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JAN. 10. 2007 / 9:00AM, LCC - US AIRWAYS - DELTA MERGER UPDATE CONFERENCE CALL

webcast. Also refer to the slide at the beginning of the materials about where you can find additional information relating to the proposed merger that we will file with the SEC.

Both the press release announcing this revised proposal and the slides that summarize today's discussion are posted on our website and that's US Airways.com. The press release and slides will be filed with the SEC on a current report on Form 8-K and you may find it helpful to review the slides as we go through the prepared remarks today. And at that point I'm going to turn it over to Doug and thanks again for being on the call this morning.

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DOUG PARKER - US AIRWAYS GROUP - CHAIRMAN, CEO

Thanks, Elise, and good morning, everybody. As Elise said, we have a pretty short presentation here. And then we'd like to get to some questions, but just wanted to give you a little update before the market opens on what we've done so that you can better understand it. And indeed, what we have done this morning is we've revised our proposal to significantly increase what Delta's unsecured creditors will receive.

I'm going to move through these slides also that Elise referenced, and on slide 3 we talk about -- there's a summary about the proposal. Under the revised proposal the unsecured creditors will receive \$5 billion in cash and 89.5 million shares of US Airways stock. Our financial advisor, Citigroup, estimates that if we apply the same valuation assumptions as were described in Delta's disclosure statement, this new proposal will provide Delta's unsecured creditors with between \$12.7 billion and \$15.4 billion of value, that's a significant premium over the \$9.4 billion to \$12 billion valuation the Delta placed on its own stand-alone plan with the same assumptions and methodology.

To look at it another way, the current market value of our revised proposal is \$10.2 billion based upon the closing price of US Airways stock yesterday which was \$57.90. We have committed financing in place from Citigroup and Morgan Stanley to fund the cash portion of the offer of \$5 billion as well as the refinancing of \$3.2 billion of existing obligations of both companies for a total of \$8.2 billion of committed financing.

It's important to note that though this proposal is set to -- it's important to note though the proposal is set to expire on February 1st unless there is affirmative creditor support for commencement of due diligence, making the required filings under Hart-Scott-Rodino as well as the postponement of Delta's hearing on its disclosure statement, which is currently scheduled for February 7th. From the time we receive creditor support and truly begin this process in earnest we believe it will take four to six months for the deal to close. So the sooner we start the sooner we can close.

Moving to the next page is a summary of the original proposal, the revised proposal and you'll see the key elements of the proposal remain the same. It still offers a combination of cash and stock which could be structured to offer individual creditors a choice of those currencies. The proposed merger creates an estimated \$1.65 billion in annual synergies that can only be created in a merger. Delta's creditors will participate in that value created as those synergies are realized as owners of a significant portion of the combined company.





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I guess to understand a little better, the passage of time itself, Jamie, doesn't do anything to (multiple speakers)

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JAMIE BAKER - JPMORGAN - ANALYST

No, only what Delta happens to affirm during the passage of time -- yes, yes, you're right.

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DOUG PARKER - US AIRWAYS GROUP - CHAIRMAN, CEO

Precisely. Exactly. If things over time get affirmed that's a problem, which is why we've structured it this way which is -- because indeed we certainly expect that Delta will, in support of its stand-alone plan, will begin to have to start doing things or would certainly want to start doing things that would be detrimental or could be detrimental to our proposal. So that's exactly why we structured it like this which is to ask for affirmative creditors support for our proposal. And presumably if we have that then you're not going to see things approved by the court that are inconsistent with our proposal. The second one, the question how did the meeting with Gordon go you ask.

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JAMIE BAKER - JPMORGAN - ANALYST

Yes.

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DOUG PARKER - US AIRWAYS GROUP - CHAIRMAN, CEO

It went great. Gordon Bethune has been hired by the official creditors committee as an adviser which we think is a great move. Everyone knows that Gordon is an extremely capable executive, a legend in our business who did a fantastic job at Continental. Knows this business backwards and forwards. And understands what happens when you have good management teams working to integrate airlines.

So I think we presented our proposal. Frankly it was refreshing to present it to somebody who really understands how this works and how it's going to work and how it could work going forward. So we had a nice dialogue, but it was more us presenting to him. He has to develop his own views and I have a pretty good sense of where he's coming from based on his questions. He certainly didn't share with us here's what I'm going to share with the committee. That's his job that they've hired him to do.

But we're really glad to see Gordon part of the process because -- just digress a little bit, I mean part of what's going on here today, which hopefully is clear, is this is new territory for all of us, and certainly new territory for the creditors committee, to try and assess a management plan versus an offer that management is not supporting. So they've been struggling at with that.

So what we wanted to do be sure we did today was make that a much easier decision for them and we know we've done that. We've taken away any doubt as to whose offer is worth more. And we think so much superior that it's worth any







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No, we didn't, David. I thought we did a pretty good job. I can say that it wasn't me, but I thought Rick Rule did a really nice job of doing that on our call in the middle of December. So no, we think that's been asked and answered. What we are saying and continue to say is let's go put in the filings and instead of us all guessing what and having these very strong views about what the Department of Justice would say, we're extremely confident that if we go ask them they're going to say what we're telling you they're going to say.

So let's just go ask him and we'll find out instead of having educated people disagree about what indeed they're going to say, let's go figure it out. I mean, Rick is here with us if you have a direct question for him, but the fact of the matter is there's nothing -- we have nothing more to add other than what we've already added on these points.

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DAVID STRINE - BEAR STEARNS - ANALYST

I don't have an additional question because I thought the last presentation was thorough. But as a follow up to what Gary had mentioned about the process, in terms of the process and how it's been going and where we go from here, I imagine that -- I know you had the meeting with Gordon. Are there any other meetings set up now between you and either the creditors committee directly or representative of the creditors committee? And if so, when will that take place?

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DOUG PARKER - US AIRWAYS GROUP - CHAIRMAN, CEO

I mean, we're talking you an hour after the press release went out or an hour and a half. So right now nothing has been set up. I would fully anticipate that this would result in further meetings, yes.

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DAVID STRINE - BEAR STEARNS - ANALYST

And then to try to press you a little more in terms of the affirmative support -- I mean, if you get two thirds then you're all set, right? So is that essentially what you just need -- is that the number you're looking for in terms of people coming out or do you need just broadly one statement that comes from the creditors committee in total if there's -- and I don't imagine there would be any sort of individual comments from members of the committee, they probably will speak as a whole, but is that possible?

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DOUG PARKER - US AIRWAYS GROUP - CHAIRMAN, CEO

Obviously, the more the better. This isn't -- you shouldn't try and over analyze this. We're not trying (inaudible) sort of bankruptcy.

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DAVID STRINE - BEAR STEARNS - ANALYST

That's unfortunately what we do.

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FINAL TRANSCRIPT

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DOUG PARKER - US AIRWAYS GROUP - CHAIRMAN, CEO

Again, I didn't mean that in any way other than to say it's not that complicated. Because all -- we would like the official committee to do what we've asked. We think they will do that. To the extent there are others that would be great. But I mean, maybe we should be more clear about this. What we anticipate then -- again, we're not asking management to do anything. We're asking the committee to come out and support.

Clearly though we continue. We would much prefer this to be where we're working with management. But we understand, they're not there yet. So what we'd like to see is the creditors come out in support of going forward and it is our belief that if that happens then management will move forward with us. And that's the way we think we need to move this. But that's all we're asking for is for the creditors to support those three things.

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DAVID STRINE - BEAR STEARNS - ANALYST

Thanks, and good luck.

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OPERATOR

Michael Linenberg, Merrill Lynch.

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MICHAEL LINENBERG - MERRILL LYNCH - ANALYST

I guess two questions. In the press release a couple days ago where you announced that you had the new financing agreement, you talked about significantly improved financial terms. Can you give us a sense maybe how we'd look at that? Is that maybe a lower rate, less collateral, longer maturity? Any color on that would be helpful.

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DOUG PARKER - US AIRWAYS GROUP - CHAIRMAN, CEO



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MICHAEL LINENBERG - MERRILL LYNCH - ANALYST

My second question, Doug, and I know this may have been asked when you initially announced the deal back in a month ago or so or two months ago, Did you ever -- you highlighted some of the things that you would have to divest, you talked about the shuttle. Did you ever actually put a number out there on the value of potential divestitures that would occur as a result of this transaction and therefore (technical difficulty) some level of funding toward the total purchase?

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SCOTT KIRBY - US AIRWAYS GROUP - PRESIDENT

Mike, it's Scott. It did include a negative synergy in our model, in the \$1.65 billion for potential asset divestiture. We haven't disclosed that publicly. We have disclosed that under confidentiality agreements to the creditors committee and we assume that we can sell the shuttle for something, but that is not directly in any of our numbers anywhere.

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MICHAEL LINENBERG - MERRILL LYNCH - ANALYST

But, Scott, I realize the asset goes out, the cash comes in, you lose maybe some revenue there. But I'm thinking of maybe that there are assets that are surplus to the business as a means to sort of raise capital for providing funding for the acquisition.

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SCOTT KIRBY - US AIRWAYS GROUP - PRESIDENT

We haven't modeled any of that. Since we've been able to raise \$8.2 billion in financing without resorting to that (multiple speakers) what we've done. It's not dependent on asset sales.

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MICHAEL LINENBERG - MERRILL LYNCH - ANALYST

Perfect. And then just my last question, I think the Senate, they were out there yesterday, I guess one of the guys on the committee out there calling for some hearings you have Oberstar in the House. I guess it's all part of the process, so any thoughts on that -- that Congress, as expected, will get involved? Just maybe anything you're hearing from your contacts in DC, etc.?

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DOUG PARKER - US AIRWAYS GROUP - CHAIRMAN, CEO

Well, to be clear, there has been a hearing called by the Senate Commerce Committee for January 24th. The hearing is on airline consolidation. Certainly not on US Airways/Delta, but I imagine, since it's on consolidation and we have this offer pending, that we will be part of the discussion and my guess is we'll





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DOUG PARKER - US AIRWAYS GROUP - CHAIRMAN, CEO

The answer to that question is no. But what I'm happy to tell you is we'd welcome it if they wanted to. This balance sheet will look very, very good versus the Delta standalone balance sheet because it has much higher earnings. And as you know, Ray, the absolute level of debt doesn't mean anything in terms of one company versus another.

As I noted on the last call, GE has \$400 billion of debt and they're AAA-rated because they have enormous earnings and they're an enormous company. This company is a lot bigger, of course it has more debt and it makes a lot more money. What matters is the ability to service the debt. So anyway, a long way of saying the answer to your question is no, but you shouldn't take that to mean we're worried about it because -- I wish that was part of the process because we'd win that one too.

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RAY NEIDL - CALYON SECURITIES - ANALYST

Okay, that's good to hear. The other thing, though, is the Delta employees -- I'm sure the little badges they're wearing at the ticket counters and so forth seem pretty hostile to the takeover. Would that cause a potential problem if in fact there was a merger, trying to convince the employees that this was better for them?

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DOUG PARKER - US AIRWAYS GROUP - CHAIRMAN, CEO

What's going on now is we haven't had the opportunity to go communicate with the employees. It's very similar to what I just went through on the prior question with management. So what over time we would need -- we'd love to have the opportunity to go actually talk to the Delta employees and explain to them what it is we're trying to build which is a better airline for them, and I feel very good about our ability to do that.

We went through, not this publicly, but certainly went through similar issues as we put together US Airways and America West. We're on both sides. Airlines have pride in their company and feel very strongly about their company, and particularly in a business as competitive as ours has strong views about other airlines. But what we found out is there's a lot more in common than there were differences between the two cultures.

And when management explained to people that, look, we're just trying to get you a better place to work and get you part of a team that's more of a winning team it starts to come together. So we haven't had the luxury of doing that and we (technical difficulty) expect we should be able to. It's not appropriate yet, but at some point we will. So while it may be hard for people to see, I can see how we get there from here. But we're not there yet and that's one of the things that would happen over time.

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RAY NEIDL - CALYON SECURITIES - ANALYST

Okay, great. Thanks a lot.





