Business Description

Delta Air Lines, Inc. provides scheduled air transportation over an extensive route network. Based on calendar 1996 data, Delta is the largest U.S. airline based on aircraft departures and passengers enplaned, and the third largest U.S. airline as measured by operating revenues and revenue passenger miles flown. Internationally, Delta is the leader across the North Atlantic, offering the most daily flight departures, serving the largest number of nonstop origin-destination markets, and carrying the most passengers of any U.S. airline.

As of August 15, 1997, Delta provided scheduled air service to 149 cities in 42 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, and service to 41 cities in 25 foreign countries. Including flights operated with code-share partners, Delta's international route network covers 68 cities in 38 foreign countries. In addition to scheduled passenger service, Delta provides air freight, mail and related aviation services.

Delta is incorporated under the laws of the state of Delaware and is subject to government regulation under the Federal Aviation Act of 1958, as amended, as well as many other federal, state and foreign laws and regulations. Delta Air Lines' corporate headquarters is in Atlanta, Georgia.

Financial Highlights

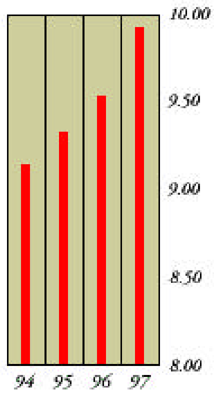
Fiscal Year Ending June 30, 1997

Dollar amounts in millions, except per share data.
Operating data excludes restructuring and other non-recurring charges and the cumulative effect of an accounting change.

		1997		1996		Change
Operating Revenues	$	13,590	$	12,455	+	9%
Operating Expenses	$	12,008	$	11,163	+	8%
Operating Income	$	1,582	$	1,292	+	22%
Operating Margin	$	11.6%	$	10.4%	+	1.2 pts.
Net Income	$	886	$	662	+	34%
Primary Income Per Common Share	$	11.72	$	11.13	+	5%
Fully Diluted Income Per Common Share	$	11.42	$	8.49	+	35%
Dividends Declared on common stock	$	15	$	10	+	50%
Dividends Per Common Share	$	0.20	$	0.20		—
Common Shares Issued and Outstanding at Year End		73,695,987		67,778,106	+	9%
Debt-to-Equity Position		41%/59%		47%/53%		
Passenger Mile Yield		12.79¢		13.10¢	-	2%
Operating Revenue Per Available Seat Mile		9.93¢		9.53¢	+	4%
Operating Cost Per Available Seat Mile		8.78¢		8.54¢	+	3%

Operating Revenue Per Available Seat Mile

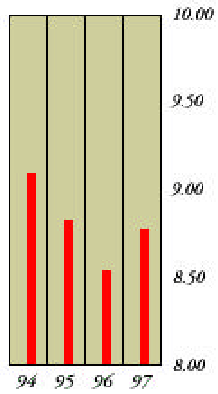
In Cents



Unit revenue improved as a result of record passenger traffic and growth in other operating revenues.

Operating Cost Per Available Seat Mile

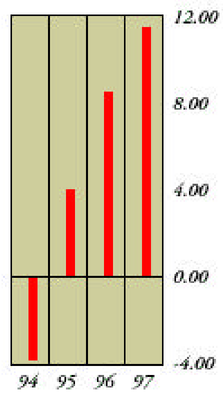
In Cents



A slight increase in unit cost resulted from Delta's investments in customer service and increased fuel costs. However, Delta remains the lowest cost major network carrier.

Fully Diluted Income Per Common Share

In Dollars



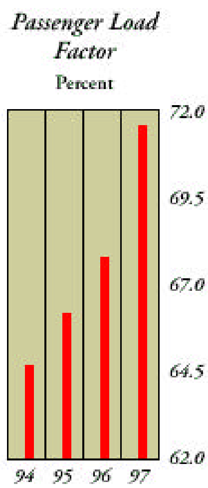
A balanced strategy that emphasizes both cost reduction and revenue growth produced record earnings.

Operating Highlights

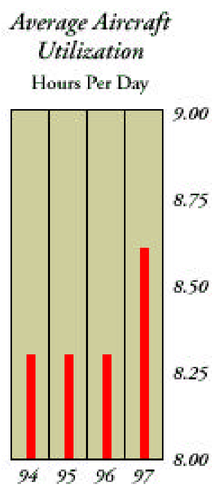
Fiscal Year Ending June 30, 1997

Operating data excludes restructuring and other non-recurring charges and the cumulative effect of an accounting change.

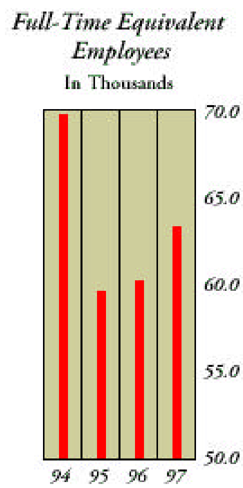
	1997	1996		Change
Revenue Passengers Enplaned *(Thousands)*	101,147	91,341	+	11%
Revenue Passenger Miles *(Millions)*	97,758	88,673	+	10%
Available Seat Miles *(Millions)*	136,821	130,751	+	5%
Passenger Load Factor	71.4%	67.8%	+	3.6 pts.
Breakeven Passenger Load Factor	62.4%	60.3%	+	2.1 pts.
Cargo Ton Miles *(Millions)*	1,532	1,368	+	12%
Cargo Ton Mile Yield	36.14¢	38.08¢	-	5%
Fuel Gallons Consumed *(Millions)*	2,599	2,500	+	4%
Average Fuel Price Per Gallon	66.28¢	58.53¢	+	13%
Number of Aircraft in Fleet at Year End	553	539	+	3%
Average Age of Aircraft Fleet at Year End *(Years)*	11.8	11.2	+	0.6 yrs.
Stage 3 Aircraft at Year End *(As a Percent of Total Aircraft)*	71%	68%	+	3.0 pts.
Average Seats Per Aircraft Mile	181	181		—
Average Passenger Trip Length *(Miles)*	966	971	-	1%
Average Aircraft Flight Length *(Miles)*	789	772	+	2%
Average Aircraft Utilization *(Hours Per Day)*	8.6	8.3	+	4%
Full-Time Equivalent Delta Employees at Year End	63,441	60,289	+	5%



Delta carried more passengers in fiscal 1997 than any other U.S. airline and filled the most seats in its history.



A continued focus on operating efficiencies and reallocating aircraft has yielded a higher utilization of aircraft assets.



As passenger volume grew, staffing levels were increased to ensure a consistent high level of service.

Leo F. Mullin
President and Chief Executive Officer

A Message from Leo F. Mullin

To Delta's Shareholders, People, Customers and Communities:

It is a privilege to become associated with one of the great companies in America and one of the great airlines of the world.

Delta Air Lines has a history of superb commitment to customer service and performance. That tradition speaks directly to the quality of the people of Delta. I look forward to working with such a dedicated group of professionals in helping to move Delta to an even greater level of success.

This company has an excellent financial foundation. During the past few years, there have been significant improvements in financial performance and operational efficiency. This Annual Report documents that fiscal 1997 was the best financial year in Delta's history. Operating and net profits set records. Costs were the lowest among network airlines, making productivity the highest among our peers. Delta's balance sheet is one of the strongest of the major U.S. network carriers. The Company has leading competitive positions in the United States and across the North Atlantic, and is expanding in Latin America and Asia.

This financial and competitive recovery from the different challenges of earlier years is a tremendous achievement, and we will move forward from this strong base. Delta has created a powerful competitive advantage as the most efficient major network carrier. The crucial ingredient in efficiency is to continue to pursue the competitive advantage that has been achieved. We will do that starting now.

We also will renew Delta's commitment to customer service excellence. Any company that faces up to financial difficulties as Delta has must make tough decisions. Sometimes, under those conditions, companies suffer an erosion in customer service, and some of the statistics indicate that that did happen at Delta. People at this company created a powerful reputation for service. Working together, we will regain that reputation.

There is no contradiction or tradeoff in this commitment to customer service and efficiency. Both can be achieved simultaneously. Great companies do that everyday, and Delta is a great company.

This combination of focus on customer service and on operational efficiency means our shareholders should expect superior financial returns. It is the function of any business organization to produce value that yields these superior returns for shareholders. All of us at Delta will remain highly cognizant of that goal as we move forward. The critical task is to increase positive momentum and build a winning organization - superior in all the respects to which we aspire.

Thank you for your support in this early, invigorating period of my association with Delta.

Leo F. Mullin
President and Chief Executive Officer

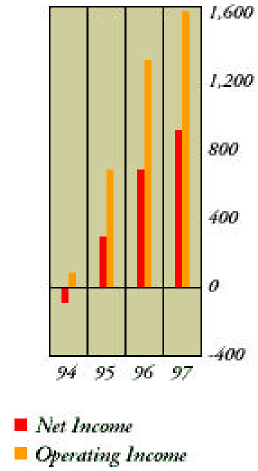
August 15, 1997

1997 Highlights

Delta recorded $886 million in net income and $1.6 billion in operating income in 1997.

Net Income and Operating Income

In Millions of Dollars

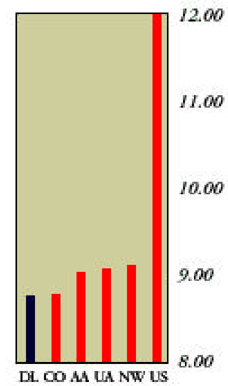


Data excludes restructuring and other non-recurring charges and the cumulative effect of an accounting change.

Delta has achieved the lowest unit costs of any large U.S. network airline.

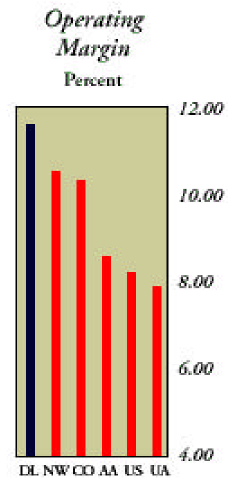
Operating Cost Per Available Seat Mile

In Cents

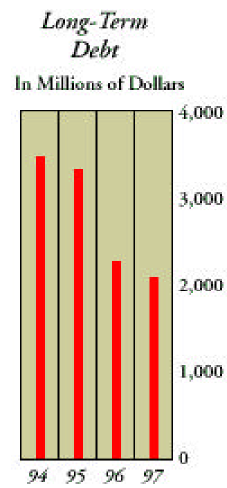


Source: U.S. Department of Transportation (DOT) data for the 12 months ended June 30, 1997, adjusted to include transport-related expenses as defined by DOT and restructuring and other non-recurring charges as reported by each company.

Delta's 1997 operating margin was the highest of the major U.S. network carriers.



Source: U.S. Department of Transportation data for the 12 months ended June 30, 1997, adjusted to exclude restructuring and other non-recurring charges as reported by each company.

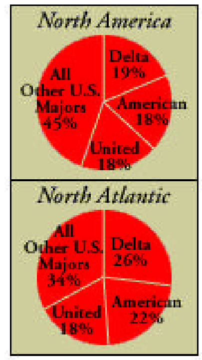


Debt includes long-term debt and capital lease obligations (including current maturities).

Delta is the U.S. market leader in the world's two largest aviation markets.

Total Revenue Passenger Miles

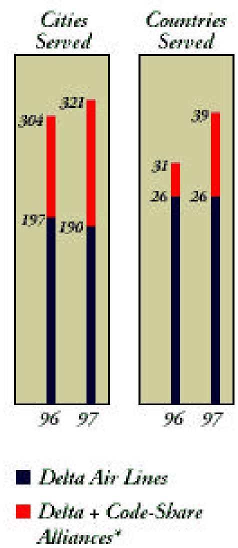
Percentage Share



Source: U.S. Department of Transportation data for the 12 months ended June 30, 1997.

Delta is extending its global market reach.

Global Alliances

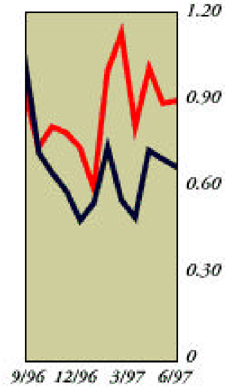


**Includes Delta Connection® carriers.*

Data as of August 15, 1997.

Delta's strategic investments in customer service are beginning to produce results.

Reported Complaints
Per 100,000 Passengers Boarded



■ *Delta Rate*
■ *Industry Rate*

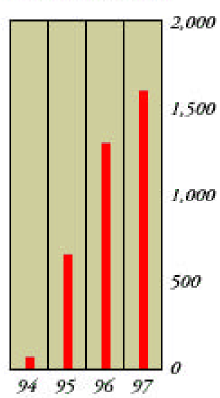
Source: U.S. Department of Transportation data for the 12 months ended June 30, 1997. Industry data excludes Delta.

Operational Review

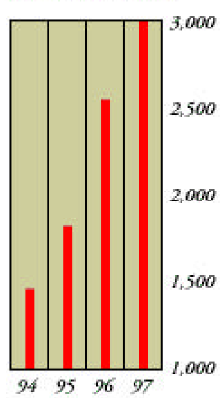
The Story Behind the Numbers

During the fiscal year ended June 30, 1997, Delta Air Lines generated outstanding results. Strong financial performance, competitive costs, an industry-leading profit margin and a record level of shareholders' equity combined to make 1997 a banner year for the Company.

Operating Income
In Millions of Dollars



Shareholders' Equity
In Millions of Dollars



Operating income data excludes restructuring and other non-recurring charges and the cumulative effect of an accounting change.

Financial Achievements

Fiscal year 1997 operating income of $1.6 billion and net income of $886 million were the highest in Company history and represented records for the second consecutive year. Fully diluted income per common share grew 35% to $11.42. These results exclude restructuring and other non-recurring charges.

Delta's performance exceeded industry averages as well. Delta achieved a unit cost for the fiscal year of 8.78 cents, excluding restructuring and other non-recurring charges, which represented the lowest unit cost of any large U.S. network airline for the 12 months ended June 30, 1997. This low-cost leadership position, combined with a strong revenue performance, generated a fiscal 1997 operating margin of 11.6%, up from 10.4% in fiscal 1996, excluding restructuring and other non-recurring charges. Delta's operating margin led the major U.S. network carriers for the 12 months ended June 30, 1997.

This year's success can be attributed to several factors. Cost-reduction and revenue-enhancing programs, improved asset utilization and favorable economic conditions all contributed to the record results.

Three years ago, Delta initiated Leadership 7.5, a plan to significantly improve Delta's competitiveness through a concentrated focus on reduction of total operating expenses and unit costs. As a result of its success in reducing costs, a continued strong economy and favorable airline industry conditions, Delta moved away from a strict focus on operating cost reduction toward a more balanced approach emphasizing both cost reduction and revenue improvement. Delta appropriately named this new approach the Balanced Strategy and set a new operating margin goal of 12% to be achieved by the end of fiscal 1999. Although this goal is aggressive and carries no guarantee of success, Delta is pursuing this objective as vigorously as it pursued its cost reduction plan in previous years.

Delta's exceptional financial performance in fiscal 1997 further improved the Company's balance sheet. Driven by record earnings, cash flow from operations exceeded $2.0 billion in fiscal 1997. Total long-term debt, including capital lease obligations,

declined to $2.1 billion at June 30, 1997 from $2.3 billion at June 30, 1996. Interest expense decreased $62 million over the same period. Shareholders' equity increased to a record $3 billion from $2.5 billion in fiscal 1996.

The record earnings performance reported for the fiscal year and significant improvement in Delta's financial condition mark continued progress toward returning to solid investment grade status. Delta's long-term debt is currently one level below investment grade status with Standard & Poor's (BB+) and has been investment grade with Moody's (Baa3) since April 1996.

Maximizing Delta's Assets

A key to consistently generating superior financial returns is improving asset utilization. Over the past several years, the Company has achieved substantial improvements in system profitability by reallocating assets to more profitable opportunities across the Delta system. As a result of these efforts, the financial performance of Delta's network is now better balanced than ever before.

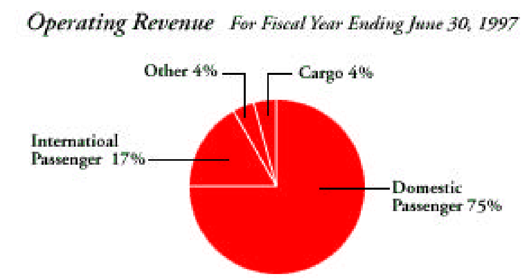
During fiscal 1995 and 1996, Delta realigned domestic resources to enhance revenue opportunities and system profitability. Flights were increased at major hubs in Atlanta, Cincinnati and Salt Lake City. Smaller markets were transferred to Delta Connection carriers. Certain less profitable transatlantic and transpacific flights were discontinued. Significant capacity was shifted from Dallas-Fort Worth to Delta's second largest hub in Cincinnati. The remaining Dallas-Fort Worth operations were realigned to focus on east-west connecting traffic. These moves paid off, with performance improving at all of Delta's hubs during fiscal

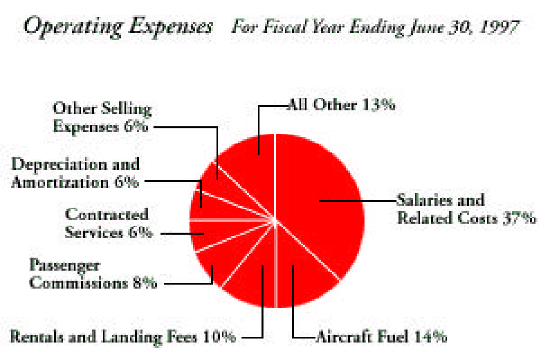
1996.

In fiscal 1997, strategic moves capitalized on Delta's strengths in North America, particularly in the Southeast and Florida. Delta leveraged its Southeast leadership position by shifting assets from lower-yielding point-to-point markets to higher-yielding business markets from its hubs. Delta improved its ability to attract business passengers in key markets by increasing frequencies to business destinations, commencing new nonstop services to important West Coast destinations and introducing hourly flights to Chicago and Washington-National from Atlanta.

Delta Express was launched in October 1996 to build on Delta's leading position in Florida. This highly productive low-cost operation preserves Delta's market position in one of the largest revenue-producing segments of the system. The product allows Delta to compete effectively with the large number of low-cost

DISTRIBUTION OF OPERATING REVENUE AND EXPENSES





Data excludes restructuring and other non-recurring costs.

carriers serving Florida and to capture a leading share of the rapid growth in leisure traffic.

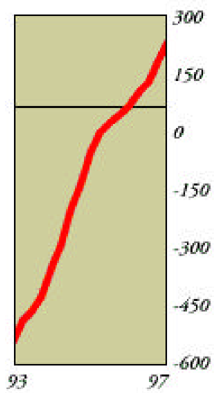
Delta took steps to build on its leading international position at New York-Kennedy and on its number one position across the North Atlantic during fiscal 1997. Delta offers nonstop service from the U.S. to the largest number of European destinations of any airline. Delta also offers the most daily departures and carries the most passengers between the U.S. and Europe of any U.S. carrier.

The fiscal 1997 realignment of Delta's transatlantic operations continued the Company's strategy of ensuring that every Delta aircraft is as productive as possible. Aircraft previously flying intra-European service through Frankfurt were redeployed to the U.S. domestic system to increase feed traffic to Delta's international gateway at New York-Kennedy. In addition, the Company's least profitable point-to-point services between the U.S. and Frankfurt were discontinued.

Transatlantic service was strengthened by increased frequencies in several markets and new nonstop service to four European destinations from Delta's hubs. Total transatlantic service from the New York-Kennedy, Atlanta and Cincinnati hubs was expanded to 245 weekly transatlantic flights to 26 European cities as of August 15, 1997.

Delta's success in turning around the financial performance of the transatlantic operation is reflected in the consistent improvement in operating profits in the Company's Atlantic entity since fiscal 1993, excluding restructuring and other non-recurring charges. These results are based on allocations performed in accordance with requirements established by the U.S. Department of Transportation.

Transatlantic Operating Results
12-Month Moving Total
(In Millions of Dollars)



As reported to DOT excluding restructuring and other non-recurring charges.

Delta is building a global network which combines Delta international services and alliance partner services to link Europe, Asia, Africa and Latin America with the Company's strong North American operations. Worldwide alliances allow Delta to provide service in strategically important and financially valuable markets which would otherwise not be economically viable, or where prohibitive regulatory barriers exist. These arrangements maximize the use of Delta's assets by allocating Delta aircraft to the markets which can be served most profitably, while providing an expanded scope of service through alliance partners.

Delta's Atlantic Excellence alliance with partners Swissair, Austrian Airlines and Sabena received antitrust immunity from the U.S. Department of Transportation in fiscal 1996. Antitrust immunity allows the four carriers to provide seamless service to customers worldwide by synchronizing flight schedules, offering joint marketing programs, coordinating pricing and integrating frequent flyer programs. This far-reaching, highly integrated alliance expands Delta's presence in key markets in Europe, Africa and the Middle East.

Delta's strategic alliances with other quality European carriers further extend the airline's scope of European services. Delta's recently announced code-sharing arrangement with Air France will provide the Company with increased access to France, the third largest transatlantic aviation market. This arrangement is pending government approval and the negotiation of a new aviation agreement between the two countries.

Alliances also complement Delta's efforts to extend its reach in the fast-growing regions of Latin America and Asia. During fiscal 1997, Delta established routes into South America with service from Atlanta and Cincinnati to São Paulo and Rio de Janeiro, Brazil. Delta's recently announced alliance agreement with Transbrasil will provide access to other major Brazilian cities, pending government approvals. Delta extended its code-sharing agreement with Aeromexico during fiscal 1997, replacing certain Delta nonstop services to Mexico with expanded code-share services from Los Angeles, Dallas-Fort Worth and Atlanta.

Delta continues to pursue additional authorities to serve Japan, but is impeded by the highly restrictive aviation agreement between the U.S. and Japan. Delta's limited Japan services will be supplemented by additional service to Asia through code-sharing arrangements with China Southern and Korean Air (pending government approvals).

Aircraft Fleet

Delta's aircraft fleet is a cornerstone of the Company's business. Delta has long maintained one of the youngest and most technologically advanced fleets in the U.S. airline industry. In March 1997, Delta reached an understanding with The Boeing Company for firm orders, options and rolling options to purchase certain aircraft. The understanding includes 106 firm aircraft orders through fiscal 2007, with an additional 124 options and 414 rolling options through fiscal 2018. Options have scheduled delivery slots while rolling options replace options and are assigned delivery slots as options expire or are exercised. The new Boeing understanding also contemplates the termination of existing options, the cancellation of Delta's remaining MD-90 orders and the advancement of certain of Delta's existing orders. The understanding is subject to certain conditions, including the negotiation of mutually acceptable

Aircraft Fleet at June 30, 1997

Type of Aircraft	Average Age (Years)	Owned	Leased	Total
B-727-200	20.3	115	14	129
B-737-200	12.6	1	53	54
B-737-300	11.3	-	13	13
B-757-200	8.5	50	41	91
B-767-200	14.1	15	-	15
B-767-300	8.1	2	24	26
B-767-300ER	4.6	20	7	27
L-1011-1	19.6	24	-	24
L-1011-200	19.0	1	-	1
L-1011-250	14.7	6	-	6
L-1011-500	16.4	17	-	17
MD-11	3.7	7	7	14
MD-88	7.0	63	57	120
MD-90	1.6	16	-	16
Total	11.8	337	216	553

Aircraft Delivery Schedules

Aircraft on Firm Order at June 30, 1997 (excludes new Boeing understanding)

Delivery in Year Ending June 30:

Orders	1998	1999	2000	2001	After 2001	Total
B-757-200	-	-	1	3	-	4
B-767-300	-	2	-	-	-	2
B-767-300ER	9	-	-	-	-	9
MD-11	1	-	-	-	-	1
MD-90	-	5	5	3	2	15
Total	10	7	6	6	2	31

Aircraft on Firm Order Pursuant to New Boeing Understanding

	Delivery in Year Ending June 30:					
Orders*	1998	1999	2000	2001	After 2001	Total
B-737-600/700/800	-	7	-	-	63	70
B-757-200	-	5	-	-	-	5
B-767-300ER	1	9	-	-	-	10
B-767-400	-	-	2	19	-	21
Total	1	21	2	19	63	106

**Subject to definitive purchase agreements*

definitive purchase agreements with Boeing. See Note 9 of Notes to Consolidated Financial Statements.

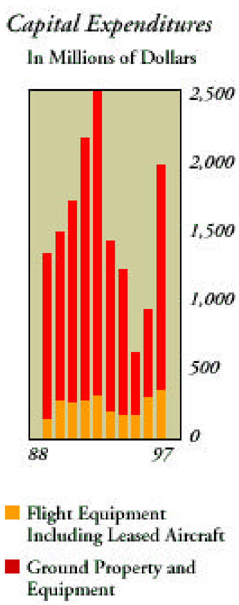
In conjunction with the understanding, Delta announced a 20-year aircraft acquisition plan. This long-range plan supports Delta's goals for fleet replacement and rationalization and creates the opportunity for disciplined internal growth. Furthermore, it helps ensure the Company is ready with the right aircraft at the right time and at the right price to build on Delta's market strengths -- even if the competitive landscape changes in unanticipated ways.

The Company's understanding with Boeing includes long-term price controls and risk sharing and gives Delta flexibility to adjust to changing circumstances. Subject to certain conditions, the Company will have the flexibility to adjust scheduled aircraft deliveries as well as to substitute between aircraft models and aircraft types. Delta's long-term plan is to simplify its fleet by reducing aircraft family types from six to three, while replacing older aircraft types with newer Boeing 767 and 737 aircraft over several years. The increased efficiencies are expected to result in significant long-term cost savings in areas such as maintenance, spare parts inventories, scheduling and training.

Structured to focus on shareholder value, the plan is intended to maintain Delta's ability to pay for the aircraft with internally generated funds, while enabling the Company to continue to make progress toward achieving financial goals for operating margin, return on investment and a return to investment grade status.

The majority of the aircraft under firm order in Delta's fleet plan will be used to replace older aircraft, primarily the L-1011 and B-727 aircraft. As previously announced, the Company plans to remove all L-1011 aircraft from transatlantic service by the end of fiscal 1998 and retire all L-1011 aircraft from the fleet within the next several years. The L-1011 aircraft will be replaced primarily with Boeing 767 aircraft. The B-727 aircraft eventually will be retired and replaced primarily with new generation Boeing 737 aircraft.

In addition to new aircraft deliveries in fiscal 1997, Delta announced its intent to acquire six B-767-300ER aircraft from another carrier. The Company took delivery of five of the aircraft during fiscal 1997, and the remaining aircraft was delivered during early fiscal 1998. Including these deliveries, Delta accepted delivery of 21 aircraft during fiscal 1997, comprising five B-757-200 aircraft, ten B-767-300ER aircraft, four MD-90 aircraft and two MD-11 aircraft.



With fleet refinement actions taken during the fiscal year and the recently announced long-term fleet plan, Delta continues to make progress toward its goals of improved operational flexibility, management of capital spending and simplification of the Company's aircraft fleet.

Investments In Delta's Product

A key component of Delta's Balanced Strategy is targeted investment throughout the Company to ensure the consistent delivery of high-quality customer service. Fiscal 1997 investments included matching staffing levels to increased passenger volumes, making compensation more competitive, improving information technology and enhancing Delta's service and product.

Realigning Staff
Delta increased staffing and improved processes to provide a consistently high level of service. Approximately 1,000 flight attendants, 700 airport customer service agents and 500 reservation agents were added during the year to manage a 10% increase in passenger volume, as measured by revenue passenger miles. U.S. Department of Transportation data available for January through June 1997 reflects that Delta's passenger complaints per 100,000 passengers boarded were the third lowest among all major U.S. carriers. This improvement compares to the Company's seventh place ranking for the same period in 1996.

Investing in Delta's People
A business works best when employee and shareholder interests are aligned. During fiscal 1997, several initiatives were implemented to link personnel objectives more closely with the goals of shareholders. For the fiscal year, Delta people earned a record profit-sharing payment of $145 million based on the Company's financial performance.

In addition, in fiscal 1997 Delta implemented two broad-based stock option plans for Delta employees providing for the issuance in three equal annual installments of non-qualified stock options to purchase a total of 24.7 million shares of common stock. These plans help provide employees with a sense of shared purpose and ownership in the Company.

Transforming Information Technology
Delta launched a companywide Information Technology (IT) Transformation process during fiscal 1997 to enable Delta's future technology to support its business goals. The initiative will centralize information and reengineer technology and decision-making processes around four application portfolios: customer, operations, revenue and business support. The goal is to simplify the technological infrastructure, improve efficiency and deliver state-of-the-art solutions for Delta's business needs. An IT board will oversee implementation of this strategy, coordinating among Delta IT personnel, TransQuest (Delta's wholly owned technology subsidiary), WORLDSPAN (a computer reservations system partnership), and the Company's business, operating and staff units.

Positioning the New Delta
As Delta enters the most dynamic period in its history, the Company will stay ahead of global market trends with new approaches to positioning services and products for aviation consumers.

Delta has created a new look for its aircraft -- a contemporary design that retains the symbols of Delta's tradition and heritage. The colors are strong, and the design is clean. The paint scheme is not the only change planned for Delta's aircraft. The new look extends to aircraft interiors with new fabric colors throughout. Changes will be phased in over the next three years as aircraft are scheduled for normal repainting and maintenance procedures.

Business class comfort is increasingly a purchase-decision driver for transatlantic passengers. Delta has enhanced its business class product to provide passengers a comfortable and business-friendly environment. Increased leg room, greater recline, on-board power for laptop computers, an improved entertainment system and unsurpassed food and wine selections are among the investments to enhance Delta's competitive strength in the North Atlantic.

Delta is reaching more passengers than ever through the Internet. The Delta Web Site, SkyLinks (www.delta-air.com), provides yet another way for customers to work with Delta. Options for customers include instant enrollment in Delta's SkyMiles® frequent flyer program, electronic ticketing via SkyLinks, the ability to obtain frequent flyer account updates and real-time flight schedules, fares and availability. The Company expects continued strong growth of this distribution channel.

This past March, Delta established a new advertising approach that will emphasize integrated global business communications. The first of Delta's new advertising campaigns was launched this spring, highlighting the Company's redesigned transatlantic business class.

Ronald W. Allen Retirement
Effective July 31, 1997, Ronald W. Allen retired as Chairman of the Board, President and Chief Executive Officer of the Company. The Company acknowledges his many contributions during his ten-year tenure as Chairman and Chief Executive Officer and during his 34 years with Delta Air Lines.

Financial Review

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

Results of Operations - Fiscal 1997 Compared With Fiscal 1996

For fiscal 1997, Delta recorded net income of $854 million ($11.30 primary and $11.01 fully diluted income per common share) and operating income of $1.5 billion. In fiscal 1996, Delta recorded net income of $156 million ($1.42 primary and fully diluted income per common share), and operating income of $463 million.

Financial Results Summary

(In Millions, Except Share Amounts)	1997	1996	Change
Operating Revenues	$13,590	$12,455	+ 9%
Operating Expenses	12,060	11,992	+ 1%
Operating Income	1,530	463	*
Other Expenses, Net	115	187	- 39
Income Before Income Taxes	1,415	276	*
Income Taxes Provided, Net	561	120	*
Net Income	854	156	*
Preferred Stock Dividends	9	82	- 89
Net Income Available to Common Shareholders	$ 845	$ 74	*
Primary Income Per Common Share:	$ 11.30	$ 1.42	*
Fully Diluted Income Per Common Share:	$ 11.01	$ 1.42	*
Number of Shares Used to Compute Income Per Common Share:			
Primary	74,786,517	52,101,152	N/A
Fully Diluted	77,087,619	52,101,152	N/A

**Exceeds 100%*

Fiscal 1997 results include pretax restructuring and other non-recurring charges totaling $52 million ($32 million after-tax or $0.42 primary and $0.41 fully diluted income per common share) related to the realignment of the Company's transatlantic and European operations. Fiscal 1996 results include pretax restructuring and other non-recurring charges totaling $829 million ($506 million after-tax or $9.71 per common share) related to the write-down of Delta's L-1011 fleet and the continuation of the Company's Leadership 7.5 cost reduction program. See Note 16 of Notes to Consolidated Financial Statements.

Excluding the restructuring and other non-recurring charges in fiscal 1997 and 1996, net income for fiscal 1997 totaled $886 million ($11.72 primary and $11.42 fully diluted income per common share) and operating income was $1.6 billion, compared to net income of $662 million ($11.13 primary and $8.49 fully diluted income per common share) and operating income of $1.3 billion in fiscal 1996.

Operating Revenue Detail

(In Millions)	1997	1996	Change
Passenger	$12,505	$11,616	+8%
Cargo	554	521	+ 6
Other, Net	531	318	+ 67
Total	$13,590	$12,455	+9%

Operating revenues for fiscal 1997 were $13.6 billion, up 9% from $12.5 billion in fiscal 1996. Passenger revenue increased 8%, reflecting a 10% increase in revenue passenger miles, partially offset by a 2% decline in passenger mile yield. Domestic load factor increased four points to 70%, as domestic revenue passenger miles and domestic capacity rose 13% and 6%, respectively. The increase in domestic passenger traffic is due to the Company's realignment of its domestic route system on December 1, 1995, which increased the Company's operations at its Atlanta and Cincinnati hubs; improved asset utilization; reduced operations by a low-cost, low-fare competitor; and favorable economic conditions. Domestic passenger mile yield decreased 3%, reflecting the Company's use of more competitive pricing strategies; the continued presence of low-cost, low-fare carriers in domestic markets served by Delta; and the March 7, 1997 reimposition of the U.S. transportation excise tax. International load factor increased three points to 76%, as international revenue passenger miles increased 3%, while operating capacity decreased 1%. The increase in international traffic is primarily due to improved asset utilization and favorable economic conditions, while the decline in international capacity is mainly due to the cancellation of service on certain international routes. The international passenger mile yield decreased 2%, due to the Company's use of more competitive pricing strategies.

Cargo revenues in fiscal 1997 increased 6% to $554 million. Cargo ton miles increased 12%, while the cargo ton mile yield declined 5%, primarily due to the Company's utilization of more competitive pricing strategies and an increase in the average stage length related to freight shipments.

All other revenues were up 67% to $531 million, mainly due to the expansion of joint marketing programs associated with the Company's SkyMiles® frequent flyer program and improved results from code-share arrangements.

Revenue-Related Statistics

	1997	1996	Change
Revenue Passengers Enplaned *(Thousands)*	101,147	91,341	+ 11%
Revenue Passenger Miles *(Millions)*	97,758	88,673	+ 10%
Passenger Load Factor	71.4%	67.8%	+3.6 pts.
Passenger Mile Yield	12.79¢	13.10¢	- 2%
Cargo Ton Miles *(Millions)*	1,532	1,368	+ 12%
Cargo Ton Mile Yield	36.14¢	38.08¢	- 5%
Operating Revenue Per Available Seat Mile	9.93¢	9.53¢	+ 4%

Operating expenses in fiscal 1997 totaled $12.1 billion, up 1% from $12.0 billion in fiscal 1996. Operating capacity increased 5% to 136.8 billion available seat miles, and operating cost per available seat mile decreased 4% to 8.81¢. Excluding restructuring and other non-recurring charges in fiscal 1997 and 1996, operating expenses were up 8%, and operating cost per available seat mile increased 3%. The increase in operating expenses is primarily due to higher salaries and related costs, aircraft fuel expense and certain traffic-related costs.

Operating Expense Detail

(In Millions)	1997	1996	Change
Salaries and Related Costs	$ 4,444	$ 4,206	+6%
Aircraft Fuel	1,723	1,464	+ 18
Passenger Commissions	1,016	1,042	- 2
Contracted Services	751	704	+ 7
Depreciation and Amortization	710	634	+ 12
Other Selling Expenses	677	594	+ 14
Aircraft Rent	547	555	- 1
Aircraft Maintenance Materials and Outside Repairs	434	376	+ 15
Passenger Service	389	368	+ 6
Facilities and Other Rent	386	379	+ 2
Landing Fees	256	248	+ 3
Restructuring and Other Non-Recurring Charges	52	829	*
Other Operating	675	593	+ 14
Total	$12,060	$11,992	+1%

**Exceeds 100%*

Salaries and related costs increased 6%, primarily due to a 5% increase in full-time equivalent employees to handle higher passenger traffic and improve customer service, as well as higher costs associated with certain employee compensation plans. Aircraft fuel expense increased 18%, as the average fuel price per gallon rose 13% to 66.28¢, and fuel gallons consumed increased 4%. Passenger commissions expense decreased 2%, reflecting lower expenses for certain travel agent incentive programs which were partially offset by higher commission costs associated with increased passenger traffic. Contracted services expense rose 7%, the result of increased outsourcing of certain airport functions and higher information technology costs. Depreciation and amortization expense increased 12%, due to the acquisition of 12 new aircraft and 18 used aircraft, including the purchase of nine B-727-200 aircraft which the Company had previously been operating under operating leases, additional ground equipment acquisitions and the amortization of software development costs. Other selling expenses increased 14%, due to higher booking fee payments to computer reservation system providers related to higher passenger traffic, higher credit card processing charges and increased advertising costs. Aircraft maintenance materials and outside repairs expense increased 15%, reflecting higher usage of airframe and engine materials related to increased scheduled maintenance visits and non-recurring credits received from certain engine and brake manufacturers in fiscal 1996. Passenger service expense increased 6% due to increased passenger traffic. Other operating expenses increased 14%, due to higher insurance expense, higher frequent flyer expense related to the expansion of the Company's joint marketing programs, increased usage of miscellaneous supplies and higher fuel taxes resulting from the October 1, 1995 expiration of the exemption from the 4.3 cents per gallon federal tax on commercial aviation jet fuel used in domestic operations, partially offset by increased services provided to outside parties.

Operating Statistics

	1997	1996	Change
Available Seat Miles *(Millions)*	136,821	130,751	+ 5%
Available Ton Miles *(Millions)*	18,984	18,084	+ 5%
Fuel Gallons Consumed *(Millions)*	2,599	2,500	+ 4%
Average Fuel Price Per Gallon	66.28¢	58.53¢	+ 13%
Breakeven Passenger Load Factor:			
Including Restructuring and Other Non-Recurring Charges	62.7%	65.1%	- 2.4 pts.
Excluding Restructuring and Other Non-Recurring Charges	62.4%	60.3%	+2.1 pts.
Operating Cost Per Available Seat Mile:			
Including Restructuring and Other Non-Recurring Charges	8.81¢	9.17¢	- 4%
Excluding Restructuring and Other Non-Recurring Charges	8.78¢	8.54¢	+ 3%

Nonoperating expense for fiscal 1997 totaled $115 million, compared to $187 million in fiscal 1996. Interest expense decreased 23%, due to a lower average level of debt outstanding. Interest capitalized on funds advanced for the purchase of flight equipment and construction of facilities increased 24%, primarily resulting from a higher average balance of outstanding advance payments for equipment. Interest income declined 29% to $61 million, due to a lower average level of short-term investments and a slight decline in interest rates during fiscal 1997. Miscellaneous expense, net decreased 93% to $2 million due to increased income from associated companies and reduced voluntary debt retirement and foreign exchange losses, partially offset by Delta's $20 million payment to settle certain class action antitrust lawsuits filed by travel agents.

Results of Operations - Fiscal 1996 Compared With Fiscal 1995

For fiscal 1996, Delta recorded net income of $156 million ($1.42 primary and fully diluted income per common share) and operating income of $463 million. In fiscal 1995, Delta recorded net income of $408 million ($6.32 primary and $5.43 fully diluted income per common share) and operating income of $661 million.

Fiscal 1996 results include pretax restructuring and other non-recurring charges totaling $829 million ($506 million after-tax or $9.71 per common share) as discussed above. See Note 16 of Notes to Consolidated Financial Statements. Fiscal 1995 results include a one-time $114 million after-tax benefit ($2.25 primary and $1.42 fully diluted benefit per common share) related to the adoption of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112). See Note 10 of Notes to Consolidated Financial Statements.

Excluding the restructuring and other non-recurring charges in fiscal 1996 and the cumulative effect of the adoption of SFAS 112 in fiscal 1995, net income for fiscal 1996 totaled $662 million ($11.13 primary and $8.49 fully diluted income per common share) and operating income was $1.3 billion, compared to net income of $294 million ($4.07 primary and $4.01 fully diluted income per common share) and operating income of $661 million in fiscal 1995.

The improvement in financial results for fiscal 1996 (excluding restructuring and other non-recurring charges) as compared to fiscal 1995 primarily reflects cost reductions in most operating expense categories under the Company's Leadership 7.5 program. These reductions resulted in a $370 million, or 3%, decline in operating expenses, excluding restructuring and other non-recurring charges in fiscal 1996.

Operating revenues for fiscal 1996 were $12.5 billion, up 2% from $12.2 billion in fiscal 1995. Passenger revenue increased $297 million, or 3%, due to increased traffic stimulated by competitive pricing actions, the expiration of the U.S. transportation excise tax and general improvements in economies worldwide. The passenger mile yield was virtually unchanged. Domestic load factor increased two points to 66%, as domestic revenue passenger miles and domestic capacity rose 6% and 3%, respectively. The domestic passenger mile yield decreased 1%, the result of discount fare promotions and the continued presence of low-cost, low-fare carriers in markets served by Delta. International load factor increased one point to 73%, as international revenue passenger miles decreased 7% while operating capacity decreased 8%. The decline in international capacity is mainly due to the cancellation of service on certain international routes. The international passenger mile yield increased 2%, primarily due to higher average fare levels in certain international markets.

Cargo revenues in fiscal 1996 decreased 8% to $521 million, the result of a 9% decline in cargo ton miles, partially offset by a 1% increase in the ton mile yield. The decrease in cargo ton miles was primarily due to the cancellation of service on certain international routes and the resulting decrease in the average cargo trip length. All other revenues were up 3% to $318 million, mainly due to increased revenues from joint marketing programs associated with the Company's SkyMiles® frequent flyer program.

Operating expenses in fiscal 1996 totaled $12.0 billion, up 4% from $11.5 billion in fiscal 1995. Operating capacity increased less than 1% to 130.8 billion available seat miles, and operating cost per available seat mile increased 4% to 9.17¢. Excluding restructuring and other non-recurring charges in fiscal 1996, operating expenses were down 3%, and operating cost per available seat mile decreased 3%.

Nonoperating expense for fiscal 1996 totaled $187 million, compared to $167 million in fiscal 1995. Interest expense decreased 8%, primarily due to a lower average level of outstanding debt, partially offset by an increase in interest related to the extension and reclassification of 40 B-737-200 aircraft leases. Interest capitalized on funds advanced for the purchase of flight equipment and construction of facilities decreased 13%, primarily resulting from a lower average balance of outstanding advance payments for equipment. Interest income declined 9% to $86 million, primarily due to a lower average level of short-term investments and lower interest rates during the year. Miscellaneous expense, net rose to $30 million for fiscal 1996 compared to less than $1 million for fiscal 1995 primarily due to costs associated with the repurchase and retirement of long-term debt and foreign exchange losses.

Capitalization, Financing and Liquidity - *Fiscal Year 1997*

Cash and cash equivalents and short-term investments totaled $1.2 billion at June 30, 1997, compared to $1.7 billion at June 30, 1996. The principal source of funds during fiscal 1997 was $2.0 billion of cash from operations.

During fiscal 1997, Delta invested $1.6 billion in flight equipment and $350 million in ground property and equipment. The Company also made payments of $196 million on long-term debt and capital lease obligations, including Delta's voluntary repurchase and retirement of $88 million principal amount of long-term debt. The Company also paid $379 million to repurchase 5,378,700 common shares under its common stock repurchase program discussed in the Other Matters section below. In addition, the Company paid cash dividends of $29 million on its Series B ESOP Convertible Preferred Stock and $15 million on its common stock. The Company may repurchase additional long-term debt and common stock from time to time.

As of June 30, 1997, the Company had negative working capital of $1.2 billion, compared to negative working capital of $356 million at June 30, 1996. A negative working capital position is normal for Delta and does not indicate a lack of liquidity. The Company expects to meet its current obligations as they become due through available cash, short-term investments and internally generated funds, supplemented as necessary by debt financing and proceeds from sale and leaseback transactions. At August 15, 1997, the Company had $1.25 billion of credit available under its 1997 Bank Credit Agreement, subject to compliance with certain conditions. See Note 7 of Notes to Consolidated Financial Statements.

Long-term debt and capital lease obligations, including current maturities, totaled $2.1 billion at June 30, 1997, compared to $2.3 billion at June 30, 1996. Shareholders' equity was $3.0 billion at June 30, 1997, compared to $2.5 billion at June 30, 1996. The Company's debt-to-equity position, including current maturities, was 41% debt and 59% equity at June 30, 1997, compared to 47% debt and 53% equity at June 30, 1996.

At August 15, 1997, there was outstanding $290 million principal amount of the Delta Family-Care Savings Plan's Series C Guaranteed Serial ESOP Notes (Series C ESOP Notes), which are guaranteed by Delta. The Series C ESOP Notes currently have the benefit of a credit enhancement in the form of a letter of credit in the amount of $450 million under Delta's credit agreement with a group of banks. Delta is required to purchase the Series C ESOP Notes in certain circumstances. See Note 7 of Notes to Consolidated Financial Statements.

Fiscal Year 1996

In fiscal 1996, the principal sources of funds were $1.4 billion of cash from operations, $35 million from the issuance of common stock, and $26 million from the sale of flight equipment. During fiscal 1996, Delta invested $639 million in flight equipment and $297 million in ground property and equipment. The Company also made payments of $440 million on long-term debt and capital lease obligations, including Delta's voluntary repurchase and retirement of $224 million principal amount of long-term debt. The Company paid cash dividends of $80 million on its Series C Convertible Preferred Stock, $30 million on its Series B ESOP Convertible Preferred Stock, and $10 million on its common stock. In addition, Delta paid $66 million to repurchase 821,300 common shares under its common stock repurchase program.

Fiscal Year 1995

In fiscal 1995, the principal sources of funds were $1.1 billion of cash from operations; $139 million from the repayment to Delta of certain debtor-in-possession financing (including $24 million recorded in cash from operations representing accrued interest, net of the settlement of certain other claims); and $137 million from the sale of flight equipment. During fiscal 1995, Delta invested $458 million in flight equipment and $168 million in ground property and equipment. The Company also made payments of $572 million on long-term debt and capital lease obligations, including Delta's voluntary repurchase and retirement of $534 million principal amount of long-term debt. In addition, the Company paid cash dividends of $80 million on its Series C Convertible Preferred Stock, $30 million on its Series B ESOP Convertible Preferred Stock, and $10 million on its Common Stock.

Commitments

Future expenditures for aircraft, engines and engine hushkits on firm order as of June 30, 1997 are estimated to be $1.6 billion.

In March 1997, Delta and The Boeing Company (Boeing) reached an understanding which provides for Delta placing orders to purchase, and obtaining options and rolling options to purchase, certain aircraft. This understanding, which would also accelerate the delivery dates for certain of Delta's existing orders, terminate all of Delta's existing options and cancel Delta's remaining MD-90 orders, is subject to certain conditions, including the negotiation of mutually acceptable definitive purchase agreements between Delta and Boeing.

Future expenditures for aircraft, engines and engine hushkits on firm order as of June 30, 1997 (as modified by the accelerated delivery dates for, and the cancellation of, certain of these orders as provided for under Delta's understanding with Boeing), and the aircraft orders provided for under Delta's understanding with Boeing, are estimated to be $5.9 billion.

The Company expects to finance its commitments using available cash, short-term investments and internally generated funds, supplemented as necessary by debt financings and proceeds from sale and leaseback transactions. The Company also has certain commitments related to its code-sharing arrangements. See Notes 8 and 9 of Notes to Consolidated Financial Statements for additional information on the Company's commitments.

Market Risks Associated With Financial Instruments

The Company's results of operations are significantly impacted by the price of jet fuel. Based on the Company's jet fuel consumption for fiscal 1997, a one-cent change in the average annual price per gallon of jet fuel will impact Delta's aircraft fuel expense by approximately $26 million. The following table shows Delta's jet fuel consumption and costs for fiscal 1997, 1996 and 1995.

Year	Gallons Consumed *(In Millions)*	Aircraft Fuel Expense *(In Millions)*	Average Price Per Gallon
1997	2,599	$1,723	66.28¢
1996	2,500	1,464	58.53¢
1995	2,533	1,370	54.09¢

During fiscal 1996, Delta initiated a fuel hedging program under which the Company may enter into certain contracts with counterparties, not to exceed one year in duration, to manage the Company's exposure to jet fuel price volatility. Gains and losses resulting from fuel hedging transactions are recognized as a component of fuel expense when the underlying fuel being hedged is used. Gains resulting from the fuel hedging program for fiscal 1997 and 1996 were immaterial to Delta's total aircraft fuel expense. See Note 4 of Notes to Consolidated Financial Statements.

Delta's equity investments in Singapore Airlines and Swissair are considered "available for sale" for accounting purposes, and any unrealized gain or loss is deferred as a component of shareholders' equity. See Note 2 of Notes to Consolidated Financial Statements. The following table summarizes the cost basis and fair value of these investments at June 30, 1997, together with the high, low and average fair values (in millions) of each investment based on valuations performed at each month end during the past three fiscal years.

			Fiscal 1995 Through 1997 Fair Value Data		
Investee	Historical Cost Basis	Fair Value at June 30, 1997	High	Low	Average
Singapore	$181	$315	$373	$282	$333
Swissair	85	117	117	58	82
Total	$266	$432			

Other Matters

Change in Management

Effective July 31, 1997, Ronald W. Allen retired as the Company's Chairman of the Board, President and Chief Executive Officer, and resigned from the Board of Directors.

Effective August 14, 1997, the Board of Directors (Board) elected Leo F. Mullin as the Company's President and Chief Executive Officer and a member of the Board. Mr. Mullin comes to Delta from Unicom Corporation and Commonwealth Edison Company, where he most recently served as Vice Chairman. The Board also elected Gerald Grinstein, a current member of the Board and former Chairman of Burlington Northern Santa Fe Corporation and Western Air Lines, Inc., as Non-Executive Chairman of the Board; Maurice W. Worth, a Delta veteran of 36 years, as Chief Operating Officer; and Mary Johnston Evans, who had been serving as Non-Executive Acting Chairman of the Board since Mr. Allen's resignation, as Chairman of the Executive Committee of the Board.

Deferred Tax Assets

At June 30, 1997, Delta had net cumulative deferred tax assets of $516 million, which consisted of $2.133 billion of deferred tax assets, offset by $1.617 billion of deferred tax liabilities. Included in the deferred tax assets are, among other items, $741 million related to obligations for postretirement benefits and $216 million related to alternative minimum tax (AMT) credit carryforwards. The AMT credit carryforwards do not expire.

Management believes that a significant portion of the deferred tax assets will be realized through reversals of existing taxable temporary differences with similar reversal patterns. To realize the benefits of the remaining deferred tax assets, excluding AMT credits, Delta needs to generate approximately $800 million in future taxable income.

generate approximately $800 million in future taxable income.

Following is a summary of Delta's pretax book income and taxable income for the last three fiscal years, prior to net operating loss carrybacks:

(In Millions)	1997	1996	1995
Pretax Book Income	$1,415	$276	$494
Taxable Income	$1,246	$635	$282

Delta's ability to generate sufficient future taxable income to fully utilize its existing deferred tax assets is dependent upon various factors, many of which are beyond management's control. Accordingly, there can be no assurance that Delta will meet its expectations of future taxable income. However, based on Delta's earnings history, expectations of future taxable income, the extended period over which postretirement benefits will be recognized, and the fact that AMT credits do not expire, management believes that it is more likely than not that future taxable income will be sufficient to fully utilize the deferred tax assets which existed at June 30, 1997. See Note 6 of Notes to Consolidated Financial Statements.

Broad-Based Stock Option Plans

During fiscal 1997, the Company's shareholders approved two plans providing for the issuance of non-qualified stock options to substantially all of Delta's non-officer personnel in their individual capacity to purchase a total of 24.7 million shares of common stock. The plans provide for grants in three equal annual installments at an exercise price equal to the opening price of the common stock on the New York Stock Exchange on the grant date. On October 30, 1996, Delta granted eligible personnel non-qualified stock options to purchase a total of 8.2 million shares of common stock at an exercise price of $69 per share. The second and third grant dates under the plans are scheduled to occur on October 30, 1997 and 1998, respectively. For additional information, see Note 14 of Notes to Consolidated Financial Statements.

Stock Repurchase Authorization

Delta's Board of Directors has authorized the Company to repurchase up to 24.7 million shares of common stock and common stock equivalents. Under this authorization, the Company may repurchase up to 6.2 million of these shares before October 30, 1997 -- the date the initial stock option grants under the broad-based stock option plans become exercisable -- and repurchase the remaining shares as Delta personnel exercise their stock options under these plans. Repurchases are subject to market conditions and may be made on the open market or in privately negotiated transactions. Through June 30, 1997, the Company repurchased 6.2 million shares of Common Stock for $445 million under this authorization. For additional information, see Note 15 of Notes to Consolidated Financial Statements.

Compensation and Benefits Enhancement

The Company has announced compensation and benefit enhancements for its non-contract domestic employees, effective July 1, 1997. These changes are expected to increase Delta's salary and related expense by approximately $180 million in fiscal 1998. This estimate is a forward-looking statement that involves a number of risks and uncertainties that could cause the actual results to differ materially from the projected results. See Forward-Looking Information below.

Year 2000 Computer Issue

Many computer systems in use today were designed and developed using two digits, rather than four, to specify the year. As a result, such systems will recognize the year 2000 as "00." This could cause many computer applications to fail completely or to create erroneous results unless corrective measures are taken.

The Company utilizes software and related computer technologies essential to its operations that will be affected by the Year 2000 issue. Delta is studying what actions will be necessary to make its computer systems Year 2000 compliant. The expense associated with these actions cannot presently be determined, but could be material.

Competitive Environment

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

Transportation Excise Taxes

Effective October 1, 1997, the Taxpayer Relief Act imposes certain new taxes and modifies certain existing taxes on the aviation industry. Among other things, the new law (1) imposes a new $1 per passenger per domestic flight segment tax, which increases in stages to $3 by January 1, 2002 and is indexed to changes in the Consumer Price Index beginning January 1, 2003; (2) increases the existing $6 per passenger international departure tax to $12 per passenger (which is indexed to changes in the Consumer Price Index beginning January 1, 1999) for each international arrival and departure; (3) imposes a new 7.5% tax on payments to air carriers for frequent flyer miles; and (4) reduces the passenger ticket tax on domestic air transportation from the current 10% to 9%, which declines to 7.5% by October 1, 1999. The impact of these modifications on Delta cannot presently be determined.

Environmental and Legal Contingencies

The Company is a defendant in certain legal actions relating to alleged employment discrimination practices, antitrust matters, environmental issues and other matters concerning the Company's business. Although the ultimate outcome of these matters cannot be predicted with certainty and could have a material adverse effect on Delta's consolidated financial condition, results of operations or liquidity, management presently believes that the resolution of these actions is not likely to have a material adverse effect on Delta's consolidated financial condition, results of operations or liquidity. For additional information, see Note 12 of Notes to Consolidated Financial Statements.

Realignment of Delta's Transatlantic and European Operations

During fiscal 1997, the Company implemented a series of actions to strengthen its transatlantic and European operations. These actions included increasing the Company's operations at New York-Kennedy International Airport and decreasing its operations at Frankfurt, Germany. The Company recorded pretax restructuring and other non-recurring charges of $52 million during the March 1997 quarter related to this realignment. See Note 16 of Notes to Consolidated Financial Statements. Delta expects these actions will improve its system operating income by approximately $62 million a year. The projected improvement in system operating income is a forward-looking statement that involves a number of risks and uncertainties that could cause the actual results to differ materially from the projected results. See Forward-Looking Information below.

Forward-Looking Information

Delta and its representatives may make forward-looking statements about the Company and its business from time to time, either orally or in writing. These forward-looking statements involve a number of risks and uncertainties that could cause the actual results to differ materially from the projected results. It is not possible to list all of the many factors and events that could cause the actual results to differ materially from the projected results. Such factors and events may include, but are not limited to, (1) competitive factors such as the airline pricing environment and the capacity decisions of other airlines; (2) general economic conditions; (3) changes in jet fuel prices; (4) fluctuations in foreign currency exchange rates; (5) actions by the United States and foreign governments; and (6) the willingness of customers to travel.

New Accounting Standards

Effective July 1, 1996, Delta adopted the disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). SFAS 123 encourages, but does not require, the use of a fair value based method of accounting for stock-based compensation plans under which the fair value of stock options is determined on the date of grant and expensed over the vesting period. Delta has elected to continue to measure compensation expense for stock-based compensation plans as prescribed under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Companies that continue to apply APB 25 are required to include in the notes to financial statements pro forma disclosure of net income and income per share as if the fair value method prescribed under SFAS 123 had been applied. See Note 14 of Notes to Consolidated Financial Statements.

In March 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128), which establishes new standards for computing and presenting income per share data. SFAS 128, which is effective for financial statements issued for periods ending after December 15, 1997, requires restatement of all prior-period income per share data presented. The adoption of SFAS 128 is not expected to have a material impact on the Company's income per share data.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130), which establishes standards for displaying comprehensive income and its components in a full set of general-purpose financial statements. SFAS 130 is effective for fiscal years beginning after December 15, 1997.

Also in June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). SFAS 131 establishes standards for reporting information about operating segments in annual financial statements and requires reporting selected information about operating segments in interim financial reports issued to shareholders. SFAS 131 is effective for fiscal years beginning after December 15, 1997.

Directors and Officers

Board of Directors

Edwin L. Artzt
Chairman of the Executive Committee of the Board of Directors, The Procter & Gamble Company; Retired Chairman of the Board and Chief Executive Officer, The Procter & Gamble Company, Cincinnati, Ohio

Peter D. Sutherland
Chairman and Managing Director, Goldman Sachs International, London, England, and a General Partner of The Goldman Sachs Group, L.P. and Goldman, Sachs & Co., New York, New York; Non-Executive Chairman, The British Petroleum Company plc.

Henry A. Biedenharn, III
Retired Chairman of the Board, President and Chief Executive Officer, Ouachita Coca-Cola Bottling Company, Inc., Monroe, Louisiana

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

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

George D. Busbee
Of counsel to the law firm of King & Spalding, Atlanta, Georgia; former Governor of Georgia

R. Eugene Cartledge
Chairman of the Board, Savannah Foods & Industries, Inc., Savannah, Georgia; Retired Chairman of the Board and Chief Executive Officer, Union Camp Corporation, Wayne, New Jersey

Mary Johnston Evans
Director of various corporations

Gerald Grinstein
Non-Executive Chairman of the Board, Delta Air Lines, Inc.; Retired Chairman, Burlington Northern Santa Fe Corporation; Retired Chairman and Chief Executive Officer, Burlington Northern Inc., Fort Worth, Texas; former Chief Executive Officer, Western Air Lines, Inc.

Jesse Hill, Jr.
Retired Chairman of the Board, Atlanta Life Insurance Company, Atlanta, Georgia

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

Andrew J. Young
Co-Chairman and Senior Partner, Goodworks International, Inc., Atlanta, Georgia; former Mayor of Atlanta

Audit Committee
Jesse Hill, Jr., Chairman
Henry A. Biedenharn, III
James L. Broadhead
Mary Johnston Evans
Peter D. Sutherland

Benefit Funds Investment Committee
Edward H. Budd, Chairman
Edwin L. Artzt
Henry A. Biedenharn, III
Jesse Hill, Jr.
Andrew J. Young

Corporate Governance Committee
Mary Johnston Evans, Chairman
James L. Broadhead
Gerald Grinstein
Andrew J. Young

Executive Committee
Mary Johnston Evans, Chairman
Edward H. Budd
R. Eugene Cartledge
Gerald Grinstein
Jesse Hill, Jr.
Leo F. Mullin

Finance Committee
R. Eugene Cartledge, Chairman
Edwin L. Artzt
Edward H. Budd
George D. Busbee
Gerald Grinstein

Personnel and Compensation Committee
Gerald Grinstein, Chairman
James L. Broadhead
R. Eugene Cartledge
Mary Johnston Evans

Officers

Leo F. Mullin
President and Chief Executive Officer

Maurice W. Worth
Chief Operating Officer

Harry C. Alger
Executive Vice President - Operations

Robert W. Coggin
Executive Vice President - Marketing

Robert G. Adams
Senior Vice President - Personnel

Vincent F. Caminiti
Senior Vice President - Sales and International

W. E. Doll
Senior Vice President - Cargo

Vicki B. Escarra
Senior Vice President - Airport Customer Service

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

Paul G. Matsen
Senior Vice President - Corporate Planning and Information Technologies

Jenny R. Poole
Senior Vice President - In-Flight Service

Thomas J. Roeck, Jr.
Senior Vice President - Finance and Chief Financial Officer

Thomas J. Slocum
Senior Vice President - Corporate Communications

Ray Valeika
Senior Vice President - Technical Operations

D. Scott Yohe
Senior Vice President - Government Affairs

Malcolm B. Armstrong
Vice President - Corporate Safety and Compliance

W. E. "Skip" Barnette

Harold L. Bevis
Vice President - Public Affairs

John W. Boatright
Vice President - *Properties and Facilities*

Gayle M. Bock
Vice President - *Consumer Marketing*

W. Martin Braham
Vice President - Delta Staffing Services Business Unit Development

Richard E. Colby
Vice President - Flight Operations

Hiram A. Cox
Controller

Mark A. P. Drusch
Vice President - Marketing Development

Stephan J. Egli
Vice President - Atlantic/Pacific Business Unit

Michael S. Ellenburg
Vice President - Maintenance: Aircraft

Terry M. Erskine
Vice President - Personnel Relations

Lee A. Macenzak
Vice President - Reservation Sales and Distribution Planning

Harold G. McDonald
Vice President - Maintenance: Engine and Component

Leon A. Piper
Vice President - Personnel Benefits

Edward H. West
Vice President - Financial Planning and Analysis

Michael M. Young
Vice President - Community Affairs

Dean C. Arvidson
Assistant Secretary

Susan T. Hudson
Assistant Secretary

Vice President - Delta Express

Leslie P. Klemperer
Assistant Secretary

Consolidated Balance Sheets

JUNE 30, 1997 AND 1996
DELTA AIR LINES, INC.

Assets	1997	1996
(In Millions)		
Current Assets:		
Cash and cash equivalents	$ 662	$ 1,145
Short-term investments	508	507
Accounts receivable, net of allowance for uncollectible accounts of $48 at June 30, 1997 and $44 at June 30, 1996	943	968
Deferred income taxes	413	352
Prepaid expenses and other	341	310
Total current assets	2,867	3,282
Property and Equipment:		
Flight equipment	9,619	8,202
Less: Accumulated depreciation	3,510	3,235
	6,109	4,967
Flight equipment under capital leases	523	515
Less: Accumulated amortization	176	127
	347	388
Ground property and equipment	3,032	2,697
Less: Accumulated depreciation	1,758	1,532
	1,274	1,165
Advance payments for equipment	312	275
Total property and equipment	8,042	6,795
Other Assets:		
Marketable equity securities	432	473
Deferred income taxes	103	415
Investments in associated companies	317	266
Cost in excess of net assets acquired, net of accumulated amortization of $92 at June 30, 1997 and $84 at June 30, 1996	257	265
Leasehold and operating rights, net of accumulated amortization of $199 at June 30, 1997 and $183 at June 30, 1996	134	140
Other	589	590

Total other assets	1,832	2,149
Total assets	$12,741	$12,226

Liabilities and Shareholders' Equity	1997	1996
(In Millions, Except Share Data)		
Current Liabilities:		
Current maturities of long-term debt	$ 236	$ 40
Current obligations under capital leases	62	58
Accounts payable and miscellaneous accrued liabilities	1,691	1,540
Air traffic liability	1,418	1,414
Accrued rent	213	201
Accrued salaries and vacation pay	463	385
Total current liabilities	4,083	3,638
Noncurrent Liabilities:		
Long-term debt	1,475	1,799
Postretirement benefits	1,839	1,796
Accrued rent	602	616
Capital leases	322	376
Other	406	425
Total noncurrent liabilities	4,644	5,012
Deferred Credits:		
Deferred gain on sale and leaseback transactions	746	802
Manufacturers' and other credits	105	96
	851	898
Commitments and Contingencies (Notes 7, 8, 9 and 12)		
Employee Stock Ownership Plan Preferred Stock:		
Series B ESOP Convertible Preferred Stock, $1.00 par value, $72.00 stated and liquidation value; issued and outstanding 6,668,248 shares at June 30, 1997 and 6,738,740 share at June 30, 1996	480	485
Unearned compensation under employee stock ownership plan	(324)	(347)
	156	138
Shareholders' Equity:		
Series C Convertible Preferred Stock, $1.00 par value, $50,000 liquidation preference; issued and outstanding 13,978 shares at June 30, 1996	—	—
common stock, $3.00 par value; authorized 150,000,000 shares; issued 83,645,047 shares at June 30, 1997 and 72,265,994 shares at June 30, 1996	251	217
Additional paid-in capital	2,645	2,627
Retained earnings (accumulated deficit)	711	(119)
Net unrealized gain on noncurrent marketable equity securities	101	126
Treasury stock at cost, 9,949,060 shares at June 30, 1997 and 4,487,888 shares at June 30, 1996	(701)	(311)

Total shareholders' equity	3,007	2,540
Total liabilities and shareholders' equity	$12,741	$12,226

The accompanying notes are an integral part of these Consolidated Balance Sheets.

Consolidated Statements of Operations

FOR THE YEARS ENDED JUNE 30, 1997, 1996 AND 1995
DELTA AIR LINES, INC.

(In Millions, Except Per Share Data)	1997	1996	1995
Operating Revenues:			
Passenger	$12,505	$11,616	$11,319
Cargo	554	521	565
Other, net	531	318	310
Total operating revenues	13,590	12,455	12,194
Operating Expenses:			
Salaries and related costs	4,444	4,206	4,354
Aircraft fuel	1,723	1,464	1,370
Passenger commissions	1,016	1,042	1,195
Contracted services	751	704	556
Depreciation and amortization	710	634	622
Other selling expenses	677	594	618
Aircraft rent	547	555	671
Aircraft maintenance materials and outside repairs	434	376	430
Passenger service	389	368	443
Facilities and other rent	386	379	436
Landing fees	256	248	266
Restructuring and other non-recurring charges	52	829	-
Other	675	593	572
Total operating expenses	12,060	11,992	11,533
Operating Income	1,530	463	661
Other Income (Expense):			
Interest expense	(207)	(269)	(292)
Interest capitalized	33	26	30
Interest income	61	86	95
Miscellaneous expense, net	(2)	(30)	—
	(115)	(187)	(167)
Income Before Income Taxes and Cumulative Effect of Accounting Change	1,415	276	494
Income Taxes Provided, Net	(561)	(120)	(200)
Income Before Cumulative Effect of Accounting Change	854	156	294
Cumulative Effect of Accounting Change, Net of Tax	—	—	114
Net Income	854	156	408
Preferred Stock Dividends	(9)	(82)	(88)

Net Income Available To Common Shareholders	$ 845	$ 74	$ 320
Primary Income Per Common Share:			
Before cumulative effect of accounting change	$11.30	$ 1.42	$ 4.07
Cumulative effect of accounting change	—	—	2.25
	$11.30	$ 1.42	$ 6.32
Fully Diluted Income Per Common Share:			
Before cumulative effect of accounting change	$11.01	$ 1.42	$ 4.01
Cumulative effect of accounting change	—	—	1.42
	$11.01	$ 1.42	$ 5.43

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

Consolidated Statements of Cash Flows

FOR THE YEARS ENDED JUNE 30, 1997, 1996 AND 1995
DELTA AIR LINES, INC.

(In Millions)	1997	1996	1995
Cash Flows From Operating Activities:			
Net income	$ 854	$ 156	$ 408
Adjustments to reconcile net income to cash provided by operating activities:			
Cumulative effect of accounting change	—	—	(114)
Restructuring and other non-recurring charges	52	829	—
Depreciation and amortization	710	634	622
Deferred income taxes	240	(57)	96
Rental expense less than rent payments	(58)	(32)	(9)
Pension, postretirement and postemployment expense in excess of (less than) payments	92	(67)	—
Changes in certain current assets and liabilities:			
Decrease (increase) in accounts receivable	25	(213)	131
Decrease (increase) in prepaid expenses and other current assets	(31)	(47)	28
Increase (decrease) in air traffic liability	4	271	(104)
Increase (decrease) in other payables and accrued expenses	186	(91)	(20)
Other, net	(35)	8	76
Net cash provided by operating activities	2,039	1,391	1,114
Cash Flows From Investing Activities:			
Property and equipment additions:			
Flight equipment, including advance payments	(1,598)	(639)	(458)
Ground property and equipment	(350)	(297)	(168)
Decrease (increase) in short-term investments, net	(1)	22	(121)
Proceeds from sale of flight equipment	8	26	137
Debtor-in-possession loan repayment	—	—	115
Net cash used in investing activities	(1,941)	(888)	(495)
Cash Flows From Financing Activities:			
Payments on long-term debt and capital lease obligations	(196)	(440)	(572)
Cash dividends	(44)	(120)	(120)
Issuance of common stock	38	35	4

Repurchase of common stock	(379)	(66)	—
Net cash used in financing activities	(581)	(591)	(688)
Net Decrease In Cash and Cash Equivalents	(483)	(88)	(69)
Cash and cash equivalents at beginning of fiscal year	1,145	1,233	1,302
Cash and cash equivalents at end of fiscal year	$ 662	$1,145	$1,233

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

Consolidated Statements of Shareholders' Equity

FOR THE YEARS ENDED JUNE 30, 1997, 1996 AND 1995
DELTA AIR LINES, INC.

(In Millions, Except Share Data)	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Unrealized Gain(Loss) on Equity Securities	Treasury Stock	Total
Balance at June 30, 1994	$163	$2,013	$(490)	$ 53	$(272)	$1,467
Fiscal Year 1995:						
Net income	—	—	408	—	—	408
Dividends on Series C Convertible Preferred Stock	—	—	(80)	—	—	(80)
Dividends on common stock ($0.20 per share)	—	—	(10)	—	—	(10)
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	—	—	(8)	—	—	(8)
Issuance of 67,612 shares of common stock under dividend reinvestment and stock purchase plan, stock options and Series C Preferred Stock conversions ($56.13 per share)	1	3	—	—	—	4
Transfer of 295,126 net shares of common stock from treasury under ESOP and stock incentive plan ($67.75 per share)	—	—	(4)	—	20	16
Net unrealized gain on marketable equity securities	—	—	—	30	—	30
Balance at June 30, 1995	164	2,016	(184)	83	(252)	1,827
Fiscal Year 1996:						
Net income	—	—	156	—	—	156
Dividends on Series C Convertible Preferred Stock	—	—	(74)	—	—	(74)
Dividends on common stock ($0.20 per share)	—	—	(10)	—	—	(10)
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	—	—	(8)	—	—	(8)
Issuance of 719,562 shares of common stock under dividend reinvestment and stock purchase plan and stock options ($58.15 per share)	2	40	—	—	(5)	37
Issuance of 6,861,377 shares of common stock on conversions of Series C Preferred Stock ($64.37 per share)	21	(21)	—	—	—	—
Issuance of 10,147,952 shares of common stock on conversions of 3.23% Convertible Subordinated Notes ($61.17 per share)	30	592	—	—	—	622
Transfer of 176,794 net shares of common stock from treasury under ESOP and stock incentive						

plan ($67.77 per share)	—	—	1	—	12	13
Repurchase of 821,300 common shares ($80.00 per share)	—	—	—	—	(66)	(66)
Net unrealized gain on marketable equity securities and other	—	—	—	43	—	43
Balance at June 30, 1996	217	2,627	(119)	126	(311)	2,540
Fiscal Year 1997:						
Net income	—	—	854	—	—	854
Dividends on common stock ($0.20 per share)	—	—	(15)	—	—	(15)
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	—	—	(9)	—	—	(9)
Issuance of 748,492 shares of common stock dividend reinvestment and stock purchase plan and stock options ($65.22 per share)	2	47	—	—	(7)	42
Issuance of 10,629,465 shares of common stock on conversions of Series C Preferred Stock ($64.38 per share)	32	(32)	—	—	—	—
Repurchase of 5,378,700 common shares ($70.53 per share)	—	—	—	—	(379)	(379)
Net unrealized loss on marketable equity securities and other	—	3	—	(25)	(4)	(26)
Balance at June 30, 1997	$251	$2,645	$711	$101	$(701)	$3,007

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

Notes to Consolidated Financial Statements

FOR THE YEARS ENDED JUNE 30, 1997, 1996 AND 1995
DELTA AIR LINES, INC.

1. Summary of Significant Accounting Policies

Nature of Business **-** Delta Air Lines, Inc. (a Delaware corporation) is a major air carrier providing scheduled air transportation for passengers, freight and mail over a network of routes throughout the United States and abroad. At August 15, 1997, Delta served 149 domestic cities in 42 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, as well as 41 cities in 25 foreign countries.

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

Use of Estimates **-** The Company follows generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Investments in Associated Companies **-** The Company's investments in the following companies are accounted for under the equity method: WORLDSPAN, L.P. (WORLDSPAN), a computer reservations system partnership; ASA Holdings, Inc. (ASA), the parent of Atlantic Southeast Airlines, Inc.; Comair Holdings, Inc. (Comair), the parent of Comair, Inc.; and

SkyWest, Inc. (SkyWest), the parent of SkyWest Airlines, Inc. Atlantic Southeast Airlines, Inc., Comair, Inc., and SkyWest Airlines, Inc. are participants in the Delta Connection program. (See Note 3.)

***Accounting Changes* -** During fiscal 1997, the Company adopted the disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). (See Note 14.) During fiscal 1996, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121). (See Note 16.) During fiscal 1995, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112). (See Note 10.)

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

***Short-Term Investments* -** Cash in excess of operating requirements is invested in short-term, highly liquid investments. These investments are classified as available-for-sale under Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115), and are stated at fair value. (See Note 2.)

***Cost in Excess of Net Assets Acquired* -** The cost in excess of net assets acquired (goodwill), which is being amortized over 40 years, is related to the Company's acquisition of Western Air Lines, Inc. in December 1986. The Company periodically reviews the value assigned to goodwill to determine whether there exists any impairment, as defined by SFAS 121. Management believes that goodwill is appropriately valued.

***Leasehold and Operating Rights* -** Costs assigned to the purchase of leasehold rights and landing slots are amortized over the lives of the respective leases at the associated airports. Purchased international route authorities are amortized over the lives of the authorities as determined by their expiration dates. Permanent route authorities with no stated expiration dates are amortized over 40 years. The Company periodically reviews the value assigned to leasehold rights, landing slots and route authorities to determine if there exists any impairment, as defined by SFAS 121. Management believes that leasehold rights, landing slots and route authorities are appropriately valued.

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

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

***Frequent Flyer Program* -** The Company accrues the estimated incremental cost of providing free travel awards earned under its SkyMiles® frequent flyer program when free travel award levels are achieved. The accrued incremental cost is included in accounts payable and miscellaneous accrued liabilities in the Company's Consolidated Balance Sheets.

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

***Passenger and Cargo Revenues* -** Passenger ticket sales are recorded as air traffic liability in the Company's Consolidated Balance Sheets. Passenger and cargo revenues are recognized when the transportation is provided, reducing the air traffic liability. Due to interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding the amount of revenue to be recognized and the timing of recognition. Actual results could differ from those estimates.

Delta is a party to code-sharing agreements with certain foreign airlines. Under these agreements, the Company purchases seats from and sells seats to these airlines, with each airline separately marketing its respective seats. The revenue from Delta's sale of code-sharing seats purchased from and flown by other airlines is reported in the Company's Consolidated Statements of Operations as other operating revenue, offset by the cost of acquiring these code-sharing seats and other direct costs incurred in operating the code-sharing flights. The revenue generated from Delta's sale of code-sharing seats to other airlines is reported as passenger revenue in the Company's Consolidated Statements of Operations.

***Depreciation and Amortization* -** Flight equipment is depreciated on a straight-line basis to residual values (5% of cost) over a 20-year period from the dates placed in service (unless earlier retirement of the aircraft is planned). Flight equipment under capital leases is amortized on a straight-line basis over the term of the respective leases, which range from 4 to 11 years. Ground property and equipment are depreciated on a straight-line basis over their estimated service lives, which range from 3 to 30 years. Due to the Company's decision to accelerate the replacement of its L-1011 fleet (see Note 16), the remaining depreciable lives of these aircraft have been adjusted.

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

***Income Per Share* -** Primary income per common share is computed by dividing net income available to common shareholders by the weighted average number of shares of Delta common stock (common stock) and, if dilutive, common stock equivalents outstanding during the year. common stock equivalents consist of the shares issuable upon exercise of outstanding stock options less the number of shares deemed to be repurchased under application of the treasury stock method. The weighted average number of shares of common stock and dilutive common stock equivalents outstanding used to compute primary income per common share was 74,786,517 for fiscal 1997; 52,101,152 for fiscal 1996; and 50,657,613 for fiscal 1995.

Fully diluted income per common share is computed by dividing net income available to common shareholders (adjusted for conversion of any Convertible Preferred Stock and convertible debt instruments outstanding during the year) by the weighted average number of shares of common stock, common stock equivalents outstanding during the year (if dilutive) and common stock that would be issued upon the conversion of any Convertible Preferred Stock and convertible debt instruments outstanding during the year. The weighted average number of shares of common stock used to compute fully diluted income per common share was 77,087,619 for fiscal 1997; 52,101,152 for fiscal 1996; and 80,118,720 for fiscal 1995. (See Notes 11, 13, 14 and 15.)

***Foreign Currency Translation* -** Assets and liabilities denominated in foreign currencies are translated generally at exchange rates in effect at the balance sheet date, except fixed assets which are translated at exchange rates in effect when these assets are acquired. The resulting foreign exchange gains and losses are recognized as a component of miscellaneous income (expense). Revenues and expenses of foreign operations are translated at average monthly exchange rates prevailing during the year, except depreciation and amortization charges are translated at the exchange rates in effect when the related assets were acquired.

***Stock-Based Compensation* -** The Company accounts for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Under APB 25, no compensation expense is recognized for a stock option grant if the exercise price of the stock option at measurement date is equal to or greater than the fair market value of the common stock on the date of grant. (See Note 14.)

***Advertising Costs* -** Advertising costs are expensed when incurred and are included as a component of other selling expense. Advertising expense for fiscal 1997, 1996 and 1995 was $121 million, $109 million and $178 million, respectively.

2. Investments in Debt and Equity Securities

The Company's investments in Singapore Airlines Limited (Singapore Airlines) and Swissair, Swiss Air Transport Company Ltd. (Swissair), which are accounted for under the cost method, are classified as available-for-sale under SFAS 115, and are recorded at aggregate market value. At June 30, 1997 and 1996, the gross unrealized gain on the Company's investment in Singapore Airlines was $134 million and $190 million, respectively, and the gross unrealized gain on the Company's investment in Swissair was $32 million and $16 million, respectively. The $101 million and $126 million unrealized gains, net of the related deferred tax provision, on these combined investments at June 30, 1997 and 1996, respectively, are reflected in shareholders' equity. Delta's right to vote, to transfer or to acquire additional shares of the stock of Singapore Airlines and Swissair is subject to certain restrictions.

Delta's other investments in available-for-sale securities are recorded as short-term investments in the Company's Consolidated Balance Sheets. At June 30, 1997, these investments consisted of government agency debt (23%) and corporate debt securities (77%) with average stated maturities of 4 months and 6 months, respectively.

During fiscal 1997, 1996 and 1995, the proceeds from sales of available-for-sale securities were $610 million, $626 million and $926 million, respectively, which resulted in a realized gain of less than $1 million for fiscal 1997, and realized losses of $1 million and $4 million for fiscal 1996 and 1995, respectively. The unrealized losses on these investments were less than $1 million and were reflected in shareholders' equity at June 30, 1997 and 1996, respectively. Interest income was $27 million, $33 million and $31 million from these investments for fiscal 1997, 1996 and 1995, respectively.

3. Investments in Associated Companies

The Company's percentage ownership and quoted market value (where applicable) of its investment in associated companies at June 30, 1997, and equity earnings (losses) for fiscal 1997, 1996 and 1995, were as follows:

			Equity Earnings (Losses)		
Investment	Percent Ownership	Quoted Market Value	1997	1996	1995
		(In Millions)		*(In Millions)*	
WORLDSPAN	38%	N/A	$23	$(5)	$(4)
ASA	27	$229	15	13	12
Comair	21	259	16	13	6
SkyWest	15	24	2	1	2

WORLDSPAN provides certain computer reservations services to Delta. Delta provides certain communications, information processing and administrative services to WORLDSPAN.

On June 26, 1996, Delta and NCR Corporation (formerly AT&T Global Information Solutions Company) announced an agreement to discontinue the TransQuest partnership. Effective July 1, 1996, the partnership ended and TransQuest, Inc. was formed as a wholly owned subsidiary of Delta. TransQuest, Inc. provides information technology services to Delta. Delta's equity losses related to its 50% ownership in the TransQuest partnership were $8 million for fiscal 1996 and $3 million for fiscal 1995.

4. Financial Instruments and Off-Balance-Sheet Risk:

***Balance Sheet Financial Instruments: Fair Values*-** The carrying amounts reported in the Company's Consolidated Balance Sheets for cash and cash equivalents and accounts receivable, net approximate fair values at June 30, 1997 and 1996. Short-term investments classified as available-for-sale are recorded at fair value in accordance with SFAS 115. (See Note 2.)

The fair values and carrying values of long-term debt, including current maturities, at June 30, 1997 and 1996, were as follows:

(In Billions)	1997	1996
Fair value	$1.8	$2.0
Carrying value	1.7	1.8

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

Off-Balance Sheet Financial Instruments: Risks and Fair Values - *Fuel Price Risk Management* -Under its fuel hedging program, the Company may enter into certain contracts with counterparties, not to exceed one year in duration, to manage the Company's exposure to jet fuel price volatility. Gains and losses resulting from fuel hedging transactions are recognized as a component of fuel expense when the underlying fuel being hedged is used. Any premiums paid to enter into hedging contracts are recorded as a prepaid expense and amortized to fuel expense over the respective contract periods. At June 30, 1997, Delta had contracted for approximately 441 million gallons of its projected fiscal 1998 fuel requirements. At June 30, 1997, the fair value of option contracts used for purchases of jet fuel at fixed average prices was immaterial. The Company is exposed to fuel hedging transaction losses in the event of non-performance by counterparties, but management does not expect any counterparty to fail to meet its obligations.

***Foreign Exchange Risk Management* -** The Company has entered into certain foreign exchange forward contracts, all with maturities of less than two months, to manage risks associated with foreign currency exchange rate and interest rate volatility. The aggregate face amount of such contracts was approximately $29 million at June 30, 1997. Gains and losses resulting from foreign exchange forward contracts are recognized as a component of miscellaneous income (expense), offsetting the foreign currency gains and losses resulting from translation of the Company's assets and liabilities denominated in foreign currencies.

***Credit Risks* -** To manage credit risk associated with its fuel price risk and foreign exchange risk management programs, the Company selects counterparties based on their credit ratings, limits its exposure to any one counterparty under defined guidelines, and monitors the market position of the program and its relative market position with each counterparty.

***Financial Guarantees* -** Certain municipalities and airport authorities have issued special facility revenue bonds to build or improve airport terminal and maintenance facilities that Delta leases under operating leases. Under these lease agreements, the Company is required to make rental payments sufficient to pay principal and interest on the bonds as they become due. (See Note 8.)

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

5. Miscellaneous Expense, Net

Miscellaneous expense, net for fiscal 1997, 1996 and 1995 consisted of:

(In Millions)	1997	1996	1995
Equity earnings from associated companies	$ 56	$ 14	$ 13
Foreign exchange gains (losses)	(7)	(15)	12
Losses on repurchase of debt	(8)	(18)	(4)
Travel agency litigation settlement	(20)	—	—
Other	(23)	(11)	(21)
Total miscellaneous expense, net	$ (2)	$(30)	$ -

6. Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of June 30, 1997 and 1996 are a result of temporary differences related to the items described below:

(In Millions)	1997	1996
Deferred Tax Assets:		
Postretirement benefits	$ 741	$ 724
Alternative minimum tax credit carryforwards	216	354
Gains on sale and leaseback transactions (net)	302	336
Other employee benefits	261	232
Rent expense	212	202
Spare parts repair expense	122	114
Tax accruals	56	43
Frequent flyer expense	48	40
Accrued compensation expense	67	36
Other	108	98
Total Deferred Tax Assets	$2,133	$2,179
Deferred Tax Liabilities:		
Depreciation and amortization	$1,239	$1,083
Postemployment benefits	80	82
Marketable equity securities	65	81
Software development costs	62	58
Employee Stock Ownership Plan	39	73
Other	132	35
Total Deferred Tax Liabilities	$1,617	$1,412

The alternative minimum tax credit carryforwards do not expire.

Based on the Company's earnings history, expectations of future taxable income, the extended period over which postretirement benefits will be recognized, and the fact that AMT credits do not expire, management believes that it is more likely than not that future taxable income will be sufficient to fully utilize the deferred tax assets which existed at June 30, 1997.

Income taxes provided in fiscal 1997, 1996 and 1995 consisted of:

(In Millions)	1997	1996	1995
Current taxes	$(321)	$(177)	$(104)
Deferred taxes	(244)	54	(99)
Tax benefit of dividends on allocated Series B ESOP Convertible Preferred Stock	4	3	3
Income taxes provided	$(561)	$(120)	$(200)

The income tax provisions generated for fiscal 1997, 1996 and 1995 differ from amounts which would result from applying the federal statutory tax rate to pretax income, as follows:

(In Millions)	1997	1996	1995
Income before income taxes	$1,415	$ 276	$ 494
Items not deductible for tax purposes:			
Meals and entertainment	36	36	41
Amortization	9	9	9
Other, net	(14)	(8)	3
Adjusted pretax income	1,446	313	547
Federal statutory tax rate	35%	35%	35%
Income tax provision at statutory rate	(506)	(110)	(191)
State and other income taxes, net of federal income tax provision	(55)	(10)	(9)
Income taxes provided	$(561)	$(120)	$(200)

The Company made income tax payments, net of income tax refunds, of $336 million in fiscal 1997, $192 million in fiscal 1996 and $25 million in fiscal 1995.

7. Long-Term Debt

At June 30, 1997 and 1996, the Company's long-term debt (including current maturities) was as follows:

(In Millions)	1997	1996
9 7/8% Notes, unsecured, due January 1, 1998	$ 207	$ 220
Medium-Term Notes, Series A and B, unsecured, interest rates ranging from 7.55% to 9.15% and with maturities ranging from 1998 to 2007	157	196
9 7/8% Notes, unsecured, due May 15, 2000	142	142
8 1/2% Notes, unsecured, due March 15, 2002	71	71
8.10% Series C Guaranteed Serial ESOP Notes, unsecured, payable in installments between 2002 and 2009	290	290
Development Authority of Fulton County, unsecured loan agreement, repayable $10 million on November 1, 2007 and $20 million on November 1, 2012. Interest ranges from 6.85% to 6.95% over the life of the loan	30	30
10 1/8% Debentures, unsecured, due May 15, 2010	113	113
10 3/8% Debentures, unsecured, due February 1, 2011	176	176
9% Debentures, unsecured, due May 15, 2016	102	126
Development Authority of Clayton County, 7 5/8% unsecured loan agreement, repayable on January 1, 2020	45	45
9 3/4% Debentures, unsecured, due May 15, 2021	251	251
9 1/4% Debentures, unsecured, due March 15, 2022	64	116
10 3/8% Debentures, unsecured, due December 15, 2022	66	66
Other, net	(3)	(3)
Total	1,711	1,839
Less: Current maturities	236	40
Total long-term debt	$1,475	$1,799

During fiscal 1997 and 1996, respectively, the Company voluntarily repurchased and retired

$88 million and $224 million principal amount of its long-term debt. As a result of these transactions, the Company recognized net pretax losses of $8 million and $18 million, respectively, which are included in miscellaneous expense, net in the Company's Consolidated Statements of Operations.

On May 2, 1997, the Company and a group of banks entered into the 1997 Bank Credit Agreement and terminated the 1995 Bank Credit Agreement. The 1997 Bank Credit Agreement provides for unsecured borrowings by the Company of up to $1.25 billion on a revolving basis until May 1, 2002. Up to $700 million of this facility may be used for the issuance of letters of credit. The interest rate under this facility is, at the Company's option, the LIBOR or the prime rate, in each case plus a margin which is subject to adjustment based on certain changes in the credit ratings of the Company's long-term senior unsecured debt. The Company also has the option to obtain loans through a competitive bid procedure. The 1997 Bank Credit Agreement contains certain negative covenants that restrict the Company's ability to grant liens, incur or guarantee debt and enter into flight equipment leases. It also provides that if there is a change of control (as defined) of the Company, the banks' obligation to extend credit terminates, any amounts outstanding become immediately due and payable and the Company will immediately deposit cash collateral with the banks in an amount equal to all outstanding letters of credit. At August 15, 1997, no borrowings or letters of credit were outstanding under the 1997 Bank Credit Agreement.

At June 30, 1997, there were outstanding $290 million principal amount of the Delta Family-Care Savings Plan's Series C Guaranteed Serial ESOP Notes (Series C ESOP Notes), which are guaranteed by Delta. The Series C ESOP Notes, which were issued pursuant to certain note purchase agreements, are payable in installments between July 1, 2002 and January 1, 2009. The note purchase agreements require Delta to purchase the Series C ESOP Notes at the option of the holders thereof (Noteholders) if the credit rating of Delta's long-term senior unsecured debt falls below Baa3 by Moody's and BBB- by Standard &Poor's (Purchase Event), provided that Delta has no obligation to purchase the Series C ESOP Notes under the note purchase agreements so long as it obtains, within 127 days of a Purchase Event, certain credit enhancements (Approved Credit Enhancement) that result in the Series C ESOP Notes being rated A3 or higher by Moody's and A- or higher by Standard & Poor's (Required Ratings). If Delta is required to purchase the Series C ESOP Notes because of the occurrence of a Purchase Event, such purchase would be made at a price (Purchase Price) equal to the outstanding principal amount of the Series C ESOP Notes being purchased, together with accrued interest and a Make Whole Premium Amount. The Make Whole Premium Amount is based on, among other factors, the yield to maturity of U.S. Treasury notes having maturities equal to the remaining average life to maturity of the Series C ESOP Notes as of the date Delta purchases the Series C ESOP Notes.

As a result of Moody's rating action on May 11, 1993, a Purchase Event occurred, and Delta became obligated to purchase on September 15, 1993 any Series C ESOP Notes properly tendered to it. Prior to September 15, 1993, Delta obtained an Approved Credit Enhancement in the form of a letter of credit to credit enhance the Series C ESOP Notes. This letter of credit was issued in favor of Wilmington Trust Company, as trustee (Trustee), under Delta's then existing Bank Credit Agreement. Due to the issuance of this letter of credit, the Series C ESOP Notes received the Required Ratings, and Delta no longer had an obligation to purchase the Series C ESOP Notes as a result of the Purchase Event that occurred on May 11, 1993.

On June 6, 1996, the Company entered into a Credit Agreement with ABN AMRO Bank, N.V. and a group of banks (Letter of Credit Facility) which, as amended, provides for the issuance of letters of credit for up to $500 million in stated amount to credit enhance the Series C ESOP Notes. The Letter of Credit Facility contains negative covenants and a change of control provision that are substantially similar to those contained in the 1997 Bank Credit Agreement. In the event of any drawing under the Letter of Credit Facility, Delta is required, at its election, (1) to immediately repay the amount drawn or (2) to convert its reimbursement obligation to a loan for a period not to exceed one year at varying rates of interest. On June 6, 1996, Delta obtained a letter of credit under the Letter of Credit Facility to replace the letter of credit issued under its then existing Bank Credit Agreement to credit enhance the Series C ESOP Notes. The Letter of Credit Facility expires June 6, 2000.

At August 15, 1997, the face amount of the letter of credit issued under the Letter of Credit Facility was $450 million. It covers the $290 million outstanding principal amount of the Series C ESOP Notes, up to $128 million of Make Whole Premium Amount and approximately one year of interest on the Series C ESOP Notes.

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

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

Subject to certain conditions, the Indenture does not permit the Trustee to purchase the Series C ESOP Notes at the option of the Noteholders if the Series C ESOP Notes receive the Required Ratings without the benefit of a credit enhancement. The Series C ESOP Notes are not likely to receive the Required Ratings absent a credit enhancement unless Delta's long-term senior unsecured debt is rated at least A3 by Moody's and A- by Standard & Poor's. On August 15, 1997, Delta's long-term senior unsecured debt was rated Baa3 by Moody's and BB+ by Standard & Poor's.

At June 30, 1997, the annual scheduled maturities of long-term debt during the next five fiscal years were as follows:

Years Ending June 30	Amount
	(In Millions)
1998	$236
1999	67
2000	142
2001	—
2002	75

The Company's debt agreements contain certain restrictive covenants, but do not limit the payment of dividends on the Company's capital stock. The terms of the Series B ESOP Convertible Preferred Stock limit the Company's ability to pay cash dividends on the common stock in certain circumstances. (See Note 13.)

Cash payments of interest, including interest on the Series C ESOP Notes and net of interest capitalized, totaled $171 million in fiscal 1997; $232 million in fiscal 1996; and $238 million in fiscal 1995.

8. Lease Obligations

The Company leases certain aircraft, airport terminal and maintenance facilities, ticket offices and other property and equipment. Rent expense is generally recorded on a straight-line basis over the lease term. Amounts charged to rental expense for operating leases were $0.9 billion in fiscal 1997 and fiscal 1996 and $1.1 billion in fiscal 1995.

At June 30, 1997, the Company's minimum rental commitments under capital leases and noncancelable operating leases with initial or remaining terms of more than one year were as follows:

Years Ending June 30	Capital Leases	Operating Leases
	(In Millions)	
1998	$101	$ 860
1999	100	860
2000	68	840
2001	57	830
2002	57	850
After 2002	118	9,780
Total minimum lease payments	501	$14,020
Less: Amounts representing interest	117	
Present value of future minimum capital lease payments	384	
Less: Current obligations under capital leases	62	
Long-term capital lease obligations	$322	

9. Purchase Commitments

Future expenditures for aircraft, engines and engine hushkits on firm order as of June 30, 1997 are estimated to be $1.6 billion, as follows:

Years Ending June 30	Amount
	(In Millions)
1998	$ 790
1999	320
2000	230
2001	200
2002	60
After 2002	—
Total	$1,600

During the March 1997 quarter, Delta and The Boeing Company (Boeing) reached an understanding which provides for Delta placing orders to purchase, and obtaining options (which have scheduled delivery slots) and rolling options (which replace options and are assigned delivery slots as options expire or are exercised) to purchase, the following aircraft types:

Aircraft Type	Orders (Scheduled Fiscal Years of Delivery)	Options	Rolling Options
B-737-600/700/800	70 (1999-2007)	60	280
B-757-200	5 (1999)	20	90
B-767-300ER	10 (1998-1999)	10	19
B-767-400	21 (2000-2001)	24	25
B-777-200	—	10	—

The understanding is subject to certain conditions, including the negotiation of mutually acceptable definitive purchase agreements between Delta and Boeing. The understanding provides, subject to certain conditions, that Boeing will be the provider of new aircraft for Delta for 20 years, and that Delta may switch orders among these aircraft types and defer firm orders. The understanding would also accelerate the delivery dates for certain of Delta's existing orders, terminate all of Delta's existing options and cancel Delta's remaining MD-90 orders.

Future expenditures for aircraft, engines and engine hushkits on firm order as of June 30, 1997 (as modified by the accelerated delivery dates for, and cancellation of, certain of these orders as provided for under Delta's understanding with Boeing), and the aircraft orders provided for under Delta's understanding with Boeing, are estimated to be approximately $5.9 billion, as follows:

Years Ending June 30	Amount
	(In Millions)
1998	$1,179
1999	1,031
2000	278
2001	1,224
2002	295
After 2002	1,850
Total	$5,857

In addition, at August 15, 1997, the Company had authorized capital expenditures of approximately $345 million for fiscal 1998 for improvement of airport and office facilities, various ground equipment and other assets.

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

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

10. Employee Benefit Plans

The Company sponsors various pension plans, medical plans and disability and survivorship plans for employees who meet certain service and other requirements. In addition, the Company sponsors the Savings Plan (See Note 11) in which employees who meet certain service and other requirements may elect to participate.

During fiscal 1997, the Company changed the annual measurement date for its employee benefit plan assets and liabilities from June 30 to March 31. This change in measurement date has been accounted for as a change in accounting principle. The change in measurement date had no material cumulative effect on employee benefit expense for prior years.

***Defined Benefit Pension Plans*- **The Company's primary retirement plans consist of defined benefit pension plans. The Company has reserved the right to modify these plans to the extent permitted by the Internal Revenue Code and the Employee Retirement Income Security Act of 1974 (ERISA). The qualified defined benefit plans are funded, on a current basis, to meet the minimum funding requirements of ERISA.

The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.75% and 4.7%, respectively, at March 31, 1997 and June 30, 1996. The expected long-term rate of return on assets was 10.0% at March 31, 1997 and June 30, 1996.

The following table sets forth the defined benefit pension plans' funded status and amounts recognized for fiscal 1997 and 1996:

(In Millions)	1997	1996
Actuarial present value of benefit obligations:		
Accumulated benefit obligation[1]	$6,122	$6,134
Projected benefit obligation	$7,517	$7,368
Plan assets at fair value	7,447	7,170
Projected benefit obligation in excess of plan assets	70	198
Unrecognized net gain	326	195
Unrecognized transition obligation	(63)	(64)
Unrecognized prior service cost	(29)	(31)
Contributions made between April 1, 1997 and June 30, 1997	(18)	—
Accrued pension cost recognized in the Consolidated Balance Sheets	$ 286	$ 298

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

Plan assets were invested at June 30, 1997, approximately as follows: cash equivalents (7%), government and corporate bonds and notes (18%), common stock and other equity-oriented investments (71%) and real estate and other investments (4%).

Net periodic defined benefit pension cost for fiscal 1997, 1996 and 1995 included the following components:

(In Millions)	1997	1996	1995
Service cost - benefits earned during the year	$188	$225	$221
Interest cost on projected benefit obligation	564	526	489
Actual return on plan assets	(731)	(1,194)	(795)
Net amortization and deferral	89	612	266
Net periodic pension cost	$110	$169	$181

The restructuring charges described in Note 16 include an aggregate charge for fiscal 1996 of $298 million for costs primarily associated with special termination benefits and curtailment losses related to the defined benefit pension plans due to workforce reductions.

Defined Contribution Pension Plans **-** In addition to the Savings Plan described in Note 11, the Company sponsors the Delta Pilots Money Purchase Pension Plan (MPPP) to which the Company contributes 5% of covered pay for each eligible pilot. The MPPP is a continuation of the Delta Pilots Target Benefit Plan and is related to the Delta Pilots Retirement Plan through a floor-offset arrangement whereby the defined benefit pension payable to a pilot is subject to reduction by the actuarial equivalent of the accumulated account balance in the MPPP. The Company's contributions to this plan were $49 million and $2 million for fiscal 1997 and 1996, respectively.

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

Net periodic postretirement benefit cost for fiscal 1997, 1996 and 1995 included the following components:

(In Millions)	1997	1996	1995
Service cost - benefits earned during the year	$ 25	$ 32	$ 32
Interest cost on accumulated postretirement benefit obligation	115	118	118
Amortization of prior service cost	(38)	(31)	(29)
Amortization of accumulated losses	1	4	4
Net periodic postretirement benefit cost	$103	$123	$125

The accumulated postretirement benefit obligation (APBO) for fiscal 1997 and 1996 consisted of the following components:

(In Millions)	1997	1996
Retirees and dependents	$ 936	$ 928
Fully eligible participants	348	323
Other active participants	281	254
Total accumulated postretirement benefit obligation	1,565	1,505
Unamortized prior service cost (from plan changes)	426	464
Unrecognized net loss	(76)	(112)
Contributions made between April 1, 1997 and June 30, 1997	(14)	—
Accrued postretirement benefit cost in the Consolidated Balance Sheets	$1,901	$1,857

The weighted average discount rate used to estimate the APBO was 7.75% at March 31, 1997 and at June 30, 1996. The assumed health care cost trend rate used in measuring the APBO was 8.0% in fiscal 1997 and fiscal 1996, declining gradually to 4.25% by March 31, 2003, and remaining level thereafter. Increasing the assumed health care cost trend rate annually by 1% for all future years would increase the APBO as of March 31, 1997 by approximately $142 million, and the net periodic postretirement benefit cost by $13 million for fiscal 1997.

The restructuring charges described in Note 16 include aggregate charges for fiscal 1996 of $32 million for costs primarily associated with special termination benefits and curtailment losses related to postretirement benefits other than pensions due to workforce reductions.

***Postemployment Benefits* -** The Company provides certain welfare benefits to its former or inactive employees after employment but before retirement. Such benefits primarily include those related to disability and survivorship plans. The Company has reserved the right to modify or terminate these plans at any time for all participants.

Effective July 1, 1994, Delta adopted SFAS 112, which requires recognition of the liability for postemployment benefits during the period of employment. The adoption of SFAS 112 resulted in a cumulative after-tax transition benefit of $114 million in fiscal 1995, primarily due to the net overfunded status of the Company's disability and survivorship plans. The Company's postemployment benefit expense for fiscal years 1997, 1996 and 1995 was $71 million, $78 million and $85 million, respectively. The amount funded in excess of the liability is included in other noncurrent assets in the Company's Consolidated Balance Sheets. Future period expenses will vary based on actual claims experience and the return on plan assets.

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

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

11. Employee Stock Ownership Plan

The Company sponsors the Savings Plan, a qualified defined contribution pension plan under which eligible Delta personnel may contribute a portion of their earnings. The Savings Plan includes an employee stock ownership plan (ESOP) feature. Subject to certain conditions, the Company contributes 50% of a participant's contributions to the Savings Plan, up to a maximum employer contribution of 2% of a participant's earnings. The Company's contributions are made quarterly through the allocation of Series B ESOP Convertible Preferred Stock, common stock or cash, and are recorded as salaries and related costs in the Company's Consolidated Statements of Operations. Delta's total contributions to the Savings Plan were $45 million in fiscal 1997 and fiscal 1996, and $47 million in fiscal 1995.

In connection with the adoption of the ESOP, the Company sold 6,944,450 shares of ESOP Preferred Stock to the Savings Plan for approximately $500 million. The Company has recorded unearned compensation to reflect the value of ESOP Preferred Stock sold to the ESOP but not yet allocated to participants' accounts. As shares of the ESOP Preferred Stock are allocated to participants' accounts, compensation expense equal to the fair value of the ESOP Preferred Stock is recorded and unearned compensation is reduced. Dividends on unallocated shares of ESOP Preferred Stock are used by the ESOP for debt service on the Series C ESOP Notes and are not considered dividends for financial reporting purposes. Dividends on allocated shares of ESOP Preferred Stock are credited to participants and considered dividends for financial reporting purposes. For purposes of computing primary and fully diluted income per common share, allocated shares of ESOP Preferred Stock are considered outstanding, but unallocated shares of ESOP Preferred Stock are not.

12. Contingencies

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

Delta's captive insurance subsidiary has agreed to reimburse the primary insurers for losses under the Company's aircraft hull and general liability insurance policies (Policies) in an amount not to exceed $100 million per occurrence and in the aggregate for the Policy year. The obligations of the primary insurers to the insureds under the Policies are not limited or reduced in any way by this reimbursement obligation.

The reimbursement obligation of Delta's captive insurance subsidiary to the primary insurers is supported by letters of credit. The letters of credit have an aggregate stated amount equal to the maximum reimbursement obligation. To the extent the primary insurers make a draw under a letter of credit, Delta is required to reimburse the issuer of the letter of credit. Delta accrues amounts estimated to be payable for probable losses under the reimbursement agreements with the primary insurers, as incurred. The methods of making such estimates and establishing the resulting accrued liabilities are periodically reviewed and adjusted as required.

13. Common and Preferred Stock

At June 30, 1997, 24,700,000 shares of common stock were reserved for issuance under the Company's broad-based employee stock option plans; 4,383,406 shares of common stock were reserved for issuance under the 1989 Stock Incentive Plan; 5,720,023 shares of common stock were reserved for conversion of the Series B ESOP Convertible Preferred Stock; and 248,998 shares of common stock were reserved for issuance under the Non-Employee Directors' Stock Plan. In addition, 1,500,000 shares of preferred stock have been reserved for issuance under the Shareholder Rights Plan.

On May 15, 1996, the Company gave notice that it elected to redeem effective June 15, 1996 its 3.23% Convertible Subordinated Notes due June 15, 2003 (Notes). Substantially all outstanding Notes were then converted by the holders thereof into approximately 10 million shares of common stock, and the Company redeemed the remaining outstanding Notes. As a result of the conversion of substantially all the Notes, long-term debt declined by $626 million and shareholders' equity increased by approximately the same amount in the Company's Consolidated Balance Sheets. This transaction was treated as a noncash transaction in the Company's Consolidated Statement of Cash Flows for the year ended June 30, 1996.

On October 24, 1996, Delta's Board of Directors adopted a new Shareholder Rights Plan (Rights Plan) to replace the rights plan that expired on November 4, 1996. The new Rights Plan is designed to enhance the Board's ability to protect shareholders against unsolicited attempts to acquire Delta that do not offer an adequate price to all shareholders or are otherwise not in the best interests of the Company and its shareholders. Under the new Rights Plan, each outstanding share of common stock is accompanied by a preferred stock purchase right which entitles the holder to purchase from the Company 1/100 of a share of Series D Junior Participating Preferred Stock for $300, subject to adjustment in certain circumstances (Purchase Price). The rights become exercisable only after a person or group acquires beneficial ownership of 15% or more of the common stock or commences a tender or exchange offer that would result in such person or group beneficially owning 15% or more of the common stock. The rights expire on November 4, 2006, and may be redeemed by Delta for $0.01 per right until 10 business days following the announcement that a person or group beneficially owns 15% or more of the common stock. Subject to certain conditions, if a person or group becomes the beneficial owner of 15% or more of the common stock, each right will entitle its holder (other than certain acquiring persons) to purchase, for the Purchase Price, common stock having a market value of twice the Purchase Price. In addition, subject to certain conditions, if Delta is involved in a merger or certain other business combination transactions, or the Company sells or otherwise transfers more than 50% of its assets or earning power, each right will entitle its holder to purchase, for the Purchase Price, common stock of the other party having a market value of twice the Purchase Price.

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

14. Stock Options and Awards

Under its 1989 Stock Incentive Plan and a predecessor plan, the Company has granted non-qualified stock options and, prior to fiscal 1993, tandem stock appreciation rights (SARs) to officers and other key employees. The exercise price for all stock options, and the base price upon which the SARs are measured, is the fair market value of common stock on the date of grant. Awards exercised as SARs are payable in a combination of cash and Common Stock. The Company recognized compensation expense (included in salary and related costs) related to SARs in fiscal 1997, 1996 and 1995 of $3 million, $14 million and $9 million, respectively. Stock options awarded will generally be exercisable beginning one year, and ending 10 years, after their grant date.

On October 24, 1996, the Company's shareholders approved two plans providing for the issuance of non-qualified stock options to substantially all of Delta's non-officer personnel in their individual capacity to purchase a total of 24.7 million shares of common stock. One plan is for eligible Delta personnel who are not pilots (Nonpilot Plan); the other plan covers the Company's pilots (Pilot Plan).

The Nonpilot and Pilot Plans involve non-qualified stock options to purchase 14.7 million and 10 million shares of common stock, respectively. The plans provide for grants in three equal annual installments at an exercise price equal to the opening price of the common stock on the New York Stock Exchange on the grant date. Stock options awarded under the plans are generally exercisable beginning one year and ending 10 years after their grant dates, and are not transferable other than upon the death of the person granted the stock options. On October 30, 1996, Delta granted eligible personnel non-qualified stock options to purchase a total of 8.2 million shares of common stock at an exercise price of $69 per share. The second and third grant dates under the Nonpilot and Pilot Plans are scheduled to occur on October 30, 1997 and 1998, respectively.

Transactions involving stock options and SARs during fiscal 1997, 1996 and 1995 were as follows:

	Fiscal 1997		Fiscal 1996		Fiscal 1995	
Stock Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	(000)		*(000)*		*(000)*	
Outstanding at beginning of fiscal year	2,332	$65	3,386	$63	3,015	$65
Granted	8,932	70	644	71	719	52
Exercised	(1,279)	67	(1,654)	63	(79)	56
Expired	—	—	—	—	(258)	67
Forfeited	(84)	75	(44)	65	(11)	66
Outstanding at end of fiscal year	9,901	69	2,332	65	3,386	63
Stock options exercisable at fiscal year end	1,049	$63	1,698	$63	2,668	$66
Weighted average grant-date fair value of options granted during the fiscal year	$ 17		$ 24		$ 22	

The following table summarizes information about stock options outstanding at June 30, 1997:

Stock Options Outstanding				Stock Options Exercisable	
Range of Exercise Prices	Number Outstanding at June 30, 1997	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable at June 30, 1997	Weighted Average Exercise Price
	(000)	*(Years)*		*(000)*	
$52-68	530	7	$55	530	$55
$69-82	9,371	9	$70	519	$72

The Company accounts for its stock-based compensation plans in accordance with APB 25. During fiscal 1996, the Financial Accounting Standards Board issued SFAS 123. SFAS 123 encourages, but does not require, the use of a fair value based method of accounting for stock-based compensation plans under which the fair value of stock options is determined on the date of grant and expensed over the vesting period of the stock options. While the Company has elected to continue to apply the provisions of APB 25, SFAS 123 requires pro forma disclosure of net income and income per common share as if the fair value based method under SFAS 123 had been adopted.

The pro forma net income and income per common share amounts below have been derived using the Black-Scholes stock option pricing model with the following assumptions for each stock option grant during the respective fiscal year:

	Stock Options Granted in Fiscal Year	
Assumptions	1997	1996
Risk-free interest rate	6.0%	5.4%
Expected life of stock option *(Years)*	2.7	5.1
Expected volatility of common stock	26.4%	26.5%
Expected annual dividends on common stock	$0.20	$0.20

	Fiscal Year Ended	
	June 30, 1997	June 30, 1996
Net income *(In Millions)*:		
As reported	$ 854	$ 156
Pro forma	791	152
Primary income per common share:		
As reported	$11.30	$1.42
Pro forma	10.46	1.35
Fully diluted income per common share:		
As reported	$11.01	$1.42
Pro forma	10.18	1.35

Under SFAS 123, stock options granted prior to fiscal year 1996 are not required to be included as compensation in determining pro forma net income. Therefore, the pro forma effects on net income and income per common share for fiscal 1997 and 1996 may not be representative of the pro forma effects SFAS 123 may have in future years.

15. Stock Repurchase Authorization

Delta's Board of Directors has authorized the Company to repurchase up to 24.7 million shares of common stock and common stock equivalents. Under this authorization, the Company may repurchase up to 6.2 million of these shares before October 30, 1997 - the date the initial stock option grants under the Nonpilot and Pilot Plans become exercisable - and repurchase the remaining shares as Delta personnel exercise their stock options under those plans. Repurchases are subject to market conditions and may be made on the open market or in privately negotiated transactions. Under this authorization, the Company repurchased 5,378,700 shares of Common Stock for $379 million during fiscal 1997, and 821,300 shares of

Common Stock for $66 million during fiscal 1996.

16. Restructuring and Other Non-Recurring Charges

During fiscal 1997 and 1996, the Company recorded pretax restructuring and other non-recurring charges of $52 million and $829 million, respectively. These charges are summarized in the table below:

	1997	1996	Total
Leadership 7.5	$—	$104	$104
Pilot special early retirement program	—	273	273
L-1011 fleet early retirement	—	452	452
Transatlantic and European Realignment	52	—	52
Totals	$52	$829	$881

Fiscal 1996 - The $829 million pretax charge for restructuring and other non-recurring charges recorded in fiscal 1996 included a $452 million writedown of Delta's L-1011 fleet and related assets to their fair market value in accordance with SFAS 121. The charge also included $273 million related to the special early retirement program for approximately 500 pilots all of whom retired during fiscal 1997 and $65 million (net of reversals of $36 million related to the Company's $526 million restructuring charge recorded in fiscal 1994) for previously announced non-pilot workforce reductions. Payments associated with curtailment losses and special termination benefits will be paid as required for funding appropriate pension and other postretirement plans in future years.

The remaining $39 million of the $829 million charge for fiscal 1996 included $29 million (net of reversals of $14 million related to the Company's $526 million restructuring charge recorded in fiscal 1994) for lease termination costs related to abandoned facilities and $10 million noncash costs related to discontinued routes.

Fiscal 1997 - During the March 1997 quarter, Delta recorded pretax restructuring and other non-recurring charges totaling $52 million related to the realignment of its transatlantic and European operations. Of this amount, $45 million relates to personnel severance costs (for approximately 680 employees); $5 million relates to the reorganization of the Frankfurt operation; and $2 million relates to abandoned facilities in Frankfurt and other European locations.

The following table reflects the activity in the restructuring accrual balances (excluding accruals for pension and other postretirement curtailment losses and special termination benefits discussed above) during fiscal 1997. All reductions in reserves represent payments of liabilities.

(Amounts in Millions)	Balance at June 30 ,1996	Additions	Reductions	Balance at June 30, 1997
Leadership 7.5				
Workforce Reductions	$ 7	$—	$ 3	$ 4
Abandoned Facilities	41	—	3	38
Pilot special early retirement program	21	—	21	—
Transatlantic and European Realignment				
Workforce Reductions	—	45	6	39
Abandoned Facilities	—	2	—	2
Other	—	5	—	5
Totals	$69	$52	$33	$88

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

17. Segment Information

Delta provides scheduled air transportation for passengers, freight and mail over a network of routes throughout the United States and abroad. Delta's unconsolidated operating revenue and operating income by geographic region, as reported to the U.S. Department of Transportation (which differs from operating revenue and operating income (loss) reported under GAAP), are as follows:

(In Millions)	1997		1996		1995	
Entity	Operating Revenue	Operating Income	Operating Revenue	Operating Income (Loss)	Operating Revenue	Operating Income (Loss)
Domestic	$11,096	$1,242	$10,067	$879	$ 9,619	$733
Atlantic	2,223	195	2,175	(392)	2,164	(43)
Latin	278	48	214	12	223	9
Pacific	341	40	354	(40)	398	(40)
Total	$13,938	$1,525	$12,810	$459	$12,404	$659

18. Quarterly Financial Data (Unaudited)

The following is a summary of the unaudited quarterly results of operations for fiscal 1997 and 1996 (in millions, except per share data):

Three Months Ended

	Sept. 30	Dec. 31	Mar. 31	June 30
Fiscal 1997 Operating revenues	$3,432	$3,197	$3,420	$3,541
Operating income	$ 438	$ 227	$ 346	$ 519
Net income	$ 238	$ 125	$ 189	$ 302
Primary income per common share	$ 3.09	$ 1.66	$ 2.52	$ 3.98
Fully diluted income per common share	$ 2.98	$ 1.63	$ 2.47	$ 3.90
Fiscal 1996 Operating revenues	$3,188	$2,944	$2,964	$3,359
Operating income (loss)	$ 386	$ 169	$ (387)	$ 295
Net income (loss)	$ 201	$ 70	$ (276)	$ 161
Primary income (loss) per common share	$ 3.47	$ 0.93	$(5.77)	$ 2.69
Fully diluted income (loss) per common share	$ 2.57	$ 0.93	$(5.77)	$ 2.08

Operating expenses for the March 1997 quarter include $52 million pretax restructuring and other non-recurring charges related to the realignment of the Company's transatlantic and European operations. (See Note 16.)

Operating expenses for the March 1996 quarter include $556 million pretax restructuring and other non-recurring charges related to the writedown of the Company's L-1011 fleet and related assets, and the continuation of the Company's Leadership 7.5 cost reduction program. Operating expenses for the June 1996 quarter include a $273 million pretax restructuring and other non-recurring charge for costs associated with a special early retirement program under which approximately 500 pilots retired during fiscal 1997. (See Note 16.)

Consolidated Summary of Operations

FOR THE YEARS ENDED JUNE 30, 1997 - 1987
DELTA AIR LINES, INC.

For the fiscal years ended June 30

(In Millions, Except Per Share Data)	1997 [1]	1996 [2]	1995 [3]	1994 [4]	1993 [5]	1992
Operating revenues	$13,590	$12,455	$12,194	$12,077	$11,657	$10,837
Operating expenses	12,060	11,992	11,533	12,524	12,232	11,512
Operating income (loss)	1,530	463	661	(447)	(575)	(675)
Interest expense, net	(174)	(243)	(262)	(271)	(177)	(151)
Gain (loss) on disposition of flight equipment	—	2	—	2	65	35
Miscellaneous income, net[6]	59	54	95	56	36	5
Income (loss) before income taxes	1,415	276	494	(660)	(651)	(786)
Income tax benefit (provision)	(561)	(120)	(200)	250	233	271
Amortization of investment tax credits	—	—	—	1	3	9
Net income (loss)	854	156	294	(409)	(415)	(506)
Preferred stock dividends	(9)	(82)	(88)	(110)	(110)	(19)
Net income (loss) attributable to common shareholders	$ 845	$ 74	$ 206	$ (519)	$ (525)	$ (525)
Net income (loss) per common share: Primary	$ 11.30	$ 1.42	$ 4.07	$(10.32)	$(10.54)	$(10.60)
Fully diluted	$ 11.01	$ 1.42	$ 4.01	$(10.32)	$(10.54)	$(10.60)
Dividends declared on common stock	$ 15	$ 10	$ 10	$ 10	$ 35	$ 59
Dividends declared per common share	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.70	$ 1.20

For the fiscal years ended June 30

(In Millions, Except Per Share Data)	1991	1990	1989	1988	1987
Operating revenues	$9,171	$8,583	$8,089	$6,915	$5,318
Operating expenses	9,621	8,163	7,411	6,418	4,913
Operating income (loss)	(450)	420	678	497	405
Interest expense, net	(97)	(27)	(39)	(65)	(62)
Gain (loss) on disposition of flight equipment	17	18	17	(1)	96
Miscellaneous income, net[6]	30	57	55	25	8
Income (loss) before income taxes	(500)	468	711	456	447
Income tax benefit (provision)	163	(187)	(279)	(181)	(219)
Amortization of investment tax credits	13	22	29	32	36
Net income (loss)	(324)	303	461	307	264
Preferred stock dividends	(19)	(18)	—	—	—
Net income (loss) attributable to common shareholders	$ (343)	$ 285	$ 461	$ 307	$ 264
Net income (loss) per common share: Primary	$(7.73)	$ 5.79	$ 9.37	$ 6.30	$ 5.90
Fully diluted	$(7.73)	$ 5.28	$ 9.37	$ 6.30	$ 5.90
Dividends declared on common stock	$ 54	$ 85	$ 59	$ 59	$ 44
Dividends declared per common share	$ 1.20	$ 1.70	$ 1.20	$ 1.20	$ 1.00

Other Financial and Statistical Data

For the fiscal years ended June 30

(In Millions, Except Per Share Data)	1997 [1]	1996 [2]	1995 [3]	1994 [4]	1993 [5]	1992
Total assets	$12,741	$12,226	$12,143	$11,896	$11,871	$10,162
Long-term debt and capital leases (excluding current maturities)	$ 1,797	$ 2,175	$ 3,121	$ 3,228	$ 3,716	$ 2,833
Shareholders` equity	$ 3,007	$ 2,540	$ 1,827	$ 1,467	$ 1,913	$ 1,894
Shares of Common Stock outstanding at year end	73,695,987	67,778,106	50,816,010	50,453,272	50,063,841	49,699,098
Revenue passengers enplaned *(Thousands)*	101,147	91,341	88,893	87,399	85,085	77,038
Available seat miles *(Millions)*	136,821	130,751	130,645	131,906	132,282	123,102
Revenue passenger miles *(Millions)*	97,758	88,673	86,417	85,268	82,406	72,693
Operating revenue per available seat mile	9.93¢	9.53¢	9.33¢	9.16¢	8.81¢	8.80¢
Passenger mile yield	12.79¢	13.10¢	13.10¢	13.23¢	13.23¢	13.91¢
Operating cost per available seat mile	8.81¢	9.17¢	8.83¢	9.49¢	9.25¢	9.35¢
Passenger load factor	71.45%	67.82%	66.15%	64.64%	62.30%	59.05%
Breakeven passenger load factor	62.71%	65.12%	62.28%	67.21%	65.58%	62.99%
Available ton miles *(Millions)*	18,984	18,084	18,150	18,302	18,182	16,625
Revenue ton miles *(Millions)*	11,308	10,235	10,142	9,911	9,503	8,361
Operating cost per available ton mile	63.53¢	66.31¢	63.55¢	68.43¢	67.27¢	69.24¢

For the fiscal years ended June 30

(In Millions, Except Per Share Data)	1991	1990	1989	1988	1987
Total assets	$8,411	$7,227	$6,484	$5,748	$5,342
Long-term debt and capital leases (excluding current maturities)	$2,059	$1,315	$ 703	$ 729	$1,018
Shareholders` equity	$2,457	$2,596	$2,620	$2,209	$1,938
Shares of Common Stock outstanding at year end	49,401,779	46,086,110	49,265,884	49,101,271	48,639,469
Revenue passengers enplaned *(Thousands)*	69,127	67,240	64,242	58,565	48,173
Available seat miles *(Millions)*	104,328	96,463	90,742	85,834	69,014
Revenue passenger miles *(Millions)*	62,086	58,987	55,904	49,009	38,415
Operating revenue per available seat mile	8.79¢	8.90¢	8.91¢	8.06¢	7.71¢
Passenger mile yield	13.80¢	13.63¢	13.56¢	13.15¢	12.81¢
Operating cost per available seat mile	9.22¢	8.46¢	8.17¢	7.48¢	7.12¢
Passenger load factor	59.51%	61.15%	61.61%	57.10%	55.66%
Breakeven passenger load factor	62.64%	57.96%	56.09%	52.69%	51.09%
Available ton miles *(Millions)*	13,825	12,500	11,725	11,250	9,000
Revenue ton miles *(Millions)*	7,104	6,694	6,338	5,557	4,327
Operating cost per available ton mile	69.59¢	65.30¢	63.21¢	57.05¢	54.60¢

[1]*Summary of operations and other financial and statistical data includes $52 million in pretax restructuring and other non-recurring charges ($0.42 primary and $0.41 fully diluted after-tax income per common share).*

[2]*Summary of operations and other financial and statistical data include $829 million in pretax restructuring and other non-recurring charges ($9.71 after-tax per common share).*

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

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

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

[6]*Includes interest income.*

Shareholder Information

TRANSFER AGENT, REGISTRAR AND

DIVIDEND PAYING AGENT FOR COMMON STOCK

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

First Chicago Trust Company of New York, a division of EquiServe
P. O. Box 2500
Jersey City, New Jersey 07303-2500
Telephone (201) 324-1225

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

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

First Chicago Trust Company of New York, a division of EquiServe
P. O. Box 2598
Jersey City, New Jersey 07303-2598
Telephone (201) 324-1225

INDEPENDENT PUBLIC ACCOUNTANTS

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

ANNUAL MEETING

The Annual Meeting of Shareholders will be held on Thursday, October 23, 1997, at 9:00 a.m., local time, in the Holiday Inn Professional Centre/Atrium, 2001 Louisville Avenue, Monroe, Louisiana 71201.

**AVAILABILITY OF FORM 10-K AND
OTHER FINANCIAL INFORMATION**

A copy of the Company`s Annual Report on Form 10-K for the fiscal year ended June 30, 1997 will be provided without charge upon written request. Requests for other financial documents may also be directed to:

Delta Air Lines, Inc.
Investor Relations, Department 829
P. O. Box 20706
Atlanta, Georgia 30320-6001
Telephone (404) 715-2170

Company documents filed electronically with the SEC can also be found on the SEC`s Web Site (http://www.sec.gov.). A copy of the Annual Report can be found on Delta`s Web Site (http://www.delta-air.com).

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

COMMON STOCK

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

NUMBER OF STOCKHOLDERS

As of August 15, 1997, there were 22,880 registered holders of common stock.

MARKET PRICES AND DIVIDENDS

Fiscal Year 1997	Closing Price of common stock on New York Stock Exchange		Cash Dividends Per Common Share
Quarter Ended:	High	Low	
September 30	$82 7/8	$66 7/8	$0.05
December 31	77 1/2	67 3/4	0.05
March 31	87 3/4	69 1/4	0.05
June 30	98 1/8	82 5/8	0.05

Fiscal Year 1996			
Quarter Ended:	High	Low	
September 30	$80 1/2	$66 1/4	$0.05
December 31	79 5/8	64	0.05
March 31	82	67 3/8	0.05
June 30	86	77 1/4	0.05

Delta Air Lines At-A-Glance

North American Network

Delta is the largest U. S. airline measured by aircraft departures and passengers enplaned, and the third-largest U.S. airline measured by operating revenues and revenue passenger miles flown. As of August 15, 1997, Delta's North American flight operations provide scheduled service to 122 airports in 149 cities in the U.S., Puerto Rico and the U.S. Virgin Islands and 9 airports in 10 cities in Canada, Bermuda, the Bahamas and Mexico. Mexico is also served through 8 airports and 10 cities on a code-share basis. Delta's domestic route service is supplemented by service operated by the Delta Connection® carriers, which include Atlantic Southeast Airlines, Business Express, COMAIR and SkyWest.

International Network

Delta is the leading transatlantic airline among U.S. carriers, with the most departures, nonstop destinations and passengers. Delta provides scheduled passenger service to 31 airports in 31 cities within 21 foreign countries throughout Europe, Asia and Latin America. When flights operated on a code-share basis are included, Delta's international route network includes 48 airports in 48 cities in 34 countries.

Delta Express

On October 1, 1996, Delta began operating Delta Express, and in less than six months of operations the millionth passenger had been boarded. Delta Express is a new low-fare service within the Delta system which operates a dedicated fleet of 25 Boeing 737-200 aircraft in certain highly competitive, leisure-oriented travel markets. This route system connects the Northeastern U.S. and Midwest with Orlando and other Florida travel destinations.

Delta Shuttle

In 1991, Delta began operating the Delta Shuttle. With a dedicated fleet of 14 Boeing 727 aircraft, the Shuttle provides 64 daily flights between New York and Washington, D.C. and New York and Boston. The Shuttle boarded over 2 million customers during fiscal 1997, and in April 1997 reached a boarding milestone, having served over 10 million passengers since 1991. The majority of Shuttle passengers travel for business, and nearly one-half live in the New York /New Jersey area. With an on-time departure rate exceeding 95% for fiscal 1997, the Delta Shuttle provides excellent service and reliability for travelers in the Northeast market.

Delta Air Cargo

Delta, the Delta Shuttle, Delta Express and the Delta Connection carriers offer over 4,800 flights daily to cities all over the world, and every flight has the ability to carry cargo. Cargo terminal facilities are strategically located to provide excellent coverage for shipping destinations around the U.S. and the world. Strategic locations and experienced staff have resulted in outstanding records in both customer service and schedule reliability. From expedited small package shipping (Delta DASH®) and Priority First Freight to second and third-day time-definite service, the Air Cargo division offers a wide range of products to assist customers in their shipping needs.