



Internal Memorandum

Date: February 27, 2004

To: All Delta Employees

From: M. Michele Burns, Executive Vice President and Chief Financial Officer

Subject: UPDATE ON DELTA'S PENSION PLANS

The status of Delta's pension plans continues to be a topic of interest to all of us. As I have done periodically over the past several years, I'd like to take this opportunity to update you on Delta's pension plans as well as provide some information that is intended to clarify some of the complex issues surrounding these plans.

As previously reported to you, in April, 2003, we announced that we made a contribution to the Delta Retirement Plan (formerly the Delta Family-Care Retirement Plan) in excess of the minimum funding requirement for that plan for calendar year 2003. I am pleased to tell you this extra contribution yielded positive results for both Delta and the plan.

Although the last twelve months have been among our most challenging and there is no question that more difficult times lay ahead, we remain committed to effectively managing all aspects of our pension plans. In that regard, yesterday we contributed \$321 million to the Delta Retirement Plan. This contribution, combined with an additional contribution of \$4 million earlier this year, brings Delta's 2004 contribution to the Delta Retirement Plan to \$325 million.

This contribution is above the minimum required contribution for the year. As a result of the positive benefits to both Delta and the plan participants, Delta elected, as we did last March, to voluntarily prefund the plan. Prefunding the plan provides Delta with more level plan contribution requirements in the near term. Additionally, putting more money in the plan than is required provides greater assets for payment of participant benefits and investment return, thus potentially adding an additional level of security to already earned benefits. At this time, we do not anticipate making any additional contributions to the Delta Retirement Plan during 2004.

Funding for the Delta Pilots Retirement Plan is determined separately. We plan to make required minimum contributions to the Delta Pilots Retirement Plan in 2004 of approximately \$115 million.

We continue to monitor the factors affecting the financial position of our pension plans and will make adjustments to our funding strategy, if and when it's warranted. Additionally, we

continue to closely monitor the legislative environment surrounding pension plans. The above actions do not lessen the need for Congress to promptly enact needed pension funding and interest rate relief contained in pending legislation.

In March, many of you will be receiving a copy of Delta's Annual Report. In the Annual Report, we will discuss the status of our pension plans as required by Generally Accepted Accounting Principles (GAAP). Among other things, GAAP dictates how a publicly held company must account for, and report on, its defined benefit pension plans. Although parallel in some respects, the numbers are separate and distinct from funding rules and measurements governed by ERISA. Some of the key differences are:

- GAAP measures assets and pension plan obligations at September 30 of each year. ERISA funding measurements are as of July 1 of each year.
- GAAP reporting is done on a consolidated basis - all Delta plans are combined and reported as one amount. ERISA funding requirements are calculated and contributions are made on a plan specific basis.
- The funded status reported annually under GAAP compares a projected benefit obligation (a greater amount than what participants have earned to date) to the current market value of assets. The funded status for ERISA purposes compares the obligation of benefits already earned to the assets.

The combined affect of these differences in methods can result in accounting measures showing a funding deficit much greater than the results of the funding rules alone. Both the Delta Pilots Retirement Plan and the Delta Retirement Plan are funded to at least 80 percent for ERISA current liability purposes as of July 1, 2003, the most recent ERISA funding measurement date. The funded status for ERISA purposes compares the obligation of benefits already earned to the assets of the plans.

As we move forward through this year, we all must continue to remain focused on our business and operational goals. Together, we can help Delta emerge from these difficult times with a thriving workforce, in a stronger financial position, and as an industry leader in customer satisfaction.



M. Michele Burns