

DELTA AIR LINES INC /DE/  
Form 8-K  
September 13, 2005

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 OR 15(d) of the  
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): September 7, 2005

DELTA AIR LINES, INC.  
(Exact name of registrant as specified in its charter)

|  |  |  |
|--|--|--|
| Delaware<br>(State or other<br>jurisdiction<br>of incorporation) | 001-05424<br>(Commission<br>File Number) | 58-0218548<br>(IRS Employer<br>Identification No.) |
|--|--|--|

P.O. Box 20706, Atlanta, Georgia 30320-6001  
(Address of principal executive offices)

Registrant's telephone number, including area code: (404) 715-2600

Registrant's Web site address: www.delta.com

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.01 Completion of Acquisition or Disposition of Assets.**

On September 7, 2005, we completed the sale of Atlantic Southeast Airlines, Inc. (“ASA”), our wholly owned subsidiary, to SkyWest, Inc. (“SkyWest”) for a purchase price of \$425 million. In conjunction with the sale of ASA, we amended our contract carrier agreements with ASA and SkyWest Airlines, Inc. (“SkyWest Airlines”), a wholly owned subsidiary of SkyWest, under which they will continue to serve as Delta Connection carriers. The expiration date of these contract carrier agreements has been extended to 2020.

Under the terms of the Stock Purchase Agreement, SkyWest purchased 100% of the outstanding capital stock of ASA. We received \$350 million at closing, representing \$330 million of purchase price and \$20 million related to aircraft deposits, without giving effect to the payment of closing costs. We will also receive \$125 million, consisting of \$95 million of deferred purchase price and \$30 million in certain aircraft deposits, upon the earlier of the fourth anniversary of the closing of this transaction or, in the event we seek to restructure under Chapter 11 of the U.S. Bankruptcy Code, assumption by us of our contract carrier agreements with ASA and SkyWest Airlines. SkyWest shall be entitled to retain \$125 million if we reject either of our contract carrier agreements with ASA or SkyWest Airlines in a Chapter 11 proceeding prior to the fourth anniversary of the closing of this transaction. The purchase price is also subject to a working capital adjustment, as defined in the Stock Purchase Agreement. Pursuant to our financing agreements with GE Commercial Finance and other lenders (“GE Commercial Finance Facility”), we were required to repay \$100 million of the outstanding borrowings under that facility upon closing of this transaction. The remaining proceeds will be used for general corporate purposes.

**Item 9.01 Financial Statements and Exhibits.**

*(b) Pro Forma Financial Information.*

The unaudited Pro Forma Consolidated Financial Statements set forth below give effect to the sale of ASA (described in Item 2.01 above) and include the following:

- An unaudited Pro Forma Consolidated Balance Sheet as of June 30, 2005, giving effect to the sale of ASA as if it had occurred June 30, 2005;
- An unaudited Pro Forma Consolidated Statement of Operations for the six months ended June 30, 2005, giving effect to the sale of ASA as if it had occurred January 1, 2005; and
- An unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 2004, giving effect to the sale of ASA as if it had occurred January 1, 2004.

The unaudited Pro Forma Consolidated Financial Statements include adjustments that are based on presently available information and assumptions that management believes are reasonable and are described in the Notes to the unaudited Pro Forma Consolidated Financial Statements. The unaudited Pro Forma Consolidated Financial Statements have been included as required by the Securities and Exchange Commission and are not necessarily indicative of the results that would have been reported had the disposition actually occurred on the dates specified, nor are they indicative of results that may be obtained in the future.

The unaudited Pro Forma Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the accompanying Notes in our Annual Report on Form 10-K for the year ended December 31, 2004 and the Condensed Consolidated Financial Statements and the accompanying Notes in our Quarterly Report

on Form 10-Q for the quarterly period ended June 30, 2005.

**DELTA AIR LINES, INC.**  
**Pro Forma Consolidated Balance Sheet**  
**(Unaudited)**  
**(In Millions, Except Share Data)**

As of June 30, 2005

**Pro Forma Adjustments**

|   | Actual   | Sale of<br>ASA        | Other<br>Adjustments    | (1)<br>Pro Forma<br>As Adjusted |
|---|----------|-----------------------|-------------------------|---------------------------------|
| <b>ASSETS</b>   |          |                       |                         |                                 |
| <b>CURRENT ASSETS:</b>  |          |                       |                         |                                 |
| Cash and cash equivalents   | \$ 1,341 | \$ 287 <sup>(2)</sup> | \$ (100) <sup>(3)</sup> | \$ 1,528                        |
| Short-term investments  | 330      | -                     | -                       | 330                             |
| Restricted cash   | 368      | -                     | -                       | 368                             |
| Accounts receivable, net of an allowance for uncollectible accounts of \$39 at June 30, 2005              | 923      | 42                    | -                       | 965                             |
| Expendable parts and supplies inventories, net of an allowance for obsolescence of \$192 at June 30, 2005 | 219      | -                     | -                       | 219                             |
| Prepaid expenses and other  | 605      | (90)                  | -                       | 515                             |
| Total current assets  | 3,786    | 239                   | (100)                   | 3,925                           |
| <b>PROPERTY AND EQUIPMENT:</b>  |          |                       |                         |                                 |
| Flight equipment  | 20,935   | (1,740)               | -                       | 19,195                          |
| Accumulated depreciation  | (7,002)  | 175                   | -                       | (6,827)                         |
| Flight equipment, net   | 13,933   | (1,565)               | -                       | 12,368                          |
| Flight and ground equipment under capital leases  | 516      | -                     | -                       | 516                             |
| Accumulated amortization  | (197)    | -                     | -                       | (197)                           |
| Flight and ground equipment under capital leases, net   | 319      | -                     | -                       | 319                             |
| Ground property and equipment   | 4,897    | (63)                  | -                       | 4,834                           |
| Accumulated depreciation  | (2,838)  | 24                    | -                       | (2,814)                         |
| Ground property and equipment, net  | 2,059    | (39)                  | -                       | 2,020                           |
| Advance payments for equipment  | 65       | (22)                  | -                       | 43                              |

|  |           |            |          |           |
|--|-----------|------------|----------|-----------|
| Total property and equipment,<br>net   | 16,376    | (1,626)    | -        | 14,750    |
| <b>OTHER ASSETS:</b>   |           |            |          |           |
| Goodwill   | 227       | -          | -        | 227       |
| Operating rights and other<br>intangibles, net of accumulated<br>amortization of \$187 at June<br>30, 2005 | 76        | -          | -        | 76        |
| Restricted investments for<br>Boston airport terminal project  | 76        | -          | -        | 76        |
| Other noncurrent assets  | 1,020     | (34)       | -        | 986       |
| Total other assets   | 1,399     | (34)       | -        | 1,365     |
| Total assets   | \$ 21,561 | \$ (1,421) | \$ (100) | \$ 20,040 |

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

**DELTA AIR LINES, INC.**  
**Pro Forma Consolidated Balance Sheet**  
**(Unaudited)**  
**(In Millions, Except Share Data)**

As of June 30, 2005

Pro Forma Adjustments

|  | Actual   | Sale of<br>ASA | Other<br>Adjustments | (1)<br>Pro Forma<br>As Adjusted |
|--|----------|----------------|----------------------|---------------------------------|
| <b>LIABILITIES AND SHAREOWNERS' DEFICIT</b>                      |          |                |                      |                                 |
| <b>CURRENT LIABILITIES:</b>                                      |          |                |                      |                                 |
| Current maturities of long-term debt and capital leases          | \$ 1,125 | \$ (191)       | \$ -                 | \$ 934                          |
| Accounts payable, deferred credits and other accrued liabilities | 1,678    | (40)           | -                    | 1,638                           |
| Air traffic liability  | 2,221    | -              | -                    | 2,221                           |
| Taxes payable  | 591      | -              | -                    | 591                             |
| Accrued salaries and related benefits                            | 1,151    | (32)           | -                    | 1,119                           |
| Accrued rent   | 155      | -              | -                    | 155                             |
| Total current liabilities  | 6,921    | (263)          | -                    | 6,658                           |
| <b>NONCURRENT LIABILITIES:</b>                                   |          |                |                      |                                 |
| Long-term debt and capital leases                                | 12,459   | (1,023)        | (100) <sup>(3)</sup> | 11,336                          |
| Long-term debt issued by Massachusetts Port Authority            | 498      | -              | -                    | 498                             |
| Postretirement benefits  | 1,742    | (2)            | -                    | 1,740                           |
| Accrued rent   | 648      | -              | -                    | 648                             |
| Pension and related benefits                                     | 5,209    | -              | -                    | 5,209                           |
| Other  | 296      | (137)          | -                    | 159                             |
| Total noncurrent liabilities                                     | 20,852   | (1,162)        | (100)                | 19,590                          |
| <b>DEFERRED CREDITS:</b>   |          |                |                      |                                 |
| Deferred gains on sale and leaseback transactions                | 350      | -              | -                    | 350                             |
| Deferred revenue and other credits                               | 147      | 4              | -                    | 151                             |
| Total deferred credits   | 497      | 4              | -                    | 501                             |
| <b>EMPLOYEE STOCK OWNERSHIP PLAN<br/>PREFERRED STOCK:</b>        |          |                |                      |                                 |

## Series B ESOP Convertible

## Preferred Stock:

\$1.00 par value, \$72.00 stated

and liquidation value, 5,105,264

shares issued and outstanding at

June 30, 2005

368 - - 368

Unearned compensation under

employee stock ownership plan

(92) - - (92)

Total Employee Stock Ownership

Plan Preferred Stock

276 - - 276

**SHAREOWNERS' DEFICIT:**

## Common stock:

\$0.01 par value, 900,000,000

shares authorized, 202,081,648

shares issued at June 30, 2005

2 - - 2

Additional paid-in capital

3,119 - - 3,119

Accumulated deficit

(5,837) - - (5,837)

Accumulated other

comprehensive loss

(2,148) - - (2,148)

Treasury stock at cost,

44,929,082 shares at June 30,

2005

(2,121) - - (2,121)

Total shareowners' deficit

(6,985) - - (6,985)

Total liabilities and shareowners'

deficit

\$ 21,561 \$ (1,421) \$ (100) \$ 20,040

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



**DELTA AIR LINES, INC.**  
**Pro Forma Consolidated Statement of Operations**  
**(Unaudited)**  
**(In Millions, Except Share and Per Share Data)**

**Six Months Ended June 30, 2005**

|  | Actual         | (4)<br>Pro Forma<br>Adjustments | (1)<br>Pro Forma<br>As Adjusted |
|--|----------------|---------------------------------|---------------------------------|
| <b>OPERATING REVENUES:</b>   |                |                                 |                                 |
| Passenger:   |                |                                 |                                 |
| Mainline   | \$ 5,694       | \$ -                            | \$ 5,694                        |
| Regional affiliates  | 1,520          | -                               | 1,520                           |
| Cargo  | 259            | -                               | 259                             |
| Other, net   | 359            | -                               | 359                             |
| Total operating revenues   | 7,832          | -                               | 7,832                           |
| <b>OPERATING EXPENSES:</b>   |                |                                 |                                 |
| Salaries and related costs   | 2,709          | (150)                           | 2,559                           |
| Aircraft fuel  | 1,938          | (144)                           | 1,794                           |
| Depreciation and amortization  | 639            | (36)                            | 603                             |
| Contracted services  | 542            | (24)                            | 518                             |
| Contract carrier arrangements  | 415            | 538                             | 953                             |
| Landing fees and other rents   | 442            | (23)                            | 419                             |
| Aircraft maintenance materials and<br>outside repairs                          | 383            | (52)                            | 331                             |
| Aircraft rent  | 294            | (32)                            | 262                             |
| Passenger commissions and other selling<br>expenses                            | 378            | -                               | 378                             |
| Passenger service  | 179            | (2)                             | 177                             |
| Pension settlements, asset writedowns,<br>restructuring and related items, net | 627            | -                               | 627                             |
| Other  | 372            | (34)                            | 338                             |
| Total operating expenses   | 8,918          | 41                              | 8,959                           |
| <b>OPERATING LOSS</b>  | <b>(1,086)</b> | <b>(41)</b>                     | <b>(1,127)</b>                  |
| <b>OTHER INCOME (EXPENSE):</b>   |                |                                 |                                 |
| Interest expense   | (556)          | 28                              | (528)                           |
| Interest income  | 28             | (1)                             | 27                              |
| Miscellaneous expense, net   | (1)            | -                               | (1)                             |
| Total other expense, net   | (529)          | 27                              | (502)                           |
| <b>LOSS BEFORE INCOME TAXES</b>  | <b>(1,615)</b> | <b>(14)</b>                     | <b>(1,629)</b>                  |
| <b>INCOME TAX BENEFIT</b>  | <b>162</b>     | <b>-</b>                        | <b>162</b>                      |
| <b>NET LOSS</b>  | <b>(1,453)</b> | <b>(14)</b>                     | <b>(1,467)</b>                  |

|  |             |         |             |
|--|-------------|---------|-------------|
| <b>PREFERRED STOCK DIVIDENDS</b>   | (11)        | -       | (11)        |
| <b>NET LOSS ATTRIBUTABLE TO COMMON SHAREOWNERS</b>                             |             |         |             |
|  | \$ (1,464)  | \$ (14) | \$ (1,478)  |
| <b>BASIC AND DILUTED LOSS PER SHARE</b>  |             |         |             |
|  | \$ (10.17)  | \$ -    | \$ (10.27)  |
| <b>WEIGHTED AVERAGE SHARES USED IN BASIC AND DILUTED PER SHARE COMPUTATION</b> |             |         |             |
|  | 143,888,479 |         | 143,888,479 |

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

**DELTA AIR LINES, INC.**  
**Pro Forma Consolidated Statement of Operations**  
**(Unaudited)**  
**(In Millions, Except Share and Per Share Data)**

**Year Ended December 31, 2004**

|  | Actual         | (4)<br>Pro Forma<br>Adjustments | (1)<br>Pro Forma<br>As Adjusted |
|--|----------------|---------------------------------|---------------------------------|
| <b>OPERATING REVENUES:</b>   |                |                                 |                                 |
| Passenger:   |                |                                 |                                 |
| Mainline   | \$ 10,880      | \$ -                            | \$ 10,880                       |
| Regional affiliates  | 2,910          | -                               | 2,910                           |
| Cargo  | 500            | -                               | 500                             |
| Other, net   | 712            | -                               | 712                             |
| Total operating revenues   | 15,002         | -                               | 15,002                          |
| <b>OPERATING EXPENSES:</b>   |                |                                 |                                 |
| Salaries and related costs   | 6,338          | (292)                           | 6,046                           |
| Aircraft fuel  | 2,924          | (198)                           | 2,726                           |
| Depreciation and amortization  | 1,244          | (67)                            | 1,177                           |
| Contracted services  | 999            | (33)                            | 966                             |
| Contract carrier arrangements  | 932            | 923                             | 1,855                           |
| Landing fees and other rents   | 875            | (40)                            | 835                             |
| Aircraft maintenance materials and<br>outside repairs                          | 681            | (87)                            | 594                             |
| Aircraft rent  | 716            | (69)                            | 647                             |
| Passenger commissions and other selling<br>expenses                            | 706            | (1)                             | 705                             |
| Passenger service  | 349            | (4)                             | 345                             |
| Impairment of intangible assets  | 1,875          | (499)                           | 1,376                           |
| Pension settlements, asset writedowns,<br>restructuring and related items, net | (41)           | -                               | (41)                            |
| Other  | 712            | (43)                            | 669                             |
| Total operating expenses   | 18,310         | (410)                           | 17,900                          |
| <b>OPERATING LOSS</b>  | <b>(3,308)</b> | <b>410</b>                      | <b>(2,898)</b>                  |
| <b>OTHER INCOME (EXPENSE):</b>   |                |                                 |                                 |
| Interest expense   | (824)          | 40                              | (784)                           |
| Interest income  | 37             | (2)                             | 35                              |
| Gain from sale of investments, net   | 123            | -                               | 123                             |
| Gain on extinguishment of debt, net  | 9              | -                               | 9                               |
| Fair value adjustments of SFAS 133<br>derivatives                              | (31)           | -                               | (31)                            |
| Miscellaneous income, net  | 2              | -                               | 2                               |
| Total other expense, net   | (684)          | 38                              | (646)                           |
| <b>LOSS BEFORE INCOME TAXES</b>  | <b>(3,992)</b> | <b>448</b>                      | <b>(3,544)</b>                  |

|  |             |        |             |
|--|-------------|--------|-------------|
| <b>INCOME TAX PROVISION</b>  | (1,206)     | -      | (1,206)     |
| <b>NET LOSS</b>  | (5,198)     | 448    | (4,750)     |
| <b>PREFERRED STOCK DIVIDENDS</b>   | (19)        | -      | (19)        |
| <b>NET LOSS ATTRIBUTABLE TO<br/>COMMON<br/>SHAREOWNERS</b>                                 | \$ (5,217)  | \$ 448 | \$ (4,769)  |
| <b>BASIC AND DILUTED LOSS PER<br/>SHARE</b>  | \$ (41.07)  | \$ -   | \$ (37.54)  |
| <b>WEIGHTED AVERAGE SHARES<br/>USED IN BASIC<br/>AND DILUTED PER SHARE<br/>COMPUTATION</b> | 127,033,234 |        | 127,033,234 |

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

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**Delta Air Lines, Inc.**  
**Notes to the Pro Forma Consolidated Financial Statements**  
**(Unaudited)**

**Transaction Summary**

On September 7, 2005, we completed the sale of ASA, our wholly owned subsidiary, to SkyWest for a purchase price of \$425 million. In conjunction with the sale of ASA, we amended our contract carrier agreements with ASA and SkyWest Airlines, under which they will continue to serve as Delta Connection carriers. The expiration date of these contract carrier agreements has been extended to 2020.

Under the terms of the Stock Purchase Agreement, SkyWest purchased 100% of the outstanding capital stock of ASA. We received \$350 million at closing, representing \$330 million of purchase price and \$20 million related to aircraft deposits, without giving effect to the payment of closing costs. We will also receive \$125 million, consisting of \$95 million of deferred purchase price and \$30 million in certain aircraft deposits, upon the earlier of the fourth anniversary of the closing of this transaction or, in the event we seek to restructure under Chapter 11 of the U.S. Bankruptcy Code, assumption by us of our contract carrier agreements with ASA and SkyWest Airlines. SkyWest shall be entitled to retain \$125 million if we reject either of our contract carrier agreements with ASA or SkyWest Airlines in a Chapter 11 proceeding prior to the fourth anniversary of the closing of this transaction. The \$125 million has not been reflected in the unaudited Pro Forma Consolidated Financial Statements as the contingencies have not been satisfied. The purchase price is also subject to a working capital adjustment, as defined in the Stock Purchase Agreement. Pursuant to our GE Commercial Finance Facility, we were required to repay \$100 million of the outstanding borrowings under that facility upon closing of this transaction. The remaining proceeds from the sale of ASA will be used for general corporate purposes.

**Adjustments to Unaudited Pro Forma Consolidated Financial Statements:**

- (1) Represents Delta Air Lines, Inc. Unaudited Pro Forma Consolidated Balance Sheet and Unaudited Pro Forma Consolidated Statements of Operations as of the date indicated and for the periods then ended, as adjusted to reflect the sale of ASA and the use of the proceeds of the sale to repay \$100 million of outstanding borrowings pursuant to the GE Commercial Finance Facility.

**Unaudited Pro Forma Consolidated Balance Sheet:**

- (2) Includes cash we received upon the closing of the transaction, net of closing costs and cash that remained with ASA pursuant to the Stock Purchase Agreement.
- (3) Represents amount of outstanding borrowings we were required to repay pursuant to our GE Commercial Finance Facility upon the closing of the transaction.

**Unaudited Pro Forma Consolidated Statements of Operations:**

- (4) Adjustments to reflect ASA as a third party contract carrier, rather than our wholly owned subsidiary, for the periods presented.



(c) *Exhibits.*

99.1 Stock Purchase Agreement, dated as of August 15, 2005, among SkyWest, Inc., Delta Air Lines, Inc. and ASA Holdings, Inc.

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**SIGNATURES**

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

DELTA AIR LINES, INC.

By: /s/ Edward H. Bastian  
Edward H. Bastian,  
Executive Vice President and Chief  
Financial Officer

Date: September 13, 2005



EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u>   |
|-----------------------|--|
| Exhibit 99.1          | Stock Purchase Agreement, dated as of August 15, 2005, among SkyWest, Inc., Delta Air Lines, Inc. and ASA Holdings, Inc. |