

DELTA AIR LINES INC /DE/  
Form S-3  
May 05, 2004  
Table of Contents

As filed with the Securities and Exchange Commission on May 5, 2004

Registration No. 333-

---

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

---

## FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

---

## DELTA AIR LINES, INC.

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**58-0218548**  
(I.R.S. Employer  
Identification Number)

**Hartsfield-Jackson Atlanta International Airport**

**Atlanta, Georgia 30320**

**(404) 715-2000**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

---

**Gregory L. Riggs, Esq.**

**Senior Vice President General Counsel**

**Delta Air Lines, Inc.**

**P.O. Box 20706**

**Atlanta, Georgia 30320-6001**

**(404) 715-2611**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

---

**Approximate date of commencement of proposed sale to the public:** From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

---

**CALCULATION OF REGISTRATION FEE**

---

<b>Title of Securities to be Registered</b>	<b>Amount to be Registered</b>	<b>Proposed Maximum Offering Price Per Unit(1)</b>	<b>Proposed Maximum Aggregate Offering Price(1)</b>	<b>Amount of Registration Fee</b>
---	--	--	---	---------------------------------------

Edgar Filing: DELTA AIR LINES INC /DE/ - Form S-3

2 7/8% Convertible Senior Notes due 2024	\$ 325,000,000(2)	100%	\$ 325,000,000(2)	\$ 41,177.50
Common Stock, par value \$1.50 per share and related rights	23,923,445(3)	(3)	(3)	(3)

- (1) Estimated solely for the purpose of calculating the registration fee pursuant to rule 457(o) of the Securities Act of 1933, as amended, and exclusive of any accrued interest, if any.
- (2) Represents the aggregate outstanding principal amount of 2 7/8% Convertible Senior Notes due 2024.
- (3) Represents the number of shares of our common stock that are issuable upon conversion of the 2 7/8% Convertible Senior Notes due 2024 registered hereby at an initial conversion rate of 73.6106 shares per \$1,000 principal amount of notes. Pursuant to rule 416 under the Securities Act, the number of shares of common stock registered hereby shall include an indeterminate number of shares of common stock that may be issued in connection with a stock split, stock dividend, recapitalization or similar event. No separate consideration will be received for the shares of our common stock issuable upon conversion of the 2 7/8% Convertible Senior Notes due 2024 and, therefore, no registration fee is required pursuant to Rule 457(i) under the Securities Act.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED MAY 5, 2004**

**PROSPECTUS**

**\$325,000,000**

**2<sup>7</sup>/<sub>8</sub>% Convertible Senior Notes due 2024**

**and**

**Common Stock Issuable Upon Conversion of the Notes**

---

We issued \$325 million principal amount of the 2<sup>7</sup>/<sub>8</sub>% Convertible Senior Notes due 2024 in private placements in February 2004. This prospectus will be used by selling securityholders to resell their notes and the common stock issuable upon conversion of the notes. We will not receive any of the proceeds from the resale of these securities.

The notes are convertible by holders into shares of our common stock initially at a conversion rate of 73.6106 shares per \$1,000 principal amount of notes (subject to adjustment), which is equivalent to a conversion price of approximately \$13.59 per share of common stock, under the following circumstances: (1) if the price of our common stock reaches, or the trading price of the notes falls below, specific thresholds, (2) if we call the notes for redemption, or (3) upon the occurrence of certain corporate transactions.

The notes will mature on February 18, 2024. We may redeem all or a portion of the notes at any time on or after February 21, 2009 at 100% of the principal amount of the notes, plus any accrued and unpaid interest.

Holders of the notes may require us to purchase all or a portion of their notes in cash at a purchase price equal to 100% of the principal amount of notes, plus accrued and unpaid interest, on February 18, 2009, February 18, 2014 and February 18, 2019 or upon a designated event.

The notes are our senior unsecured obligations and rank equal in right of payment to all of our other existing and future senior unsecured indebtedness. The notes are effectively subordinated to all of our existing and future secured indebtedness to the extent of the assets securing that indebtedness. The notes are structurally subordinated to all liabilities of our subsidiaries.

Our common stock is listed on the New York Stock Exchange under the symbol DAL. The last reported price of our common stock on May 4, 2004 was \$6.08 per share.

---

**Investing in the notes involves certain risks. See Risk Factors beginning on page 3.**

---

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**, 2004**

**Table of Contents**

You should rely only on the information contained in this prospectus or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not, and the selling securityholders are not, making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus or any document incorporated by reference is accurate as of any date other than the date on the front of this prospectus or of the applicable document, respectively.

---

**TABLE OF CONTENTS**

	<b>Page</b>
<u>Forward-Looking Statements</u>	2
<u>Where You Can Find More Information</u>	2
<u>Risk Factors</u>	3
<u>The Company</u>	11
<u>Use of Proceeds</u>	11
<u>Common Stock and Dividend Data</u>	11
<u>Description of Notes</u>	13
<u>Description of Capital Stock</u>	28
<u>Selling Securityholders</u>	33
<u>Certain U.S. Federal Income Tax Consequences</u>	35
<u>Plan of Distribution</u>	40
<u>Validity of the Securities</u>	43
<u>Experts</u>	43

---

This prospectus is part of a registration statement that we filed with the SEC using a shelf registration or continuous offering process. Under this shelf process, selling securityholders may from time to time sell the securities described in this prospectus in one or more offerings.

Each time a selling securityholder sells securities, the selling securityholders are required to provide you with a prospectus containing specific information about the selling securityholder. You should read this prospectus together with the additional information described under the heading Where You Can Find More Information.

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement, including the exhibits, can be read on the SEC web site or at the SEC office mentioned under the heading Where You Can Find More Information.

This prospectus contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act ) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ) which represent our expectations or beliefs concerning future events. When used in this prospectus, and in documents incorporated by reference, the words expects, plans, anticipates, and similar expressions are intended to identify forward-looking statements. All forward-looking statements in this prospectus are based upon information available to us on the date of this prospectus. We undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historic experience or our expectations. For examples of such risks and uncertainties, please see Risk Factors in this prospectus. Additional information concerning these and other factors is contained in our SEC filings, including but not limited to our Forms 10-K, 10-Q and 8-K.

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document filed by us at the SEC's public reference room at 450 Fifth Street, NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Delta's SEC filings are also available to the public over the internet at <http://www.sec.gov>.

We incorporate by reference the documents listed below and any filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of this offering (other than current reports containing information furnished on Form 8-K under Items 9 and 12).

Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

Current Reports on Form 8-K filed on February 3, 2004 and April 16, 2004.

The information incorporated by reference in this prospectus is considered to be a part of this prospectus, and information that we file later with the SEC, prior to the termination of this offering, will automatically update and supersede this information.

Any party to whom this prospectus is delivered may request a copy of these filings (other than any exhibits unless specifically incorporated by reference into this prospectus), at no cost, by writing or telephoning Delta at Delta Air Lines, Inc., Investor Relations, Dept. No. 829, P.O. Box 20706, Atlanta, GA 30320, telephone no. (404) 715-2600.

**Table of Contents**

**RISK FACTORS**

*Before investing in our notes or common stock, you should carefully consider the following risk factors as well as other information contained or incorporated by reference in this prospectus.*

**Risk Factors Relating to the Airline Industry and Delta**

*The airline industry has changed fundamentally since the terrorist attacks on September 11, 2001, and our business, financial condition and operating results have been materially adversely affected.*

Since the terrorist attacks of September 11, 2001, the airline industry has experienced fundamental and lasting changes, including substantial revenue declines and cost increases, which have resulted in industry-wide liquidity issues. The terrorist attacks significantly reduced the demand for air travel, and additional terrorist activity involving the airline industry could have an equal or greater impact. Additionally, during 2003, the industry's financial results were negatively impacted by the military action in Iraq and the Severe Acute Respiratory Syndrome ( SARS ) outbreak. Although global economic conditions have improved from their depressed levels after September 11, 2001, the airline industry has continued to experience a reduction in high-yield business travel and increased price sensitivity in customers' purchasing behavior. The airline industry has continued to add or restore capacity despite these conditions. We expect all of these events will continue to have a material adverse effect on our business, financial condition and operating results.

*Bankruptcies and other restructuring efforts by our competitors have put us at a competitive disadvantage.*

Since September 11, 2001, several air carriers have sought to reorganize under Chapter 11 of the Bankruptcy Code, including United Air Lines, Inc., the second-largest U.S. air carrier, U.S. Airways Group, Inc., the seventh-largest U.S. air carrier, and several smaller competitors. Since filing for Chapter 11 on August 11, 2002, U.S. Airways Group, Inc. has emerged from bankruptcy, but recently announced that it is seeking additional cost concessions from its unions. Additionally, AMR Corporation ( American Airlines ) has recently restructured certain labor costs and lowered its operating cost base. These reorganizations or restructurings have enabled these competitors to significantly lower their operating costs. We believe that our unit costs have gone from being among the lowest of the hub and spoke carriers to among the highest for the full year 2003.

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

We face significant competition with respect to routes, services and fares. Our domestic routes are subject to competition from both new and established carriers, some of which have substantially lower costs than we do and provide service at lower fares to destinations served by us. Our revenues continue to be adversely impacted by the growth of the low-cost carriers with which we compete in most of our markets. Significant expansion by low-cost carriers to our hub airports could have an adverse impact on our business. We also face increasing competition in smaller to medium-sized markets from rapidly expanding regional jet operators. In addition, we compete with foreign carriers, both on interior U.S. routes, due to marketing and code sharing arrangements, and in international markets. If we are not able to realign our cost structure to compete with that of other carriers, or if fare reductions are not offset by higher yields, our business, financial condition and operating results may be materially adversely affected.



*If we continue to experience significant losses without successfully reducing our operating expenses, we may be unable to maintain sufficient liquidity to provide for our operating needs.*

We reported a net loss of \$773 million for the year ended December 31, 2003, or \$6.40 basic and diluted loss per common share, compared to a net loss of \$1.3 billion for the year ended December 31, 2002, or \$10.44 basic and diluted loss per common share. We have recorded a substantial net loss for three consecutive years. Our revenue and cost challenges are expected to continue for the immediate term, and we reported a net loss of

---

**Table of Contents**

\$383 million for the first quarter of 2004. We do not expect significant improvement in the revenue environment in 2004 and expect significant cost pressures related to aircraft fuel, pension and interest expenses to continue.

Although we are pursuing profit improvement initiatives aimed at lowering our costs and enhancing our revenues, these initiatives may not be sufficient. Furthermore, our pilot labor costs are substantially higher than our competitors' pilot labor costs. Although we are currently in discussions with the Air Line Pilots Association, International (ALPA) in an attempt to reduce our pilot labor costs, we cannot predict the outcome of those discussions. To the extent that we deplete our cash reserves and are unable to access the capital markets for long-term capital spending requirements or short-term liquidity needs, we will be unable to fund our obligations and sustain our operations.

*Our ability to access the capital markets is partially dependent on our credit ratings. A further decline in our ratings would increase our borrowing costs and could hinder our ability to operate our business.*

Our business is highly dependent on our ability to access the capital markets. Our access to, and our costs of borrowing in, these markets depend on our credit ratings. Since September 11, 2001, our issuer credit ratings have been lowered to B3 by Moody's Investors Service, Inc. (Moody's) and to B- by Standard & Poor's Rating Services (S&P). Our senior unsecured long-term debt is rated Caa2 by Moody's, CCC by S&P and CCC+ by Fitch Ratings (Fitch). Fitch has stated that its ratings outlook for our senior unsecured debt is negative, while Moody's and S&P have stated that their ratings outlook is stable. Our credit ratings may be lowered further or withdrawn. While we do not have debt obligations that accelerate as a result of a credit ratings downgrade, our credit ratings have negatively impacted our ability to issue unsecured debt, renew outstanding letters of credit that back certain of our obligations and obtain certain financial instruments that we use in our fuel hedging program. Our credit ratings have also increased the cost of our financing transactions and the amount of collateral required for certain financial instruments, insurance coverage and vendor agreements. To the extent we are unable to access the capital markets, or our financing costs continue to increase, including as a result of further credit ratings downgrades, our business, financial condition and operating results would be materially adversely impacted.

*Our pension plan funding obligations are significant and are affected by factors beyond our control.*

We sponsor qualified defined benefit pension plans for eligible employees and retirees. Our funding obligations under these plans are governed by the Employee Retirement Income Security Act of 1974 (ERISA). We have met our required funding obligations in 2003 for these plans, which currently satisfy minimum funding requirements under ERISA.

Estimates of the amount and timing of our future funding obligations for the pension plans are based on various assumptions. These include assumptions concerning, among other things, the actual and projected market performance of the pension plan assets; future long-term corporate bond yields; statutory requirements; and demographic data for pension plan participants. The amount and timing of our future funding obligations also depend on whether we elect to make contributions to the pension plans in excess of those required under ERISA; such voluntary contribution may reduce or defer the funding obligations we would have absent those contributions.

Our estimated pension funding of approximately \$460 million for 2004 includes (1) a voluntary contribution of \$325 million to our non-pilot pension plan, which we made in the March 2004 quarter; and (2) required contributions totaling approximately \$135 million to our pilot pension plans during the year, of which we contributed \$71 million during the March 2004 quarter. Our anticipated funding obligations under our pension plans for 2005 and thereafter cannot be reasonably estimated at this time because these estimates vary materially depending on the assumptions used to determine them and whether we make contributions in excess of those required. Nevertheless, we presently expect that our funding obligations under our pension plans in each of the years from 2005 through 2008 will be significant and could have a material adverse

impact on our liquidity.

## **Table of Contents**

***Our indebtedness and other obligations are substantial and could materially adversely affect our business and our ability to incur additional debt to fund future needs.***

We have now and will continue to have a significant amount of indebtedness and other obligations. As of March 31, 2004, we had approximately \$12.6 billion of total consolidated indebtedness, including capital leases. We also have minimum rental commitments with a present value of approximately \$8 billion under noncancelable operating leases with initial or remaining terms in excess of one year. Further the indenture pursuant to which the notes were issued does not limit the creation of additional indebtedness. Our substantial indebtedness and other obligations could negatively impact our operations in the future. For example, it could:

limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and general corporate purposes;

require us to dedicate a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, thereby reducing the funds available to us for other purposes;

make us more vulnerable to economic downturns, adverse industry conditions or catastrophic external events, limit our ability to withstand competitive pressure and reduce our flexibility in planning for, or responding to, changing business and economic conditions; and

place us at a competitive disadvantage to our competitors that have relatively less debt than we have.

We have significant debt obligations maturing in the near term (approximately \$580 million in the remainder of 2004 and \$1.2 billion in 2005), as well as substantial pension funding obligations. We expect to meet our obligations as they come due through available cash and cash equivalents, investments, internally generated funds and borrowings pursuant to existing commitments for regional jet aircraft. We do not have any existing undrawn lines of credit. However, we have available to us long-term secured financing commitments that we may use to finance a substantial portion of regional jet aircraft delivered to us through 2004. While new financing may be available to us, access to such financing cannot be assured given the existing business environment and the composition of our currently available unencumbered assets. Most of our owned aircraft are encumbered and those that are not are less attractive to lenders because they are not eligible for mortgage financing under Section 1110 of the U.S. Bankruptcy Code, are older aircraft types and/or are aircraft types which are no longer manufactured. Failure to obtain new financing could have a material adverse effect on our liquidity.

***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 Hartsfield-Jackson Atlanta International Airport ( Atlanta Airport ) and at our other hub airports in Cincinnati, Dallas/Fort Worth and Salt Lake City. 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 the Atlanta Airport or at one of our other hubs could have a serious impact on our business, financial condition and operating results.

***We are increasingly 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.***

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form S-3

We are 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 significant investments in check-in kiosks, Delta Direct phone banks and related initiatives across the system. The performance and reliability of our technology is critical to our ability to attract and retain customers and our ability to compete effectively. In this challenging business environment, we may not be able to continue to make sufficient capital investments in our technology infrastructure to deliver these expected benefits.

In addition, any internal technology error or failure, or large scale external interruption in technology infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our technology

## **Table of Contents**

network. Any individual, sustained or repeated failure of our technology could impact our customer service and result in increased costs. Like all companies, our technology systems may 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.

***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 Federal Aviation Administration ( 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. For example, the Aviation and Transportation Security Act, which became law in November 2001, mandates the federalization of certain airport security procedures and imposes additional security requirements on airports and airlines, most of which are funded by a per-ticket tax on passengers and a tax on airlines. Due to the weak demand and revenue environment, this action has negatively impacted our revenues because we have not been able to increase our fares to pass these fees on to our customers.

Furthermore, 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.

***Our insurance costs have increased substantially as a result of the September 11 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 reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons (other than employees or passengers) for claims resulting from acts of terrorism, war or similar events. At the same time, aviation insurers significantly increased the premiums for such coverage and for aviation insurance in general. The U.S. government is providing U.S. airlines with war-risk insurance to cover losses to passengers, third parties (ground damage) and the aircraft hull. This coverage extends through August 2004 (with a possible extension to December 31, 2004 at the discretion of the Secretary of Transportation), but the coverage may not be extended beyond that time. We expect that if the U.S. government fails to renew the war-risk insurance that it provides, we will be required to replace such coverage commercially or consider other alternatives. There can be no assurance that such commercially provided war-risk insurance coverage will be adequate to protect our risk of loss from future acts of terrorism or will be provided on terms that will not have a material adverse impact on our financial condition and operating results.

***Our business is dependent on the availability and price of aircraft fuel. Significant disruptions in the supply of aircraft fuel or periods of high fuel costs would materially adversely affect our operating results.***

Our operating results can be significantly impacted by changes in the availability or price of aircraft fuel. Fuel prices increased substantially in 2003, when our average fuel price per gallon rose 22% to approximately \$0.82 as compared to 2002. Our fuel costs represented 14%, 12% and

12% of our operating expenses in 2003,

## **Table of Contents**

2002 and 2001, respectively. During the March 2004 quarter, our average fuel price per gallon was 95.23¢, a 10% increase compared to the March 2003 quarter. Due to the competitive nature of the airline industry, we may not be able to pass on any increases in fuel prices to our customers by increasing our fares. Furthermore, the impact of lower aircraft fuel prices could be offset by increased price competition, and a resulting decrease in revenues, for all air carriers.

Our aircraft fuel purchase contracts do not provide material protection against price increases or assure the availability of our fuel supplies. We purchase most of our aircraft fuel from petroleum refiners under contracts that establish the price based on various market indices. We also purchase aircraft fuel on the spot market, from off-shore sources and under contracts that permit the refiners to set the price. To attempt to reduce our exposure to changes in fuel prices, we periodically enter into heating and crude oil derivatives contracts, though we may not successfully manage this exposure. Depending on the type of hedging instrument used, our ability to benefit from declines in fuel prices may be limited.

Although we are currently able to obtain adequate supplies of aircraft fuel, it is impossible to predict the future availability or price of aircraft fuel. 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.

***If we experience further losses of our senior management and other key employees, our operating results could be adversely affected, and we may not be able to attract and retain additional qualified management personnel.***

We have approximately 55 officers, and we are dependent on their experience and industry knowledge, and that of other key employees, to execute our business plans. If we were to experience a substantial turnover in our leadership, our performance could be materially adversely impacted. Additionally, we may be unable to attract and retain additional qualified executives as needed in the future.

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

Our business is labor intensive, requiring large numbers of pilots, flight attendants, mechanics and other personnel. Approximately 18% of our workforce is unionized. Strikes or labor disputes with our and our affiliates' unionized employees may adversely affect our ability to conduct our business. 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. Our collective bargaining agreement with ALPA, which represents our pilots, becomes amendable on May 1, 2005. Our wholly owned subsidiary, Atlantic Southeast Airlines, Inc. (ASA), is in collective bargaining negotiations with ALPA, which represents ASA's pilots, and with the Association of Flight Attendants, which represents ASA's flight attendants. The outcome of these collective bargaining negotiations cannot presently be determined. In addition to the ASA negotiations, 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.

***We are facing significant litigation, including litigation arising from the terrorist attacks on September 11, 2001, and if any such significant litigation is concluded in a manner adverse to us, our financial condition and operating results could be materially adversely affected.***



## Edgar Filing: DELTA AIR LINES INC /DE/ - Form S-3

We are involved in legal proceedings relating to antitrust matters, employment practices, environmental issues and other matters concerning our business. We are also a defendant in numerous lawsuits arising out of the terrorist attacks of September 11, 2001. It appears that the plaintiffs in these September 11 actions are alleging that we and many other air carriers are jointly liable for damages resulting from the terrorist attacks based on a

## **Table of Contents**

theory of shared responsibility for passenger security screening at Boston Logan International Airport, Washington Dulles International Airport and Newark Liberty International Airport. These lawsuits, which are in preliminary stages, generally seek unspecified damages, including punitive damages. Although federal law limits the financial liability of any air carrier for compensatory and punitive damages arising out of the September 11 terrorist attacks to no more than the limits of liability insurance coverage maintained by the air carrier, it is possible that we may be required to pay damages in the event of our insurer's insolvency or otherwise. While we cannot reasonably estimate the potential loss for certain of our legal proceedings because, for example, the litigation is in its early stages or the plaintiff does not specify damages being sought, if the outcome of any significant litigation is adverse to us, our financial condition and operating results could be materially adversely impacted.

***The SARS outbreak significantly impacted the airline industry, and future disease outbreaks could materially adversely impact our business and operating results.***

During the first six months of 2003, the SARS outbreak, primarily centered in China and other Southeast Asian countries, with a number of cases in Toronto, Canada, significantly impacted airline industry revenues. Due to our small Pacific presence, however, the SARS outbreak has had only a minimal impact on us. However, if SARS were to spread more widely or if concerns regarding some other disease were to significantly impact customers' willingness to travel, our financial condition and operating results could be materially adversely impacted.

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

If one of our aircraft were to crash or be involved in an accident, we could be exposed to significant tort liability. The insurance we carry to cover damages arising from any future accidents may be inadequate. In the event that our insurance 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 airline that is one of our 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.

***Seasonality and other factors impact demand for air travel, and our prior performance is not necessarily indicative of our future results.***

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

***Arthur Andersen LLP audited certain financial information included or incorporated in this prospectus. In the event such financial information is later determined to contain false statements, you may be unable to recover damages from Arthur Andersen LLP***

Our consolidated statements of operations, shareowners' equity and cash flows for the fiscal year ended December 31, 2001 were audited by Arthur Andersen LLP. Arthur Andersen LLP has ceased operations in the United States. As a result, you may be limited in your ability to recover damages from Arthur Andersen LLP under the Securities Act if it is later determined that there are false statements contained in any portions of this prospectus that have been prepared in reliance on financial statements audited by Arthur Andersen LLP.



## **Table of Contents**

### **Risk Factors Relating to the Notes**

#### ***The notes rank below our secured debt and the liabilities of our subsidiaries***

The notes are our senior unsecured obligations and rank equal in right of payment to all of our other existing and future senior unsecured indebtedness. The notes are effectively subordinated to all of our existing and future secured indebtedness to the extent of the assets securing that indebtedness. The notes are also structurally subordinated to all liabilities of our subsidiaries.

A substantial portion of our debt is secured by our assets. As a result, holders of our secured debt will have a claim to those assets prior to any claim that you may have to those assets. Further, the indenture governing the notes does not limit our ability to create additional indebtedness or to secure any such indebtedness with additional assets. If we incur additional indebtedness and secure such indebtedness with our assets, your rights to receive payments under the notes will effectively be junior to the rights of the holders of such future secured indebtedness.

The notes are obligations exclusively of Delta. Our subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due on the notes or to provide us with funds for our payment obligations. Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the notes to participate in those assets, are expressly subordinated to the claims of that subsidiary's creditors. The indenture governing the notes does not restrict the ability of our subsidiaries to incur additional indebtedness. Further, if we fail to deliver our common stock upon conversion of a note and thereafter become the subject of bankruptcy proceedings, a holder's claim for damages arising from such failure could be subordinated to all of our existing and future obligations and those of our subsidiaries.

As of March 31, 2004, we had approximately \$12.6 billion of total consolidated indebtedness, including capital leases; approximately \$5.8 billion of secured indebtedness (excluding secured indebtedness of our subsidiaries); and approximately \$2.2 billion of subsidiary indebtedness.

#### ***We may be unable to repay or repurchase the notes***

At maturity, the entire outstanding principal amount of the notes will become due and payable by us. In addition, holders of the notes have the right to require us to repurchase all or a portion of their notes for cash on February 18, 2009, February 18, 2014 and February 18, 2019 or if a designated event, as defined in the indenture, occurs. If a purchase date or a designated event occurs at a time when we are prohibited from purchasing or redeeming notes, we could seek the consent of our lenders to redeem the notes or attempt to refinance the notes. We cannot assure you that we will have sufficient funds or will be able to obtain any required consents or arrange for additional financing to pay the principal amount at maturity or the repurchase price when due. Our failure to repay the notes at maturity or to repurchase any tendered notes upon a designated event would constitute an event of default under the indenture. Any such default, in turn, may cause a default under the terms of our other debt. In such event, holders of the notes would rank equal in right of payment to holders of our other senior unsecured debt.

#### ***There is no public market for the notes, and we cannot assure you that a market for the notes will develop***

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form S-3

The notes are currently eligible for trading on the PORTAL Market. However, notes sold using this prospectus will no longer be eligible for trading in the PORTAL Market. In addition, there is no established public trading market for the notes, and no assurance can be given as to:

the liquidity of any such market that may develop;

the ability of holders of the notes to sell their notes; or

the price at which the holders of the notes would be able to sell their notes.

**Table of Contents**

If such a market were to exist, the notes could trade at prices that may be higher or lower than their principal amount or purchase price, depending on many factors, including:

- prevailing interest rates and the markets for similar securities;
- the market price of our common stock;
- general economic conditions; and
- our financial condition, historic financial performance and future prospects.

*We expect that the trading value of the notes will be significantly affected by the price of our common stock*

The market price of the notes is expected to be significantly affected by the market price of our common stock. This may result in greater volatility in the trading value of the notes than would be expected for nonconvertible debt securities we issue.

*Changes in our credit rating or the credit markets could adversely affect the price of the notes*

The price for the notes depends on many factors, including:

- our credit rating with major credit rating agencies;
- the prevailing interest rates being paid by other companies similar to us;
- the market price of our common stock;
- our financial condition, financial performance and future prospects; and
- the overall condition of the financial markets.

The condition of the credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Such fluctuations could have an adverse effect on the price of the notes.

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form S-3

In addition, credit rating agencies continually revise their ratings for the companies that they follow, including us. The credit rating agencies also evaluate the airline industry as a whole and may change their credit rating for us based on their overall view of our industry. We cannot be sure that credit rating agencies will maintain their credit ratings on the notes. A negative change in our rating could have an adverse effect on the price of the notes.

**Table of Contents****THE COMPANY**

Delta is a major air carrier that provides scheduled air transportation for passengers and cargo throughout the United States and around the world. Based on calendar year 2003 data, Delta is the second-largest carrier in terms of passengers carried and the third-largest airline measured by operating revenues and revenue passenger miles flown. We are a leading U.S. transatlantic airline, serving the largest number of nonstop markets and offering the second-most daily flight departures. Among U.S. airlines, we have the second-most transatlantic passengers. We operate hubs in Atlanta, Cincinnati, Dallas/Fort Worth and Salt Lake City. We also operate international gateways in Atlanta and at New York's John F. Kennedy International Airport.

Delta is a Delaware corporation headquartered in Atlanta, Georgia. Our address is Hartsfield-Jackson Atlanta International Airport, Atlanta, Georgia 30320, and the telephone number is (404) 715-2600. Our website is [www.delta.com](http://www.delta.com). We have provided our website address as an inactive textual reference only and the information contained on our website is not a part of this prospectus.

**USE OF PROCEEDS**

We will not receive any of the proceeds from the sale of the notes or the common stock issuable upon conversion of the notes by any selling securityholder. We used the net proceeds from the initial issuance of the securities for general corporate purposes.

**COMMON STOCK AND DIVIDEND DATA**

Our common stock is listed on the New York Stock Exchange under the symbol DAL. The following table sets forth, for the periods indicated, the highest and lowest sale prices for our common stock, as reported on the New York Stock Exchange.

	<u>High</u>	<u>Low</u>
<b>Fiscal 2002</b>		
First Quarter	\$ 38.69	\$ 28.52
Second Quarter	32.65	18.30
Third Quarter	20.12	8.30
Fourth Quarter	14.09	6.10
<b>Fiscal 2003</b>		
First Quarter	\$ 14.00	\$ 6.56
Second Quarter	16.05	8.76
Third Quarter	15.26	10.26
Fourth Quarter	15.28	10.45
<b>Fiscal 2004</b>		
First Quarter	\$ 13.20	\$ 7.00
Second Quarter (through May 4, 2004)	\$ 8.59	\$ 6.07



## Edgar Filing: DELTA AIR LINES INC /DE/ - Form S-3

As of March 31, 2004, there were approximately 22,306 holders of record of our common stock. On May 4, 2004, the last reported sale price of our common stock on the New York Stock Exchange was \$6.08.

We paid a regular quarterly cash dividend of \$0.025 per share of common stock for each quarter of fiscal years 2001 and 2002, and the first two quarters of 2003. On July 24, 2003, Delta's board of directors announced that it would immediately discontinue the payment of quarterly common stock cash dividends. On November 12, 2003, Delta's board of directors announced that it would suspend indefinitely the payment of semi-annual dividend payments on Delta's Series B ESOP Convertible Preferred Stock ( ESOP Preferred Stock ) due to

**Table of Contents**

applicable restrictions under Delaware law. To comply with Delaware law, Delta's board of directors also changed the form of payment Delta will use to redeem shares of ESOP Preferred Stock when redemptions are required under the Delta Family-Care Savings Plan, a broad-based employee benefit plan. Effective December 1, 2003, Delta will use shares of Delta common stock rather than cash to redeem ESOP Preferred Stock when redemptions are required under the Delta Family-Care Savings Plan. See Description of Capital Stock Series B Preferred Stock General.

Our dividend policy is reviewed from time to time by the board of directors. Future common stock dividend decisions will take into account the then current business results, cash requirements and financial condition of Delta. Our debt agreements do not restrict the payment of cash dividends.

**Table of Contents**

**DESCRIPTION OF NOTES**

We issued the notes under an indenture dated February 6, 2004, between us and The Bank of New York Trust Company, N.A., as trustee. A copy of the indenture and the registration rights agreement entered into with the initial purchaser is available upon request to us at the address indicated under [Where You Can Find More Information](#). The following is a summary of certain provisions of the indenture and the registration rights agreement and does not purport to be complete. Reference should be made to all provisions of the indenture and the registration rights agreement, including the definitions of certain terms contained therein. As used in this section, the terms [Delta](#), [we](#), [us](#) and [our](#) refer to Delta Air Lines, Inc., but not any of our subsidiaries, unless the context requires otherwise.

**General**

The notes are our senior unsecured obligations and rank equal in right of payment to all of our other existing and future senior unsecured indebtedness. The notes are effectively subordinated to all of our existing and future secured indebtedness to the extent of the assets securing that indebtedness, and are structurally subordinated to all liabilities of our subsidiaries.

The notes will mature on February 18, 2024, and are limited to an aggregate principal amount of \$325 million.

You have the option, subject to fulfillment of certain conditions and during the periods described below, to convert your notes into shares of our common stock initially at a conversion rate of 73.6106 shares of common stock per \$1,000 principal amount of notes, subject to adjustments as described below. This is equivalent to a conversion price of approximately \$13.59 per share of common stock. Upon conversion of a note, you will receive only shares of our common stock and a cash payment to account for fractional shares.

The notes were issued in denominations of \$1,000 and integral multiples of \$1,000 in fully registered form. The notes are exchangeable and transfers of the notes will be registrable without charge, but we may require payment of a sum sufficient to cover any tax or other governmental charge in connection with such exchanges or transfers.

The notes accrue interest at a rate of 2<sup>7</sup>/<sub>8</sub>% per annum from February 6, 2004, or from the most recent interest payment date to which interest has been paid or duly provided for, and any accrued and unpaid interest and additional interest, will be payable semi-annually in arrears on February 18 and August 18 of each year, beginning August 18, 2004. Interest will be paid to the person in whose name a note is registered at the close of business on the February 3 or August 3 (any of which we refer to as a [record date](#) ) immediately preceding the relevant interest payment date. However, in the case of a note redeemed by us at our option or repurchased in connection with a designated event (as defined below), during the period from the applicable record date to, but excluding, the next succeeding interest payment date, accrued interest will be payable to the holder of the note redeemed or repurchased. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

We are not subject to any financial covenants under the indenture. In addition, we are not restricted under the indenture from paying dividends, incurring debt, securing our debt or issuing or repurchasing our securities.

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form S-3

You are not afforded protection in the event of a highly leveraged transaction, or a change of control of us under the indenture, except to the extent described below under the caption Repurchase at Option of Holders Upon a Designated Event.

Principal, interest and additional interest, if any, on the notes will be payable in same-day funds by transfer to an account maintained by the payee at the office or agency maintained for such purpose or, if no proper wire transfer instructions shall have been received by the trustee, payment of interest may be made by check mailed to

## **Table of Contents**

the holders of the notes at their respective addresses set forth in the register of holders of notes. Until otherwise designated by us, the office or agency maintained for such purpose will be the principal corporate trust office of the trustee.

If any interest payment date, maturity date, purchase date or designated event repurchase date falls on a day that is not a business day, the required payment of principal, interest and additional interest, if any, will be made on the next succeeding business day as if made on the date that the payment was due and no interest will accrue on that payment for the period from and after the interest payment date, maturity date, purchase date or designated event repurchase date, as the case may be, to the date of payment on the next succeeding business day. The term "business day" means, with respect to any note, any day other than a Saturday, a Sunday or a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to close.

## **Conversion Rights**

Subject to the conditions and during the periods described below, holders may convert all or some of their notes into shares of our common stock initially at a conversion rate of 73.6106 shares of common stock per \$1,000 principal amount of notes. This is equivalent to a conversion price of approximately \$13.59 per share of common stock. The conversion rate and the equivalent conversion price in effect at any given time will be subject to adjustment as described below. A note for which a holder has delivered a purchase notice or a notice requiring us to redeem such note upon a designated event may be surrendered for conversion only if such notice is withdrawn in accordance with the indenture.

Except as described below under "Conversion Rate Adjustments," no adjustment will be made on conversion of any notes for any interest or additional interest accrued on such notes or for dividends on any common stock issued. If notes are converted after a record date for the payment of interest and prior to the next succeeding interest payment date, such notes must be accompanied by funds equal to the interest payable on such succeeding interest payment date on the principal amount so converted; provided, however, no such funds need be paid if (1) payment default has occurred and is continuing or (2) we have specified a redemption date that is after a record date and prior to the next interest payment date. (You will not receive any cash payments representing accrued interest upon conversion unless you convert on an interest payment date.) Our delivery to you of the fixed number of shares of common stock into which the note is convertible, together with any cash payments in lieu of any fractional shares, will satisfy our obligation to pay the principal amount of such note and the accrued but unpaid interest through the conversion date.

We are not required to issue fractional shares of common stock upon conversion of notes and, in lieu of such fractional shares, we will pay a cash adjustment based upon the average closing price of the common stock during the five trading days immediately preceding the date of conversion.

In the event any holder exercises its right to require us to purchase any notes on any purchase date, such holder's conversion right with respect to such notes will terminate on the close of business on the relevant purchase date, unless we default on the payment due upon purchase of such notes or the holder elects to withdraw the submission of election to have such notes purchased. See "Purchase of Notes by Us at the Option of the Holders." In the event any holder exercises its right to require us to repurchase any notes upon a designated event, such holder's conversion right with respect to such notes will terminate on the close of business on the designated event offer termination date (as defined in the indenture), unless we default on the payment due upon repurchase or the holder elects to withdraw the submission of election to repurchase. See "Repurchase at Option of Holders Upon a Designated Event."

The right of conversion attaching to any note may be exercised by the holder, if the conditions to conversion are met, by delivering the note at the specified office of a conversion agent, accompanied by a duly signed and



## **Table of Contents**

completed notice of conversion, together with any funds that may be required. Such notice of conversion can be obtained from the trustee. Beneficial owners of interests in a global note may exercise their right of conversion by delivering to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program. The conversion date will be the date on which the note, the duly signed and completed notice of conversion, and any funds that may be required as described above shall have been so delivered. A holder delivering a note for conversion will not be required to pay any taxes or duties payable in respect of the issue or delivery of common stock on conversion, but will be required to pay any tax or duty which may be payable in respect of any transfer involved in the issue or delivery of the common stock in a name other than the holder of the note. Certificates representing shares of common stock will not be issued or delivered unless all taxes and duties, if any, payable by the holder have been paid.

The shares of the common stock issuable upon conversion of any notes will be delivered to the holders entitled thereto as promptly as practicable.

### ***Conversion Upon Satisfaction of Sale Price Condition***

A holder may surrender any of its notes for conversion into shares of our common stock in any calendar quarter after the quarter ending March 31, 2004 if the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price per share of our common stock on such last trading day.

The last reported sale price of our common stock on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and asked prices or, if more than one in either case, the average of the average bid and the average asked prices) on that date as reported in composite transactions for the principal U.S. securities exchange on which our common stock is traded or, if our common stock is not listed on a U.S. national or regional securities exchange, as reported by the Nasdaq National Market. If our common stock is not listed for trading on a U.S. national or regional securities exchange and not reported by the Nasdaq National Market on the relevant date, the last reported sale price will be the last quoted bid price for our common stock in the over-the-counter market on the relevant date as reported by the National Quotation Bureau or similar organization. If our common stock is not so quoted, the last reported sale price will be the average of the mid-point of the last bid and asked prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

### ***Conversion Based on Trading Price of the Notes***

A holder also may surrender any of its notes for conversion into shares of our common stock prior to maturity during the five business day period after any five consecutive trading day period (the measurement period) in which the trading price per \$1,000 principal amount of notes, as determined following a request by a holder of notes in accordance with the procedures described below, for each day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate for such date; *provided* that a holder may not convert its notes (in reliance on this provision) if on any trading day during such measurement period the last reported sale price of our common stock was between 100% and 130% of the then current conversion price of the notes.

The trading price of the notes on any date of determination means the average of the secondary market bid quotations per \$1,000 principal amount of notes obtained by the trustee for \$10,000,000 principal amount of the notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers we select, *provided* that if at least three such bids cannot be obtained, but two such bids are obtained by the trustee, then the average of the two bids shall be used, and if only one such bid can reasonably be

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form S-3

obtained by the trustee, that one bid shall be used. If the trustee cannot reasonably obtain at least one bid for \$10,000,000 principal amount of the notes from a nationally recognized securities dealer, then the trading price of per \$1,000 principal amount of notes will be deemed to be less than 98% of the product of the last reported sale price of our common stock and the conversion rate.



## **Table of Contents**

In connection with any conversion upon satisfaction of the above trading pricing condition, the trustee shall have no obligation to determine the trading price unless we have requested such determination; and we shall have no obligation to make such request unless a holder of notes provides us with reasonable evidence that the trading price per \$1,000 principal amount of notes would be less than 98% of the product of the last reported sale price of our common stock and the conversion rate. At such time, we shall instruct the trustee to determine the trading price of the notes beginning on the next trading day and on each successive trading day until the trading price per \$1,000 principal amount of notes is greater than or equal to 98% of the product of the last reported sale price of our common stock and the conversion rate.

### ***Conversion Upon Notice of Redemption***

If we call any or all of the notes for redemption, holders may convert notes into our common stock at any time prior to the close of business on the redemption date, even if the notes are not otherwise convertible at such time.

### ***Conversion Upon Specified Corporate Transactions***

If we elect to:

distribute to all holders of our common stock certain rights entitling them to purchase, for a period expiring within 45 days after the date of the distribution, shares of our common stock at less than the last reported sale price of a share of our common stock on the trading day immediately preceding the declaration date of the distribution; or

distribute to all holders of our common stock our assets, debt securities or certain rights to purchase our securities, which distribution has a per share value as determined by our board of directors exceeding 15% of the last reported sale price of a share of our common stock on the trading day immediately preceding the declaration date of the distribution,