Results that vary significantly from our assumptions could have a material impact on our future funding obligations.

Our substantial indebtedness may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs.

We have substantial indebtedness, which could:

- make us more vulnerable to economic downturns, adverse industry conditions or catastrophic external events;
- limit our ability to borrow additional money for working capital, restructurings, capital expenditures, research and development, investments, acquisitions or other purposes, if needed, and increasing the cost of any of these borrowings;
- limit our ability to withstand competitive pressures; and/or
- limit our flexibility in responding to changing business and economic conditions, including increased competition and demand for new services, placing us at a disadvantage when compared to our competitors that have less debt, and making us more vulnerable than our competitors who have less debt to a downturn in our business, industry or the economy in general.

In addition, a substantial level of indebtedness, particularly because a significant portion of our assets are currently subject to liens, could limit our ability to obtain additional financing on acceptable terms or at all for working capital, capital expenditures and general corporate purposes. We have historically had substantial liquidity needs in the operation of our business. These liquidity needs could vary significantly and may be affected by general economic conditions, industry trends, performance and many other factors not within our control.

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Agreements governing our debt, including credit agreements and indentures, include financial and other covenants that impose restrictions on our financial and business operations.

Our credit facilities and indentures for secured notes have various financial and other covenants that require us to maintain, depending on the particular agreement, minimum fixed charge coverage ratios, minimum liquidity and/or minimum collateral coverage ratios. The value of the collateral that has been pledged in each facility may change over time, which may be reflected in appraisals of collateral required by our credit agreements and indentures. These changes could result from factors that are not under our control. A decline in the value of collateral could result in a situation where we may not be able to maintain the collateral coverage ratio. In addition, the credit facilities and indentures contain other negative covenants customary for such financings. If we fail to comply with these covenants and are unable to obtain a waiver or amendment, an event of default would result. These covenants are subject to important exceptions and qualifications.

The credit facilities and indentures also contain other events of default customary for such financings. If an event of default were to occur, the lenders or the trustee could, among other things, declare outstanding amounts due and payable, and our cash may become restricted. We cannot provide assurance that we would have sufficient liquidity to repay or refinance the borrowings or notes under any of the credit facilities if such amounts were accelerated upon an event of default. In addition, an event of default or declaration of acceleration under any of the credit facilities or the indentures could also result in an event of default under other of our financing agreements.

Employee strikes and other labor-related disruptions may adversely affect our operations.

Our business is labor intensive, utilizing large numbers of pilots, flight attendants, aircraft maintenance technicians, ground support personnel and other personnel. As of December 31, 2012, approximately 15% of our workforce was unionized. Relations between air carriers and labor unions in the United States are governed by the Railway Labor Act, which provides that a collective bargaining agreement between an airline and a labor union does not expire, but instead becomes amendable as of a stated date. The Railway Labor Act generally prohibits strikes or other types of self-help actions both before and after a collective bargaining agreement becomes amendable, unless and until the collective bargaining processes required by the Railway Labor Act have been exhausted. Monroe's relations with unions representing its employees are governed by the National Labor Relations Act ("NLRA"), which generally allows self-help after a collective bargaining agreement expires.

If we or our affiliates are unable to reach agreement with any of our unionized work groups on future negotiations regarding the terms of their collective bargaining agreements or if additional segments of our workforce become unionized, we may be subject to work interruptions or stoppages, subject to the requirements of the Railway Labor Act or the NLRA, as the case may be. Strikes or labor disputes with our unionized employees may adversely affect our ability to conduct business. Likewise, if third party regional carriers with whom we have contract carrier agreements are unable to reach agreement with their unionized work groups in current or future negotiations regarding the terms of their collective bargaining agreements, those carriers may be subject to work interruptions or stoppages, subject to the requirements of the Railway Labor Act, which could have a negative impact on our operations.

Extended interruptions or disruptions in service at one of our hub airports could have a material adverse impact on our operations.

Our business is heavily dependent on our operations at the Atlanta airport and at our other hub airports in Amsterdam, Cincinnati, Detroit, Memphis, Minneapolis-St. Paul, New York-LaGuardia, New York-JFK, Paris-Charles de Gaulle, Salt Lake City and Tokyo-Narita. Each of these hub operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub to other major cities and to other Delta hubs. A significant interruption or disruption in service at one of our hubs could have a serious impact on our business, financial condition and results of operations.

We are dependent on technology in our operations, and if our technology fails or we are unable to continue to invest in new technology, our business may be adversely affected.

We have become increasingly dependent on technology initiatives to reduce costs and to enhance customer service in order to compete in the current business environment. For example, we have made and continue to make significant investments in delta.com, check-in kiosks, mobile device applications and related initiatives. The performance and reliability of the technology are critical to our ability to attract and retain customers and our ability to compete effectively. Because of the rapid pace of new developments, these initiatives will continue to require significant capital investments in our technology infrastructure. If we are unable to make these investments, our business and operations could be negatively affected.

Disruptions or security breaches of our information technology infrastructure could interfere with our operations, compromise customer information and expose us to liability, possibly causing our business and reputation to suffer.

Any internal technology error or failure impacting systems hosted internally at our data centers or externally at third party locations, or large scale external interruption in technology infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our technology network. Any individual, sustained or repeated failure of technology could impact our customer service and result in increased costs. Our technology systems and related data may also be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly to prevent a business disruption and its adverse financial and reputational consequences to our business.

In addition, as a part of our ordinary business operations, we collect and store sensitive data, including personal information of our customers and employees. The secure operation of the networks and systems on which this type of information is stored, processed and maintained is critical to our business operations and strategy. Any compromise of our technology systems resulting from attacks by hackers or breaches due to employee error or malfeasance could result in the loss, disclosure, misappropriation of or access to customers', employees' or business partners' information. Any such loss, disclosure, misappropriation or access could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disrupt operations and damage our reputation, any or all of which could adversely affect our business.

Our primary credit card processors have the ability to take significant holdbacks in certain circumstances. The initiation of such holdbacks likely would have a material adverse effect on our liquidity.

Most of the tickets we sell are paid for by customers who use credit cards. Our primary credit card processing agreements provide that no holdback of receivables or reserve is required except in certain circumstances, including if we do not maintain a required level of unrestricted cash. If circumstances were to occur that would allow American Express or our VISA/MasterCard processor to initiate a holdback, the negative impact on our liquidity likely would be material.

We are at risk of losses and adverse publicity stemming from any accident involving our aircraft.

An aircraft crash or other accident could expose us to significant tort liability. In the event that the insurance that we carry to cover damages arising from future accidents is not adequate, we may be forced to bear substantial losses from an accident. In addition, any accident involving an aircraft that we operate or an aircraft that is operated by an airline that is one of our regional carriers or codeshare partners could create a public perception that our aircraft are not safe or reliable, which could harm our reputation, result in air travelers being reluctant to fly on our aircraft and harm our business.

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

Our results of operations will reflect fluctuations from weather, natural disasters and seasonality. Severe weather conditions and natural disasters can significantly disrupt service and create air traffic control problems. These events decrease revenue and can also increase costs. In addition, increases in frequency, severity or duration of thunderstorms, hurricanes, typhoons or other severe weather events, including from changes in the global climate, could result in increases in fuel consumption to avoid such weather, turbulence-related injuries, delays and cancellations, any of which would increase the potential for greater loss of revenue and higher costs. In addition, demand for air travel is typically higher in the June and September quarters, particularly in international markets, because there is more vacation travel during these periods than during the remainder of the year. Because of fluctuations in our results from weather, natural disasters and seasonality, operating results for a historical period are not necessarily indicative of operating results for a future period and operating results for an interim period are not necessarily indicative of operating results for an entire year.

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

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

The failure or inability of insurance to cover a significant liability related to hazards associated with the operation of a refinery by Monroe would have a material adverse effect on our consolidated financial results.

Monroe's refining operations are subject to various hazards unique to refinery operations, including explosions, fires, toxic emissions and natural catastrophes. Monroe's insurance coverage does not cover all potential losses, costs or liabilities and Monroe could suffer losses for uninsurable or uninsured risks or in amounts greater than its insurance coverage. In addition, Monroe's ability to obtain and maintain adequate insurance may be affected by conditions in the insurance market over which it has no control. If Monroe were to incur a significant liability for which it is not fully insured or for which insurance companies do not or are unable to provide coverage, this could have a material adverse effect on our consolidated financial results of operations.

The operation of a refinery by Monroe is subject to significant environmental regulation. Failure to comply with environmental regulations or the enactment of additional regulation could have a negative impact on our consolidated financial results.

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

If we experience losses of senior management personnel and other key employees, our operating results could be adversely affected.

We are dependent on the experience and industry knowledge of our officers and other key employees to execute our business plans. If we experience a substantial turnover in our leadership and other key employees, our performance could be materially adversely impacted. Furthermore, we may be unable to attract and retain additional qualified executives as needed in the future.

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Our ability to use net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes is subject to limitation.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses ("NOLs"), to offset future taxable income. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders (generally 5% shareholders, applying certain look-through rules) increases by more than 50 percentage points over such stockholders' lowest percentage ownership during the testing period (generally three years).

As of December 31, 2012, Delta reported a consolidated federal pretax NOL carryforward of approximately $16.3 billion. Both Delta and Northwest experienced an ownership change in 2007 as a result of their respective plans of reorganization under Chapter 11 of the U.S. Bankruptcy Code. As a result of the merger, Northwest experienced a subsequent ownership change. Delta also experienced a subsequent ownership change on December 17, 2008 as a result of the merger, the issuance of equity to employees in connection with the merger and other transactions involving the sale of our common stock within the testing period.

The Delta and Northwest ownership changes resulting from the merger could limit the ability to utilize pre-change NOLs that were not subject to limitation, and could further limit the ability to utilize NOLs that were already subject to limitation. Limitations imposed on the ability to use NOLs to offset future taxable income could cause U.S. federal income taxes to be paid earlier than otherwise would be paid if such limitations were not in effect and could cause such NOLs to expire unused, in each case reducing or eliminating the benefit of such NOLs. Similar rules and limitations may apply for state income tax purposes. NOLs generated subsequent to December 17, 2008 are not limited.

Risk Factors Relating to the Airline Industry

The airline industry is highly competitive and, if we cannot successfully compete in the marketplace, our business, financial condition and operating results will be materially adversely affected.

The airline industry is highly competitive, marked by significant competition with respect to routes, fares, schedules (both timing and frequency), services, products, customer service and frequent flyer programs. Our domestic operations are subject to competition from both traditional network and discount carriers, some of which may have lower costs than we do and provide service at low fares to destinations served by us. In particular, we face significant competition at our domestic hub airports in Atlanta, Cincinnati, Detroit, Memphis, Minneapolis-St. Paul, New York-LaGuardia, New York-JFK and Salt Lake City either directly at those airports or at the hubs of other airlines that are located in close proximity to our hubs. We also face competition in smaller to medium-sized markets from regional jet operators.

Discount carriers, including Southwest, AirTran (now owned by Southwest), JetBlue, Spirit and Allegiant have placed significant competitive pressure on us in the United States and on other network carriers in the domestic market. In addition, other network carriers have also significantly reduced their costs over the last several years through restructuring and bankruptcy reorganization. American Airlines has recently filed for bankruptcy protection, which may enable it to substantially reduce its costs. Our ability to compete effectively depends, in part, on our ability to maintain a competitive cost structure. If we cannot maintain our costs at a competitive level, then our business, financial condition and operating results could be materially adversely affected.

Our international operations are subject to competition from both domestic and foreign carriers. Through alliance and other marketing and codesharing agreements with foreign carriers, U.S. carriers have increased their ability to sell international transportation, such as services to and beyond traditional European and Asian gateway cities. Similarly, foreign carriers have obtained increased access to interior U.S. passenger traffic beyond traditional U.S. gateway cities through these relationships. In particular, alliances formed by domestic and foreign carriers, including SkyTeam, the Star Alliance (among United, Lufthansa German Airlines, Air Canada and others) and the oneworld alliance (among American Airlines, British Airways, Qantas and others) have significantly increased competition in international markets.

Increased competition has also emerged from well-funded carriers in the Gulf region, including Emirates, Etihad and Qatar. These carriers have large numbers of international widebody aircraft on order and are increasing service to the United States from their hubs in the Middle East. Several of these carriers, along with carriers from China, India and Latin America, are government supported or funded, which has allowed them to grow quickly, reinvest in their product and expand their global presence at the expense of U.S. airlines. In addition, the adoption of liberalized Open Skies Aviation Agreements with an increasing number of countries around the world, including in particular the Open Skies Treaties that the U.S. has with the Member States of the European Union and Japan, could significantly increase competition among carriers serving those markets.

Several joint ventures among U.S. and foreign carriers, including our transatlantic joint venture with Air France-KLM and Alitalia, have received grants of antitrust immunity allowing the participating carriers to coordinate schedules, pricing, sales and inventory. Other joint ventures that have received anti-trust immunity include a transatlantic alliance among United, Air Canada and Lufthansa, a transpacific joint venture among United and All Nippon Airways, a transatlantic joint venture among American Airlines, British Airways and Iberia and a transpacific joint venture between American Airlines and Japan Air Lines.

Consolidation in the domestic airline industry and changes in international alliances have altered and will continue to alter the competitive landscape in the industry by resulting in the formation of airlines and alliances with increased financial resources, more extensive global networks and altered cost structures.

The airline industry is subject to extensive government regulation, and new regulations may increase our operating costs.

Airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs. For instance, the FAA from time to time issues directives and other regulations relating to the maintenance and operation

of aircraft that necessitate significant expenditures. We expect to continue incurring expenses to comply with the FAA's regulations.

Other laws, regulations, taxes and airport rates and charges have also been imposed from time to time that significantly increase the cost of airline operations or reduce revenues. The industry is heavily taxed. For example, the Aviation and Transportation Security Act mandates the federalization of certain airport security procedures and imposes security requirements on airports and airlines, most of which are funded by a per ticket tax on passengers and a tax on airlines. The federal government has on several occasions proposed a significant increase in the per ticket tax and has recently proposed additional departure fees. A ticket tax increase or additional fees, if implemented, could negatively impact our results of operations.

Proposals to address congestion issues at certain airports or in certain airspace, particularly in the Northeast United States, have included concepts such as “congestion-based” landing fees, “slot auctions” or other alternatives that could impose a significant cost on the airlines operating in those airports or airspace and impact the ability of those airlines to respond to competitive actions by other airlines. In addition, the failure of the federal government to upgrade the U.S. air traffic control system has resulted in delays and disruptions of air traffic during peak travel periods in certain congested markets. The failure to improve the air traffic control system could lead to increased delays and inefficiencies in flight operations as demand for U.S. air travel increases, having a material adverse effect on our operations. Failure to update the air traffic control system in a timely manner, and the substantial funding requirements of an updated system that may be imposed on air carriers, may have an adverse impact on our financial condition and results of operations.

Events related to extreme weather delays caused the Department of Transportation to promulgate regulations imposing potentially severe financial penalties upon airlines that have flights experiencing extended tarmac delays. These regulations could have a negative impact on our operations in certain circumstances.

Future regulatory action concerning climate change and aircraft emissions could have a significant effect on the airline industry. For example, the European Commission has adopted an emissions trading scheme applicable to all flights operating in the European Union, including flights to and from the United States. If fully implemented, we expect that this system would impose additional costs on our operations in the European Union. Other laws or regulations such as this emissions trading scheme or other U.S. or foreign governmental actions may adversely affect our operations and financial results, either through direct costs in our operations or through increases in costs for jet fuel that could result from jet fuel suppliers passing on increased costs that they incur under such a system.

We and other U.S. carriers are subject to domestic and foreign laws regarding privacy of passenger and employee data that are not consistent in all countries in which we operate. In addition to the heightened level of concern regarding privacy of passenger data in the United States, certain European government agencies are initiating inquiries into airline privacy practices. Compliance with these regulatory regimes is expected to result in additional operating costs and could impact our operations and any future expansion. In addition, a security breach in which passenger or employee data is exposed could result in disruption to our operations, damage to our reputation and significant costs.

Terrorist attacks or international hostilities may adversely affect our business, financial condition and operating results.

The terrorist attacks of September 11, 2001 caused fundamental and permanent changes in the airline industry, including substantial revenue declines and cost increases, which resulted in industry-wide liquidity issues. Potential terrorist attacks or security breaches or fear of such events, even if not made directly on the airline industry, could negatively affect us and the airline industry. The potential negative effects include increased security (including as a result of our global operations), insurance and other costs and lost revenue from increased ticket refunds and decreased ticket sales. Our financial resources might not be sufficient to absorb the adverse effects of any further terrorist attacks or other international hostilities involving the United States.

The rapid spread of contagious illnesses can have a material adverse effect on our business and results of operations.

The rapid spread of a contagious illness can have a material adverse effect on the demand for worldwide air travel and therefore have a material adverse effect on our business and results of operations. Moreover, our operations could be negatively affected if employees are quarantined as the result of exposure to a contagious illness. Similarly, travel restrictions or operational problems resulting from the rapid spread of contagious illnesses in any part of the world in which we operate may have a materially adverse impact on our business and results of operations.

Our insurance costs have increased substantially as a result of the September 11, 2001 terrorist attacks, and further increases in insurance costs or reductions in coverage could have a material adverse impact on our business and operating results.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Flight Equipment

During 2012, we entered into agreements with (1) Bombardier Aerospace to purchase 40 CRJ-900 aircraft; (2) Pinnacle Airlines, Inc. to purchase 16 CRJ-900 aircraft; and (3) Southwest Airlines and The Boeing Company to lease 88 B-717-200 aircraft.

Our operating aircraft fleet, commitments and options at December 31, 2012 are summarized in the following table:

| | Current Fleet[1] | | | | | Commitments | | |
|---|---|---|---|---|---|---|---|---|
| Aircraft Type | Owned | Capital Lease | Operating Lease | Total | Average Age | Purchase[2][3][4] | Lease | Options |
| B-717-200 | — | — | — | — | — | — | 88 | — |
| B-737-700 | 10 | — | — | 10 | 3.9 | — | — | — |
| B-737-800 | 73 | — | — | 73 | 11.9 | — | — | — |
| B-737-900ER | — | — | — | — | — | 100 | — | 30 |
| B-747-400 | 4 | 9 | 3 | 16 | 19.1 | — | — | — |
| B-757-200 | 85 | 35 | 31 | 151 | 19.4 | — | — | — |
| B-757-300 | 16 | — | — | 16 | 9.8 | — | — | — |
| B-767-300 | 10 | 2 | 1 | 13 | 21.2 | — | — | — |
| B-767-300ER | 50 | 5 | 3 | 58 | 16.8 | — | — | 3 |
| B-767-400ER | 21 | — | — | 21 | 11.8 | — | — | 6 |
| B-777-200ER | 8 | — | — | 8 | 12.9 | — | — | — |
| B-777-200LR | 10 | — | — | 10 | 3.8 | — | — | 10 |
| B-787-8 | — | — | — | — | — | 18 | — | — |
| A319-100 | 54 | — | 2 | 56 | 10.9 | — | — | — |
| A320-200 | 40 | — | 28 | 68 | 17.8 | — | — | — |
| A330-200 | 11 | — | — | 11 | 7.8 | — | — | — |
| A330-300 | 21 | — | — | 21 | 7.4 | — | — | — |
| MD-88 | 67 | 50 | — | 117 | 22.5 | — | — | — |
| MD-90 | 42 | 8 | — | 50 | 15.8 | 4 | — | — |
| DC9-50 | 18 | — | — | 18 | 34.5 | — | — | — |
| CRJ-900 | — | — | — | — | — | 56 | — | 30 |
| Embraer 175 | — | — | — | — | — | — | — | 36 |
| Total | 540 | 109 | 68 | 717 | 16.8 | 178 | 88 | 115 |

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

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

(3) Includes 16 CRJ-900 aircraft which are currently being operated by third party contract carriers on our behalf that are included in the table below.

(4) Our purchase commitment for 18 B-787-8 aircraft provides for certain aircraft substitution rights.

The following table summarizes the active aircraft fleet operated by third party contract carriers on our behalf at December 31, 2012:

| | Fleet Type | | | | | | |
|---|---|---|---|---|---|---|---|
| Carrier | CRJ-200 | CRJ-700 | CRJ-900 | ERJ-145 | Embraer 170 | Embraer 175 | Total |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Pinnacle Airlines, Inc. | 140 | — | 55 | — | — | — | 195 |
| ExpressJet Airlines, Inc. | 92 | 41 | 18 | — | — | — | 151 |
| SkyWest Airlines, Inc. | 50 | 19 | 28 | — | — | — | 97 |
| Compass Airlines, Inc. | — | — | — | — | 6 | 36 | 42 |
| Chautauqua Airlines, Inc. | — | — | — | 31 | — | — | 31 |
| Shuttle America Corporation | — | — | — | — | 14 | 16 | 30 |
| GoJet Airlines, LLC | — | 22 | — | — | — | — | 22 |
| Total | 282 | 82 | 101 | 31 | 20 | 52 | 568 |

Aircraft Purchase Commitments

Our purchase commitments for additional aircraft at December 31, 2012 are detailed in the following table:

| | Delivery in Calendar Years Ending | | | | |
|---|---|---|---|---|---|
| Aircraft Purchase Commitments | 2013 | 2014 | 2015 | After 2015 | Total |
| B-737-900ER | 12 | 19 | 19 | 50 | 100 |
| B-787-8 | — | — | — | 18 | 18 |
| MD-90 | 4 | — | — | — | 4 |
| CRJ-900 | 28 | 28 | — | — | 56 |
| Total | 44 | 47 | 19 | 68 | 178 |

Aircraft Options

Our options to purchase additional aircraft at December 31, 2012 are detailed in the following table:

| | Delivery in Calendar Years Ending | | | | |
|---|---|---|---|---|---|
| Aircraft Options | 2013 | 2014 | 2015 | After 2015 | Total |
| B-737-900ER | — | 5 | 6 | 19 | 30 |
| B-767-300ER | — | — | 1 | 2 | 3 |
| B-767-400ER | — | 1 | 2 | 3 | 6 |
| B-777-200LR | — | 2 | 4 | 4 | 10 |
| CRJ-900 | — | — | 24 | 6 | 30 |
| Embraer 175 | — | 4 | 18 | 14 | 36 |
| Total | — | 12 | 55 | 48 | 115 |

Ground Facilities

We lease most of the land and buildings that we occupy. Our largest aircraft maintenance base, various computer, cargo, flight kitchen and training facilities and most of our principal offices are located at or near the Atlanta airport, on land leased from the City of Atlanta. We own our Atlanta reservations center, other real property in Atlanta and the former Northwest headquarters building and flight training buildings, which are located near the Minneapolis-St. Paul International Airport. Other owned facilities include reservations centers in Minot, North Dakota and Chisholm, Minnesota and a data processing center in Eagan, Minnesota. We also own property in Tokyo, including a 1.3-acre site in downtown Tokyo and a 33-acre land parcel, 512-room hotel and flight kitchen located near Tokyo's Narita International Airport.

We lease ticket counter and other terminal space, operating areas and air cargo facilities in most of the airports that we serve. At most airports, we have entered into use agreements which provide for the non-exclusive use of runways, taxiways and other improvements and facilities; landing fees under these agreements normally are based on the number of landings and weight of aircraft. These leases and use agreements generally run for periods of less than one year to 30 years or more, and often contain provisions for periodic adjustments of lease rates, landing fees and other charges applicable under that type of agreement. We also lease aircraft maintenance facilities and air cargo facilities at certain airports, including, among others: (1) our main Atlanta maintenance base; (2) our Atlanta air cargo facilities; and (3) our hangar and air cargo facilities at the Cincinnati/Northern Kentucky International Airport, Salt Lake City International Airport, Detroit Metropolitan International Airport, Minneapolis-St. Paul International Airport and Seattle-Tacoma International Airport. Our aircraft maintenance facility leases generally require us to pay the cost of providing, operating and maintaining such facilities, including, in some cases, amounts necessary to pay debt service

on special facility bonds issued to finance their construction. We also lease marketing, ticketing and reservations offices in certain locations for varying terms.

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

The City of Atlanta is currently implementing portions of a capital improvement program (the “CIP”) at the Atlanta airport. The CIP includes, among other things, a 9,000 foot full-service runway that opened in May 2006, a new international terminal and gate capacity that opened in May 2012, related airfield improvements, new cargo and other support facilities and roadway and other infrastructure improvements.The CIP will not be complete until at least 2014, with individual projects scheduled to be constructed at different times. A combination of federal grants, passenger facility charge revenues, increased user rentals and fees and other airport funds are expected to be used to pay CIP costs directly and through the payment of debt service on bonds. In partnership with the airlines, the airport has initiated the planning of an updated Atlanta airport master plan that is targeted for completion in late 2013 and will define and describe the long-term development plans needed to meet future aviation demand in Atlanta.

During the December 2010 quarter, we began a five-year $1.2 billion redevelopment project at JFK, where we currently operate domestic flights primarily at Terminal 2 and international flights at Terminal 3 and, to a lesser extent, Terminal 4. The expansion and enhancement of Terminal 4, which includes the construction of nine new international gates, commenced in 2011 and is expected to be open in the spring of 2013. Upon completion of the Terminal 4 expansion, we will relocate our operations from Terminal 3 to Terminal 4, proceed with the demolition of Terminal 3 and thereafter conduct coordinated flight operations from Terminals 2 and 4. For information about special project bonds issued to fund a substantial majority of the project and our 30 year sublease of space in Terminal 4 from the operator of Terminal 4, see Note 5 of the Notes to the Consolidated Financial Statements.

In 2012, we expanded our flight operations at New York's LaGuardia Airport in Terminal C, allowing us to accommodate additional flights into LaGuardia. As part of the expansion, we are investing more than $160 million to create an expanded main terminal at LaGuardia in Terminals C and D and have built a bridge to link the two terminals.

In 2012, our wholly-owned subsidiaries, Monroe and MIPC, invested $180 million to acquire the Trainer refinery and related assets from Phillips 66. Monroe received a $30 million grant from the Commonwealth of Pennsylvania. The acquisition includes pipelines and terminal assets that allow the refinery to supply jet fuel to our airline operations throughout the Northeastern U.S., including our New York hubs at LaGuardia and JFK.

ITEM 3. LEGAL PROCEEDINGS

First Bag Fee Antitrust Litigation

In May, June and July, 2009, a number of purported class action antitrust lawsuits were filed in the U.S. District Courts for the Northern District of Georgia, the Middle District of Florida and the District of Nevada against Delta and AirTran Airways ("AirTran"). In these cases, the plaintiffs originally alleged that Delta and AirTran engaged in collusive behavior in violation of Section 1 of the Sherman Act in November 2008 based upon certain public statements made in October 2008 by AirTran's CEO at an analyst conference concerning fees for the first checked bag, Delta's imposition of a fee for the first checked bag on November 4, 2008 and AirTran's imposition of a similar fee on November 12, 2008. The plaintiffs sought to assert claims on behalf of an alleged class consisting of passengers who paid the first bag fee after December 5, 2008 and seek injunctive relief and unspecified treble damages. All of these cases have been consolidated for pre-trial proceedings in the Northern District of Georgia by the Multi-District Litigation ("MDL") Panel.

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

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

EU Regulation 261 Class Action Litigation

In February 2011, a putative class action was filed in the U.S. District Court for the Northern District of Illinois seeking to represent all US residents who were passengers on flights during the period from February 2009 to the present who are allegedly entitled to compensation under EU Regulation 261 because their flight was cancelled or delayed by more than 3 hours. Plaintiffs allege that Delta has incorporated a duty to pay this compensation into its contract of carriage, and assert a claim for breach of contract as the basis for their cause of action. The complaint seeks recovery of the EU Regulation 261 compensation of €600 for each US resident on a flight qualifying for such compensation. Delta disputes the allegations in the Complaint, has filed a motion to dismiss all claims and intends to vigorously defend the matter.

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For a discussion of certain environmental matters, see "Business-Regulatory Matters-Environmental Matters" in Item 1.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Part II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed on the New York Stock Exchange. The following table sets forth for the periods indicated the highest and lowest sales price for our common stock as reported on the NYSE.

| | Common Stock | |
|---|---|---|
| | High | Low |
| Fiscal 2012 | | |
| Fourth Quarter | $12.05 | $9.11 |
| Third Quarter | $11.25 | $8.42 |
| Second Quarter | $12.25 | $9.78 |
| First Quarter | $11.58 | $7.83 |
| Fiscal 2011 | | |
| Fourth Quarter | $9.13 | $6.64 |
| Third Quarter | $9.41 | $6.41 |
| Second Quarter | $11.60 | $8.91 |
| First Quarter | $13.21 | $9.71 |

Holders

As of January 31, 2013, there were approximately 3,560 holders of record of our common stock.

Dividends

We have not paid dividends in the last two fiscal years in order to fund our operations and meet our cash and liquidity needs. Our ability to pay dividends or repurchase common stock is subject to compliance with covenants in several of our credit facilities. In addition, any future determination to pay cash dividends will be at the discretion of the Board of Directors, subject to applicable limitations under Delaware law, and will be dependent upon our results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

Stock Performance Graph

The following graph compares the cumulative total returns during the period from January 1, 2008 to December 31, 2012 of our common stock to the Standard & Poor's 500 Stock Index and the Amex Airline Index. The comparison assumes $100 was invested on January 1, 2008 in each of our common stock and the indices and assumes that all dividends were reinvested.

The Amex Airline Index (ticker symbol XAL) consists of Alaska Air Group, Inc., AMR Corporation, Copa Holdings SA, Delta, GOL Linhas Areas Inteligentes S.A., Hawaiian Holdings, Inc., JetBlue Airways Corporation, LAN Airlines SA, Republic Airways Holding, Inc., Ryanair Holdings plc, SkyWest, Inc., Southwest Airlines Company, TAM S.A., United Continental Holdings, Inc. and US Airways Group, Inc.

Issuer Purchases of Equity Securities

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

| Period | Total Number of Shares Purchased[1] | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1] | Maximum Number of Shares (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plan or Programs |
|---|---|---|---|---|
| October 1-31, 2012 | 2,974 | $11.10 | 2,974 | [1] |
| November 1-30, 2012 | 25,353 | $10.08 | 25,353 | [1] |
| December 1-31, 2012 | 1,498 | $10.00 | 1,498 | [1] |
| Total | 29,825 | | 29,825 | |

(1) Shares were withheld from employees to satisfy certain tax obligations due in connection with grants of stock under the Delta Air Lines, Inc. 2007 Performance Compensation Plan (the "2007 Plan"). The 2007 Plan provides for the withholding of shares to satisfy tax obligations. It does not specify a maximum number of shares that can be withheld for this purpose. See Note 13 of the Notes to the Consolidated Financial Statements elsewhere in this Form 10-K for more information about the 2007 Plan.

ITEM 6. SELECTED FINANCIAL DATA

On October 29, 2008, a wholly-owned subsidiary of ours merged with and into Northwest Airlines Corporation ("Northwest"). Our Consolidated Financial Statements include the results of operations of Northwest and its wholly-owned subsidiaries for periods after October 29, 2008.

The following tables are derived from our audited consolidated financial statements, and present selected financial and operating data for the years ended December 31, 2012, 2011, 2010, 2009 and 2008.

Consolidated Summary of Operations

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| (in millions, except share data) | 2012 | 2011 | 2010 | 2009 | 2008 |
| Operating revenue | $36,670 | $35,115 | $31,755 | $28,063 | $22,697 |
| Operating expense | 34,495 | 33,140 | 29,538 | 28,387 | 31,011 |
| Operating income (loss) | 2,175 | 1,975 | 2,217 | (324) | (8,314) |
| Other expense, net | (1,150) | (1,206) | (1,609) | (1,257) | (727) |
| Income (loss) before income taxes | 1,025 | 769 | 608 | (1,581) | (9,041) |
| Income tax (provision) benefit | (16) | 85 | (15) | 344 | 119 |
| Net income (loss) | $1,009 | $854 | $593 | $(1,237) | $(8,922) |
| Basic earnings (loss) per share | $1.20 | $1.02 | $0.71 | $(1.50) | $(19.08) |
| Diluted earnings (loss) per share | $1.19 | $1.01 | $0.70 | $(1.50) | $(19.08) |

The following are included in the results above:

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| (in millions) | 2012 | 2011 | 2010 | 2009 | 2008 |
| Severance, impairment charges and other | $452 | $242 | $227 | $132 | $173 |
| Merger-related items | — | — | 233 | 275 | 978 |
| Loss on extinguishment of debt | 118 | 68 | 391 | 83 | — |
| Impairment of goodwill and other intangible assets | — | — | — | — | 7,296 |
| Intraperiod income tax allocation | — | — | — | (321) | — |
| Income tax benefit associated with intangible assets | — | — | — | — | (119) |
| MTM adjustments | (27) | 26 | — | — | 91 |
| Total | $543 | $336 | $851 | $169 | $8,419 |

Other Financial and Statistical Data (Unaudited)

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| Consolidated[1] | 2012 | 2011 | 2010 | 2009 | 2008 |
| Revenue passenger miles (millions) | 192,974 | 192,767 | 193,169 | 188,943 | 134,879 |
| Available seat miles (millions) | 230,415 | 234,656 | 232,684 | 230,331 | 165,639 |
| Passenger mile yield | 16.48 ¢ | 15.70 ¢ | 14.11 ¢ | 12.60 ¢ | 14.52 ¢ |
| Passenger revenue per available seat mile | 13.80 ¢ | 12.89 ¢ | 11.71 ¢ | 10.34 ¢ | 11.82 ¢ |
| Operating cost per available seat mile | 14.97 ¢ | 14.12 ¢ | 12.69 ¢ | 12.32 ¢ | 18.72 ¢ |
| Passenger load factor | 83.8 % | 82.1 % | 83.0 % | 82.0 % | 81.4 % |
| Fuel gallons consumed (millions) | 3,769 | 3,856 | 3,823 | 3,853 | 2,740 |
| Average price per fuel gallon[2] | $3.25 | $3.06 | $2.33 | $2.15 | $3.16 |
| Average price per fuel gallon, adjusted[3] | $3.26 | $3.05 | $2.33 | $2.15 | $3.13 |
| Full-time equivalent employees, end of period | 73,561 | 78,392 | 79,684 | 81,106 | 84,306 |

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

(2) Includes the impact of fuel hedge activity.

(3) Adjusted for mark-to-market adjustments for fuel hedges recorded in periods other than the settlement period (a non-GAAP financial measure as defined in "Supplemental Information").

| | December 31, | | | | |
|---|---|---|---|---|---|
| (in millions) | 2012 | 2011 | 2010 | 2009 | 2008 |
| Total assets | $44,550 | $43,499 | $43,188 | $43,789 | $45,084 |
| Long-term debt and capital leases (including current maturities) | $12,709 | $13,791 | $15,252 | $17,198 | $16,571 |
| Stockholders' (deficit) equity | $(2,131) | $(1,396) | $897 | $245 | $874 |
| Common stock outstanding | 851 | 845 | 835 | 784 | 695 |

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

Financial Highlights - 2012 Compared to 2011

Our net income for 2012 was $1.0 billion, or $1.19 per diluted share. Total operating revenue increased $1.6 billion, or 4%, over 2011, primarily due to higher passenger revenue due to yield improvement. Fuel expense, including our contract carriers under capacity purchase agreements, increased due to a 6% increase in our average price per gallon, despite a 2% decrease in consumption.

Passenger revenue increased $1.6 billion due to a 5% year over year improvement in passenger mile yield on flat traffic, while capacity declined 2%. Passenger revenue per available seat mile ("PRASM") increased 7% over 2011, reflecting higher revenue under corporate travel contracts and improvements in our products and services.

Total operating expense increased $1.4 billion over 2011, driven primarily by higher fuel expense and salaries and related costs. Our fuel expense increased $468 million (including our contract carriers under capacity purchase agreements) compared to 2011 due to a 6% increase in our average price per gallon, despite a 2% decrease in consumption. During 2012, we recorded losses of $66 million due to changes in the fair value of our fuel hedge portfolio. Excluding mark-to-market adjustments recorded in periods other than the settlement period ("MTM adjustments"), our average fuel price for the year was $3.26 per gallon, compared to $3.05 per gallon for 2011.

Our consolidated operating cost per available seat mile ("CASM") for 2012 increased 6% to $14.97 cents, primarily reflecting increased fuel price. For 2012, CASM-Ex was $8.92 cents, or 5% higher than 2011. The non-GAAP financial measures used in this section are defined in "Supplemental Information" below.

Company Initiatives

Strengthening the Balance Sheet

We will continue to focus on cash flow generation with the goal of further strengthening our balance sheet. We finished 2012 with $5.2 billion in unrestricted liquidity (consisting of cash, cash equivalents, short-term investments and undrawn revolving credit facility capacity). During 2012, we generated $2.5 billion in cash from operating activities, and reduced debt by $1.1 billion and funded capital expenditures while maintaining a solid liquidity position.

Structural Cost Initiatives

We implemented a $1 billion structural cost initiatives program. These initiatives are designed to improve our cost efficiency while maintaining our operational performance and revenue generation and include:

•Domestic fleet restructuring to retire older, less efficient aircraft from our fleet;
•Maintenance redesign focusing on improving our processes and resource management;
•Distribution platforms to increase the use of cost effective and value-added distribution channels such as delta.com;
•Staffing efficiency to generate higher productivity levels through technology and improved staffing models; and
•Other costs to improve network efficiency and to reduce transportation expense.

We anticipate realizing the benefits of the structural cost initiatives in 2013, with CASM-Ex growth moderating in the second half of 2013, and the benefits of the initiatives increasing through 2015.

Domestic Fleet Restructuring

Domestic fleet restructuring is a key part of our structural cost initiatives, and is focused on lowering unit costs while investing in our fleet to enhance the customer experience. We are restructuring our domestic fleet by reducing our 50-seat regional flying and replacing other older, less cost effective aircraft with newer, more efficient aircraft. Recent agreements with SkyWest Airlines, Inc., Pinnacle Airlines, Inc. and Bombardier Aerospace have produced a path for us to eliminate more than 200 50-seat aircraft. We are replacing these aircraft and older B-757-200 aircraft with more efficient and customer preferred CRJ-900, B-717-200 and B-737-900ER aircraft.

In 2012, we entered into an agreement with Bombardier Aerospace to purchase 40 CRJ-900 aircraft with 12 deliveries this year and 28 in 2014. Also in 2012, we finalized agreements with Southwest Airlines and The Boeing Company ("Boeing") to lease 88 B-717-200 aircraft. Delivery of the aircraft will begin later this year, with 16 aircraft scheduled to enter our fleet. We will receive 36 aircraft deliveries in each of 2014 and 2015. These B-717-200 aircraft are 110-seat aircraft and will feature new, fully upgraded interiors, with 12 First Class seats, 15 Economy Comfort seats and in-flight WiFi throughout the cabin.

In 2011, we entered into an agreement with Boeing to purchase 100 new fuel efficient B-737-900ER aircraft. We will add these aircraft to our fleet between this year and 2018, primarily replacing older B-757-200 aircraft. We expect the B-737-900ER to offer an industry leading customer experience, including expanded carry-on baggage space and a spacious cabin. Additionally, we continue to increase our MD-90 fleet with previously owned aircraft that offer a lower total cost of ownership.

As we restructure our fleet and assess our fleet plans, we will continue to evaluate older, retiring aircraft and related equipment for changes in depreciable life, impairment and lease termination costs. By 2015, we expect to reduce our 50-seat aircraft fleet to 125 aircraft. The associated retirement of aircraft will result in material lease termination and other charges over this period. We expect to benefit from reduced future maintenance cost and improved operational and fuel efficiency that we will experience over the life of the new aircraft.

Oil Refinery Acquisition

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

Acquisition

In June 2012, Monroe acquired the Trainer refinery and related assets located near Philadelphia, Pennsylvania from Phillips 66, which had shut down operations at the refinery. Monroe invested $180 million to acquire the refinery. Monroe received a $30 million grant from the Commonwealth of Pennsylvania. The acquisition includes pipelines and terminal assets that will allow the refinery to supply jet fuel to our airline operations throughout the Northeastern U.S., including our New York hubs at LaGuardia and JFK.

Because the products and services of Monroe's refinery operations are discrete from our airline services, segment results are prepared for our airline segment and our refinery segment. Financial information on our segment reporting can be found in Note 2 of the Notes to the Consolidated Financial Statements.

Refinery Operations and Strategic Agreements

The facility is capable of refining 185,000 barrels of crude oil per day. BP is the primary supplier of crude oil used by the refinery under a three year agreement. We are also exploring other sources of crude oil supply, such as bringing supply to the refinery by rail from the Bakken oil field in North Dakota. We have increased the refinery's jet fuel capacity through capital improvements. The refinery's remaining production consists of gasoline, diesel and refined products ("non-jet fuel products"). Under a multi-year agreement, we are exchanging a significant portion of the non-jet fuel products with Phillips 66 for jet fuel to be used in our airline operations. Substantially all of the remaining production of non-jet fuel products is being sold to BP under a long-term buy/sell agreement effectively exchanging those non-jet fuel products for jet fuel. Our agreement with Phillips 66 requires us to deliver specified quantities of

non-jet fuel products and they are required to deliver jet fuel to us. If we or Phillips 66 do not have the specified quantity and type of product available, the delivering party is required to procure any such shortage to fulfill its obligation under the agreement. Substantially all of the refinery's expected production of non-jet fuel products is included in these agreements.

Refinery Start-Up

During the December 2012 quarter, fuel production increased at the refinery. However, Superstorm Sandy negatively impacted the refinery start up, slowing production and lowering efficiency levels. The refinery recorded a $63 million net loss for the quarter.

New York Strategy

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

LaGuardia. During December 2011, we closed transactions with US Airways where we received takeoff and landing rights (each a "slot pair") at LaGuardia in exchange for slot pairs at Reagan National. This exchange allows us to operate a new domestic hub at LaGuardia. We have increased capacity at LaGuardia by 42% since March 2012, adding 100 new flights and a total of 26 new destinations. The first phase of new flights began on March 25 and the second phase commenced on July 11. We currently operate about 260 daily flights between LaGuardia and 60 cities, more than any other airline.

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

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

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

Alliances and Equity Investments

We have made long-term investments in other airlines that give us the ability to increase our network scale and produce revenue improvements. We invested in GOL and Aeromexico because they operate in Latin America's two largest markets, Brazil and Mexico, respectively. Pending regulatory approval, we also agreed to buy 49% of Virgin Atlantic, currently held by Singapore Airlines, for $360 million. We also entered into a joint venture agreement with Virgin Atlantic with respect to operations on non-stop routes between the United Kingdom and North America. We and Virgin Atlantic will file an application with the U.S. Department of Transportation for U.S. antitrust immunity with respect to the joint venture.

Pilot Agreement

During the June 2012 quarter, we reached an agreement with the Air Line Pilots Association, International (“ALPA”) to modify the existing collective bargaining agreement covering Delta’s pilots. The agreement, which was ratified by the pilots in June 2012, provides career growth opportunities as well as pay and benefits improvements for our pilots including increases to base pay and changes to our profit sharing program. The agreement, which becomes amendable

on December 31, 2015, will also provide Delta with productivity gains and support our domestic fleet restructuring.

Results of Operations - 2012 Compared to 2011

Operating Revenue

| (in millions) | Year Ended December 31, 2012 | 2011 | Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|
| Passenger: | | | | |
| Mainline | $25,237 | $23,843 | $1,394 | 6 % |
| Regional carriers | 6,570 | 6,414 | 156 | 2 % |
| Total passenger revenue | 31,807 | 30,257 | 1,550 | 5 % |
| Cargo | 990 | 1,027 | (37) | (4)% |
| Other | 3,873 | 3,831 | 42 | 1 % |
| Total operating revenue | $36,670 | $35,115 | $1,555 | 4 % |

| (in millions) | Year Ended December 31, 2012 | Increase (Decrease) vs. Year Ended December 31, 2011 Passenger Revenue | RPMs (Traffic) | ASMs (Capacity) | Passenger Mile Yield | PRASM | Load Factor |
|---|---|---|---|---|---|---|---|
| Domestic | $14,050 | 7 % | 1 % | — % | 6 % | 7 % | 0.8 pts |
| Atlantic | 5,645 | 1 % | (4)% | (7)% | 5 % | 9 % | 2.8 pts |
| Pacific | 3,645 | 10 % | 6 % | 3 % | 3 % | 7 % | 2.6 pts |
| Latin America | 1,897 | 8 % | 6 % | 3 % | 1 % | 5 % | 2.7 pts |
| Total mainline | 25,237 | 6 % | 1 % | (1)% | 5 % | 7 % | 1.7 pts |
| Regional carriers | 6,570 | 2 % | (4)% | (5)% | 7 % | 8 % | 0.7 pts |
| Total passenger revenue | $31,807 | 5 % | — % | (2)% | 5 % | 7 % | 1.7 pts |

Passenger Revenue. Passenger revenue increased $1.6 billion, or 5%, due to an improvement in the passenger mile yield of 5%, on a 2% decline in capacity. Passenger mile yield and unit revenue increased due to fare increases, higher revenue under corporate travel contracts and improvements in our products and services.

International mainline passenger revenue increased $520 million. In early 2011, we faced industry overcapacity in the transatlantic market and in connection with our joint venture partners, AirFrance-KLM and Alitalia, we reduced capacity in underperforming markets during the second half of 2011 and in 2012. As a result, Atlantic PRASM was up 9%, driven by a 5% increase in yield on a 7% decrease in capacity. Pacific passenger revenue increased 10% on a 3% and 6% increase in capacity and traffic, respectively. These results reflect Pacific market improvement, as demand returned to levels seen prior to the March 2011 earthquake and tsunami in Japan. Latin America passenger revenue increased 8% on a 3% and 6% increase in capacity and traffic, respectively.

Operating Expense

| (in millions) | Year Ended December 31, 2012 | 2011 | Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|
| Aircraft fuel and related taxes | $10,150 | $9,730 | $420 | 4 % |
| Salaries and related costs | 7,266 | 6,894 | 372 | 5 % |
| Contract carrier arrangements | 5,647 | 5,470 | 177 | 3 % |
| Aircraft maintenance materials and outside repairs | 1,955 | 1,765 | 190 | 11 % |
| Passenger commissions and other selling expenses | 1,590 | 1,682 | (92) | (5)% |
| Contracted services | 1,566 | 1,642 | (76) | (5)% |
| Depreciation and amortization | 1,565 | 1,523 | 42 | 3 % |
| Landing fees and other rents | 1,336 | 1,281 | 55 | 4 % |
| Passenger service | 732 | 721 | 11 | 2 % |
| Profit sharing | 372 | 264 | 108 | 41 % |
| Aircraft rent | 272 | 298 | (26) | (9)% |
| Restructuring and other items | 452 | 242 | 210 | NM[1] |
| Other | 1,592 | 1,628 | (36) | (2)% |
| Total operating expense | $34,495 | $33,140 | $1,355 | 4 % |

[1] NM - not meaningful

Fuel Expense. Including contract carriers under capacity purchase agreements, fuel expense increased $468 million because of a 6% increase in our average price per gallon, despite a 2% decrease in consumption. The table below presents fuel expense, gallons consumed and our average price per gallon, including the impact of fuel hedge losses of $66 million during the year ended December 31, 2012:

| (in millions, except per gallon data) | Year Ended December 31, 2012 | 2011 | Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|
| Aircraft fuel and related taxes | $10,150 | $9,730 | $420 | |
| Aircraft fuel and related taxes included within contract carrier arrangements | 2,101 | 2,053 | 48 | |
| Total fuel expense | $12,251 | $11,783 | $468 | 4 % |
| Total fuel consumption (gallons) | 3,769 | 3,856 | (87) | (2)% |
| Average price per gallon | $3.25 | $3.06 | $0.19 | 6 % |

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

| (in millions, except per gallon data) | Year Ended December 31, 2012 | 2011 | Increase (Decrease) | Average Price Per Gallon Year Ended December 31, 2012 | 2011 | Increase |
|---|---|---|---|---|---|---|
| Fuel purchase cost | $12,122 | $12,203 | $ (81) | $3.23 | $3.17 | $0.06 |
| Refinery impact | 63 | — | 63 | 0.01 | — | 0.01 |
| Fuel hedge losses (gains) | 66 | (420) | 486 | 0.01 | (0.11) | 0.12 |
| Total fuel expense | $12,251 | $11,783 | $ 468 | $3.25 | $3.06 | $0.19 |
| MTM adjustments | 27 | (26) | 53 | 0.01 | (0.01) | 0.02 |
| Total fuel expense, adjusted | $12,278 | $11,757 | $ 521 | $3.26 | $3.05 | $0.21 |

Fuel Purchase Cost. Fuel purchase cost is based on the market price for jet fuel at airport locations.

Refinery Impact. The refinery results include the impact on fuel expense of self-supply from the production of the refinery and from refined products exchanged with Phillips 66 and BP. As described in Note 2 of the Notes to the Consolidated Financial Statements, to the extent that we account for exchanges of refined products as non-monetary transactions, we include the results of those transactions within fuel expense.

Fuel Hedge Losses (Gains) and MTM Adjustments. During the year ended December 31, 2012, our fuel hedge losses of $66 million included $27 million of MTM adjustments. These MTM adjustments are based on market prices as of the end of the reporting period for contracts settling in future periods. Such market prices are not necessarily indicative of the actual future value of the underlying hedge in the contract settlement period. The losses for MTM adjustments are reflected in the table above to calculate an effective fuel cost for the period.

We adjust fuel expense for these items to arrive at a more meaningful measure of fuel cost. Our average price per gallon, adjusted (a non-GAAP financial measure as defined in "Supplemental Information" below) was $3.26 for the year ended December 31, 2012.

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

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

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

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

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

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

Restructuring and Other Items. Due to the nature of amounts recorded within restructuring and other items, a year-over-year comparison is not meaningful. For a discussion of charges recorded in restructuring and other items,

see Note 16 of the Notes to the Consolidated Financial Statements.

Results of Operations - 2011 Compared to 2010

Operating Revenue

| (in millions) | Year Ended December 31, 2011 | 2010 | Increase | % Increase |
|---|---|---|---|---|
| Passenger: | | | | |
| Mainline | $23,843 | $21,408 | $2,435 | 11 % |
| Regional carriers | 6,414 | 5,850 | 564 | 10 % |
| Total passenger revenue | 30,257 | 27,258 | 2,999 | 11 % |
| Cargo | 1,027 | 850 | 177 | 21 % |
| Other | 3,831 | 3,647 | 184 | 5 % |
| Total operating revenue | $35,115 | $31,755 | $3,360 | 11 % |

| (in millions) | Year Ended December 31, 2011 | Increase (Decrease) vs. Year Ended December 31, 2010 Passenger Revenue | RPMs (Traffic) | ASMs (Capacity) | Passenger Mile Yield | PRASM | Load Factor |
|---|---|---|---|---|---|---|---|
| Domestic | $13,175 | 11 % | — % | (1)% | 11 % | 11 % | 0.4 pts |
| Atlantic | 5,578 | 9 % | (1)% | 2 % | 10 % | 7 % | (2.1) pts |
| Pacific | 3,326 | 20 % | 4 % | 10 % | 15 % | 9 % | (4.7) pts |
| Latin America | 1,764 | 13 % | — % | — % | 13 % | 13 % | (0.6) pts |
| Total mainline | 23,843 | 11 % | — % | 1 % | 11 % | 10 % | (1.0) pts |
| Regional carriers | 6,414 | 9 % | (2)% | (2)% | 12 % | 12 % | 0.1 pts |
| Total passenger revenue | $30,257 | 11 % | — % | 1 % | 11 % | 10 % | (0.9) pts |

Mainline Passenger Revenue. Mainline passenger revenue increased primarily due to an improvement in the passenger mile yield from fare increases implemented in response to higher fuel prices and from higher revenue under corporate travel contracts.

- Domestic. Domestic mainline passenger revenue increased 11% due to an 11% improvement in PRASM on a 1% decline in capacity. The improvement in PRASM reflects higher passenger mile yield driven by fare increases.

- International. International mainline passenger revenue increased 13% due to a 9% improvement in PRASM on a 4% capacity increase. Passenger mile yield increased 12%, reflecting increased business and leisure travel and increased fares, including fuel surcharges. Atlantic passenger revenue increased 9% due to a 7% increase in PRASM. We and the industry faced overcapacity in the Atlantic, particularly in early 2011, which prevented us from increasing ticket prices sufficiently to cover higher fuel prices. Pacific passenger revenue increased 20% on a 10% capacity increase. Pacific passenger mile yield increased 15% due to a stronger revenue environment, partially offset by the negative impact from the March 2011 earthquake and tsunami in Japan. Latin America passenger revenue increased 13%, benefiting from a 13% higher passenger mile yield driven by fare increases.

Regional carriers. Passenger revenue from regional carriers increased 9% due to an 12% improvement in PRASM on a 2% decline in capacity. Passenger mile yield increased 12%, reflecting fare increases we implemented in response to increased fuel prices.

Cargo. Cargo revenue increased 21% due to a 12% improvement in yield and an 8% increase in volume.

Other. Other revenue increased $210 million due to higher maintenance sales to third parties by our MRO services business and $65 million due to an increase in the volume of ticket change fees. These increases were partially offset by $90 million in lower baggage fee revenue, resulting from an increase in bag fees waived for premium customers and customers under our co-brand credit card agreement with American Express.

Operating Expense

| (in millions) | Year Ended December 31, 2011 | 2010 | Increase (Decrease) | % Increase (Decrease) | |
|---|---|---|---|---|---|
| Aircraft fuel and related taxes | $9,730 | $7,594 | $2,136 | 28 | % |
| Salaries and related costs | 6,894 | 6,751 | 143 | 2 | % |
| Contract carrier arrangements | 5,470 | 4,305 | 1,165 | 27 | % |
| Aircraft maintenance materials and outside repairs | 1,765 | 1,569 | 196 | 12 | % |
| Passenger commissions and other selling expenses | 1,682 | 1,509 | 173 | 11 | % |
| Contracted services | 1,642 | 1,549 | 93 | 6 | % |
| Depreciation and amortization | 1,523 | 1,511 | 12 | 1 | % |
| Landing fees and other rents | 1,281 | 1,281 | — | — | % |
| Passenger service | 721 | 673 | 48 | 7 | % |
| Profit sharing | 264 | 313 | (49) | (16) | % |
| Aircraft rent | 298 | 387 | (89) | (23) | % |
| Restructuring and other items | 242 | 450 | (208) | NM | |
| Other | 1,628 | 1,646 | (18) | (1) | % |
| Total operating expense | $33,140 | $29,538 | $3,602 | 12 | % |

On July 1, 2010, we sold Compass and Mesaba, our wholly-owned subsidiaries, to Trans States and Pinnacle, respectively. Upon the closing of these transactions, we entered into new or amended long-term capacity purchase agreements with Compass, Mesaba and Pinnacle. Prior to these sales, expenses related to Compass and Mesaba as our wholly-owned subsidiaries were reported in the applicable expense line items. Subsequent to these sales, expenses related to Compass and Mesaba are reported as contract carrier arrangements expense.

Fuel Expense. Including contract carriers under capacity purchase agreements, fuel expense increased $2.9 billion on flat consumption. The table below presents fuel expense, gallons consumed and our average price per gallon, including the impact of fuel hedge activity:

| (in millions, except per gallon data) | Year Ended December 31, 2011 | 2010 | Increase | % Increase | |
|---|---|---|---|---|---|
| Aircraft fuel and related taxes | $9,730 | $7,594 | $2,136 | | |
| Aircraft fuel and related taxes included within contract carrier arrangements | 2,053 | 1,307 | 746 | | |
| Total fuel expense | $11,783 | $8,901 | $2,882 | 32 | % |
| Total fuel consumption (gallons) | 3,856 | 3,823 | 33 | 1 | % |
| Average price per gallon | $3.06 | $2.33 | $0.73 | 31 | % |

Fuel expense increased primarily due to higher unhedged fuel prices, partially offset by an improvement in net fuel hedge results. The table below shows the impact of hedging on fuel expense and average price per gallon:

| (in millions, except per gallon data) | Year Ended December 31, 2011 | 2010 | Increase (Decrease) | Average Price Per Gallon Year Ended December 31, 2011 | 2010 | Increase (Decrease) |
|---|---|---|---|---|---|---|
| Fuel purchase cost | $12,203 | $8,812 | $ 3,391 | $3.17 | $2.31 | $0.86 |
| Fuel hedge (gains) losses | (420) | 89 | (509) | (0.11) | 0.02 | (0.13) |
| Total fuel expense | $11,783 | $8,901 | $ 2,882 | $3.06 | $2.33 | $0.73 |
| MTM adjustments | (26) | — | (26) | (0.01) | — | (0.01) |
| Total fuel expense, adjusted | $11,757 | $8,901 | $ 2,856 | $3.05 | $2.33 | $0.72 |

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Our average price per gallon, adjusted for MTM adjustments for fuel hedges recorded in periods other than the settlement period (a non-GAAP financial measure as defined in "Supplemental Information" below) was $3.05 for the year ended December 31, 2011. During 2011, our net fuel hedge gains of $420 million included $26 million of MTM adjustments recorded in periods other than the settlement period.

Salaries and Related Costs. Salaries and related costs increased due to a 3% average increase in headcount and employee pay increases, partially offset by the change in reporting described above due to the transactions involving Compass and Mesaba.

Contract Carrier Arrangements. Contract carrier arrangements expense, excluding the impact of fuel expense (discussed above), increased primarily due to the change in reporting for the transactions involving Compass and Mesaba.

Aircraft Maintenance Materials and Outside Repairs. Aircraft maintenance materials and outside repairs expense increased primarily due to costs associated with increased maintenance sales to third parties by our MRO services business, reflected in other revenue above.

Passenger Commissions and Other Selling Expenses. Credit card and sales commissions increased in conjunction with the 11% increase in passenger revenue.

Aircraft Rent. Aircraft rent decreased primarily due to the restructuring of certain existing leases and the change in reporting described above due to the transactions involving Compass and Mesaba.

Restructuring and Other Items. Due to the nature of amounts recorded within restructuring and other items, a year-over-year comparison is not meaningful. For a discussion of charges recorded in restructuring and other items, see Note 16 to the Notes of the Consolidated Financial Statements.

Non-Operating Results

| | Year Ended December 31, | | | Favorable (Unfavorable) | |
|---|---|---|---|---|---|
| (in millions) | 2012 | 2011 | 2010 | 2012 vs. 2011 | 2011 vs. 2010 |
| Interest expense, net | $(812) | $(901) | $(969) | $89 | $68 |
| Amortization of debt discount, net | (193) | (193) | (216) | — | 23 |
| Loss on extinguishment of debt | (118) | (68) | (391) | (50) | 323 |
| Miscellaneous, net | (27) | (44) | (33) | 17 | (11) |
| Total other expense, net | $(1,150) | $(1,206) | $(1,609) | $56 | $403 |

During the years ended December 31, 2012, 2011 and 2010, we recorded $118 million, $68 million and $391 million in losses from the early extinguishment of debt, which primarily related to the write-off of debt discounts. These debt discounts are a result of fair value adjustments recorded in 2008 to reduce the carrying value of our long-term debt due to purchase accounting and a $1.0 billion advance purchase of SkyMiles by American Express. As a result of these write-offs and scheduled amortization, our unamortized debt discount has decreased from $1.4 billion at the beginning of 2010 to $527 million at December 31, 2012.

Income Taxes

We consider all income sources, including other comprehensive income, in determining the amount of tax benefit allocated to continuing operations. During the three years ended December 31, 2012, we did not record an income tax provision for U.S. federal income tax purposes since our deferred tax assets are fully reserved by a valuation allowance. The following table shows the components of our income tax (provision) benefit:

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2012 | 2011 | 2010 |
| International and state income tax benefit (provision) | $1 | $(7) | $(15) |
| Deferred tax (provision) benefit | (17) | 2 | — |
| Alternative minimum tax refunds and other | — | 90 | — |
| Income tax (provision) benefit | $(16) | $85 | $(15) |

During 2011, we recorded an income tax benefit of $85 million, primarily related to the recognition of alternative minimum tax refunds.

At December 31, 2012, we had $16.3 billion of U.S. federal pre-tax net operating loss carryforwards. Accordingly, we believe we will not pay any cash federal income taxes during the next several years. Our U.S. federal pre-tax net operating loss carryforwards do not begin to expire until 2022.

Financial Condition and Liquidity

We expect to meet our cash needs for the next 12 months from cash flows from operations, cash and cash equivalents, short-term investments and financing arrangements. As of December 31, 2012, we had $5.2 billion in unrestricted liquidity, consisting of $3.4 billion in cash and cash equivalents and short-term investments and $1.8 billion in undrawn revolving credit facilities.

Sources of Liquidity
Operating Cash Flow

Cash flows from operating activities continue to provide our primary source of liquidity. We generated positive cash flows from operations of $2.5 billion in 2012 and $2.8 billion in each of 2011 and 2010. See below under "Timing of SkyMiles Sales" for a discussion of the variances in 2012 and 2011 cash flows from operating activities compared to the preceding years. We expect to generate positive cash flows from operations in 2013.

Our operating cash flows can be impacted by the following factors:

Seasonality of Advance Ticket Sales. We sell tickets for air travel in advance of the customer's travel date, and receive cash payment at the time of sale. As a result, we record the cash received on advance sales as deferred revenue in Air Traffic Liability. The Air Traffic Liability increases during the spring as we have increased sales in advance of the summer peak travel season. Our cash balances are typically higher at the beginning of the summer and at a low point during the winter.

Fuel and Fuel Hedge Margins. The cost of jet fuel is our most significant expense, representing approximately 36% of our total operating expenses. The market price for jet fuel is highly volatile and can vary significantly from period to period. This price volatility affects our cash flows from operations, impacting comparability from period to period.

We have jet fuel inventories at various airport locations, which are used in our airline operations. Also, we acquired the Trainer oil refinery in 2012, which, as part of refinery operations, has refined oil product inventories. Jet fuel and

refined oil product inventories are recorded as Fuel Inventory. Fuel Inventory increased during 2012 as a result of the start up of refinery operations in the September quarter and the transition of our fuel supply program. The increase in Fuel Inventory to achieve normal operating levels at our refinery was offset by a similar increase in accounts payable, and therefore, did not have a significant impact on operating cash flows during 2012. The remaining $180 million increase in Fuel Inventory was a result of the transition in Delta's fuel supply program.

As part of our fuel hedging program, we may be required to pay hedge margin to counterparties when our portfolio is in a loss position. Conversely, if our portfolio with counterparties is in a gain position, we may receive hedge margin. Our future cash flows are impacted depending upon the nature of our derivative contracts and the market price of the commodities underlying our derivative contracts

Timing of SkyMiles Sales. In December 2011, we amended our American Express agreements and agreed to sell $675 million of unrestricted SkyMiles to American Express in each December from 2011 through 2014. Under the December 2011 amendment, American Express purchased $675 million of unrestricted SkyMiles in both 2012 and 2011. In 2011, this operating cash flow was largely offset by working capital changes. We anticipate American Express will make additional purchases of $675 million of unrestricted SkyMiles in both 2013 and 2014.

In 2008, we entered into a multi-year extension of our American Express agreements and received $1.0 billion from American Express for an advance purchase of restricted SkyMiles. The 2008 agreement provided that our obligations with respect to the advance purchase would be satisfied as American Express uses the purchased miles over a specified future period ("SkyMiles Usage Period"). During the SkyMiles Usage Period, which commenced in December 2011, American Express draws down SkyMiles valued at $333 million annually over three years beginning 2012 instead of paying cash to Delta for SkyMiles used. This draw down of $333 million in SkyMiles reduced cash flows from operations in 2012 compared to 2011 and 2010.

Pension Contributions. We sponsor defined benefit pension plans for eligible employees and retirees. These plans are closed to new entrants and are frozen for future benefit accruals. Our funding obligations for these plans are governed by the Employee Retirement Income Security Act, as modified by the The Pension Protection Act of 2006. We contributed $697 million and $598 million to our defined benefit pension plans during 2012 and 2011, respectively. We estimate the funding requirements under these plans will total approximately $675 million in 2013.

Undrawn Lines of Credit

Delta has available $1.8 billion in undrawn lines of credit. As described in Note 8 of the Notes to the Consolidated Financial Statements, we have an undrawn $1.2 billion first-lien revolving credit facility, as part of our 2011 Credit Facilities. The revolving credit facility carries a variable interest rate and expires in April 2016.

We also have an undrawn $450 million revolving credit facility included in the 2012 Pacific Facilities, as described in Note 8 of the Notes to the Consolidated Financial Statements. The 2012 Pacific Facilities are secured by our Pacific routes and slots, as described in Note 6 of the Notes to the Consolidated Financial Statements. This revolving credit facility carries a variable interest rate and expires in October 2017. In addition, we have an undrawn bank revolving credit facility of $150 million.

The credit facilities mentioned above have covenants, such as collateral coverage ratios. If we are not in compliance with these covenants, we must repay amounts borrowed under the credit facilities and may not be able to draw on the revolving credit facilities. Our ability to obtain additional financing, if needed, on acceptable terms could be adversely affected by the fact that a significant portion of our assets are subject to liens.

Investing and Financing

Capital Expenditures

We incurred capital expenditures of $2.0 billion in 2012 and $1.3 billion in each of 2011 and 2010. Our capital expenditures were primarily for the purchase of aircraft and aircraft modifications that upgraded aircraft interiors and are enhancing our product offering.

We have committed to future aircraft purchases that will require significant capital investment, and have obtained long-term financing commitments for a substantial portion of the purchase price of these aircraft. We expect that we will invest more than $2 billion in 2013 primarily for aircraft, aircraft modifications and the purchase of a $360 million equity investment in Virgin Atlantic. The 2013 investments will be funded through cash from operations and new financings.

Financings

At December 31, 2012, total debt and capital leases, including current maturities, was $12.7 billion, a $1.1 billion reduction from December 31, 2011 and a $2.5 billion reduction from December 31, 2010. We have focused on reducing our total debt over the past three years as part of our strategy to strengthen our balance sheet. In addition, we have refinanced previous financing transactions, which we expect to reduce our total future interest expense.

In 2012, we received $480 million in proceeds secured by aircraft previously financed by debt. In 2012, we also refinanced $1.7 billion in debt and undrawn revolving credit facilities secured by our Pacific routes and slots, which resulted in a lower interest rate. We expect the Pacific routes and slots refinancing transaction will generate more than $30 million in annual interest expense savings.

Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2012 that we expect will be paid in cash. The table does not include amounts that are contingent on events or other factors that are uncertain or unknown at this time, including legal contingencies, uncertain tax positions and amounts payable under collective bargaining arrangements, among others. In addition, the table does not include expected significant cash payments which are generally ordinary course of business obligations that do not include contractual commitments.

The amounts presented are based on various estimates, including estimates regarding the timing of payments, prevailing interest rates, volumes purchased, the occurrence of certain events and other factors. Accordingly, the actual results may vary materially from the amounts presented in the table.

During 2012, our contractual obligations were impacted by our agreement with Bombardier to purchase 40 CRJ-900 aircraft with deliveries beginning in 2013 and continuing through 2014 and with our agreement with Pinnacle Airlines, Inc. to purchase 16 CRJ-900 aircraft with deliveries in 2013. Our estimated payments to purchase these aircraft are included in the obligations below. In addition, we entered into agreements with Southwest Airlines and The Boeing Company to lease 88 B-717-200 aircraft with deliveries beginning in 2013 and continuing through 2015.

| | Contractual Obligations by Year[1] | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | 2013 | 2014 | 2015 | 2016 | 2017 | Thereafter | Total |
| Long-term debt (see Note 8) | | | | | | | |
| Principal amount | $1,267 | $1,420 | $1,062 | $1,427 | $2,144 | $4,694 | $12,014 |
| Interest payments | 600 | 540 | 460 | 390 | 300 | 660 | 2,950 |
| Contract carrier obligations (see Note 10) | 2,210 | 2,200 | 2,130 | 1,850 | 1,690 | 3,880 | 13,960 |
| Operating lease payments (see Note 9) | 1,507 | 1,433 | 1,332 | 1,159 | 1,000 | 7,415 | 13,846 |
| Employee benefit obligations (see Note 11) | 820 | 840 | 830 | 800 | 800 | 9,930 | 14,020 |
| Aircraft purchase commitments (see Note 10) | 1,000 | 1,525 | 815 | 810 | 760 | 3,240 | 8,150 |
| Capital lease obligations (see Note 9) | 209 | 173 | 158 | 164 | 97 | 113 | 914 |
| Other obligations[2] | 1,180 | 330 | 350 | 300 | 170 | 1,000 | 3,330 |
| Total | $8,793 | $8,461 | $7,137 | $6,900 | $6,961 | $30,932 | $69,184 |

(1) For additional information, see the Notes to the Consolidated Financial Statements referenced in the table above.

(2) Includes $360 million in 2013 related to our agreement to buy, pending regulatory approval, 49% of Virgin Atlantic, currently held by Singapore Airlines.

Long-Term Debt, Principal Amount. Represents scheduled principal payments on long-term debt. The table excludes amounts received from American Express for its advance purchase of restricted SkyMiles because this obligation will be satisfied by American Express' use of SkyMiles over a specified period rather than by cash payments from us. For

additional information about our agreements with American Express, see Note 7 of the Notes to the Consolidated Financial Statements.

Long-Term Debt, Interest Payments. Represents estimated interest payments under our long-term debt based on the interest rates specified in the applicable debt agreements. Interest payments on variable interest rate debt were calculated using LIBOR at December 31, 2012.

Contract Carrier Obligations. Represents our estimated minimum fixed obligations under capacity purchase agreements with regional carriers. The reported amounts are based on (1) the required minimum levels of flying by our contract carriers under the applicable agreements and (2) assumptions regarding the costs associated with such minimum levels of flying.

Employee Benefit Obligations. Represents primarily (1) our estimated minimum required funding for our qualified defined benefit pension plans based on actuarially determined estimates and (2) projected future benefit payments from our unfunded postretirement and postemployment plans. For additional information about our employee benefit obligations, see “Critical Accounting Policies and Estimates”.

Aircraft Purchase Commitments. Represents primarily our commitments to purchase 100 B-737-900ER aircraft, 18 B-787-8 aircraft, 56 CRJ-900 aircraft and four previously owned MD-90 aircraft. Our purchase commitment for 18 B-787-8 aircraft provides for certain aircraft substitution rights.

Other Obligations. Represents estimated purchase obligations under which we are required to make minimum payments for goods and services, including but not limited to insurance, marketing, maintenance, technology, sponsorships and other third party services and products. Additionally, other obligations includes estimates of lease payments that will be made under agreements entered into in 2012 with Southwest Airlines and The Boeing Company to lease 88 B-717-200 aircraft with deliveries beginning in 2013 and continuing through 2015.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are those that require significant judgments and estimates. Accordingly, the actual results may differ materially from these estimates. For a discussion of these and other accounting policies, see Note 1 of the Notes to the Consolidated Financial Statements.

Frequent Flyer Program

Our frequent flyer program (the “SkyMiles Program”) offers incentives to travel on Delta. This program allows customers to earn mileage credits by flying on Delta, regional air carriers with which we have contract carrier agreements and airlines that participate in the SkyMiles Program, as well as through participating companies such as credit card companies, hotels and car rental agencies. We also sell mileage credits to non-airline businesses, customers and other airlines.

The SkyMiles Program includes two types of transactions that are considered revenue arrangements with multiple deliverables. As discussed below, these are (1) passenger ticket sales earning mileage credits and (2) the sale of mileage credits to participating companies with which we have marketing agreements. Mileage credits are a separate unit of accounting as they can be redeemed by customers in future periods for air travel on Delta and participating airlines, membership in our Sky Club and other program awards.

Passenger Ticket Sales Earning Mileage Credits. Passenger ticket sales earning mileage credits under our SkyMiles Program provide customers with two deliverables: (1) mileage credits earned and (2) air transportation. We value each deliverable on a standalone basis. Our estimate of the standalone selling price of a mileage credit is based on an analysis of our sales of mileage credits to other airlines and customers and is re-evaluated at least annually. We use established ticket prices to determine the standalone selling price of air transportation. We allocate the total amount collected from passenger ticket sales between the deliverables based on their relative selling prices.

We defer revenue for the mileage credits related to passenger ticket sales and recognize it as passenger revenue when miles are redeemed and services are provided. We record the air transportation portion of the passenger ticket sales in air traffic liability and recognize these amounts in passenger revenue when we provide transportation or when the ticket expires unused. A hypothetical 10% increase in our estimate of the standalone selling price of a mileage credit would decrease passenger revenue by approximately $50 million, as a result of an increase in the amount of revenue deferred from the mileage component of passenger ticket sales.

Sale of Mileage Credits. Customers may earn mileage credits through participating companies such as credit card companies, hotels and car rental agencies with which we have marketing agreements to sell mileage credits. Our contracts to sell mileage credits under these marketing agreements have two deliverables: (1) the mileage credits redeemable for future travel and (2) the marketing component.

Our most significant contract to sell mileage credits relates to our co-brand credit card relationship with American Express. We defer revenue related to the mileage credits sold to American Express based on prices at which we sell mileage credits to other airlines, and re-evaluate our deferral rate at least annually. We allocate an amount to the marketing component in an amount equal to the excess of the amount received over the mileage component. Under this approach (the "residual method"), the deferred revenue from the mileage component is recognized as passenger revenue when miles are redeemed and services are provided, while the portion of the revenue related to the marketing component is recognized as those marketing services are provided. We will continue to use the residual method until our contract with American Express is materially modified. If we materially modify this agreement, we will then be required to allocate the consideration received to the marketing and the mileage components based upon their relative selling prices ("relative selling price method"). A material modification of this contract and the resultant change from the residual method to the relative selling price method could impact our deferral rate or cause an adjustment to our deferred revenue balance, which could materially impact our future financial results.

Breakage. For mileage credits which we estimate are not likely to be redeemed ("breakage"), we recognize the associated value proportionally during the period in which the remaining mileage credits are expected to be redeemed. Management uses statistical models to estimate breakage based on historical redemption patterns. A change in assumptions as to the period over which mileage credits are expected to be redeemed, the actual redemption activity for mileage credits or the estimated fair value of mileage credits expected to be redeemed could have a material impact on our revenue in the year in which the change occurs and in future years. At December 31, 2012, the aggregate deferred revenue balance associated with the SkyMiles Program was $4.4 billion. A hypothetical 1% change in the number of outstanding miles estimated to be redeemed would result in a $30 million impact on our deferred revenue liability at December 31, 2012.

Goodwill and Indefinite-Lived Intangible Assets

We assess our goodwill and indefinite-lived intangible assets under a qualitative or quantitative approach. Under a qualitative approach, we consider many market factors, including those listed under Key Assumptions below. We analyze these market factors to determine if events and circumstances have affected the fair value of goodwill and indefinite-lived intangible assets. If we determine that it is more likely than not that the asset value may be impaired, we use the quantitative approach to assess the asset's fair value and the amount of the impairment. Under a quantitative approach, we calculate the fair value of the asset using the Key Assumptions listed below. If the asset's carrying value exceeds its fair value calculated using the quantitative approach, we will record an impairment charge for the difference in fair value and carrying value.

When we evaluate goodwill for impairment using a quantitative approach, we estimate the fair value of the reporting unit by considering market capitalization and other factors. When we perform a quantitative impairment assessment of our indefinite-lived intangible assets, fair value is estimated based on (1) recent market transactions, where available, (2) a combination of limited market transactions and the lease savings method for certain airport slots (which reflects potential lease savings from owning the slots rather than leasing them from another airline at market rates), (3) the royalty method for the Delta tradename (which assumes hypothetical royalties generated from using our tradename) or (4) projected discounted future cash flows (an income approach).

Key Assumptions. The key assumptions in our impairment tests include (1) our projected revenues, expenses and cash flows, (2) an estimated weighted average cost of capital, (3) assumed discount rates depending on the asset and (4) a tax rate. These assumptions are consistent with those hypothetical market participants would use. Since we are required to make estimates and assumptions when evaluating goodwill and indefinite-lived intangible assets for impairment, the actual amounts may differ materially from these estimates. In addition, we consider the amount the intangible assets' fair value exceeded their carrying value in the most recent fair value measurement using a quantitative approach.

Changes in certain events and circumstances could result in impairment. Factors which could cause impairment include, but are not limited to, (1) negative trends in our market capitalization, (2) an increase in fuel prices, (3) declining passenger mile yields, (4) lower passenger demand as a result of a weakened U.S. and global economy, (5) interruption to our operations due to an employee strike, terrorist attack, or other reasons and (6) changes to the regulatory environment.

We assessed each of the above assumptions in our most recent impairment analyses. The combination of our most recently completed annual results and our projected revenues, expenses and cash flows more than offset the impact of increasing fuel prices and other airline input costs. The stabilizing operating environment for U.S. airlines has resulted in annual yields increasing along with load factors, leading to improved financial results.

Goodwill. Our goodwill balance was $9.8 billion at December 31, 2012. We determined that there was no indication that Goodwill was impaired based upon our qualitative assessment of all relevant factors, including applicable factors noted in "Key Assumptions" above.

Identifiable Intangible Assets. Our identifiable intangible assets had a net carrying amount of $4.7 billion at December 31, 2012. Indefinite-lived assets are not amortized and consist primarily of routes, slots, the Delta tradename and assets related to SkyTeam and collaborative arrangements.

In 2012, we determined that there was no indication that our indefinite-lived intangible assets were impaired based upon our assessments. These assessments included analyses and weighting of all relevant factors, including the significant inputs and key assumptions which impact the fair value of our indefinite-lived intangible assets.

Long-Lived Assets

Our flight equipment and other long-lived assets have a recorded value of $20.7 billion at December 31, 2012. This value is based on various factors, including the assets' estimated useful lives and salvage values. We record impairment losses on flight equipment and other long-lived assets used in operations when events and circumstances indicate the assets may be impaired and the estimated future cash flows generated by those assets are less than their carrying amounts. Factors which could cause impairment include, but are not limited to, (1) a decision to permanently remove flight equipment or other long-lived assets from operations, (2) significant changes in the estimated useful life, (3) significant changes in projected cash flows, (4) permanent and significant declines in fleet fair values and (5) changes to the regulatory environment. For long-lived assets held for sale, we discontinue depreciation and record impairment losses when the carrying amount of these assets is greater than the fair value less the cost to sell.

To determine whether impairments exist for aircraft used in operations, we group assets at the fleet-type level (the lowest level for which there are identifiable cash flows) and then estimate future cash flows based on projections of capacity, passenger mile yield, fuel costs, labor costs and other relevant factors. If an impairment occurs, the impairment loss recognized is the amount by which the aircraft's carrying amount exceeds its estimated fair value. We estimate aircraft fair values using published sources, appraisals and bids received from third parties, as available.

Income Tax Valuation Allowance

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

We recorded a full valuation allowance in 2004 due to our cumulative three year loss position at that time, compounded by the negative industry-wide business trends and outlook. At December 31, 2012, we had an $11.0 billion valuation allowance established against our deferred income tax assets, which represents a full valuation allowance against our net deferred income tax asset.

During the March 2012 quarter, we moved from a cumulative loss position over the previous three years to a cumulative income position for the first time since we established a full valuation allowance. We have concluded as of December 31, 2012 that the valuation allowance was still needed on our net deferred tax assets based upon the weight of the factors described above, especially considering the history of losses. We continue to evaluate our cumulative income position and income trend as well as our future projections of sustained profitability and whether this profitability trend constitutes sufficient positive evidence to support a reversal of our valuation allowance (in full or in part).

Defined Benefit Pension Plans

We sponsor defined benefit pension plans for eligible employees and retirees. These plans are closed to new entrants and frozen for future benefit accruals. As of December 31, 2012, the unfunded benefit obligation for these plans recorded on our Consolidated Balance Sheet was $13.3 billion. During 2012, we contributed $697 million to these plans and recorded $368 million of expense in salaries and related costs on our Consolidated Statement of Operations. In 2013, we estimate we will contribute approximately $675 million to these plans and that our expense will be approximately $350 million. The most critical assumptions impacting our defined benefit pension plan obligations and expenses are the discount rate and the expected long-term rate of return on the plan assets.

Weighted Average Discount Rate. We determine our weighted average discount rate on our measurement date primarily by reference to annualized rates earned on high quality fixed income investments and yield-to-maturity analysis specific to our estimated future benefit payments. We used a weighted average discount rate to value the obligations of 4.11% and 4.94% at December 31, 2012 and 2011, respectively. Our weighted average discount rate for net periodic pension benefit cost in each of the past three years has varied from the rate selected on our measurement date, ranging from 4.95% to 5.93% between 2010 and 2012.

Expected Long-Term Rate of Return. Our expected long-term rate of return on plan assets of 9% is based primarily on plan-specific investment studies using historical market return and volatility data. Modest excess return expectations versus some public market indices are incorporated into the return projections based on the actively managed structure of the investment programs and their records of achieving such returns historically. We also expect to receive a premium for investing in less liquid private markets. We review our rate of return on plan asset assumptions annually. Our annual investment performance for one particular year does not, by itself, significantly influence our evaluation. Our actual historical annualized 20-year rate of return on plan assets for our defined benefit pension plans exceeded 9% as of December 31, 2012. The investment strategy for our defined benefit pension plan assets is to use a diversified mix of global public and private equity portfolios, public and private fixed income portfolios and private real estate and natural resource investments to earn a long-term investment return that meets or exceeds our annualized return target. Our expected long-term rate of return on assets for net periodic pension benefit cost for the year ended December 31, 2012 was 9%.

The impact of a 0.50% change in these assumptions is shown in the table below:

| Change in Assumption | Effect on 2013 Pension Expense | Effect on Accrued Pension Liability at December 31, 2012 |
|---|---|---|
| 0.50% decrease in weighted average discount rate | -$5 million | +$1.4 billion |
| 0.50% increase in weighted average discount rate | — | - $1.3 billion |
| 0.50% decrease in expected long-term rate of return on assets | +$40 million | — |
| 0.50% increase in expected long-term rate of return on assets | - $40 million | — |

Funding. Our funding obligations for qualified defined benefit plans are governed by the Employee Retirement Income Security Act. The Pension Protection Act of 2006 allows commercial airlines to elect alternative funding rules (“Alternative Funding Rules”) for defined benefit plans that are frozen. Delta elected the Alternative Funding Rules under which the unfunded liability for a frozen defined benefit plan may be amortized over a fixed 17-year period and is calculated using an 8.85% interest rate.

While the Pension Protection Act makes our funding obligations for these plans more predictable, factors outside our control continue to have an impact on the funding requirements. Estimates of future funding requirements are based on various assumptions and can vary materially from actual funding requirements. Assumptions include, among other things, the actual and projected market performance of assets; statutory requirements; and demographic data for participants. For additional information, see Note 11 of the Notes to the Consolidated Financial Statements.

Recent Accounting Standards

Presentation of Comprehensive Income

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

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Supplemental Information

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

The following tables show reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures.

We exclude the following items from CASM to determine CASM-Ex:

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

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

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

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

- MTM adjustments. MTM adjustments are based on market prices as of the end of the reporting period for contracts settling in future periods. Such market prices are not necessarily indicative of the actual future value of the underlying hedge in the contract settlement period. Therefore, we adjust fuel expense for these items to arrive at a more meaningful measure of fuel cost.

| | Year Ended December 31, | |
|---|---|---|
| | 2012 | 2011 |
| CASM | 14.97 ¢ | 14.12 ¢ |
| Items excluded: | | |
| Aircraft fuel and related taxes | (5.32) | (5.00) |
| Ancillary businesses | (0.38) | (0.37) |
| Profit sharing | (0.16) | (0.11) |
| Restructuring and other items | (0.20) | (0.10) |
| MTM adjustments | 0.01 | (0.01) |
| CASM-Ex | 8.92 ¢ | 8.53 ¢ |

Glossary of Defined Terms

ASM - Available Seat Mile. A measure of capacity. ASMs equal the total number of seats available for transporting passengers during a reporting period multiplied by the total number of miles flown during that period.

CASM - (Operating) Cost per Available Seat Mile. The amount of operating cost incurred per ASM during a reporting period.

CASM-Ex - The amount of operating cost incurred per ASM during a reporting period, excluding aircraft fuel and related taxes, ancillary businesses, profit sharing, restructuring and other items and MTM adjustments for fuel hedges recorded in periods other than the settlement period.

Passenger Load Factor - A measure of utilized available seating capacity calculated by dividing RPMs by ASMs for a reporting period.

Passenger Mile Yield or Yield - The amount of passenger revenue earned per RPM during a reporting period.

PRASM - Passenger Revenue per ASM. The amount of passenger revenue earned per ASM during a reporting period. PRASM is also referred to as “unit revenue.”

RPM - Revenue Passenger Mile. One revenue-paying passenger transported one mile. RPMs equal the number of revenue passengers during a reporting period multiplied by the number of miles flown by those passengers during that period. RPMs are also referred to as “traffic.”

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have market risk exposure related to aircraft fuel prices, interest rates and foreign currency exchange rates. Market risk is the potential negative impact of adverse changes in these prices or rates on our Consolidated Financial Statements. In an effort to manage our exposure to these risks, we enter into derivative contracts and may adjust our derivative portfolio as market conditions change. We expect adjustments to the fair value of financial instruments to result in ongoing volatility in earnings and stockholders' equity.

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

Aircraft Fuel Price Risk

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

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

For the year ended December 31, 2012, aircraft fuel and related taxes, including our contract carriers under capacity purchase agreements, accounted for $12.3 billion, or 36%, of our total operating expense. We recognized $66 million of net fuel hedge losses during the year ended December 31, 2012.

The following table shows the projected cash impact to fuel cost assuming 10% and 20% increases or decreases in fuel prices. The hedge gain (loss) reflects the change in the projected cash settlement value of our open fuel hedge contracts at December 31, 2012 based on their contract settlement dates, assuming the same 10% and 20% changes.

| | Year Ending December 31, 2013 | | | |
|---|---|---|---|---|
| (in millions) | (Increase) Decrease to Unhedged Fuel Cost[1] | Hedge Gain (Loss)[2] | Net Impact | Fuel Hedge Margin (Posted to) Received from Counterparties |
| + 20% | $(2,250) | $170 | $(2,080) | $130 |
| + 10% | (1,120) | 200 | (920) | 140 |
| - 10% | 1,120 | (120) | 1,000 | 70 |

| | | | | |
|---|---|---|---|---|
| - 20% | 2,250 | (290 | ) 1,960 | 80 |

(1) Projections based upon the (increase) decrease to unhedged fuel cost as compared to the jet fuel price per gallon of $3.01, excluding transportation costs and taxes, at December 31, 2012 and estimated fuel consumption of 3.8 billion gallons for the year ending December 31, 2013.

(2) Projections based on average futures prices by contract settlement month compared to futures prices at December 31, 2012.

Interest Rate Risk

Our exposure to market risk from adverse changes in interest rates is primarily associated with our long-term debt obligations. Market risk associated with our fixed and variable rate long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates.

At December 31, 2012, we had $5.9 billion of fixed-rate long-term debt and $6.7 billion of variable-rate long-term debt. An increase of 100 basis points in average annual interest rates would have decreased the estimated fair value of our fixed-rate long-term debt by $260 million at December 31, 2012 and would have increased the annual interest expense on our variable-rate long-term debt by $40 million, exclusive of the impact of our interest rate hedge contracts.

Foreign Currency Exchange Risk

We are subject to foreign currency exchange rate risk because we have revenue and expense denominated in foreign currencies with our primary exposures being the Japanese yen and Canadian dollar. To manage exchange rate risk, we execute both our international revenue and expense transactions in the same foreign currency to the extent practicable. From time to time, we may also enter into foreign currency option and forward contracts. At December 31, 2012, we had open foreign currency forward contracts totaling a $123 million asset position. We estimate that a 10% increase or decrease in the price of the Japanese yen and Canadian dollar in relation to the U.S. dollar would change the projected cash settlement value of our open hedge contracts by a $90 million gain or $110 million loss, respectively, for the year ending December 31, 2013.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Delta Air Lines, Inc. (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), stockholders' (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2012. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Delta Air Lines, Inc. at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Delta Air Lines, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 12, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 12, 2013

DELTA AIR LINES, INC.
Consolidated Balance Sheets

| (in millions, except share data) | December 31, 2012 | 2011 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $2,416 | $2,657 |
| Short-term investments | 958 | 958 |
| Restricted cash, cash equivalents and short-term investments | 375 | 305 |
| Accounts receivable, net of an allowance for uncollectible accounts of $36 and $33 at December 31, 2012 and 2011, respectively | 1,693 | 1,563 |
| Fuel inventory | 619 | 168 |
| Expendable parts and supplies inventories, net of an allowance for obsolescence of $127 and $101 at December 31, 2012 and 2011, respectively | 404 | 367 |
| Deferred income taxes, net | 463 | 461 |
| Prepaid expenses and other | 1,344 | 1,250 |
| Total current assets | 8,272 | 7,729 |
| Property and Equipment, Net: | | |
| Property and equipment, net of accumulated depreciation and amortization of $6,656 and $5,472 at December 31, 2012 and 2011, respectively | 20,713 | 20,223 |
| Other Assets: | | |
| Goodwill | 9,794 | 9,794 |
| Identifiable intangibles, net of accumulated amortization of $670 and $600 at December 31, 2012 and 2011, respectively | 4,679 | 4,751 |
| Other noncurrent assets | 1,092 | 1,002 |
| Total other assets | 15,565 | 15,547 |
| Total assets | $44,550 | $43,499 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities: | | |
| Current maturities of long-term debt and capital leases | $1,627 | $1,944 |
| Air traffic liability | 3,696 | 3,480 |
| Accounts payable | 2,293 | 1,600 |
| Frequent flyer deferred revenue | 1,806 | 1,849 |
| Accrued salaries and related benefits | 1,680 | 1,367 |
| Taxes payable | 585 | 594 |
| Fuel card obligation | 455 | 318 |
| Other accrued liabilities | 1,128 | 1,549 |
| Total current liabilities | 13,270 | 12,701 |
| Noncurrent Liabilities: | | |
| Long-term debt and capital leases | 11,082 | 11,847 |
| Pension, postretirement and related benefits | 16,005 | 14,200 |
| Frequent flyer deferred revenue | 2,628 | 2,700 |
| Deferred income taxes, net | 2,047 | 2,028 |
| Other noncurrent liabilities | 1,649 | 1,419 |
| Total noncurrent liabilities | 33,411 | 32,194 |
| Commitments and Contingencies | | |
| Stockholders' Deficit: | | |

| | | |
|---|---|---|
| Common stock at $0.0001 par value; 1,500,000,000 shares authorized, 867,866,505 and 861,499,734 shares issued at December 31, 2012 and 2011, respectively | — | — |
| Additional paid-in capital | 14,069 | 13,999 |
| Accumulated deficit | (7,389) | (8,398) |
| Accumulated other comprehensive loss | (8,577) | (6,766) |
| Treasury stock, at cost, 16,464,472 and 16,253,791 shares at December 31, 2012 and 2011, respectively | (234) | (231) |
| Total stockholders' deficit | (2,131) | (1,396) |
| Total liabilities and stockholders' deficit | $44,550 | $43,499 |

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

DELTA AIR LINES, INC.
Consolidated Statements of Operations

| (in millions, except per share data) | Year Ended December 31, 2012 | 2011 | 2010 |
|---|---|---|---|
| Operating Revenue: | | | |
| Passenger: | | | |
| Mainline | $25,237 | $23,843 | $21,408 |
| Regional carriers | 6,570 | 6,414 | 5,850 |
| Total passenger revenue | 31,807 | 30,257 | 27,258 |
| Cargo | 990 | 1,027 | 850 |
| Other | 3,873 | 3,831 | 3,647 |
| Total operating revenue | 36,670 | 35,115 | 31,755 |
| Operating Expense: | | | |
| Aircraft fuel and related taxes | 10,150 | 9,730 | 7,594 |
| Salaries and related costs | 7,266 | 6,894 | 6,751 |
| Contract carrier arrangements | 5,647 | 5,470 | 4,305 |
| Aircraft maintenance materials and outside repairs | 1,955 | 1,765 | 1,569 |
| Passenger commissions and other selling expenses | 1,590 | 1,682 | 1,509 |
| Contracted services | 1,566 | 1,642 | 1,549 |
| Depreciation and amortization | 1,565 | 1,523 | 1,511 |
| Landing fees and other rents | 1,336 | 1,281 | 1,281 |
| Passenger service | 732 | 721 | 673 |
| Profit sharing | 372 | 264 | 313 |
| Aircraft rent | 272 | 298 | 387 |
| Restructuring and other items | 452 | 242 | 450 |
| Other | 1,592 | 1,628 | 1,646 |
| Total operating expense | 34,495 | 33,140 | 29,538 |
| Operating Income | 2,175 | 1,975 | 2,217 |
| Other Expense: | | | |
| Interest expense, net | (812) | (901) | (969) |
| Amortization of debt discount, net | (193) | (193) | (216) |
| Loss on extinguishment of debt | (118) | (68) | (391) |
| Miscellaneous, net | (27) | (44) | (33) |
| Total other expense, net | (1,150) | (1,206) | (1,609) |
| Income Before Income Taxes | 1,025 | 769 | 608 |
| Income Tax (Provision) Benefit | (16) | 85 | (15) |
| Net Income | $1,009 | $854 | $593 |
| Basic Earnings Per Share | $1.20 | $1.02 | $0.71 |
| Diluted Earnings Per Share | $1.19 | $1.01 | $0.70 |

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

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DELTA AIR LINES, INC.
Consolidated Statements of Comprehensive Income (Loss)

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2012 | 2011 | 2010 |
| Net Income | $1,009 | $854 | $593 |
| Other comprehensive loss: | | | |
| Net gain (loss) on derivatives | 211 | (167) | 52 |
| Net change in pension and other benefit liabilities[1] | (2,022) | (3,021) | (67) |
| Total Other Comprehensive Loss | (1,811) | (3,188) | (15) |
| Comprehensive Income (Loss) | $(802) | $(2,334) | $578 |

[1] Pension and other benefit liabilities were significantly impacted by discount rates, see Note 11.

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

DELTA AIR LINES, INC.
Consolidated Statements of Cash Flows

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2012 | 2011 | 2010 |
| Cash Flows From Operating Activities: | | | |
| Net income | $1,009 | $854 | $593 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 1,565 | 1,523 | 1,511 |
| Amortization of debt discount, net | 193 | 193 | 216 |
| Loss on extinguishment of debt | 56 | 68 | 391 |
| Fuel hedge derivative contracts | (209) | 135 | (136) |
| Deferred income taxes | 17 | (2) | 9 |
| Pension, postretirement and postemployment expense less than payments | (208) | (308) | (301) |
| Equity-based compensation expense | 54 | 72 | 89 |
| Restructuring and other items | 184 | 142 | 182 |
| SkyMiles used pursuant to advance purchase under American Express Agreements | (333) | — | — |
| Changes in certain assets and liabilities: | | | |
| Receivables | (116) | (76) | (141) |
| Restricted cash and cash equivalents | (51) | 153 | 16 |
| Fuel inventory | (451) | (8) | (36) |
| Prepaid expenses and other current assets | (134) | (8) | 29 |
| Air traffic liability | 216 | 174 | 232 |
| Frequent flyer deferred revenue | (115) | 82 | (345) |
| Accounts payable and accrued liabilities | 899 | 303 | 516 |
| Other assets and liabilities | (66) | (373) | (98) |
| Other, net | (34) | (90) | 105 |
| Net cash provided by operating activities | 2,476 | 2,834 | 2,832 |
| Cash Flows From Investing Activities: | | | |
| Property and equipment additions: | | | |
| Flight equipment, including advance payments | (1,196) | (907) | (1,055) |
| Ground property and equipment, including technology | (772) | (347) | (287) |
| Purchase of investments | (958) | (1,078) | (815) |
| Redemption of investments | 1,019 | 844 | 149 |
| Other, net | (55) | (10) | (18) |
| Net cash used in investing activities | (1,962) | (1,498) | (2,026) |
| Cash Flows From Financing Activities: | | | |
| Payments on long-term debt and capital lease obligations | (2,864) | (4,172) | (3,722) |
| Proceeds from long-term obligations | 1,965 | 2,395 | 1,130 |
| Fuel card obligation | 137 | 318 | — |
| Debt issuance costs | (41) | (63) | (19) |
| Other, net | 48 | (49) | 90 |
| Net cash used in financing activities | (755) | (1,571) | (2,521) |
| Net Decrease in Cash and Cash Equivalents | (241) | (235) | (1,715) |
| Cash and cash equivalents at beginning of period | 2,657 | 2,892 | 4,607 |
| Cash and cash equivalents at end of period | $2,416 | $2,657 | $2,892 |
| Supplemental Disclosure of Cash Paid for Interest | $834 | $925 | $1,036 |
| Non-Cash Transactions: | | | |
| Flight equipment under capital leases | $28 | $117 | $329 |
| Built-to-suit leased facilities | 214 | 126 | — |

| | | | |
|---|---|---|---|
| Debt relief through vendor negotiations | — | — | 160 |
| Debt discount on American Express agreements | — | — | 110 |

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

DELTA AIR LINES, INC.
Consolidated Statements of Stockholders' (Deficit) Equity

| (in millions, except per share data) | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive Loss | Treasury Stock Shares | Treasury Stock Amount | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2010 | 795 | $— | $ 13,827 | $ (9,845) | $ (3,563) | 11 | $ (174) | $ 245 |
| Net income | — | — | — | 593 | — | — | — | 593 |
| Other comprehensive loss | — | — | — | — | (15) | — | — | (15) |
| Shares of common stock issued to settle bankruptcy claims under Delta's Plan of Reorganization | 44 | — | — | — | — | — | — | — |
| Shares of common stock issued to settle bankruptcy claims under Northwest's Plan of Reorganization | 5 | — | — | — | — | — | — | — |
| Shares of common stock issued and compensation expense associated with equity awards (Treasury shares withheld for payment of taxes, $12.41[1] per share) | 3 | — | 89 | — | — | 2 | (25) | 64 |
| Stock options exercised | 1 | — | 10 | — | — | — | — | 10 |
| Balance at December 31, 2010 | 848 | — | 13,926 | (9,252) | (3,578) | 13 | (199) | 897 |
| Net income | — | — | — | 854 | — | — | — | 854 |
| Other comprehensive loss | — | — | — | — | (3,188) | — | — | (3,188) |
| Shares of common stock issued to settle bankruptcy claims under Delta's Plan of Reorganization | 9 | — | — | — | — | — | — | — |
| Shares of common stock issued to settle bankruptcy claims under Northwest's Plan of Reorganization | 1 | — | — | — | — | — | — | — |
| Shares of common stock issued and compensation expense associated with equity awards (Treasury shares withheld for payment of taxes, $9.63[1] per share) | 3 | — | 72 | — | — | 3 | (32) | 40 |
| Stock options exercised | — | — | 1 | — | — | — | — | 1 |
| Balance at December 31, 2011 | 861 | — | 13,999 | (8,398) | (6,766) | 16 | (231) | (1,396) |
| Net income | — | — | — | 1,009 | — | — | — | 1,009 |
| Other comprehensive loss | — | — | — | — | (1,811) | — | — | (1,811) |
| Shares of common stock issued and compensation expense associated with equity awards and other (Treasury shares withheld for payment of taxes, $10.91[1] per share) | 5 | — | 54 | — | — | — | (3) | 51 |
| Stock options exercised | 2 | — | 16 | — | — | — | — | 16 |
| Balance at December 31, 2012 | 868 | $— | $ 14,069 | $ (7,389) | $ (8,577) | 16 | $ (234) | $ (2,131) |

[1] Weighted average price per share

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Delta Air Lines, Inc., a Delaware corporation, provides scheduled air transportation for passengers and cargo throughout the United States ("U.S.") and around the world. Our Consolidated Financial Statements include the accounts of Delta Air Lines, Inc. and our wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). We do not consolidate the financial statements of any company in which we have an ownership interest of 50% or less. We are not the primary beneficiary of, nor do we have a controlling financial interest in, any variable interest entity. Accordingly, we have not consolidated any variable interest entity. We reclassified certain prior period amounts, none of which were material, to conform to the current period presentation.

We have marketing alliances with other airlines to enhance our access to domestic and international markets. These arrangements may include codesharing, reciprocal frequent flyer program benefits, shared or reciprocal access to passenger lounges, joint promotions, common use of airport gates and ticket counters, ticket office co-location and other marketing agreements. We have received antitrust immunity for certain marketing arrangements, which enables us to offer a more integrated route network and develop common sales, marketing and discount programs for customers. Some of our marketing arrangements provide for the sharing of revenues and expenses. Revenues and expenses associated with collaborative arrangements are presented on a gross basis in the applicable line items on our Consolidated Statements of Operations.

On July 1, 2010, we sold Compass Airlines, Inc. ("Compass") and Mesaba Aviation, Inc. ("Mesaba"), our wholly-owned subsidiaries, to Trans States Airlines, Inc. ("Trans States") and Pinnacle Airlines Corp. ("Pinnacle"), respectively. Upon the closing of these transactions, we entered into new or amended long-term capacity purchase agreements with Compass, Mesaba and Pinnacle. Prior to these sales, expenses related to Compass and Mesaba as our wholly-owned subsidiaries were reported in the applicable expense line items. Subsequent to these sales, expenses related to Compass and Mesaba are reported as contract carrier arrangements expense.

Use of Estimates

We are required to make estimates and assumptions when preparing our Consolidated Financial Statements in accordance with GAAP. These estimates and assumptions affect the amounts reported in our Consolidated Financial Statements and the accompanying notes. Actual results could differ materially from those estimates.

Recent Accounting Standards

Presentation of Comprehensive Income

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

Cash and Cash Equivalents and Short-Term Investments

Short-term, highly liquid investments with maturities of three months or less when purchased are classified as cash and cash equivalents. Investments with maturities of greater than three months, but not in excess of one year, when purchased are classified as short-term investments.

Accounts Receivable

Accounts receivable primarily consist of amounts due from credit card companies from the sale of passenger airline tickets, customers of our aircraft maintenance and cargo transportation services and other companies for the purchase of mileage credits under our SkyMiles Program. We provide an allowance for uncollectible accounts equal to the estimated losses expected to be incurred based on historical chargebacks, write-offs, bankruptcies and other specific analyses. Bad debt expense was not material in any period presented.

Inventories

Refinery. Refined product, feedstock and blendstock inventories, all of which are finished goods, are carried at the lower of cost or market. Cost is determined principally under the moving average method. Costs include the raw material consumed plus direct manufacturing costs (such as labor, utilities and supplies) as incurred and an applicable portion of manufacturing overhead. Ending inventory costs in excess of market value are written down to net recoverable values and charged to operating expense.

Spare Parts. Inventories of expendable parts related to flight equipment are carried at moving average cost and charged to operations as consumed. An allowance for obsolescence is provided over the remaining useful life of the related fleet for spare parts expected to be available at the date aircraft are retired from service. We also provide allowances for parts identified as excess or obsolete to reduce the carrying costs to the lower of cost or net realizable value. These parts are assumed to have an estimated residual value of 5% of the original cost.

Derivatives

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

Not Designated as Accounting Hedges. Effective June 2011, we stopped designating substantially all of our new fuel derivative contracts as accounting hedges and discontinued hedge accounting for our then existing fuel derivative contracts that previously had been designated as accounting hedges. As a result, we record market adjustments for changes in fair value to earnings in aircraft fuel and related taxes. Prior to this change in accounting designation, gains or losses on these contracts were deferred in accumulated other comprehensive income (loss) ("AOCI") until contract settlement. We will reclassify to earnings all amounts from market adjustments for changes in fair value relating to our fuel derivative contracts in AOCI on the original contract settlement dates.

Designated as Cash Flow Hedges. For derivative contracts designated as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of AOCI and reclassified into earnings in the same period in which the hedged transaction affects earnings. The effective portion of the derivative represents the change in fair value of the hedge that offsets the change in fair value of the hedged item. To the extent the change in the fair value of the hedge does not perfectly offset the change in the fair value of the hedged item, the ineffective portion of the hedge is immediately recognized in other (expense) income.

Designated as Fair Value Hedges. For derivative contracts designated as fair value hedges (interest rate contracts), the gain or loss on the derivative and the offsetting loss or gain on the hedge item attributable to the hedged risk are recognized in current earnings. We include the gain or loss on the hedged item in the same account as the offsetting loss or gain on the related derivative contract, resulting in no impact to our Consolidated Statements of Operations.

The following table summarizes the risk each type of derivative contract is hedging and the classification of related gains and losses on our Consolidated Statements of Operations:

| Derivative Type | Hedged Risk | Classification of Gains and Losses |
|---|---|---|
| Fuel hedge contracts | Increases in jet fuel prices | Aircraft fuel and related taxes |
| Interest rate contracts | Increases in interest rates | Interest expense, net |
| Foreign currency exchange contracts | Fluctuations in foreign currency exchange rates | Passenger revenue |

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The following table summarizes the accounting treatment of our derivative contracts:

| | Impact of Unrealized Gains and Losses | |
|---|---|---|
| Accounting Designation | Effective Portion | Ineffective Portion |
| Not designated as hedges | Change in fair value of hedge is recorded in earnings | |
| Designated as cash flow hedges | Market adjustments are recorded in AOCI | Excess, if any, over effective portion of hedge is recorded in other expense |
| Designated as fair value hedges | Market adjustments are recorded in long-term debt and capital leases | Excess, if any, over effective portion of hedge is recorded in other expense |

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

Hedge Margin. In accordance with our fuel, interest rate and foreign currency hedge contracts, we may require counterparties to fund the margin associated with our gain position and/or counterparties may require us to fund the margin associated with our loss position on these contracts. The amount of the margin, if any, is periodically adjusted based on the fair value of the hedge contracts. The margin requirements are intended to mitigate a party's exposure to the risk of contracting party default. We do not offset margin funded to counterparties or margin funded to us by counterparties against fair value amounts recorded for our hedge contracts.

The hedge margin we receive from counterparties is recorded in cash and cash equivalents or restricted cash, cash equivalents and short-term investments, with the offsetting obligation in accounts payable. The hedge margin we provide to counterparties is recorded in accounts receivable. All cash flows associated with purchasing and settling hedge contracts are classified as operating cash flows.

Passenger Tickets

We record sales of passenger tickets in air traffic liability. Passenger revenue is recognized when we provide transportation or when the ticket expires unused, reducing the related air traffic liability. We periodically evaluate the estimated air traffic liability and record any adjustments in our Consolidated Statements of Operations. These adjustments relate primarily to refunds, exchanges, transactions with other airlines and other items for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price.

Passenger Taxes and Fees

We are required to charge certain taxes and fees on our passenger tickets, including U.S. federal transportation taxes, federal security charges, airport passenger facility charges and foreign arrival and departure taxes. These taxes and fees are assessments on the customer for which we act as a collection agent. Because we are not entitled to retain these taxes and fees, we do not include such amounts in passenger revenue. We record a liability when the amounts are collected and reduce the liability when payments are made to the applicable government agency or operating carrier.

Frequent Flyer Program

The SkyMiles Program offers incentives to travel on Delta. This program allows customers to earn mileage credits by flying on Delta, regional air carriers with which we have contract carrier agreements ("Contract Carriers") and airlines that participate in the SkyMiles Program, as well as through participating companies such as credit card companies, hotels and car rental agencies. We also sell mileage credits to non-airline businesses, customers and other airlines.

The SkyMiles Program includes two types of transactions that are considered revenue arrangements with multiple deliverables. As discussed below, these are (1) passenger ticket sales earning mileage credits and (2) the sale of mileage credits to participating companies with which we have marketing agreements. Mileage credits are a separate unit of accounting as they can be redeemed by customers in future periods for air travel on Delta and participating airlines, membership in our Sky Club and other program awards.

Passenger Ticket Sales Earning Mileage Credits. Passenger ticket sales earning mileage credits under our SkyMiles Program provide customers with two deliverables: (1) mileage credits earned and (2) air transportation. Effective January 1, 2011, we began applying the provisions of new accounting rules to passenger tickets earning mileage credits. Under the new accounting rules, we value each deliverable on a standalone basis. Our estimate of the selling price of a mileage credit is based on an analysis of our sales of mileage credits to other airlines and customers and is re-evaluated at least annually. We use established ticket prices to determine the estimated selling price of air transportation. We allocate the total amount collected from passenger ticket sales between the deliverables based on their relative selling prices.

We defer revenue for the mileage credits related to passenger ticket sales and recognize it as passenger revenue when miles are redeemed and services are provided. We record the air transportation portion of the passenger ticket sales in air traffic liability and recognize these amounts in passenger revenue when we provide transportation or when the ticket expires unused. The adoption of the new accounting rules did not have a material impact on the timing of revenue recognition or its classification with regard to passenger tickets earning mileage credits.

Prior to the adoption of the new accounting rules, we used the residual method for revenue recognition. Under the residual method, we determined the fair value of the mileage credit component based on prices at which we sold mileage credits to other airlines and then considered the remainder of the amount collected to be the air transportation deliverable.

Sale of Mileage Credits. Customers may earn mileage credits through participating companies such as credit card companies, hotels and car rental agencies with which we have marketing agreements to sell mileage credits. Our contracts to sell mileage credits under these marketing agreements have two deliverables: (1) the mileage credits redeemable for future travel and (2) the marketing component.

The new accounting rules do not apply to contracts to sell mileage credits entered into prior to January 1, 2011 unless those contracts are materially modified. As of December 31, 2012, we had not materially modified any of our significant agreements. Our most significant contract to sell mileage credits relates to our co-brand credit card relationship with American Express. For additional information about this relationship, see Note 7. For contracts entered into prior to January 1, 2011 that have not been materially modified since January 1, 2011, we continue to use the residual method for revenue recognition and value only the mileage credits. Under the residual method, the portion of the revenue from the mileage component is deferred and recognized as passenger revenue when miles are redeemed and services are provided. The portion of the revenue received in excess of the fair value of mileage credits sold, the marketing component, is recognized in income as other revenue when the related marketing services are provided. The fair value of a mileage credit is determined based on prices at which we sell mileage credits to other airlines and is re-evaluated at least annually.

If we enter into new contracts or materially modify existing contracts to sell mileage credits related to our SkyMiles Program, we will value the standalone selling price of the marketing component and allocate the revenue from the contract based on the relative selling price of the mileage credits and the marketing component. A material modification of an existing significant contract could impact our deferral rate or cause an adjustment to our deferred revenue balance, which could materially impact our future financial results.

Breakage. For mileage credits which we estimate are not likely to be redeemed ("breakage"), we recognize the associated value proportionally during the period in which the remaining mileage credits are expected to be redeemed. Management uses statistical models to estimate breakage based on historical redemption patterns. A change in assumptions as to the period over which mileage credits are expected to be redeemed, the actual redemption activity for mileage credits or the estimated fair value of mileage credits expected to be redeemed could have a material impact on our revenue in the year in which the change occurs and in future years.

Regional Carriers Revenue

During the year ended December 31, 2012, we had contract carrier agreements with eight Contract Carriers, in addition to our wholly-owned subsidiary, Comair, Inc. (“Comair”). Comair ceased operations in September 2012 and merged into Delta in December 2012 (see Note 16). Our Contract Carrier agreements are structured as either (1) capacity purchase agreements where we purchase all or a portion of the Contract Carrier's capacity and are responsible for selling the seat inventory we purchase or (2) revenue proration agreements, which are based on a fixed dollar or percentage division of revenues for tickets sold to passengers traveling on connecting flight itineraries. We record revenue related to all of our Contract Carrier agreements as regional carriers passenger revenue. We record expenses related to our Contract Carrier agreements, excluding Comair, as contract carrier arrangements expense.

Cargo Revenue

Cargo revenue is recognized when we provide the transportation.

Other Revenue

Other revenue is primarily comprised of (1) the marketing component of the sale of mileage credits discussed above, (2) baggage fee revenue, (3) other miscellaneous service revenue, including ticket change fees and (4) revenue from ancillary businesses, such as the aircraft maintenance and repair and staffing services we provide to third parties.

Long-Lived Assets

The following table shows our property and equipment:

| | | December 31, | |
|---|---|---|---|
| (in millions, except for estimated useful life) | Estimated Useful Life | 2012 | 2011 |
| Flight equipment | 21-30 years | $21,481 | $21,001 |
| Ground property and equipment | 3-40 years | 4,254 | 3,490 |
| Flight and ground equipment under capital leases | Shorter of lease term or estimated useful life | 1,381 | 1,127 |
| Advance payments for equipment | | 253 | 77 |
| Less: accumulated depreciation and amortization[(1)] | | (6,656) | (5,472) |
| Total property and equipment, net | | $20,713 | $20,223 |

[(1)] Includes accumulated amortization for flight and ground equipment under capital leases in the amount of $653 million and $482 million at December 31, 2012 and 2011, respectively.

We record property and equipment at cost and depreciate or amortize these assets on a straight-line basis to their estimated residual values over their estimated useful lives. The estimated useful life for leasehold improvements is the shorter of lease term or estimated useful life. Depreciation expense for each of the years ended December 31, 2012, 2011 and 2010 was $1.4 billion. Residual values for owned aircraft, engines, spare parts and simulators are generally 5% to 10% of cost.

We capitalize certain internal and external costs incurred to develop and implement software, and amortize those costs over an estimated useful life of three to seven years. For the years ended December 31, 2012, 2011 and 2010, we recorded $76 million, $64 million and $71 million, respectively, for amortization of capitalized software. The net book value of these assets totaled $344 million and $200 million at December 31, 2012 and 2011, respectively.

We record impairment losses on flight equipment and other long-lived assets used in operations when events and circumstances indicate the assets may be impaired and the estimated future cash flows generated by those assets are less than their carrying amounts. Factors which could cause impairment include, but are not limited to, (1) a decision to permanently remove flight equipment or other long-lived assets from operations, (2) significant changes in the estimated useful life, (3) significant changes in projected cash flows, (4) permanent and significant declines in fleet fair values and (5) changes to the regulatory environment. For long-lived assets held for sale, we discontinue depreciation and record impairment losses when the carrying amount of these assets is greater than the fair value less the cost to sell.

To determine whether impairments exist for aircraft used in operations, we group assets at the fleet-type level (the lowest level for which there are identifiable cash flows) and then estimate future cash flows based on projections of capacity, passenger mile yield, fuel costs, labor costs and other relevant factors. If an impairment occurs, the impairment loss recognized

is the amount by which the aircraft's carrying amount exceeds its estimated fair value. We estimate aircraft fair values using published sources, appraisals and bids received from third parties, as available.

Goodwill and Other Intangible Assets

We apply a fair value-based impairment test to the net book value of goodwill and indefinite-lived intangible assets on an annual basis (as of October 1) and, if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. In July 2012, the FASB issued "Testing Indefinite-Lived Intangible Assets for Impairment." The standard gives companies the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired rather than calculating the fair value of the indefinite-lived intangible asset. It is effective prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. We adopted this standard and have applied the provisions to our annual indefinite-lived intangible asset impairment tests in the December 2012 quarter. The adoption of this standard did not have a material impact on our Consolidated Financial Statements. In September 2011, the FASB issued "Testing Goodwill for Impairment." The standard revises the way in which entities test goodwill for impairment. We adopted this standard and applied its provisions to our annual goodwill impairment test in the December 2011 quarter.

We value goodwill and identified intangible assets primarily using market capitalization and income approach valuation techniques. These measurements include the following significant unobservable inputs: (1) our projected revenues, expenses and cash flows, (2) an estimated weighted average cost of capital, (3) assumed discount rates depending on the asset and (4) a tax rate. These assumptions are consistent with those hypothetical market participants would use. Since we are required to make estimates and assumptions when evaluating goodwill and indefinite-lived intangible assets for impairment, the actual amounts may differ materially from these estimates.

Changes in certain events and circumstances could result in impairment. Factors which could cause impairment include, but are not limited to, (1) negative trends in our market capitalization, (2) an increase in fuel prices, (3) declining passenger mile yields, (4) lower passenger demand as a result of a weakened U.S. and global economy, (5) interruption to our operations due to an employee strike, terrorist attack, or other reasons and (6) changes to the regulatory environment.

Goodwill. Our goodwill balance, which is related to the airline segment, was $9.8 billion at December 31, 2012. In evaluating goodwill for impairment, we estimate the fair value of our reporting unit by considering market capitalization and other factors if it is more likely than not that the fair value of our reporting unit is less than its carrying value. If the reporting unit's fair value exceeds its carrying value, no further testing is required. If, however, the reporting unit's carrying value exceeds its fair value, we then determine the amount of the impairment charge, if any. We recognize an impairment charge if the carrying value of the reporting unit's goodwill exceeds its estimated fair value.

Identifiable Intangible Assets. Our identifiable intangible assets, which are related to the airline segment, had a net carrying amount of $4.7 billion at December 31, 2012. Indefinite-lived assets are not amortized and consist primarily of routes, slots, the Delta tradename and assets related to SkyTeam and collaborative arrangements. Definite-lived intangible assets consist primarily of marketing agreements and contracts and are amortized on a straight-line basis or under the undiscounted cash flows method over the estimated economic life of the respective agreements and contracts. Costs incurred to renew or extend the term of an intangible asset are expensed as incurred.

We assess our indefinite-lived assets under a qualitative or quantitative approach. We analyze market factors to determine if events and circumstances have affected the fair value of the indefinite-lived intangible assets. If we determine that it is more likely than not that the asset value may be impaired, we use the quantitative approach to assess the asset's fair value and the amount of the impairment. We perform the quantitative impairment test for

indefinite-lived intangible assets by comparing the asset's fair value to its carrying value. Fair value is estimated based on (1) recent market transactions, where available, (2) a combination of limited market transactions and the lease savings method for certain airport slots (which reflects potential lease savings from owning the slots rather than leasing them from another airline at market rates), (3) the royalty method for the Delta tradename (which assumes hypothetical royalties generated from using our tradename) or (4) projected discounted future cash flows. We recognize an impairment charge if the asset's carrying value exceeds its estimated fair value.

Income Taxes

We account for deferred income taxes under the liability method. We recognize deferred tax assets and liabilities based on the tax effects of temporary differences between the financial statement and tax bases of assets and liabilities, as measured by current enacted tax rates. Deferred tax assets and liabilities are recorded net as current and noncurrent deferred income taxes. A valuation allowance is recorded to reduce deferred tax assets when necessary. For additional information about our income taxes, see Note 12.

Manufacturers' Credits

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

Maintenance Costs

We record maintenance costs to aircraft maintenance materials and outside repairs. Maintenance costs are expensed as incurred, except for costs incurred under power-by-the-hour contracts, which are expensed based on actual hours flown. Power-by-the-hour contracts transfer certain risk to third party service providers and fix the amount we pay per flight hour to the service provider in exchange for maintenance and repairs under a predefined maintenance program. Modifications that enhance the operating performance or extend the useful lives of airframes or engines are capitalized and amortized over the remaining estimated useful life of the asset or the remaining lease term, whichever is shorter.

Advertising Costs

We expense advertising costs as other selling expenses in the year incurred. Advertising expense was $235 million, $214 million and $169 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Commissions

Passenger sales commissions are recognized in operating expense when the related revenue is recognized.

NOTE 2. OIL REFINERY

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

Acquisition

In June 2012, our wholly-owned subsidiaries, Monroe Energy, LLC and MIPC, LLC (collectively, “Monroe”), acquired the Trainer refinery and related assets located near Philadelphia, Pennsylvania from Phillips 66, which had shut down operations at the refinery. Monroe invested $180 million to acquire the refinery. Monroe received a $30 million grant from the Commonwealth of Pennsylvania. The acquisition includes pipelines and terminal assets that will allow the refinery to supply jet fuel to our airline operations throughout the Northeastern U.S., including our New York hubs at LaGuardia and JFK.

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

Refinery Operations and Strategic Agreements

The facility is capable of refining 185,000 barrels of crude oil per day. BP is the primary supplier of crude oil used by the refinery under a three year agreement. We are also exploring other sources of crude oil supply, such as bringing supply to the refinery by rail from the Bakken oil field in North Dakota. We have increased the refinery's jet fuel capacity through capital improvements. The refinery's remaining production consists of gasoline, diesel and refined products ("non-jet fuel products"). Under a multi-year agreement, we are exchanging a significant portion of the non-jet fuel products with Phillips 66 for jet fuel to be used in our airline operations. Substantially all of the remaining production of non-jet fuel products is being sold to BP under a long-term buy/sell agreement effectively exchanging those non-jet fuel products for jet fuel. Our agreement with Phillips 66 requires us to deliver specified quantities of non-jet fuel products and they are required to deliver jet fuel to us. If we or Phillips 66 do not have the specified quantity and type of product available, the delivering party is required to procure any such shortage to fulfill its obligation under the agreement. Substantially all of the refinery's expected production of non-jet fuel products is included in these agreements.

Accounting for Buy/Sell Agreements

To the extent that we receive jet fuel for the non-jet fuel products exchanged under these agreements, we account for these transactions as non-monetary exchanges. We account for non-monetary transactions where product is exchanged with the same counterparty, including buy/sell arrangements, by measuring the carrying amount of the non-jet fuel products transferred. We have recorded these exchange transactions at the carrying amount of the non-jet fuel products transferred within Aircraft fuel and related taxes on the Consolidated Statement of Operations. The gross fair value of the products exchanged under these agreements during the year ended December 31, 2012 was $1.1 billion.

Segment Reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources to our segments and in assessing performance. Our chief operating decision maker is considered to be our executive leadership team. Our executive leadership team regularly reviews discrete information for our two operating segments, which are determined by the products and services provided: our airline segment and our refinery segment.

Our airline segment provides scheduled air transportation for passengers and cargo throughout the United States and around the world and other ancillary airline services, including maintenance and repair services for third parties. Our refinery segment provides jet fuel to the airline segment from its own production and through jet fuel obtained through the agreements with Phillips 66 and BP. The costs included in the refinery segment are primarily for the benefit of the airline segment. As a result, our segments are not designed to measure operating income or loss directly related to the products and services included in each segment on a stand-alone basis.

Segment results are prepared based on our internal accounting methods described below, with reconciliations to consolidated amounts in accordance with accounting principles generally accepted in the United States:

| | Year Ended December 31, 2012 | | | |
|---|---|---|---|---|
| (in millions) | Airline | Refinery | Intersegment Sales/ Other | Consolidated |
| Operating revenue: | $36,670 | $1,347 | | $36,670 |
| Sales to airline segment | | | $(213) [1] | |
| Exchanged products | | | (1,121) [2] | |
| Sales of by-products to third parties | | | (13) [3] | |
| Operating income (loss) | 2,238 | (63) | — | 2,175 |
| Interest expense, net | 812 | — | — | 812 |
| Depreciation and amortization expense | 1,561 | 4 | — | 1,565 |
| Total assets, end of period | 43,386 | 1,164 | — | 44,550 |
| Capital expenditures | 1,637 | 331 | — | 1,968 |

(1) Represents transfers, valued on a market price basis, from the refinery to the airline segment for use in airline operations. We determine market price by reference to the market index for the primary delivery location for jet fuel from the refinery, which is New York harbor.

(2) Represents value of products exchanged under our buy/sell agreements, as discussed above, determined on a market price basis.

(3) Represents sales of refinery by-products to third parties. Such products are generally sold at or near cost; accordingly, margin on such sales is de minimis. By-products are produced as a result of the refining of crude oil into gasoline, diesel and jet fuel.

NOTE 3. FAIR VALUE MEASUREMENTS

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability.

- Level 1. Observable inputs such as quoted prices in active markets;
- Level 2. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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

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

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

Assets (Liabilities) Measured at Fair Value on a Recurring Basis[1]

| (in millions) | December 31, 2012 | Level 1 | Level 2 | Level 3 | Valuation Technique |
|---|---|---|---|---|---|
| Cash equivalents | $ 2,176 | $2,176 | $— | $— | (a) |
| Short-term investments | 958 | 958 | — | — | (a) |
| Restricted cash equivalents and investments | 344 | 344 | — | — | (a) |
| Long-term investments | 208 | 100 | 27 | 81 | (a)(b) |
| Hedge derivatives, net | | | | | |
| Fuel hedge contracts | 249 | 27 | 222 | — | (a)(b) |
| Interest rate contracts | (66) | — | (66) | — | (a)(b) |
| Foreign currency exchange contracts | 123 | — | 123 | — | (a) |
| (in millions) | December 31, 2011 | Level 1 | Level 2 | Level 3 | Valuation Technique |
| Cash equivalents | $ 2,357 | $2,357 | $— | $— | (a) |
| Short-term investments | 958 | 958 | — | — | (a) |
| Restricted cash equivalents and investments | 341 | 341 | — | — | (a) |
| Long-term investments | 188 | 55 | 24 | 109 | (a)(b) |
| Hedge derivatives, net | | | | | |
| Fuel hedge contracts | 70 | — | 70 | — | (a)(b) |
| Interest rate contracts | (91) | — | (91) | — | (a)(b) |
| Foreign currency exchange contracts | (89) | — | (89) | — | (a) |

[1] See Note 11, “Employee Benefit Plans”, for fair value of benefit plan assets.

Cash Equivalents, Short-term Investments and Restricted Cash Equivalents and Investments. Cash equivalents and short-term investments generally consist of money market funds and treasury bills. Restricted cash equivalents and investments are primarily held to meet certain projected self-insurance obligations and generally consist of money

market funds and time deposits. These investments are recorded at cost, which approximates fair value. Fair value is based on a market approach using prices and other relevant information generated by market transactions involving identical or comparable assets.

Long-term Investments. Our long-term investments, primarily consisting of equity investments in GOL and Aeroméxico and auction rate securities, are classified in other noncurrent assets. Our equity investments are traded on a public exchange and valued based on quoted market prices. Because auction rate securities are not actively traded, fair values were estimated by discounting the cash flows expected to be received over the remaining maturities of the underlying securities. We based the valuations on our assessment of observable yields on instruments bearing comparable risks and considered the creditworthiness of the underlying debt issuer. Changes in market conditions could result in further adjustments to the fair value of these securities.

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

- Fuel Derivatives. Our fuel hedge portfolio consists of call options; put options; combinations of two or more call options and put options; swap contracts; and futures contracts. The products underlying the hedge contracts include heating oil, crude oil, jet fuel and diesel fuel, as these commodities are highly correlated with the price of jet fuel that we consume. Option contracts are valued under an income approach using option pricing models based on data either readily observable in public markets, derived from public markets or provided by counterparties who regularly trade in public markets. Volatilities used in these valuations ranged from 12% to 35% depending on the maturity dates, underlying commodities and strike prices of the option contracts. Swap contracts are valued under an income approach using a discounted cash flow model based on data either readily observable or derived from public markets. Discount rates used in these valuations vary with the maturity dates of the respective contracts and are based on LIBOR. Futures contracts and options on futures contracts are traded on a public exchange and valued based on quoted market prices.

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

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

Assets Measured at Fair Value on a Nonrecurring Basis

| | Significant Unobservable Inputs (Level 3) | | |
|---|---|---|---|
| (in millions) | December 31, 2012 | December 31, 2011 | Valuation Technique |
| Goodwill[1] | $9,794 | $9,794 | (a)(b) |
| Indefinite-lived intangible assets[1] (see Note 6) | 4,373 | 4,375 | (a)(b) |

[1] See Note 1, “Goodwill and Other Intangible Assets”, for a description of how these assets are tested for impairment.

NOTE 4. DERIVATIVES AND RISK MANAGEMENT

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

Aircraft Fuel Price Risk

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

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

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

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2012 | 2011 | 2010 |
| Market adjustments for changes in fair value | $81 | $(187) | $2 |
| Effective portion reclassified from AOCI to earnings | (15) | (233) | 87 |
| Losses (gains) recorded in aircraft fuel and related taxes | $66 | $(420) | $89 |

Interest Rate Risk

Our exposure to market risk from adverse changes in interest rates is primarily associated with our long-term debt obligations. Market risk associated with our fixed and variable rate long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates.

In an effort to manage our exposure to the risk associated with our variable rate long-term debt, we periodically enter into derivative contracts comprised of interest rate swaps and call option agreements. We designate our interest rate contracts used to convert our interest rate exposure on a portion of our debt portfolio from a floating rate to a fixed rate as cash flow hedges, while those contracts converting our interest rate exposure from a fixed rate to a floating rate are designated as fair value hedges.

We also have exposure to market risk from adverse changes in interest rates associated with our cash and cash equivalents and benefit plan obligations. Market risk associated with our cash and cash equivalents relates to the potential decline in interest income from a decrease in interest rates. Pension, postretirement, postemployment, and worker's compensation obligation risk relates to the potential increase in our future obligations and expenses from a decrease in interest rates used to discount these obligations.

Foreign Currency Exchange Rate Risk

We are subject to foreign currency exchange rate risk because we have revenue and expense denominated in foreign currencies with our primary exposures being the Japanese yen and Canadian dollar. To manage exchange rate risk, we execute both our international revenue and expense transactions in the same foreign currency to the extent practicable. From time to time, we may also enter into foreign currency option and forward contracts. These foreign currency exchange contracts are designated as cash flow hedges.

Hedge Position as of December 31, 2012

| (in millions) | Notional | Balance | Final Maturity Date | Prepaid Expenses and Other Assets | Other Noncurrent Assets | Other Accrued Liabilities | Other Noncurrent Liabilities | Hedge Derivatives, net |
|---|---|---|---|---|---|---|---|---|
| Designated as hedges | | | | | | | | |
| Interest rate contracts (cash flow hedges) | $740 | U.S. dollars | May 2019 | $— | $ — | $(22) | $ (48) | $ (70) |
| Interest rate contracts (fair value hedges) | $469 | U.S. dollars | August 2022 | — | 6 | (2) | — | 4 |
| Foreign currency exchange contracts | 119,277 | Japanese yen | December 2015 | 62 | 63 | (1) | (1) | 123 |
| | 430 | Canadian dollars | | | | | | |
| Not designated as hedges | | | | | | | | |
| Fuel hedge contracts | 1,792 | gallons - heating oil, crude oil and jet fuel | December 2013 | 511 | — | (262) | — | 249 |
| Total derivative contracts | | | | $573 | $ 69 | $(287) | $ (49) | $ 306 |

Hedge Position as of December 31, 2011

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

Hedge Gains (Losses)

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

| | Effective Portion Reclassified from AOCI to Earnings | | | Effective Portion Recognized in Other Comprehensive Income (Loss) | | |
|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | | | |
| (in millions) | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| Fuel hedge contracts | $15 | $233 | $(87) | $(15) | $(166) | $153 |
| Interest rate contracts | (5) | — | (5) | 14 | (8) | (28) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Foreign currency exchange contracts | (25) | (61) | (31) | 212 | 7 | (73) |
| Total designated | $(15) | $172 | $(123) | $211 | $(167) | $52 |

Credit Risk

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

Our hedge contracts contain margin funding requirements. The margin funding requirements may cause us to post margin to counterparties or may cause counterparties to post margin to us as market prices in the underlying hedged items change. Due to the fair value position of our hedge contracts, we received net margin of $62 million and posted net margin of $30 million as of December 31, 2012 and 2011, respectively. Margin received is recorded in accounts payable and margin posted is recorded in prepaid expenses and other.

Our accounts receivable are generated largely from the sale of passenger airline tickets and cargo transportation services. The majority of these sales are processed through major credit card companies, resulting in accounts receivable that may be subject to certain holdbacks by the credit card processors. We also have receivables from the sale of mileage credits under our SkyMiles Program to participating airlines and non-airline businesses such as credit card companies, hotels and car rental agencies. The credit risk associated with our receivables is minimal.

Self-Insurance Risk

We self-insure a portion of our losses from claims related to workers' compensation, environmental issues, property damage, medical insurance for employees and general liability. Losses are accrued based on an estimate of the aggregate liability for claims incurred, using independent actuarial reviews based on standard industry practices and our historical experience. A portion of our projected workers' compensation liability is secured with restricted cash collateral.

NOTE 5. JFK REDEVELOPMENT

During 2010, we began a redevelopment project at John F. Kennedy International Airport (“JFK”). At JFK, we currently operate domestic flights primarily at Terminal 2 and international flights at Terminal 3 under leases with the Port Authority of New York and New Jersey (“Port Authority”), which operates JFK. We also conduct flights from Terminal 4, which is operated by JFK International Air Terminal LLC (“IAT”), a private party, under its lease with the Port Authority.

We estimate the redevelopment project, which will be completed in stages concluding in 2015, will cost approximately $1.2 billion. The project currently includes the (1) enhancement and expansion of Terminal 4, including the construction of nine new international gates; (2) demolition of Terminal 3, which was constructed in 1960; and (3) development of the Terminal 3 site for aircraft parking positions. Construction at Terminal 4 is expected to be complete in May 2013, at which time we will relocate our operations from Terminal 3 to Terminal 4 and expect that passengers will benefit from an enhanced customer experience and improved operational performance, including reduced taxi times and better on-time performance. Subsequent to our relocation, we will proceed with the demolition of Terminal 3 and thereafter conduct coordinated flight operations from Terminals 2 and 4.

In December 2010, the Port Authority issued approximately $800 million principal amount of special project bonds to fund the substantial majority of the project. Also in December 2010, we entered into a 33 year agreement with IAT (“Sublease”) to sublease space in Terminal 4. IAT is unconditionally obligated under its lease with the Port Authority to pay rentals from the revenues it receives from its operation and management of Terminal 4, including among others our rental payments under the Sublease, in an amount sufficient to pay principal and interest on the bonds. We do not guarantee payment of the bonds. The balance of the project costs will be provided by Port Authority passenger facility

charges, Transportation Security Administration funding and our contributions. Our future rental payments will vary based on our share of total passenger and baggage counts at Terminal 4, the number of gates we occupy in Terminal 4, IAT's actual expenses of operating Terminal 4 and other factors.

We are responsible for the management and construction of the project and bear construction risk, including cost overruns. We record an asset for project costs as construction takes place regardless of funding source. These costs include design fees, labor and construction permits, as well as physical construction costs such as paving, systems, utilities and other costs generally associated with construction projects. The project will also include capitalized interest based on amounts we spend calculated based on our weighted average incremental borrowing rate. The related construction obligation is recorded as a non-current liability and is equal to project costs funded by parties other than us. Future rental payments will reduce the construction obligation and result in the recording of interest expense, calculated using the effective interest method. During the construction period, we are also incurring costs for construction site ground rental expense and any remediation and abatement activities, all of which will be expensed as incurred. As of December 31, 2012, we have recorded $585 million as a fixed asset as if we owned the asset and $473 million as the related construction obligation.

We have an equity-method investment in the entity which owns IAT, our sublessor at Terminal 4. The Sublease requires us to pay certain fixed management fees. We determined the investment is a variable interest and assessed whether we have a controlling financial interest in IAT. Our rights under the Sublease with respect to management of Terminal 4 are consistent with rights granted to an anchor tenant under a standard airport lease. Accordingly, we do not consolidate the entity in which we have an investment in our Consolidated Financial Statements.

NOTE 6. INTANGIBLE ASSETS

Indefinite-Lived Intangible Assets

| | Carrying Amount at December 31, | |
|---|---|---|
| (in millions) | 2012 | 2011 |
| International routes and slots | $2,240 | $2,240 |
| Delta tradename | 850 | 850 |
| SkyTeam related assets | 661 | 661 |
| Domestic slots | 622 | 624 |
| Total | $4,373 | $4,375 |

International Routes and Slots. We estimate the fair value on our international routes and slots using an excess earnings method, which is an income approach, when it is more likely than not the fair value is less than the associated carrying value. In the December 2011 quarter, we reduced flight frequencies between the U.S. and Moscow. Based primarily on the expected future use of our Moscow routes and slots, we determined the carrying value of the related routes and slots exceeded the estimated fair value. As a result, we recorded a $50 million impairment charge in restructuring and other items in the December 2011 quarter. As of December 31, 2012 and 2011, our remaining international routes and slots relate to our Pacific routes and slots.

In October 2010, the U.S. and Japan signed a bilateral agreement, which allows U.S. air carriers unlimited flying to and from Japan under route authorities granted by the U.S. Department of Transportation. Access to the primary Japanese airports (Haneda and Narita airports in Tokyo) continues to be regulated through allocations of slots, which limit the rights of carriers to operate at these airports. The U.S. and Japan have agreed on plans for a limited number of additional slots at these airports. The substantial number of slots we hold at Tokyo Narita Airport, combined with limited-entry rights we hold in other countries, enables us to operate a hub at Tokyo serving the Asia-Pacific region.

We currently believe that the current U.S.-Japan bilateral agreement will not have a significant long-term impact on our Pacific routes and slots; therefore, these assets continue to have an indefinite life and are not presently impaired. Negative changes to our operations could result in an impairment charge or a change from indefinite-lived to definite-lived in the period in which the changes occur or are projected to occur.

Domestic Slots. In December 2011, we and US Airways exchanged takeoff and landing rights at LaGuardia Airport ("LaGuardia") and Reagan National airports. Under the agreement, (1) we acquired 132 slot pairs at LaGuardia from US Airways and (2) US Airways acquired from us 42 slot pairs at Reagan National and $66.5 million in cash. Additionally, we divested 16 slot pairs at LaGuardia and eight slot pairs at Reagan National to airlines with limited or no service at those airports and received $90 million in cash proceeds from the sale of the divested slot pairs. The divestiture of these slot pairs resulted in the recognition of a $43 million gain during the December 2011 quarter in restructuring and other items on our Consolidated Statement of Operations.

The 132 slot pairs at LaGuardia acquired in 2011 were recorded at fair value. We estimated their fair value using a combination of limited market transactions and the lease savings method, which is an income approach. These assets are classified in Level 3 of the fair value hierarchy. The carrying value related to the 42 slot pairs at Reagan National acquired by US Airways was removed from our indefinite-lived intangible assets. In approving the transaction, the Department of Transportation restricted our use of the exchanged slots. We recorded a $78 million gain in December 2011. We recognized this deferred gain in 2012 as the restrictions lapsed.

Definite-Lived Intangible Assets

| | December 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| (in millions) | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Marketing agreements | $730 | $(545) | $730 | $(486) |
| Contracts | 193 | (72) | 193 | (61) |
| Other | 53 | (53) | 53 | (53) |
| Total | $976 | $(670) | $976 | $(600) |

Amortization expense for each of the years ended December 31, 2012, 2011 and 2010 was approximately $70 million. The following table summarizes the estimated aggregate amortization expense for each of the five succeeding fiscal years:

| Years Ending December 31, (in millions) | |
|---|---|
| 2013 | $68 |
| 2014 | 67 |
| 2015 | 67 |
| 2016 | 9 |
| 2017 | 9 |

NOTE 7. AMERICAN EXPRESS RELATIONSHIP

General. Our agreements with American Express provide for joint marketing, grant certain benefits to Delta-American Express co-branded credit card holders ("Cardholders") and American Express Membership Rewards Program participants and allow American Express to market using our customer database. Cardholders earn mileage credits for making purchases on their co-branded cards, may check their first bag for free on every Delta flight and enjoy other benefits while traveling with Delta. Additionally, participants in the American Express Membership Rewards program may exchange their points for mileage credits under the SkyMiles Program. As a result, we sell mileage credits at agreed upon rates to American Express for provision to their customers under the co-brand credit card program and the Membership Rewards program.

Advance Purchase of Restricted SkyMiles. In 2008, we entered into a multi-year extension of our American Express agreements and received $1.0 billion from American Express for an advance purchase of Restricted SkyMiles (the "prepayment"). The 2008 agreement provided that our obligations with respect to the advance purchase would be satisfied as American Express uses the purchased miles over a specified future period (“SkyMiles Usage Period”), rather than by cash payments from us to American Express. Due to the SkyMiles Usage Period and other restrictions placed upon American Express regarding the timing and use of the SkyMiles, we classified the $1.0 billion prepayment we received as long-term debt.

In 2010, we amended our 2008 American Express agreement. The amendments, among other things, (1) provide that Cardholders may check their first bag for free on every Delta flight through June 2013 ("Baggage Fee Waiver Period"), (2) changed the SkyMiles Usage Period to a three-year period beginning in the December 2011 quarter from a two-year period beginning in December 2010 quarter and (3) gave American Express the option to extend our agreements with them for one year.

During the SkyMiles Usage Period, American Express draws down on the prepayment instead of paying cash to Delta for SkyMiles used. As of December 31, 2012, $619 million of the original $1.0 billion debt (or prepayment) remained, including $333 million which is classified in current maturities of long-term debt and capital leases. As SkyMiles are used by American Express, we recognize the two separate revenue components of these SkyMiles consistent with our accounting policy discussed in Note 1. We defer revenue related to the portion of the mileage credits redeemable for future travel and recognize it as passenger revenue when miles are redeemed and services are provided. The value of the marketing component is determined under the residual method and recognized as other revenue as related marketing services are provided.

Annual Sale of Unrestricted SkyMiles. In December 2011, we amended our American Express agreements and sold American Express $675 million of unrestricted SkyMiles in both 2011 and 2012. Under the December 2011 amendment, we anticipate American Express will make additional purchases of $675 million of unrestricted SkyMiles in both 2013 and 2014. The December 2011 amendment also extends the Baggage Fee Waiver Period. The SkyMiles purchased pursuant to the December 2011 amendment may be used immediately by American Express. The usage of these SkyMiles is not restricted in any way. These annual purchases of SkyMiles are recorded as deferred revenue within current liabilities. The portion of each purchase of SkyMiles related to mileage credits redeemable for future travel will be classified within frequent flyer deferred revenue and the portion related to the marketing component will be classified within other accrued liabilities.

The December 2011 amendment does not change the number of miles that we expect American Express to purchase from us over the next four years. It only impacts the timing of those purchases. The December 2011 amendment did not make any significant changes to the deliverables (the mileage credits sold and the marketing component). Therefore, it is not a material modification of the American Express agreements under the accounting guidance. A future material modification of the American Express agreements could impact our deferral rate or cause an

adjustment to our deferred revenue balance, which could materially impact our future financial results. For additional information, see "Frequent Flyer Program" in Note 1.

Fuel Card Obligation. In December 2011, we obtained a purchasing card with American Express for the purpose of buying jet fuel and crude oil. The card currently carries a maximum credit limit of $612 million and must be paid monthly. As of December 31, 2012, we had $455 million outstanding on this purchasing card, which was classified as fuel card obligation.

NOTE 8. LONG-TERM DEBT

The following table summarizes our long-term debt:

| (in millions) | Maturity Dates | Interest Rate(s) Per Annum at December 31, 2012 | | December 31, 2012 | 2011 |
|---|---|---|---|---|---|
| 2012 Pacific Facilities: | | | | | |
| Pacific Term Loan B-1[2] | October 2018 | 5.25% | variable[1] | $1,100 | $— |
| Pacific Term Loan B-2[2] | April 2016 | 4.25% | variable[1] | 400 | — |
| Pacific Revolving Facility ($450) | October 2017 | undrawn | variable[1] | — | — |
| 2011 Credit Facilities: | | | | | |
| Term Loan Facility[2] | April 2017 | 5.50% | variable[1] | 1,354 | 1,368 |
| Revolving Credit Facility ($1,225) | April 2016 | undrawn | variable[1] | — | — |
| 2009 Pacific Facilities and Other Debt: | | | | | |
| Pacific Routes Term Facility | March 2016 | 4.25% | variable[1] | — | 248 |
| Pacific Routes Revolving Facility ($500) | March 2013 | undrawn | variable[1] | — | — |
| Senior Secured Notes | September 2014 | 9.50% | fixed | — | 600 |
| Senior Second Lien Notes | March 2015 | 12.25% | fixed | — | 306 |
| Other Secured Financing Arrangements: | | | | | |
| Certificates[2][3] | 2013 to 2023 | 1.06% | to 9.75% | 4,314 | 4,677 |
| Aircraft financings[2][3] | 2013 to 2025 | 0.81% | to 6.76% | 3,964 | 4,570 |
| Other financings[2][4] | 2013 to 2031 | 2.44% | to 6.12% | 707 | 721 |
| Bank Revolving Credit Facility | September 2015 | undrawn | variable[1] | — | — |
| Total secured debt | | | | 11,839 | 12,490 |
| American Express - Advance Purchase of Restricted SkyMiles[5] | | | | 619 | 952 |
| Other unsecured debt[2] | 2013 to 2035 | 3.00% | to 9.00% | 175 | 355 |
| Total unsecured debt | | | | 794 | 1,307 |
| Total secured and unsecured debt | | | | 12,633 | 13,797 |
| Unamortized discount, net | | | | (527) | (737) |
| Total debt | | | | 12,106 | 13,060 |
| Less: current maturities | | | | (1,507) | (1,827) |
| Total long-term debt | | | | $10,599 | $11,233 |

(1) Interest rate equal to LIBOR (subject to a floor) or another index rate, in each case plus a specified margin.
(2) Due in installments
(3) Secured by aircraft.
(4) Primarily includes loans secured by spare parts, spare engines and aircraft and real estate.
(5) For additional information about our debt associated with American Express, see Note 7.

2012 Pacific Facilities

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

| (in millions) | Proceeds Received | Principal Retired |
|---|---|---|
| 2012 Pacific Facilities: | | |
| Pacific Term Loan B-1 | $1,100 | $— |
| Pacific Term Loan B-2 | 400 | — |
| Pacific Revolving Facility ($450) | — | — |
| 2009 Pacific Facilities and Other Debt: | | |
| Pacific Routes Term Facility | — | 246 |
| Pacific Routes Revolving Facility ($500) | — | — |
| Senior Secured Notes | — | 600 |
| Senior Second Lien Notes | — | 306 |
| Total | $1,500 | $1,152 |

2012 Pacific Facilities. Borrowings under the 2012 Pacific Term Loans must be repaid annually in an amount equal to 1% per year of the original principal amount of the respective loans (to be paid in equal quarterly installments). The remaining unamortized principal amounts under the 2012 Pacific Term Loans are due on their final maturity dates. As of December 31, 2012, the 2012 Pacific Revolving Facility was undrawn.

2009 Pacific Facilities. In 2009, we entered into a first-lien term loan facility in the aggregate principal amount of $250 million (the “Pacific Routes Term Facility”) and a first-lien revolving credit facility in the aggregate principal amount of $500 million (the “Pacific Routes Revolving Facility”) (collectively the "2009 Pacific Facilities"). During 2011, we refinanced and amended the Pacific Routes Term Facility which, among other things, reduced the interest rate and extended the maturity date from September 2013 to March 2016. We retired the remaining $246 million principal amount of the Pacific Routes Term Facility and terminated the existing undrawn $500 million Pacific Routes Revolving Facility in connection with entering into the 2012 Pacific Facilities.

Senior Secured Notes. In 2009, we issued $750 million principal amount of senior secured notes (the "Senior Secured Notes") that were to mature in 2014. Some or all of these notes were redeemable at specified redemption prices. During 2010 and 2011, we voluntarily redeemed $150 million principal amount. We retired the remaining $600 million principal amount in connection with entering into the 2012 Pacific Facilities.

Senior Second Lien Notes. In conjunction with the issuance of the Senior Secured Notes, we issued $600 million principal amount of Senior Second Lien Notes that were to mature in March 2015. During 2010 and 2011, we repurchased $294 million of these notes and we retired the remaining $306 million principal amount in connection with entering into the 2012 Pacific Facilities.

Our obligations under the 2012 Pacific Facilities are guaranteed by substantially all of our domestic subsidiaries (the "Guarantors") and secured by a first lien on our Pacific route authorities and certain related assets (the "Pacific Collateral"). The covenants under the 2012 Pacific Facilities are the same as the covenants that were in place for the 2009 Pacific Facilities. Prior to their retirement, the 2009 Pacific Facilities, Senior Secured Notes and Senior Secured Lien Notes were all guaranteed by the Guarantors and secured by the Pacific Collateral. For a discussion of related financial covenants, see "Key Financial Covenants" below.

2011 Credit Facilities

In 2011, we entered into senior secured first-lien credit facilities (the "2011 Credit Facilities") to borrow up to $2.6 billion. The 2011 Credit Facilities consist of a $1.4 billion first-lien term loan facility (the "Term Loan Facility") and a $1.2 billion first-lien revolving credit facility, up to $500 million of which may be used for the issuance of letters of credit (the "Revolving Credit Facility").

Borrowings under the Term Loan Facility must be repaid annually in an amount equal to 1% of the original principal amount (to be paid in equal quarterly installments), with the balance due in 2017. Borrowings under the Revolving Credit Facility are due in 2016. As of December 31, 2012 and 2011, the Revolving Credit Facility was undrawn.

Our obligations under the 2011 Credit Facilities are guaranteed by the Guarantors. The 2011 Credit Facilities and the related guarantees are secured by liens on certain of our and the Guarantors' assets, including accounts receivable, flight equipment, ground property and equipment, certain aircraft, spare engines and parts, certain non-Pacific international routes, domestic slots, real estate and certain investments (the “Collateral”).

The 2011 Credit Facilities contain events of default customary for similar financings, including cross-defaults to other material indebtedness and certain change of control events. The 2011 Credit Facilities also include events of default specific to our business, including the suspension of all or substantially all of our flights and operations for more than five consecutive days (other than as a result of a Federal Aviation Administration suspension due to extraordinary events similarly affecting other major U.S. air carriers). Upon the occurrence of an event of default, the outstanding obligations may be accelerated and become due and payable immediately. For a discussion of related financial covenants, see "Key Financial Covenants" below.

Key Financial Covenants

Our secured debt instruments discussed above include affirmative, negative and financial covenants that restrict our ability to, among other things, make investments, sell or otherwise dispose of collateral if we are not in compliance with the collateral coverage ratio tests described below, pay dividends or repurchase stock. We were in compliance with all covenants in our financing agreements at December 31, 2012.

| | 2012 Pacific Facilities | 2011 Credit Facilities |
|---|---|---|
| Minimum Fixed Charge Coverage Ratio [1] | 1.20:1 | 1.20:1 |
| Minimum Unrestricted Liquidity | | |
| Unrestricted cash and permitted investments | n/a | $1.0 billion |
| Unrestricted cash, permitted investments and undrawn revolving credit facilities | $2.0 billion | $2.0 billion |
| Minimum Collateral Coverage Ratio [2] | 1.60:1 | 1.67:1 [3] |

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

(2) Defined as the ratio of (a) certain of the collateral that meets specified eligibility standards to (b) the sum of the aggregate outstanding obligations and certain other obligations.

(3) Excluding the non-Pacific international routes from the collateral for purposes of the calculation, the required minimum collateral coverage ratio is 0.75:1

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

Availability Under Revolving Credit Facilities

The table below shows availability under revolving credit facilities, all of which were undrawn, as of December 31, 2012:

| (in millions) | |
|---|---|
| Revolving Credit Facility | $1,225 |
| Pacific Revolving Credit Facility | 450 |
| Bank Revolving Credit Facility | 150 |
| Total availability under revolving credit facilities | $1,825 |

Other Secured Financing Arrangements

During 2011 and 2010, we retired $502 million and $532 million of existing debt under our other secured financing arrangements prior to scheduled maturity. In 2010, we also restructured $820 million of existing debt, including changes in applicable interest rates and other payment terms. To account for these debt restructurings, we compared the net present value of future cash flows for each new debt instrument to the remaining cash flows of the existing debt. If there was at least a 10% change in cash flows, we treated the restructuring as a debt extinguishment. We recorded losses on extinguishment of debt for the difference between the fair value of the new debt and the carrying value of the existing debt. The carrying value of the existing debt included any unamortized discounts or premiums, unamortized issuance costs and any premiums paid to retire the existing debt.

Certificates. Pass-Through Trust Certificates and Enhanced Equipment Trust Certificates ("EETC") (collectively, the "Certificates") shown in the table below are secured by 264 aircraft.

| (In millions, unless otherwise stated) | Proceeds Received | | | Outstanding at December 31, 2012 | Fixed Interest Rate | Final Maturity Date |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | | | |
| 2012-1A EETC | $354 | $— | $— | $354 | 4.750% | May 2020 |
| 2012-1B EETC | 126 | — | — | 126 | 6.875% | May 2019 |
| 2011-1A EETC | — | 293 | — | 253 | 5.300% | April 2019 |
| 2011-1B EETC | — | 102 | — | 102 | 7.125% | October 2014 |
| 2010-2A EETC | — | 204 | 270 | 412 | 4.950% | May 2019 |
| 2010-2B EETC | — | 135 | — | 135 | 6.750% | November 2015 |
| 2010-1A EETC | — | — | 450 | 383 | 6.200% | July 2018 |
| 2010-1B EETC | — | 100 | — | 100 | 6.375% | January 2016 |
| Certificates Issued Prior to 2010 | — | — | 347 | 2,449 | | |
| Total | $480 | $834 | $1,067 | $4,314 | | |

Unamortized Discount, Net

Our unamortized discount, net results primarily from fair value adjustments to reduce the carrying value of our long-term debt due to purchase accounting and an advance purchase of restricted SkyMiles by American Express (see Note 7). As described in the table below, we amortize these adjustments over the remaining maturities of the respective debt to amortization of debt discount, net on our Consolidated Statements of Operations. During the years ended December 31, 2012, 2011 and 2010, we recorded $118 million, $68 million and $391 million, respectively, in losses from the early extinguishment of debt, which included the write-off of debt discounts.

Future Maturities

The following table summarizes scheduled maturities of our debt, including current maturities, at December 31, 2012:

| Years Ending December 31, (in millions) | Total Secured and Unsecured Debt | Amortization of Debt Discount, net |
|---|---|---|
| 2013 | $1,600 | $(148) |
| 2014 | 1,706 | (98) |
| 2015 | 1,062 | (72) |
| 2016 | 1,427 | (65) |
| 2017 | 2,144 | (54) |
| Thereafter | 4,694 | (90) |

| | | | |
|---|---|---|---|
| Total | $12,633 | $(527) | $12,106 |

Fair Value of Debt

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

| | December 31, | |
|---|---|---|
| (in millions) | 2012 | 2011 |
| Total debt at par value | $12,633 | $13,797 |
| Unamortized discount, net | (527) | (737) |
| Net carrying amount | $12,106 | $13,060 |
| Fair value | $13,000 | $13,600 |

NOTE 9. LEASE OBLIGATIONS

We lease aircraft, airport terminals, maintenance facilities, ticket offices and other property and equipment from third parties. Rental expense for operating leases, which is recorded on a straight-line basis over the life of the lease term, totaled approximately $1.1 billion for each of the years ended December 31, 2012, 2011 and 2010. Amounts due under capital leases are recorded as liabilities, while assets acquired under capital leases are recorded as property and equipment. Amortization of assets recorded under capital leases is included in depreciation and amortization expense. Our airport terminal leases include contingent rents, which vary based upon: facility usage, enplanements, aircraft weight and other factors. Many of our aircraft, facility and equipment leases include rental escalation clauses and/or renewal options. Our leases do not include residual value guarantees and we are not the primary beneficiary in or have other forms of variable interest with the lessor of the leased assets. As a result, we have not consolidated any of the entities that lease to us.

The following tables summarize, as of December 31, 2012, our minimum rental commitments under capital leases and noncancelable operating leases (including certain aircraft flown by Contract Carriers) with initial or remaining terms in excess of one year:

| Capital Leases<br>Years Ending December 31,<br>(in millions) | Total |
|---|---|
| 2013 | $209 |
| 2014 | 173 |
| 2015 | 158 |
| 2016 | 164 |
| 2017 | 97 |
| Thereafter | 113 |
| Total minimum lease payments | 914 |
| Less: amount of lease payments representing interest | (313) |
| Present value of future minimum capital lease payments | 601 |
| Plus: unamortized premium | 2 |
| Less: current obligations under capital leases | (120) |
| Long-term capital lease obligations | $483 |

Operating Leases

| Years Ending December 31, (in millions) | Delta Lease Payments[1] | Contract Carrier Aircraft Lease Payments[2] | Total |
|---|---|---|---|
| 2013 | $1,005 | $502 | $1,507 |
| 2014 | 949 | 484 | 1,433 |
| 2015 | 859 | 473 | 1,332 |
| 2016 | 736 | 423 | 1,159 |
| 2017 | 627 | 373 | 1,000 |
| Thereafter | 6,414 | 1,001 | 7,415 |
| Total minimum lease payments | $10,590 | $3,256 | $13,846 |

(1) Includes payments accounted for as construction obligations. See Note 5.

(2) Represents the minimum lease obligations under our Contract Carrier agreements with ExpressJet Airlines, Inc., Chautauqua Airlines, Inc. (“Chautauqua”), Pinnacle, Shuttle America Corporation (“Shuttle America”) and SkyWest Airlines, Inc.

At December 31, 2012, we operated 109 aircraft under capital leases and 68 aircraft under operating leases. Our Contract Carriers operated 568 aircraft for us accounted for as operating leases.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Aircraft Purchase Commitments

Future aircraft purchase commitments at December 31, 2012 are estimated to total approximately $8.2 billion and include 100 B-737-900ER aircraft, 18 B-787-8 aircraft, 56 CRJ-900 aircraft and four previously owned MD-90 aircraft. Our purchase commitment for 18 B-787-8 aircraft provides for certain aircraft substitution rights. The following table shows the timing of these commitments:

| Years Ending December 31, (in millions) | Total |
|---|---|
| 2013 | $1,000 |
| 2014 | 1,525 |
| 2015 | 815 |
| 2016 | 810 |
| 2017 | 760 |
| Thereafter | 3,240 |
| Total | $8,150 |

During 2012, we entered into agreements with Bombardier Aerospace to purchase 40 CRJ-900 aircraft with deliveries in 2013 and 2014, and with Pinnacle Airlines, Inc. to purchase 16 CRJ-900 aircraft in 2013. During 2011, we entered into an agreement with The Boeing Company to purchase 100 B-737-900ER aircraft with deliveries beginning in 2013 and continuing through 2018. We have obtained long-term financing commitments for a substantial portion of the purchase price of the 40 CRJ-900 and 100 B-737-900ER aircraft.

Our aircraft purchase commitments do not include orders for five A319-100 aircraft and two A320-200 aircraft because we have the right to cancel these orders.

Aircraft Lease Commitments

During 2012, we entered into agreements with Southwest Airlines and The Boeing Company to lease 88 B-717-200 aircraft with deliveries beginning in 2013 and continuing through 2015.

Proposed Transatlantic Joint Venture With Virgin Atlantic

Pending regulatory approval, we agreed to buy 49% of Virgin Atlantic, currently held by Singapore Airlines, for $360 million. We also entered into a joint venture agreement with Virgin Atlantic with respect to operations on non-stop routes between the United Kingdom and North America. We and Virgin Atlantic will file an application with the U.S. Department of Transportation for U.S. antitrust immunity with respect to the joint venture.

Contract Carrier Agreements

We have contract carrier agreements with seven contract carriers with agreements expiring from 2016 to 2022.

Capacity Purchase Agreements. During the year ended December 31, 2012, seven Contract Carriers operated for us (in addition to Comair) under capacity purchase agreements. Under these agreements, the Contract Carriers operate some or all of their aircraft using our flight designator codes, and we control the scheduling, pricing, reservations, ticketing and seat inventories of those aircraft and retain the revenues associated with those flights. We pay those airlines an amount, as defined in the applicable agreement, which is based on a determination of their cost of operating those flights and other factors intended to approximate market rates for those services.

The following table shows our minimum fixed obligations under our existing capacity purchase agreements. The obligations set forth in the table contemplate minimum levels of flying by the Contract Carriers under the respective agreements and also reflect assumptions regarding certain costs associated with the minimum levels of flying such as the cost of fuel, labor, maintenance, insurance, catering, property tax and landing fees. Accordingly, our actual payments under these agreements could differ materially from the minimum fixed obligations set forth in the table below.

| Years Ending December 31,<br>(in millions) | Amount[1] |
|---|---|
| 2013 | $2,210 |
| 2014 | 2,200 |
| 2015 | 2,130 |
| 2016 | 1,850 |
| 2017 | 1,690 |
| Thereafter | 3,880 |
| Total | $13,960 |

(1) These amounts exclude Contract Carrier payments accounted for as operating leases of aircraft, which are described in Note 9. The contingencies described below under “Contingencies Related to Termination of Contract Carrier Agreements” are also excluded from this table.

Revenue Proration Agreement. As of December 31, 2012, a portion of our Contract Carrier agreement with SkyWest Airlines, Inc. is structured as a revenue proration agreement. This revenue proration agreement establishes a fixed dollar or percentage division of revenues for tickets sold to passengers traveling on connecting flight itineraries.

Contingencies Related to Termination of Contract Carrier Agreements

We may terminate without cause the Chautauqua agreement at any time and the Shuttle America agreement at any time after January 2016 by providing certain advance notice. If we terminate either the Chautauqua or Shuttle America agreements without cause, Chautauqua or Shuttle America, respectively, has the right to (1) assign to us leased aircraft that the airline operates for us, provided we are able to continue the leases on the same terms the airline had prior to the assignment and (2) require us to purchase or lease any aircraft the airline owns and operates for us at the time of

the termination. If we are required to purchase aircraft owned by Chautauqua or Shuttle America, the purchase price would be equal to the amount necessary to (1) reimburse Chautauqua or Shuttle America for the equity it provided to purchase the aircraft and (2) repay in full any debt outstanding at such time that is not being assumed in connection with such purchase. If we are required to lease aircraft owned by Chautauqua or Shuttle America, the lease would have (1) a rate equal to the debt payments of Chautauqua or Shuttle America for the debt financing of the aircraft calculated as if 90% of the aircraft was debt financed by Chautauqua or Shuttle America and (2) other specified terms and conditions. Because these contingencies depend on our termination of the agreements without cause prior to their expiration dates, no obligation exists unless such termination occurs.

We estimate that the total fair values, determined as of December 31, 2012, of the aircraft Chautauqua or Shuttle America could assign to us or require that we purchase if we terminate without cause our contract carrier agreements with those airlines (the "Put Right") are approximately $156 million and $497 million, respectively. The actual amount we may be required to pay in these circumstances may be materially different from these estimates. If the Put Right is exercised, we must also pay the exercising carrier 10% interest (compounded monthly) on the equity the carrier provided when it purchased the put aircraft. These equity amounts for Chautauqua and Shuttle America total $25 million and $52 million, respectively.

Legal Contingencies

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

Credit Card Processing Agreements

Our VISA/MasterCard and American Express credit card processing agreements provide that no cash reserve ("Reserve") is required, and no withholding of payment related to receivables collected will occur, except in certain circumstances, including when we do not maintain a required level of liquidity. In circumstances in which the credit card processor can establish a Reserve or withhold payments, the amount of the Reserve or payments that may be withheld would be equal to the potential liability of the credit card processor for tickets purchased with VISA/MasterCard or American Express credit cards, as applicable, that had not yet been used for travel. There was no Reserve or amounts withheld as of December 31, 2012 and 2011.

Other Contingencies

General Indemnifications

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

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

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

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

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

Employees Under Collective Bargaining Agreements

At December 31, 2012, we had approximately 74,000 full-time equivalent employees, approximately 15% of whom were represented by unions. The following table shows our domestic airline employee groups that are represented by unions.

| Employee Group | Approximate Number of Active Employees Represented | Union | Date on which Collective Bargaining Agreement Becomes Amendable |
|---|---|---|---|
| Delta Pilots | 10,700 | ALPA | December 31, 2015 |
| Delta Flight Superintendents (Dispatchers) | 340 | PAFCA | December 31, 2013 |

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

In addition, 220 refinery employees of Monroe are represented by the United Steel Workers under an agreement that expires on February 26, 2015.

Labor unions periodically engage in organizing efforts to represent various groups of our employees, including at our operating subsidiaries, that are not represented for collective bargaining purposes.

War-Risk Insurance Contingency

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

Other

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

NOTE 11. EMPLOYEE BENEFIT PLANS

We sponsor defined benefit and defined contribution pension plans, healthcare plans and disability and survivorship plans for eligible employees and retirees and their eligible family members.

Defined Benefit Pension Plans. We sponsor defined benefit pension plans for eligible employees and retirees. These plans are closed to new entrants and frozen for future benefit accruals. The Pension Protection Act of 2006 allows commercial airlines to elect alternative funding rules ("Alternative Funding Rules") for defined benefit plans that are frozen. Delta elected the Alternative Funding Rules under which the unfunded liability for a frozen defined benefit plan may be amortized over a fixed 17-year period and is calculated using an 8.85% interest rate. We estimate the funding requirements under these plans will total approximately $675 million in 2013.

Defined Contribution Pension Plans. Delta sponsors several defined contribution plans. These plans generally cover different employee groups and employer contributions vary by plan. The cost associated with our defined contribution pension plans is shown in the tables below.

Postretirement Healthcare Plans. We sponsor healthcare plans that provide benefits to eligible retirees and their dependents who are under age 65. We have generally eliminated company-paid post age 65 healthcare coverage, except for (1) subsidies available to a limited group of retirees and their dependents and (2) a group of retirees who retired prior to 1987. Benefits under these plans are funded from current assets and employee contributions. During 2012, we remeasured our postretirement healthcare obligation to account for changes to retiree medical benefits resulting from the final integration of wages and benefits following our merger with Northwest Airlines and the voluntary workforce reduction programs offered to eligible employees. As a result, we recorded $116 million of special termination benefits in restructuring and other items (see Note 16).

Postemployment Plans. We provide certain other welfare benefits to eligible former or inactive employees after employment but before retirement, primarily as part of the disability and survivorship plans. Substantially all employees are eligible for benefits under these plans in the event of death and/or disability.

Benefit Obligations, Fair Value of Plan Assets and Funded Status

| | Pension Benefits | | Other Postretirement and Postemployment Benefits | |
|---|---|---|---|---|
| | December 31, | | December 31, | |
| (in millions) | 2012 | 2011 | 2012 | 2011 |
| Benefit obligation at beginning of period | $19,293 | $17,506 | $3,570 | $3,298 |
| Service cost | — | — | 56 | 52 |
| Interest cost | 930 | 969 | 164 | 180 |
| Actuarial loss | 2,334 | 1,860 | 147 | 311 |
| Benefits paid, including lump sums and annuities | (1,057) | (1,042) | (310) | (328) |
| Participant contributions | — | — | 58 | 54 |
| Plan amendments | — | — | (219) | — |
| Special termination benefits | — | — | 116 | 3 |
| Settlements | (11) | — | — | — |
| Benefit obligation at end of period[1] | $21,489 | $19,293 | $3,582 | $3,570 |
| | | | | |
| Fair value of plan assets at beginning of period | $7,789 | $8,249 | $972 | $1,120 |
| Actual gain (loss) on plan assets | 778 | (16) | 134 | (37) |
| Employer contributions | 697 | 598 | 222 | 235 |
| Participant contributions | — | — | 58 | 54 |
| Benefits paid, including lump sums and annuities | (1,057) | (1,042) | (382) | (400) |
| Settlements | (11) | — | — | — |
| Fair value of plan assets at end of period | $8,196 | $7,789 | $1,004 | $972 |
| | | | | |
| Funded status at end of period | $(13,293) | $(11,504) | $(2,578) | $(2,598) |

(1) At each period-end presented, our accumulated benefit obligations for our pension plans are equal to the benefit obligations shown above.

Balance Sheet Position

| | Pension Benefits | | Other Postretirement and Postemployment Benefits | |
|---|---|---|---|---|
| | December 31, | | December 31, | |
| (in millions) | 2012 | 2011 | 2012 | 2011 |
| Current liabilities | $(24) | $(16) | $(132) | $(137) |
| Noncurrent liabilities | (13,269) | (11,488) | (2,446) | (2,460) |
| Total liabilities | $(13,293) | $(11,504) | $(2,578) | $(2,597) |
| | | | | |
| Net actuarial loss | $(7,958) | $(5,844) | $(473) | $(406) |
| Prior service cost | — | — | 187 | (5) |
| Total accumulated other comprehensive loss, pretax | $(7,958) | $(5,844) | $(286) | $(411) |

During 2012, the net actuarial loss recorded in AOCI related to our benefit plans increased to $8.2 billion from $6.3 billion. This increase is primarily due to the decrease in discount rates from 2011 to 2012.

Estimated amounts that will be amortized from AOCI into net periodic benefit cost in 2013 are a net actuarial loss of $220 million. Amounts are generally amortized from AOCI over the expected future lifetime of plan participants.

Net Periodic Cost

| | Pension Benefits | | | Other Postretirement and Postemployment Benefits | | |
|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | Year Ended December 31, | | |
| (in millions) | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| Service cost | $— | $— | $— | $56 | $52 | $58 |
| Interest cost | 930 | 969 | 982 | 164 | 180 | 196 |
| Expected return on plan assets | (705) | (724) | (677) | (77) | (90) | (90) |
| Amortization of prior service benefit | — | — | — | (21) | (3) | (4) |
| Recognized net actuarial loss (gain) | 143 | 55 | 48 | 23 | (11) | (4) |
| Settlements | — | — | 14 | — | — | — |
| Special termination benefits | — | — | — | 116 | — | — |
| Net periodic cost | $368 | $300 | $367 | $261 | $128 | $156 |
| Defined contribution plan costs | 426 | 377 | 334 | — | — | — |
| Total cost | $794 | $677 | $701 | $261 | $128 | $156 |

Assumptions

We used the following actuarial assumptions to determine our benefit obligations and our net periodic cost for the periods presented:

| | December 31, | |
|---|---|---|
| Benefit Obligations[1][2] | 2012 | 2011 |
| Weighted average discount rate | 4.11% | 4.94% |

| | Year Ended December 31, | | |
|---|---|---|---|
| Net Periodic Cost[2] | 2012 | 2011 | 2010 |
| Weighted average discount rate - pension benefit | 4.95% | 5.70% | 5.93% |
| Weighted average discount rate - other postretirement benefit[4] | 4.63% | 5.55% | 5.75% |
| Weighted average discount rate - other postemployment benefit | 4.88% | 5.63% | 5.88% |
| Weighted average expected long-term rate of return on plan assets | 8.94% | 8.93% | 8.82% |
| Assumed healthcare cost trend rate[3] | 7.00% | 7.00% | 7.50% |

(1) Our 2012 and 2011 benefit obligations are measured using a mortality table projected to 2016 and 2015, respectively.

(2) Future compensation levels do not impact our frozen defined benefit pension plans or other postretirement plans and impact only a small portion of our other postemployment liability.

(3) Assumed healthcare cost trend rate at December 31, 2012 is assumed to decline gradually to 5.00% by 2021 and remain level thereafter.

(4) Our assumptions reflect various remeasurements of certain portions of our obligations and represent the weighted average of the assumptions used for each measurement date.

Healthcare Cost Trend Rate. Assumed healthcare cost trend rates have an effect on the amounts reported for the other postretirement benefit plans. A 1% change in the healthcare cost trend rate used in measuring the accumulated plan benefit obligation for these plans at December 31, 2012, would have the following effects:

| (in millions) | 1% Increase | 1% Decrease |
|---|---|---|
| Increase (decrease) in total service and interest cost | $1 | $(2) |
| Increase (decrease) in the accumulated plan benefit obligation | 17 | (29) |

Expected Long-Term Rate of Return. Our expected long-term rate of return on plan assets of 9% is based primarily on plan-specific investment studies using historical market return and volatility data. Modest excess return expectations versus some public market indices are incorporated into the return projections based on the actively managed structure of the investment programs and their records of achieving such returns historically. We also expect to receive a premium for investing in less liquid private markets. We review our rate of return on plan asset assumptions annually. Our annual investment performance for one particular year does not, by itself, significantly influence our evaluation. Our actual historical annualized 20-year rate of return on plan assets for our defined benefit pension plans exceeded 9% as of December 31, 2012. The investment strategy for our defined benefit pension plan assets is to use a diversified mix of global public and private equity portfolios, public and private fixed income portfolios and private real estate and natural resource investments to earn a long-term investment return that meets or exceeds our annualized return target. Our expected long-term rate of return on assets for net periodic pension benefit cost for the year ended December 31, 2012 was 9%.

Benefit Payments

Benefit payments in the table below are based on the same assumptions used to measure the related benefit obligations and are paid from both funded benefit plan trusts and current assets. Actual benefit payments may vary significantly from these estimates. Benefits earned under our pension plans and certain postemployment benefit plans are expected

to be paid from funded benefit plan trusts, while our other postretirement benefits are funded from current assets.

The following table summarizes, the benefit payments that are scheduled to be paid in the years ending December 31:

| (in millions) | Pension Benefits | Other Postretirement and Postemployment Benefits |
|---|---|---|
| 2013 | $1,141 | $275 |
| 2014 | 1,136 | 276 |
| 2015 | 1,149 | 276 |
| 2016 | 1,164 | 274 |
| 2017 | 1,181 | 270 |
| 2018-2022 | 6,153 | 1,293 |

Plan Assets

We have adopted and implemented investment policies for our defined benefit pension plans and disability and survivorship plan for pilots that incorporate strategic asset allocation mixes intended to best meet the plans' long-term obligations. This asset allocation policy mix utilizes a diversified mix of investments and is reviewed periodically. The weighted-average target and actual asset allocations for the plans are as follows:

| | December 31, 2012 | | | |
|---|---|---|---|---|
| | Target | | Actual | |
| Diversified fixed income | 23 | % | 19 | % |
| Domestic equity securities | 21 | | 17 | |
| Non-U.S. developed equity securities | 20 | | 20 | |
| Alternative investments | 19 | | 23 | |
| Non-U.S. emerging equity securities | 6 | | 7 | |
| Hedge funds | 5 | | 5 | |
| Cash equivalents | 5 | | 7 | |
| High yield fixed income | 1 | | 2 | |
| Total | 100 | % | 100 | % |

The overall asset mix of the portfolios is more heavily weighted in equity-like investments. Active management strategies are utilized where feasible in an effort to realize investment returns in excess of market indices.

Benefit Plan Assets Measured at Fair Value on a Recurring Basis

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability.

- Level 1. Observable inputs such as quoted prices in active markets;
- Level 2. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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

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

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

Benefit Plan Assets. Benefit plan assets relate to our defined benefit pension plans and certain of our postemployment benefit plans that are funded through trusts. The following table shows our benefit plan assets by asset class. These investments are presented net of the related benefit obligation in pension, postretirement and related benefits on the Consolidated Balance Sheets.

| | December 31, 2012 | | | | | December 31, 2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in millions) | Total | Level 1 | Level 2 | Level 3 | Valuation Technique | Total | Level 1 | Level 2 | Level 3 | Valuation Technique |
| Common stock | | | | | | | | | | |
| U.S. | $575 | $575 | $— | $— | (a) | $796 | $796 | $— | $— | (a) |
| Non-U.S. | 923 | 886 | 37 | — | (a) | 910 | 875 | 35 | — | (a) |
| Mutual funds | | | | | | | | | | |
| U.S. | 69 | — | 69 | — | (a) | 18 | — | 18 | — | (a) |
| Non-U.S. | 129 | — | 129 | — | (a) | 246 | 21 | 225 | — | (a) |
| Non-U.S. emerging markets | 466 | — | 466 | — | (a) | 2 | — | 2 | — | (a) |
| Diversified fixed income | 390 | — | 390 | — | (a) | 426 | — | 426 | — | (a) |
| High yield | 153 | — | 153 | — | (a)(b) | 58 | — | 58 | — | (a)(b) |
| Commingled funds | | | | | | | | | | |
| U.S. | 824 | — | 824 | — | (a) | 917 | — | 917 | — | (a) |
| Non-U.S. | 688 | — | 688 | — | (a) | 783 | — | 783 | — | (a) |
| Non-U.S. emerging markets | 178 | — | 178 | — | (a) | — | — | — | — | (a) |
| Diversified fixed income | 763 | — | 763 | — | (a) | 776 | — | 776 | — | (a) |
| High yield | 38 | — | 25 | 13 | (a) | 103 | — | 92 | 11 | (a) |
| Alternative investments | | | | | | | | | | |
| Private equity | 1,466 | — | — | 1,466 | (a)(b) | 1,517 | — | — | 1,517 | (a)(b) |
| Real estate and natural resources | 613 | — | — | 613 | (a)(b) | 527 | — | — | 527 | (a)(b) |
| Hedge Funds | 484 | — | — | 484 | (a)(b) | 432 | — | — | 432 | (a)(b) |
| Fixed income | 573 | — | 573 | — | (a)(b) | 753 | — | 753 | — | (a)(b) |
| Foreign currency derivatives | | | | | | | | | | |
| Assets | 1,281 | — | 1,281 | — | (a) | 738 | — | 738 | — | (a) |
| Liabilities | (1,285) | — | (1,285) | — | (a) | (735) | — | (735) | — | (a) |
| Cash equivalents and other | 822 | 77 | 745 | — | (a) | 447 | 46 | 401 | — | (a) |
| Total benefit plan assets | $9,150 | $1,538 | $5,036 | $2,576 | | $8,714 | $1,738 | $4,489 | $2,487 | |

Common Stock. Common stock is valued at the closing price reported on the active market on which the individual securities are traded.

Mutual and Commingled Funds. These funds are valued using the net asset value divided by the number of shares outstanding, which is based on quoted market prices of the underlying assets owned by the fund.

Alternative Investments. The valuation of alternative investments requires significant judgment due to the absence of quoted market prices as well as the inherent lack of liquidity and the long-term nature of these assets. Accordingly, these assets are generally classified in Level 3. Alternative investments include private equity, real estate, energy and timberland. Investments are valued based on valuation models where one or more of the significant inputs into the model cannot be observed and which require the development of assumptions. We also assess the potential for adjustment to the fair value of these investments due to the lag in the availability of data. In these cases, we solicit preliminary valuation updates at year-end from the investment managers and use that information and corroborating data from public markets to determine any needed adjustments to fair value.

Fixed Income. Investments include corporate bonds, government bonds, collateralized mortgage obligations and other asset backed securities. These investments are generally valued at the bid price or the average of the bid and ask price. Prices are based on pricing models, quoted prices of securities with similar characteristics, or broker quotes.

Hedge Funds. Our hedge fund investments are primarily made through shares of limited partnerships or similar limited liability structures for which a liquid secondary market does not exist. Hedge funds are considered Level 3 assets. Hedge funds are valued monthly by a third-party administrator that has been appointed by the fund's general partner.

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

Cash Equivalents and Other. These investments primarily consist of short term investment funds which are valued using the net asset value. Cash is not included in the table above.

Changes in Level 3. The following table shows the changes in our benefit plan assets classified in Level 3:

| (in millions) | Private Equity | Real Estate | Hedge Funds | Common Stock | Commingled Funds | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2011 | $1,477 | $478 | $— | $32 | $40 | $2,027 |
| Actual return on plan assets: | | | | | | |
| Related to assets still held at the reporting date | 64 | (8) | (8) | 3 | (10) | 41 |
| Related to assets sold during the period | 42 | 5 | — | (6) | 12 | 53 |
| Purchases, sales and settlements, net | (66) | 52 | 440 | 6 | (31) | 401 |
| Transfers from Level 3 | — | — | — | (35) | — | (35) |
| Balance at December 31, 2011 | 1,517 | 527 | 432 | — | 11 | 2,487 |
| Actual return on plan assets: | | | | | | |
| Related to assets still held at the reporting date | — | (11) | 50 | — | 2 | 41 |
| Related to assets sold during the period | 44 | 8 | (9) | — | — | 43 |
| Purchases, sales and settlements, net | (95) | 89 | (2) | — | — | (8) |
| Transfers to Level 3 | — | — | 13 | — | — | 13 |
| Balance at December 31, 2012 | $1,466 | $613 | $484 | $— | $13 | $2,576 |

Other

We also sponsor defined benefit pension plans for eligible employees in certain foreign countries. These plans did not have a material impact on our Consolidated Financial Statements in any period presented.

Profit Sharing Program

Our broad based employee profit sharing program provides that, for each year in which we have an annual pre-tax profit, as defined, we will pay a specified portion of that profit to employees. Based on our pre-tax earnings for the years ended December 31, 2012, 2011 and 2010, we accrued $372 million, $264 million and $313 million under the profit sharing program, respectively.

NOTE 12. INCOME TAXES

Income Tax (Provision) Benefit

Our income tax (provision) benefit consisted of the following:

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2012 | 2011 | 2010 |
| Current tax benefit (provision) | $1 | $83 | $(7) |
| Deferred tax provision | (449) | (349) | (265) |
| Decrease in valuation allowance | 432 | 351 | 257 |
| Income tax (provision) benefit | $(16) | $85 | $(15) |

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| U.S. federal statutory income tax rate | 35.0% | 35.0% | 35.0% |
| State taxes | 3.3 | 3.4 | 2.3 |
| Decrease in valuation allowance | (40.8) | (45.7) | (42.3) |
| Release of uncertain tax position reserve | — | (9.0) | — |
| Other | 4.0 | 5.3 | 7.6 |
| Effective income tax rate | 1.5% | (11.0)% | 2.6% |

Deferred Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. The following table shows significant components of our deferred tax assets and liabilities:

| | December 31, | |
|---|---|---|
| (in millions) | 2012 | 2011 |
| Deferred tax assets: | | |
| Net operating loss carryforwards | $6,414 | $6,647 |
| Pension, postretirement and other benefits | 6,415 | 5,703 |
| AMT credit carryforward | 402 | 402 |
| Deferred revenue | 2,133 | 2,297 |
| Rent expense | 233 | 284 |
| Reorganization items, net | 209 | 395 |
| Other | 439 | 564 |
| Valuation allowance | (10,963) | (10,705) |
| Total deferred tax assets | $5,282 | $5,587 |
| Deferred tax liabilities: | | |
| Depreciation | $4,851 | $5,093 |
| Debt valuation | 162 | 206 |
| Intangible assets | 1,730 | 1,755 |
| Fuel hedge derivatives | 31 | 32 |
| Other | 92 | 68 |
| Total deferred tax liabilities | $6,866 | $7,154 |

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The following table shows the current and noncurrent deferred tax assets (liabilities):

| | December 31, | |
|---|---|---|
| (in millions) | 2012 | 2011 |
| Current deferred tax assets, net | $463 | $461 |
| Noncurrent deferred tax liabilities, net | (2,047) | (2,028) |
| Total deferred tax liabilities, net | $(1,584) | $(1,567) |

The current and noncurrent components of our deferred tax balances are generally based on the balance sheet classification of the asset or liability creating the temporary difference. If the deferred tax asset or liability is not based on a component of our balance sheet, such as our net operating loss ("NOL") carryforwards, the classification is presented based on the expected reversal date of the temporary difference. Our valuation allowance has been allocated between current or noncurrent based on the percentages of current and noncurrent deferred tax assets to total deferred tax assets.

At December 31, 2012, we had (1) $402 million of federal alternative minimum tax ("AMT") credit carryforwards, which do not expire and (2) $16.3 billion of federal pretax NOL carryforwards, which will not begin to expire until 2022.

Uncertain Tax Positions

The following table shows the amount of and changes to unrecognized tax benefits on our Consolidated Balance Sheets:

| (in millions) | 2012 | 2011 | 2010 |
|---|---|---|---|
| Unrecognized tax benefits at beginning of period | $22 | $89 | $66 |
| Gross increases-tax positions in prior period | 31 | 1 | — |
| Gross increases-tax positions in current period | 2 | 1 | 29 |
| Settlements | (2) | (65) | (1) |
| Other | (9) | (4) | (5) |
| Unrecognized tax benefits at end of period[1] | $44 | $22 | $89 |

(1) Unrecognized tax benefits on our Consolidated Balance Sheets as of December 31, 2012, 2011 and 2010, include tax benefits of $12 million, $5 million and $72 million, respectively, which will affect the effective tax rate when recognized.

We accrue interest and penalties related to unrecognized tax benefits in interest expense and operating expense, respectively. Interest and penalties are not material in any period presented.

We are currently under audit by the IRS for the 2011 and 2012 tax years.

Valuation Allowance

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

We recorded a full valuation allowance in 2004 due to our cumulative three year loss position at that time, compounded by the negative industry-wide business trends and outlook. At December 31, 2012, we had an $11.0 billion valuation allowance established against our deferred income tax assets, which represents a full valuation allowance against our net deferred income tax asset.

During the March 2012 quarter, we moved from a cumulative loss position over the previous three years to a cumulative income position for the first time since we established a full valuation allowance. We have concluded as of December 31, 2012 that the valuation allowance was still needed on our net deferred tax assets based upon the weight of the factors described above, especially considering the history of losses. We continue to evaluate our cumulative income position and income trend as well as our future projections of sustained profitability and whether this profitability trend constitutes sufficient positive evidence to support a reversal of our valuation allowance (in full or in part).

The following table shows the balance of our valuation allowance and the associated activity:

| (in millions) | 2012 | 2011 | 2010 |
|---|---|---|---|
| Valuation allowance at beginning of period | $10,705 | $9,632 | $9,897 |
| Income tax provision | (432) | (351) | (257) |
| Other comprehensive income tax benefit | 690 | 1,241 | 6 |
| Other | — | 183 | (14) |
| Valuation allowance at end of period[1] | $10,963 | $10,705 | $9,632 |

(1) At December 31, 2012, 2011 and 2010, $3.1 billion, $2.5 billion and $1.2 billion of these balances were recorded in AOCI on our Consolidated Balance Sheets, respectively.

Income Tax Allocation

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

NOTE 13. EQUITY AND EQUITY COMPENSATION

Equity

We are authorized to issue 2.0 billion shares of capital stock, of which up to 1.5 billion may be shares of common stock, par value $0.0001 per share and up to 500 million may be shares of preferred stock.

Preferred Stock. We may issue preferred stock in one or more series. The Board of Directors is authorized (1) to fix the descriptions, powers (including voting powers), preferences, rights, qualifications, limitations and restrictions with respect to any series of preferred stock and (2) to specify the number of shares of any series of preferred stock. We have not issued any preferred stock.

Treasury Stock. We generally withhold shares of Delta common stock to cover employees' portion of required tax withholdings when employee equity awards are issued or vest. These shares are valued at cost, which equals the market price of the common stock on the date of issuance or vesting. The weighted average cost of shares held in treasury was $14.24 and $14.19 as of December 31, 2012 and 2011, respectively.

Equity-Based Compensation

Our broad based equity and cash compensation plan provides for grants of restricted stock, stock options, performance awards, including cash incentive awards and other equity-based awards (the "2007 Plan"). Shares of common stock issued under the 2007 Plan may be made available from authorized but unissued common stock or common stock we acquire. If any shares of our common stock are covered by an award that is canceled, forfeited or otherwise terminates without delivery of shares (including shares surrendered or withheld for payment of the exercise price of an award or taxes related to an award), such shares will again be available for issuance under the 2007 Plan. The 2007 Plan authorizes the issuance of up to 157 million shares of common stock. As of December 31, 2012, there were 31 million shares available for future grants.

We make long term incentive awards annually to eligible employees under the 2007 Plan. Generally, awards vest over time, subject to the employee's continued employment. Equity compensation expense for these awards is recognized in salaries and related costs over the employee's requisite service period (generally, the vesting period of the award) and totaled $54 million, $72 million and $89 million for the years ended December 31, 2012, 2011 and 2010, respectively. We record expense on a straight-line basis for awards with installment vesting. As of December 31, 2012, unrecognized costs related to unvested shares and stock options totaled $38 million. We expect substantially all unvested awards to vest.

Restricted Stock. Restricted stock is common stock that may not be sold or otherwise transferred for a period of time and is subject to forfeiture in certain circumstances. The fair value of restricted stock awards is based on the closing price of the common stock on the grant date. As of December 31, 2012, there were five million unvested restricted stock awards.

Stock Options. Stock options are granted with an exercise price equal to the closing price of Delta common stock on the grant date and generally have a 10-year term. We determine the fair value of stock options at the grant date using an option pricing model. As of December 31, 2012, there were 14 million outstanding stock option awards with a weighted average exercise price of $11.93, and 13 million were exercisable.

Performance Shares. Performance shares are long-term incentive opportunities which are payable in common stock or cash and are generally contingent upon our achieving certain financial goals.

Other. There was no tax benefit recognized in 2012, 2011 or 2010 related to equity-based compensation, as we record a full valuation allowance against our deferred tax assets due to the uncertainty regarding the ultimate realization of those assets.

NOTE 14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

| (in millions) | Pension and Other Benefits Liabilities | Derivative Contracts[1] | Deferred Tax Impact | Total |
|---|---|---|---|---|
| Balance at January 1, 2010 | $(2,011) | $(345) | $(1,207) | $(3,563) |
| Changes in value | (121) | (71) | — | (192) |
| Reclassification into earnings | 54 | 123 | — | 177 |
| Tax effect | 25 | (19) | (6) | — |
| Balance at December 31, 2010 | (2,053) | (312) | (1,213) | (3,578) |
| Changes in value | (3,062) | 5 | — | (3,057) |
| Reclassification into earnings | 41 | (172) | — | (131) |
| Tax effect | 1,175 | 66 | (1,241) | — |
| Balance at December 31, 2011 | (3,899) | (413) | (2,454) | (6,766) |
| Changes in value | (2,171) | 196 | — | (1,975) |
| Reclassification into earnings | 149 | 15 | — | 164 |
| Tax effect | 774 | (84) | (690) | — |
| Balance at December 31, 2012 | $(5,147) | $(286) | $(3,144) | $(8,577) |

(1) Includes $321 million of deferred income tax expense that will remain in AOCI until all amounts in AOCI that relate to fuel derivatives which are designated as accounting hedges are recognized in the Consolidated Statement of Operations.

NOTE 15. GEOGRAPHIC INFORMATION

Operating segments, airline and refinery, are defined as components of an enterprise whose separate financial information is regularly reviewed by the chief operating decision maker and used in resource allocation and performance assessments.

Our airline segment is managed as a single business unit that provides air transportation for passengers and cargo. This allows us to benefit from an integrated revenue pricing and route network. Our flight equipment forms one fleet, which is deployed through a single route scheduling system. When making resource allocation decisions, our chief operating decision maker evaluates flight profitability data, which considers aircraft type and route economics, but gives no weight to the financial impact of the resource allocation decision on an individual carrier basis. Our objective in making resource allocation decisions is to optimize our consolidated financial results.

Our refinery segment operates for the benefit of the airline segment. The revenues of the refinery, primarily consisting of fuel sales to the airline, have been eliminated in the Consolidated Financial Statements. For more information regarding our refinery and segment information, see Note 2.

Operating revenue is assigned to a specific geographic region based on the origin, flight path and destination of each flight segment. Our operating revenue by geographic region (as defined by the DOT) is summarized in the following table:

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2012 | 2011 | 2010 |
| Domestic | $23,827 | $22,722 | $20,744 |
| Atlantic | 6,481 | 6,486 | 5,931 |

| | | | |
|---|---|---|---|
| Pacific | 3,979 | 3,644 | 3,283 |
| Latin America | 2,383 | 2,263 | 1,797 |
| Total | $36,670 | $35,115 | $31,755 |

Our tangible assets consist primarily of flight equipment, which is mobile across geographic markets. Accordingly, assets are not allocated to specific geographic regions.

NOTE 16. RESTRUCTURING AND OTHER ITEMS

The following table shows amounts recorded in restructuring and other items on our Consolidated Statements of Operations:

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions) | 2012 | 2011 | 2010 |
| Facilities, fleet and other | $293 | $135 | $202 |
| Severance and related costs | 237 | 100 | 15 |
| Intangible asset impairments (see Note 6) | — | 50 | — |
| Gains on slot exchange and divestiture (see Note 6) | (78) | (43) | — |
| Merger-related items | — | — | 233 |
| Total restructuring and other items | $452 | $242 | $450 |

Facilities, Fleet and Other. We recorded impairment and restructuring charges of $293 million during 2012 primarily related to our domestic fleet restructuring initiative. Under the domestic fleet restructuring initiative, we are focused on removing older, less efficient aircraft from our fleet and replacing them with B-737-900ER, B-717-200 and CRJ-900 aircraft that we have committed to acquire. These restructuring charges in 2012 are related to older, retiring aircraft, including remaining lease payments for grounded aircraft, the acceleration of aircraft depreciation and lease return costs during the period and related equipment disposals. As an extension of our domestic fleet restructuring initiative and our desire to reduce the number of regional jets in our network, we shut down the operations of Comair, a wholly-owned regional airline subsidiary, as of September 29, 2012. The restructuring charges in 2012 also include amounts associated with the closure of Comair.

During 2011, we recorded charges related to consolidation of facilities and certain aircraft that were removed from our operations.

In 2010, we recorded asset impairment charges related to the Comair fleet reduction initiative and our retired dedicated freighter aircraft. The Comair fleet reduction initiative was to retire older, less-efficient CRJ-100/200 50-seat aircraft. In evaluating these aircraft for impairment, we estimated their fair value by utilizing a market approach considering (1) published market data generally accepted in the airline industry, (2) recent market transactions, where available, (3) the current and projected supply of and demand for these aircraft and (4) the condition and age of the aircraft. Based on our fair value assessments, these aircraft had an estimated fair value of $97 million and are classified in Level 3 of the three-tier fair value hierarchy.

Severance and Related Costs. We recognized a severance charge of $237 million for the year ended December 31, 2012, which includes $116 million of special termination benefits (see Note 11). We offered voluntary severance programs in which more than 2,000 employees elected to participate. These participants became eligible for retiree healthcare benefits. Also, we accrued $66 million in severance and related costs in 2012 to provide severance benefits to Comair's 1,700 employees, as we ceased operations at the carrier.

During 2011, we recorded charges associated primarily with voluntary workforce reduction programs to align staffing with expected future capacity.

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

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

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

| | Severance and Related Costs | | | Lease Restructuring | | |
|---|---|---|---|---|---|---|
| (in millions) | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| Liability at beginning of period | $46 | $20 | $69 | $64 | $85 | $74 |
| Additional costs and expenses | 126 | 100 | 15 | 45 | — | 20 |
| Other | — | — | — | — | — | 14 |
| Payments | (123) | (74) | (64) | (32) | (21) | (23) |
| Liability at end of period | $49 | $46 | $20 | $77 | $64 | $85 |

NOTE 17. EARNINGS PER SHARE

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

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

| | Year Ended December 31, | | |
|---|---|---|---|
| (in millions, except per share data) | 2012 | 2011 | 2010 |
| Net income | $1,009 | $854 | $593 |
| | | | |
| Basic weighted average shares outstanding | 845 | 838 | 834 |
| Dilutive effects of share based awards | 5 | 6 | 9 |
| Diluted weighted average shares outstanding | 850 | 844 | 843 |
| | | | |
| Basic earnings per share | $1.20 | $1.02 | $0.71 |
| Diluted earnings per share | $1.19 | $1.01 | $0.70 |
| | | | |
| Antidilutive common stock equivalents excluded from diluted earnings per share | 18 | 17 | 22 |

NOTE 18. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes our unaudited results of operations on a quarterly basis. The quarterly earnings (loss) per share amounts for a year will not add to the earnings per share for that year due to the weighting of shares used in calculating per share data.

| | Three Months Ended | | | |
|---|---|---|---|---|
| (in millions, except per share data) | March 31 | June 30 | September 30 | December 31 |
| 2012 | | | | |
| Operating revenue | $8,413 | $9,732 | $9,923 | $8,602 |
| Operating income | 382 | 134 | 1,308 | 352 |
| Net income (loss) | 124 | (168) | 1,047 | 7 |
| Basic earnings (loss) per share | $0.15 | $(0.20) | $1.24 | $0.01 |
| Diluted earnings (loss) per share | $0.15 | $(0.20) | $1.23 | $0.01 |
| 2011 | | | | |
| Operating revenue | $7,747 | $9,153 | $9,816 | $8,399 |
| Operating (loss) income | (92) | 481 | 860 | 726 |
| Net (loss) income | (318) | 198 | 549 | 425 |
| Basic (loss) earnings per share | $(0.38) | $0.24 | $0.66 | $0.51 |
| Diluted (loss) earnings per share | $(0.38) | $0.23 | $0.65 | $0.50 |

The following are included in the results above:

| | Three Months Ended | | | |
|---|---|---|---|---|
| (in millions) | March 31 | June 30 | September 30 | December 31 |
| 2012 | | | | |
| Severance and related cost | $— | $(171) | $(66) | $— |
| Facilities, fleet and other | (27) | (22) | (122) | (122) |
| Gain on slot exchange | 39 | — | 39 | — |
| Loss on extinguishment of debt | — | — | (12) | (106) |
| MTM adjustments | 151 | (561) | 440 | (3) |
| Total income (loss) | $163 | $(754) | $279 | $(231) |
| | | | | |
| 2011 | | | | |
| Severance and related cost | $— | $(80) | $(3) | $(52) |
| Facilities, fleet and other | (7) | (64) | — | (29) |
| Intangible asset impairment | — | — | — | (50) |
| Gain on divestiture of slots | — | — | — | 43 |
| Loss on extinguishment of debt | (20) | (13) | (5) | (30) |
| MTM adjustments | 29 | (11) | (208) | 164 |
| Total income (loss) | $2 | $(168) | $(216) | $46 |

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to record, process, summarize and report, within time periods specified by the SEC's rules and forms, information required to be disclosed. Our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the controls and procedures were effective as of December 31, 2012 to ensure that material information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control

Except as set forth below, during the three months ended December 31, 2012, we did not make any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In June 2012, our wholly-owned subsidiaries, Monroe Energy, LLC and MIPC, LLC, acquired an oil refinery located near Philadelphia, Pennsylvania. Management is currently evaluating policies, processes, technology and operations for the refinery and related assets. Management will continue to evaluate our internal control over financial reporting as we review the oil refinery activities.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2012 using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on that evaluation, management believes that our internal control over financial reporting was effective as of December 31, 2012.

The effectiveness of our internal control over financial reporting as of December 31, 2012 has been audited by Ernst & Young LLP, an independent registered public accounting firm, which also audited our Consolidated Financial Statements for the year ended December 31, 2012. Ernst & Young LLP's report on our internal control over financial reporting is set forth below.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders of
Delta Air Lines, Inc.

We have audited Delta Air Lines, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Delta Air Lines, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Delta Air Lines, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Delta Air Lines, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), stockholders' (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2012 of Delta Air Lines, Inc. and our report dated February 12, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia

February 12, 2013

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE OF THE REGISTRANT

Information required by this item is set forth under the headings “Corporate Governance Matters,” “Proposal 1 - Election of Directors - Certain Information About Nominees” and “Other Matters - Section 16 Beneficial Ownership Reporting Compliance” in our Proxy Statement to be filed with the Commission related to our Annual Meeting of Stockholders (“Proxy Statement”), and is incorporated by reference. Pursuant to instruction 3 to paragraph (b) of Item 401 of Regulation S-K, certain information regarding executive officers is contained in Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is set forth under the headings “Director Compensation,” “Corporate Governance Matters - Compensation Committee Interlocks and Insider Participation” and “Executive Compensation” in our Proxy Statement and is incorporated by reference.

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

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information about the number of shares of common stock that may be issued under the 2007 Plan, Delta's only equity compensation plan, as of December 31, 2012.

| Plan Category | (a) No. of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | (b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | (c) No. of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))[1] |
|---|---|---|---|
| Equity compensation plans approved by securities holders | 11,308,474 | $ 10.66 | 30,901,091 |
| Equity compensation plans not approved by securities holders | — | — | — |
| Total | 11,308,474 | $ 10.66 | 30,901,091 |

(1) Up to 157 million shares of common stock are available for issuance under the 2007 Plan. If any shares of our common stock are covered by an award under the 2007 Plan that is canceled, forfeited or otherwise terminates without delivery of shares (including shares surrendered or withheld for payment of the exercise price of an award or taxes related to an award), then such shares will again be available for issuance under the 2007 Plan. In addition to the 11,308,474 stock options outstanding, 4,829,853 shares of restricted stock remain unvested and a maximum of 3,180,440 shares of common stock may be issued upon the achievement of certain performance conditions under outstanding performance share awards as of December 31, 2012.

Other information required by this item is set forth under the heading “Beneficial Ownership of Securities” in our Proxy Statement and is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is set forth under the headings “Corporate Governance Matters,” “Executive Compensation - Post-Employment Compensation - Other Benefits - Pre-Existing Medical Benefits Agreement with Northwest and Mr. Anderson” and “Proposal 1 - Election of Directors” in our Proxy Statement and is incorporated by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is set forth under the heading “Proposal 3 - Ratification of the Appointment of Independent Auditors” in our Proxy Statement and is incorporated by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1). The following is an index of the financial statements required by this item that are included in this Form 10-K:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets—December 31, 2012 and 2011
Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2012, 2011 and 2010
Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010
Consolidated Statements of Stockholders' (Deficit) Equity for the years ended December 31, 2012, 2011 and 2010
Notes to the Consolidated Financial Statements

(2). The schedule required by this item is included in Notes 12 and 16 to the Consolidated Financial Statements. All other financial statement schedules are not required or are inapplicable and therefore have been omitted.

(3). The exhibits required by this item are listed in the Exhibit Index to this Form 10-K. The management contracts and compensatory plans or arrangements required to be filed as an exhibit to this Form 10-K are listed as Exhibits 10.9(a) through 10.25 in the Exhibit Index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 12th day of February 2013.

DELTA AIR LINES, INC.

By: /s/ Richard H. Anderson
Richard H. Anderson
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 12th day of February 2013 by the following persons on behalf of the registrant and in the capacities indicated.

| Signature | Title |
|---|---|
| /s/ Richard H. Anderson<br>Richard H. Anderson | Chief Executive Officer and Director<br>(Principal Executive Officer) |
| /s/ Paul A. Jacobson<br>Paul A. Jacobson | Senior Vice President and Chief Financial Officer<br>(Principal Financial Officer) |
| /s/ Craig M. Meynard<br>Craig M. Meynard | Vice President and Chief Accounting Officer (Principal Accounting Officer) |
| /s/ Edward H. Bastian<br>Edward H. Bastian | President and Director |
| /s/ Roy J. Bostock<br>Roy J. Bostock | Director |
| /s/ John S. Brinzo<br>John S. Brinzo | Director |
| /s/ Daniel A. Carp<br>Daniel A. Carp | Chairman of the Board |
| /s/ David G. DeWalt<br>David G. DeWalt | Director |
| /s/ William H. Easter III<br>William H. Easter III | Director |
| /s/ Mickey P. Foret<br>Mickey P. Foret | Director |
| /s/ Shirley C. Franklin<br>Shirley C. Franklin | Director |
| /s/ David R. Goode<br>David R. Goode | Director |
| /s/ George N. Mattson<br>George N. Mattson | Director |
| /s/ Paula Rosput Reynolds<br>Paula Rosput Reynolds | Director |
| /s/ Kenneth C. Rogers<br>Kenneth C. Rogers | Director |

| | |
|---|---|
| /s/ Kenneth B. Woodrow<br>Kenneth B. Woodrow | Director |

EXHIBIT INDEX

Note to Exhibits: Any representations and warranties of a party set forth in any agreement (including all exhibits and schedules thereto) filed with this Annual Report on Form 10-K have been made solely for the benefit of the other party to the agreement. Some of those representations and warranties were made only as of the date of the agreement or such other date as specified in the agreement, may be subject to a contractual standard of materiality different from what may be viewed as material to stockholders, or may have been used for the purpose of allocating risk between the parties rather than establishing matters as facts. Such agreements are included with this filing only to provide investors with information regarding the terms of the agreements, and not to provide investors with any other factual or disclosure information regarding the registrant or its business.

| | |
|---|---|
| 3.1 | Delta's Certificate of Incorporation (Filed as Exhibit 3.1 to Delta's Current Report on Form 8-K as filed on April 30, 2007).* |
| 3.2 | Delta's By-Laws (Filed as Exhibit 3.1 to Delta's Current Report on Form 8-K as filed on May 22, 2008).* |

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

| | |
|---|---|
| 10.1 | Credit and Guaranty Agreement, dated as of April 20, 2011, among Delta Air Lines, Inc., as Borrower, the subsidiaries of the Borrower named as Guarantors, each of the several Lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent for the Lenders, J.P. Morgan Securities LLC, Goldman Sachs Lending Partners LLC, UBS Securities LLC, Barclays Capital, the investment banking division of Barclays Bank PLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers, J.P. Morgan Securities LLC, Barclays Capital, Citigroup Global Markets Inc., Credit Suisse AG, Cayman Islands Branch, Deutsche Bank Securities Inc., Goldman Sachs Lending Partners, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley Senior Funding, Inc. and UBS Securities LLC, as joint bookrunners, Goldman Sachs Lending Partners, LLC and UBS Securities LLC, as co-syndication agents, and Barclays Bank and Bank of America, N.A., as co-documentation agents (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011).* |
| 10.2 | Credit and Guaranty Agreement, dated as of October 18, 2012, among Delta Air Lines, Inc., as Borrower, the subsidiaries of the Borrower named as Guarantors, each of the several Lenders party thereto, Barclays Bank PLC, as administrative agent, Wilmington Trust, National Association, as Collateral Trustee, Deutsche Bank Securities Inc. and UBS Securities LLC, as Co-Syndication Agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc., as co-documentation agents, Barclays Bank PLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., and UBS Securities LLC, as joint lead arrangers, and Barclays Bank PLC, BNP Paribas Securities Corp, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman Sachs Bank USA, J.P. Morgan Securities LLC, Morgan Stanley Senior Funding, Inc. and UBS Securities LLC, as joint bookrunners. |
| 10.3 | Transaction Framework Agreement among Delta, Delta Master Executive Council, Northwest Master Executive Council and Air Line Pilots Association, International dated as of June 26, 2008 (Filed as Exhibit 10 to Delta's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).* |
| 10.4 | |

| | |
|---|---|
| | Letter Agreement, dated April 14, 2008, by and among Delta Air Lines, Inc., the Master Executive Council of Delta, and Air Line Pilots Association, International dated April 14, 2008 (Filed as Exhibit 10.2 to Delta's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).* |
| 10.5 | Anchor Tenant Agreement dated as of December 9, 2010 between JFK International Air Terminal LLC and Delta Air Lines, Inc. (Filed as Exhibit 10.4 to Delta's Annual Report on Form 10-K for the year ended December 31, 2010).* |
| 10.6 | Supplemental Agreement No. 13 to Purchase Agreement Number 2022, dated August 24, 2011, between The Boeing Company and Delta relating to Boeing Model 737NG Aircraft (the “B-737NG Purchase Agreement”) (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).*/** |
| 10.7 | Letter Agreements, dated August 24, 2011, relating to the B-737NG Purchase Agreement (Filed as Exhibit 10.2 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).*/** |

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|---|---|
| 10.8(a) | Aircraft General Terms Agreement, dated October 21, 1997, between Boeing and Delta (Filed as Exhibit 10.6 to Delta's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997).*/** |
| 10.8(b) | Letter Agreement, dated August 24, 2011, relating to Revisions to Aircraft General Terms Agreement dated October 21, 1997 and the B-737NG Purchase Agreement (Filed as Exhibit 10.3(b) to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).*/** |
| 10.9(a) | Delta Air Lines, Inc. 2007 Performance Compensation Plan (Filed as Exhibit 10.1 to Delta's Current Report on Form 8-K filed on March 22, 2007).* |
| 10.9(b) | First Amendment to the Delta Air Lines, Inc. 2007 Performance Compensation Plan (Filed as Exhibit 10.12(b) to Delta's Annual Report on Form 10-K for the year ended December 31, 2008).* |
| 10.9(c) | Form of Delta 2007 Performance Compensation Plan Award Agreement for Officers (Filed as Exhibit 10.1 to Delta's Current Report on Form 8-K filed on April 30, 2007).* |
| 10.10(a) | Delta Air Lines, Inc. Officer and Director Severance Plan, as amended and restated as of January 2, 2009, as further amended October 20, 2009 (Filed as Exhibit 10.11(a) to Delta's Annual Report on Form 10-K for the year ended December 31, 2009).* |
| 10.10(b) | Amendment to the Delta Air Lines, Inc. Officer and Director Severance Plan, as amended and restated as of January 2, 2009, as further amended October 20, 2009 (Filed as Exhibit 10.11(b) to Delta's Annual Report on Form 10-K for the year ended December 31, 2009).* |
| 10.11 | Description of Certain Benefits of Members of the Board of Directors and Executive Officers (Filed as Exhibit 10.2 to Delta's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011).* |
| 10.12(a) | Delta Air Lines, Inc. 2011 Long Term Incentive Program (Filed as Exhibit 10.10(a) to Delta's Annual Report on Form 10-K for the year ended December 31, 2010).* |
| 10.12(b) | Model Award Agreement for the Delta Air Lines, Inc. 2011 Long Term Incentive Program (Filed as Exhibit 10.10(b) to Delta's Annual Report on Form 10-K for the year ended December 31, 2010).* |
| 10.13(a) | Delta Air Lines, Inc. 2012 Long Term Incentive Program (Filed as Exhibit 10.15 to Delta's Annual Report on Form 10-K for the year ended December 31, 2011).* |
| 10.13(b) | Model Award Agreement for the Delta Air Lines, Inc. 2012 Long Term Incentive Program (Filed as Exhibit 10.2 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).* |
| 10.14 | Delta Air Lines, Inc. 2013 Long Term Incentive Program. |
| 10.15 | Delta Air Lines, Inc. 2012 Management Incentive Plan (Filed as Exhibit 10.16 to Delta's Annual Report on Form 10-K for the year ended December 31, 2011).* |
| 10.16 | Delta Air Lines, Inc. 2013 Management Incentive Plan. |
| 10.17 | Delta Air Lines, Inc. Transition Award Program. |

| | |
|---|---|
| 10.18 | Letter Agreement dated as of June 11, 2008 between counsel for and on behalf of Mickey P. Foret and Aviation Consultants, LLC, and counsel for and on behalf of Northwest Airlines, Inc. (Filed as Exhibit 10.22 to Delta's Annual Report on Form 10-K for the year ended December 31, 2008).* |
| 10.19(a) | Northwest Airlines, Inc. Excess Pension Plan for Salaried Employees (2001 Restatement) (Filed as Exhibit 10.28 to Northwest's Annual Report on Form 10-K for the year ended December 31, 2006).* |
| 10.19(b) | First Amendment of Northwest Airlines Excess Pension Plan for Salaried Employees (2001 Restatement) (Filed as Exhibit 10.3 to Northwest's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005).* |

| | |
|---|---|
| 10.19(c) | Third Amendment of Northwest Airlines Excess Pension Plan for Salaried Employees (2001 Restatement) (Filed as Exhibit 10.1 to Northwest's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008).* |
| 10.20 | Form of Offer of Employment dated October 31, 2008 between Delta Air Lines, Inc. and Richard B. Hirst (Filed as Exhibit 10.2 to Delta's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009).* |
| 10.21 | Delta Air Lines, Inc. Restoration Long Term Disability Plan (Filed as Exhibit 10.24 to Delta's Annual Report on Form 10-K for the year ended December 31, 2011).* |
| 10.22 | Letter Agreement, dated February 2, 2012 between Delta Air Lines, Inc. and Richard H. Anderson (Filed as Exhibit 10.25 to Delta's Annual Report on Form 10-K for the year ended December 31, 2011).* |
| 10.23 | Letter Agreement, dated February 2, 2012 between Delta Air Lines, Inc. and Richard B. Hirst (Filed as Exhibit 10.26 to Delta's Annual Report on Form 10-K for the year ended December 31, 2011).* |
| 10.24 | Separation Agreement and General Release, dated March 29, 2012, by and between Delta Air Lines, Inc. and Samuel H. Halter (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).* |
| 10.25 | Terms of 2012 Restricted Stock Awards for Non-Employee Directors (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).* |
| 12.1 | Statement regarding computation of ratio of earnings to fixed charges for each fiscal year in the five-year period ended December 31, 2012. |
| 21.1 | Subsidiaries of the Registrant. |
| 23.1 | Consent of Ernst & Young LLP. |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. |
| 32 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

* Incorporated by reference.

** Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to requests for confidential treatment.