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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

## FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-5424

## DELTA AIR LINES, INC.

(Exact name of registrant as specified in its charter)

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<tr>
<th>Delaware</th>
<th>58-0218548</th>
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<tbody>
<tr>
<td></td>
<td>(I.R.S. Employer Identification No.)</td>
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(State or other jurisdiction of incorporation or organization)

Post Office Box 20706
Atlanta, Georgia

(Address of principal executive offices)

30320-6001

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

<table>
<thead>
<tr>
<th>Title of each class</th>
<th>Name of each exchange on which registered</th>
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</thead>
<tbody>
<tr>
<td>Common Stock, par value $1.50 per share</td>
<td>New York Stock Exchange</td>
</tr>
<tr>
<td>Preferred Stock Purchase Rights</td>
<td>New York Stock Exchange</td>
</tr>
<tr>
<td>8 1/8% Notes Due July 1, 2039</td>
<td>New York Stock Exchange</td>
</tr>
</tbody>
</table>

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2003 was approximately $1.808 billion.

On March 1, 2004, there were outstanding 124,015,705 shares of the registrant’s common stock.

This document is also available on our website at http://investor.delta.com/edgar.cfm.

Documents Incorporated By Reference

Part III of this Form 10-K incorporates by reference certain information from the registrant’s definitive Proxy Statement for its Annual Meeting of Shareowners to be held on April 23, 2004.
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Forward-Looking Information

Statements in this Form 10-K (or otherwise made by us or on our behalf) which are not historical facts, including statements about our estimates, expectations, beliefs, intentions, projections or strategies for the future, may be “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. For examples of such risks and uncertainties, please see the cautionary statements contained in Item 1. “Business—Risk Factors Relating to the Airline Industry and Delta.” We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

Unless otherwise indicated, the terms “Delta,” the “Company,” “we,” “us,” and “our” refer to Delta Air Lines, Inc. and its subsidiaries.

PART I

ITEM 1. BUSINESS

General Description

We are a major air carrier that provides scheduled air transportation for passengers and cargo throughout the United States and around the world. As of March 1, 2004, we (including our wholly-owned subsidiaries, Atlantic Southeast Airlines, Inc. (“ASA”) and Comair, Inc. (“Comair”)) served 206 domestic cities in 47 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, as well as 48 cities in 32 countries. With our domestic and international codeshare partners, our route network covers 264 domestic cities in 47 states, and 230 cities in 84 countries. We are managed as a single business unit.

Based on calendar year 2003 data, we are the second-largest airline in terms of passengers carried, and the third-largest airline measured by operating revenues and revenue passenger miles flown. We are a leading U.S. transatlantic airline, serving the largest number of nonstop markets and offering the second-most daily flight departures. Among U.S. airlines, we have the second-most transatlantic passengers.

For the year ended December 31, 2003, passenger revenues accounted for 93% of our consolidated operating revenues, and cargo revenues and other sources accounted for 7% of our consolidated operating revenues. In 2003, our operations in North America, the Atlantic, Latin America and the Pacific accounted for 82%, 13%, 4% and 1%, respectively, of our consolidated operating revenues.
We are incorporated under the laws of the State of Delaware. Our principal executive offices are located at Hartsfield-Jackson Atlanta International Airport in Atlanta, Georgia (the “Atlanta Airport”). Our telephone number is (404) 715-2600, and our Internet address is www.delta.com.

General information about us, including our Corporate Governance Principles and the charters for the committees of our Board of Directors, can be found at www.delta.com/inside/investors/corp_info/corp_governance/index.jsp. Our Board of Directors has adopted a code of ethics entitled “Code of Ethics and Business Conduct,” which applies to all of our employees. Our Board of Directors has also adopted a separate “Code of Ethics and Business Conduct for the Board of Directors.” We will disclose amendments to and any waivers granted to officers or members of the Board of Directors under these codes promptly on our website. Copies of these codes can also be found at www.delta.com/inside/investors/corp_info/corp_governance/index.jsp. We will provide print copies of the Corporate Governance Principles, the committee charters and the Codes of Ethics and Business Conduct to any shareowner upon written request to Corporate Secretary, Delta Air Lines, Inc., Department 981, P.O. Box 20574, Atlanta, GA 30320-2574.

We make available free of charge on our website our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission. Information on our website is not incorporated into this Form 10-K or our other securities filings and is not a part of those filings.


Airline Operations

An important characteristic of our route network is our hub airports in Atlanta, Cincinnati, Dallas/Fort Worth and Salt Lake City. Each of these hub operations includes Delta flights that gather and distribute traffic from markets in the geographic region surrounding the hub to other major cities and to other Delta hubs. Our hub and spoke system also provides passengers with access to our principal international gateways in Atlanta and New York — John F. Kennedy International Airport (“JFK”). As briefly discussed below, other key characteristics of our route network include our alliances with foreign airlines; the Delta Connection Program; the Delta Shuttle; Song™, our low-fare service; and our marketing alliance with Continental Airlines, Inc. (“Continental”) and Northwest Airlines, Inc. (“Northwest”).

International Alliances. We have formed bilateral and multilateral marketing alliances with foreign airlines to improve our access to international markets. These arrangements can include codesharing, frequent flyer benefits, shared or reciprocal access to passenger lounges, joint promotions and other marketing agreements.
Our international codesharing agreements enable us to market and sell seats to an expanded number of international destinations. Under codesharing arrangements, we and the foreign carriers publish our respective airline designator codes on a single flight operation, thereby allowing us and the foreign carrier to offer joint service with one aircraft rather than operating separate services with two aircraft. These arrangements typically allow us to sell seats on the foreign carrier’s aircraft that are marketed under our “DL” designator code and permit the foreign airline to sell seats on our aircraft that are marketed under the foreign carrier’s two-letter designator code. As of March 1, 2004, we have codeshare arrangements in effect with Aerolitoral, Aeromexico, Air France (and certain of Air France’s affiliated carriers operating flights beyond Paris), Air Jamaica, Alitalia, Avianca, British European, China Airlines, China Southern, CSA Czech Airlines, El Al Israel Airlines, Korean Air, Royal Air Maroc and South African Airways.

Delta, Aeromexico, Air France, Alitalia, CSA Czech Airlines and Korean Air are members of the SkyTeam international airline alliance. SkyTeam links the route networks of the member airlines, providing opportunities for increased connecting traffic while offering enhanced customer service through mutual codesharing arrangements, reciprocal frequent flyer and lounge programs and coordinated cargo operations. In 2002, we, our European SkyTeam partners and Korean Air received limited antitrust immunity from the U.S. Department of Transportation (“DOT”). The grant of antitrust immunity enables us and our immunized partners to offer a more integrated route network, and develop common sales, marketing and discount programs for customers.

Delta Connection Program. The Delta Connection program is our regional carrier service, which feeds traffic to our route system through contracts with regional air carriers that operate flights serving passengers primarily in small and medium-sized cities. The program enables us to increase the number of flights in certain locations, to better match capacity with demand and to preserve our presence in smaller markets. Our Delta Connection network operates the largest number of regional jets in the United States.

We have contractual arrangements with six regional carriers to operate regional jet and turboprop aircraft using our “DL” code. ASA and Comair are our wholly-owned subsidiaries, which operate all of their flights under our code. We also have agreements with Atlantic Coast Airlines (“ACA”), SkyWest Airlines, Inc. (“SkyWest”), Chautauqua Airlines, Inc. (“Chautauqua”) and American Eagle Airlines, Inc. (“Eagle”), which operate some of their flights using our code. For information regarding our agreements with ACA, SkyWest and Chautauqua, see Note 9 of the Notes to the Consolidated Financial Statements.

Our contract with Eagle, which is limited to certain flights operated to and from the Los Angeles International Airport, as well as a portion of our SkyWest agreement, are structured as revenue proration agreements. These prorate arrangements establish a fixed dollar or percentage division of revenues for tickets sold to passengers traveling on connecting flight itineraries.

Delta Shuttle. The Delta Shuttle is our high frequency service targeted to Northeast business travelers. It provides nonstop, hourly service between New York - LaGuardia Airport.
Song. On April 15, 2003, we introduced a new low-fare operation, Song, that primarily offers flights between cities in the Northeastern United States, Los Angeles, Las Vegas and Florida leisure destinations. As of March 1, 2004, Song offered 144 daily flights using a fleet of 36 Boeing 757 aircraft. Song is intended to assist us in competing more effectively with low-cost carriers in leisure markets through a combination of larger aircraft, high frequency flights, advanced in-flight entertainment technology and innovative product offerings.

Delta-Continental-Northwest Marketing Alliance. We have entered into a marketing alliance with Continental and Northwest which includes mutual codesharing and reciprocal frequent flyer and airport lounge access arrangements. Our marketing relationship with Continental and Northwest is designed to permit the carriers to retain their separate identities and route networks while increasing the number of domestic and international connecting passengers using the three carriers’ route networks.

Regulatory Matters

The DOT and the Federal Aviation Administration (“FAA”) exercise regulatory authority over air transportation in the United States. The DOT has authority to issue certificates of public convenience and necessity required for airlines to provide domestic air transportation. An air carrier that the DOT finds “fit” to operate is given unrestricted authority to operate domestic air transportation (including the carriage of passengers and cargo). Except for constraints imposed by Essential Air Service regulations, which are applicable to certain small communities, airlines may terminate service to a city without restriction.

The DOT has jurisdiction over certain economic and consumer protection matters such as unfair or deceptive practices or methods of competition, advertising, denied boarding compensation, baggage liability and disabled passenger transportation. The DOT also has authority to review certain joint venture agreements between major carriers. The FAA has primary responsibility for matters relating to air carrier flight operations, including airline operating certificates, control of navigable air space, flight personnel, aircraft certification and maintenance, and other matters affecting air safety.

Authority to operate international routes and international codesharing arrangements are regulated by the DOT and by the foreign governments involved. International route awards are also subject to the approval of the President of the United States for conformance with national defense and foreign policy objectives.

The Transportation Security Administration, which became a division of the Department of Homeland Security on March 1, 2003, is responsible for certain civil aviation security matters, including passenger and baggage screening at U.S. airports.

We are also subject to various other federal, state, local and foreign laws and regulations. The Department of Justice ("DOJ") has jurisdiction over airline competition matters. The U.S.
Postal Service has authority over certain aspects of the transportation of mail. Labor relations in the airline industry are generally governed by the Railway Labor Act. Environmental matters are regulated by various federal, state, local and foreign governmental entities. Privacy of passenger and employee data is regulated by domestic and foreign laws that are not consistent in all countries in which we operate.

Fares and Rates

Airlines are permitted to set ticket prices in most domestic and international city pairs without governmental regulation, and the industry is characterized by significant price competition. Certain international fares and rates are subject to the jurisdiction of the DOT and the governments of the foreign countries involved. Most of our tickets are sold by travel agents, and fares are subject to commissions, overrides and discounts paid to travel agents, brokers and wholesalers.

Route Authority

Our flight operations are authorized by certificates of public convenience and necessity and, to a limited extent, by exemptions issued by the DOT. The requisite approvals of other governments for international operations are provided by bilateral agreements with, or permits or approvals issued by, foreign countries. Because international air transportation is governed by bilateral or other agreements between the United States and the foreign country or countries involved, changes in United States or foreign government aviation policies could result in the alteration or termination of such agreements, diminish the value of our international route authorities or otherwise affect our international operations. Bilateral agreements between the United States and various foreign countries served by us are subject to renegotiation from time to time.

Certain of our international route and codesharing authorities are subject to periodic renewal requirements. We request extension of these authorities when and as appropriate. While the DOT usually renews temporary authorities on routes where the authorized carrier is providing a reasonable level of service, there is no assurance of this result. Dormant route authority may not be renewed in some cases, especially where another U.S. carrier indicates a willingness to provide service.

Competition

We face significant competition with respect to routes, services and fares. Our domestic routes are subject to competition from both new and existing carriers, some of which have substantially lower costs than we do and provide service at lower fares to destinations served by us. We also compete with all-cargo carriers, charter airlines, regional jet operators and, particularly on our shorter routes, surface transportation.

The continuing growth of low-cost carriers, including Southwest Airlines Co. (“Southwest”), AirTran Airways, Inc. (“AirTran”) and JetBlue Airways Corporation (“JetBlue”), in the United States places significant competitive pressures on us and other network carriers.
Our ability to compete effectively with low-cost carriers and other airlines depends, in part, on our ability to achieve operating costs per available seat mile (“unit costs”) that are competitive with those carriers. Our unit costs are significantly higher than those of Southwest, AirTran and JetBlue and have gone from being among the lowest of the hub-and-spoke carriers to among the highest for the full year 2003. If we are not able to realign our cost structure to compete with that of other carriers, or if fare reductions are not offset by higher yields, our business, financial condition and operating results may be materially adversely affected.

International marketing alliances formed by domestic and foreign carriers, including the Star Alliance (among United Airlines, Inc. (“United”), Lufthansa German Airlines and others) and the oneworld alliance (among AMR Corporation (“American”), British Airways and others), have significantly increased competition in international markets. Through marketing and codesharing arrangements with U.S. carriers, foreign carriers have obtained access to interior U.S. passenger traffic. Similarly, U.S. carriers have increased their ability to sell international transportation such as transatlantic services to and beyond European cities through alliances with international carriers.

We regularly monitor competitive developments in the airline industry and evaluate our strategic alternatives. These strategic alternatives include, among other things, internal growth, codesharing arrangements, marketing alliances, joint ventures, and mergers and acquisitions. Our evaluations involve internal analysis and, where appropriate, discussions with third parties.

Airport Access

Operations at three major U.S. airports and certain foreign airports served by us are regulated by governmental entities through “slot” allocations. Each slot represents the authorization to land at, or take off from, the particular airport during a specified time period.

In the United States, the FAA currently regulates slot allocations at JFK and LaGuardia in New York and National in Washington, D.C. Our operations at those three airports generally require slot allocations. Under legislation enacted by Congress, slot rules will be phased out at JFK and LaGuardia by 2007.

We currently have sufficient slot authorizations to operate our existing flights, and have generally been able to obtain slots to expand our operations and to change our schedules. There is no assurance, however, that we will be able to obtain slots for these purposes in the future because, among other reasons, slot allocations are subject to changes in governmental policies.
Possible Legislation or DOT Regulation

A number of Congressional bills and proposed DOT regulations have been considered in recent years to address airline competition issues. Some of these proposals would require large airlines with major operations at certain airports to divest or make available to other airlines slots, gates, facilities and other assets at those airports. Other measures would limit the service or pricing responses of major carriers that appear to target new entrant airlines. In addition, concerns about airport congestion issues have caused the DOT and FAA to consider various proposals for access to certain airports, including "congestion-based" landing fees and programs that would withdraw slots from existing carriers and reallocate those slots (either by lottery or auction) to the highest bidder or to carriers with little or no current presence at such airports. These proposals, if enacted, could negatively impact our existing services and our ability to respond to competitive actions by other airlines.

Worldspan

In June 2003, we sold our equity interest in WORLDSPAN, L.P., which operates and markets a computer reservation system for the travel industry. For additional information concerning this sale, see Note 17 of the Notes to the Consolidated Financial Statements.

Orbitz

Orbitz, Inc. ("Orbitz") operates an online travel agency that offers travel services to consumers and business customers via the Internet. During December 2003, Orbitz completed its initial public offering and the founding airlines of Orbitz, including us, sold a portion of their Orbitz shares. As of March 1, 2004, we owned approximately 13% of Orbitz. American, Continental, Northwest and United also hold ownership interests in Orbitz. For additional information concerning our sale of a portion of our interest in Orbitz, see Note 17 of the Notes to the Consolidated Financial Statements.

Consumers use online travel agents for making reservations and purchasing airline tickets, hotel rooms, rental cars and travel-related products. The three largest online travel agents in the United States are Expedia, Travelocity and Orbitz. Online travel agents compete with one another, with airline websites, with traditional travel agents and with other travel service providers for travel-related reservations and bookings.
Our results of operations can be significantly impacted by changes in the price and availability of aircraft fuel. The following table shows our aircraft fuel consumption and costs for 2001–2003.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gallons Consumed (Millions)</th>
<th>Cost (Millions)</th>
<th>Average Price Per Gallon (1)</th>
<th>Percentage of Total Operating Expenses</th>
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<tbody>
<tr>
<td>2001</td>
<td>2,649</td>
<td>$1,817</td>
<td>68.60¢</td>
<td>12%</td>
</tr>
<tr>
<td>2002</td>
<td>2,514</td>
<td>1,683</td>
<td>66.94</td>
<td>12%</td>
</tr>
<tr>
<td>2003</td>
<td>2,370</td>
<td>1,938</td>
<td>81.78</td>
<td>14%</td>
</tr>
</tbody>
</table>

(1) Net of fuel hedge gains under our fuel hedging program.

Aircraft fuel expense increased 15% in 2003 compared to 2002. Total gallons consumed decreased 6% mainly due to capacity reductions. The average fuel price per gallon rose 22% to 81.78¢ as compared to 2002. Our fuel cost is shown net of fuel hedge gains of $152 million for 2003, $136 million for 2002 and $299 million for 2001. Approximately 65%, 56% and 58% of our aircraft fuel requirements were hedged during 2003, 2002 and 2001, respectively. In February 2004, we settled all of our fuel hedge contracts prior to their scheduled settlement dates. For more information concerning the settlement of our fuel hedge contracts, see Note 22 of the Notes to the Consolidated Financial Statements.

Our aircraft fuel purchase contracts do not provide material protection against price increases or assure the availability of our fuel supplies. We purchase most of our aircraft fuel from petroleum refiners under contracts that establish the price based on various market indices. We also purchase aircraft fuel on the spot market, from off-shore sources and under contracts that permit the refiners to set the price.

To attempt to reduce our exposure to changes in fuel prices, we periodically enter into heating and crude oil derivative contracts. Information regarding our fuel hedging program is set forth under Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Market Risks Associated with Financial Instruments—Aircraft Fuel Price Risk” and in Notes 3 and 4 of the Notes to the Consolidated Financial Statements.

Although we are currently able to obtain adequate supplies of aircraft fuel, it is impossible to predict the future availability or price of aircraft fuel. Political disruptions or wars involving oil-producing countries, changes in government policy concerning aircraft fuel production, transportation or marketing, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events may result in fuel supply shortages and fuel price increases in the future.
Employee Matters

Railway Labor Act. Our relations with labor unions in the United States are governed by the Railway Labor Act. Under the Railway Labor Act, a labor union seeking to represent an unrepresented craft or class of employees is required to file with the National Mediation Board ("NMB") an application alleging a representation dispute, along with authorization cards signed by at least 35% of the employees in that craft or class. The NMB then investigates the dispute and, if it finds the labor union has obtained a sufficient number of authorization cards, conducts an election to determine whether to certify the labor union as the collective bargaining representative of that craft or class. Under the NMB’s usual rules, a labor union will be certified as the representative of the employees in a craft or class only if more than 50% of those employees vote for union representation.

Under the Railway Labor Act, a collective bargaining agreement between an airline and a labor union does not expire, but instead becomes amendable as of a stated date. Either party may request the NMB to appoint a federal mediator to participate in the negotiations for a new or amended agreement. If no agreement is reached in mediation, the NMB may determine, at any time, that an impasse exists and offer binding arbitration. If either party rejects binding arbitration, a 30-day “cooling off” period begins. At the end of this 30-day period, the parties may engage in “self help,” unless the President of the United States appoints a Presidential Emergency Board (“PEB”) to investigate and report on the dispute. The appointment of a PEB maintains the “status quo” for an additional 60 days. If the parties do not reach agreement during this period, the parties may then engage in “self help.” “Self help” includes, among other things, a strike by the union or the imposition of proposed changes to the collective bargaining agreement by the airline. Congress and the President have the authority to prevent “self help” by enacting legislation which, among other things, imposes a settlement on the parties.

Collective Bargaining. At December 31, 2003, we had a total of approximately 70,600 full-time equivalent employees. Approximately 18% of these employees are represented by unions. The following table presents certain information concerning the union representation of our domestic employees.
ASA is in collective bargaining negotiations with the Air Line Pilots Association, International (“ALPA”), which represents ASA’s approximately 1,450 pilots and with the Association of Flight Attendants (“AFA”), which represents ASA’s approximately 800 flight attendants. The outcome of these collective bargaining negotiations cannot presently be determined.

Labor unions are engaged in organizing efforts to represent various groups of employees of us, ASA and Comair who are not represented for collective bargaining purposes. The outcome of these organizing efforts cannot presently be determined.

Pilot Furloughs. The collective bargaining agreement with ALPA, the union representing Delta’s pilots, generally provides that no pilot on the seniority list as of July 1, 2001 will be furloughed unless the furlough is caused by a circumstance beyond our control, as defined in that agreement. In April 2002, an arbitrator upheld our right to furlough up to 1,400 pilots on the basis that the September 11, 2001 terrorist attacks and the resulting reduction in passenger traffic constituted a circumstance beyond our control as set out in the collective bargaining agreement. The arbitrator retained jurisdiction over this matter to consider any issues that might arise regarding our plans to continue the furloughs, or our obligation to implement reasonable mechanisms for recalling furloughed pilots, if the conditions existing as of September 11, 2001 were ameliorated to an extent that exceeded our original expectations. On February 13, 2003, the arbitrator issued a supplemental opinion, ruling (1) that furloughs will be capped at 1,060, the number of pilots currently furloughed; (2) that we will not have to begin recalling any of the existing furloughed pilots until system traffic exceeds pre-September 11, 2001 levels; and (3) that the recall schedule will be subject to our training capacity. While this ruling will result in the retention of some pilots in excess of our needs, we believe the ruling will not have a material adverse effect on us.

<table>
<thead>
<tr>
<th>Employee Group</th>
<th>Approximate Number of Employees Represented</th>
<th>Union</th>
<th>Amendable Date of Collective Bargaining Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delta Pilots</td>
<td>7,170</td>
<td>Air Line Pilots Association, International</td>
<td>May 1, 2005</td>
</tr>
<tr>
<td>Delta Flight Superintendents</td>
<td>190</td>
<td>Professional Airline Flight Control Association</td>
<td>December 31, 2004</td>
</tr>
<tr>
<td>ASA Pilots</td>
<td>1,450</td>
<td>Air Line Pilots Association, International</td>
<td>September 15, 2002</td>
</tr>
<tr>
<td>ASA Flight Attendants</td>
<td>800</td>
<td>Association of Flight Attendants</td>
<td>September 26, 2002</td>
</tr>
<tr>
<td>ASA Flight Dispatchers</td>
<td>50</td>
<td>Professional Airline Flight Control Association</td>
<td>April 18, 2006</td>
</tr>
<tr>
<td>Comair Pilots</td>
<td>1,750</td>
<td>Air Line Pilots Association, International</td>
<td>May 21, 2006</td>
</tr>
<tr>
<td>Comair Maintenance Employees</td>
<td>440</td>
<td>International Association of Machinists and Aerospace Workers</td>
<td>May 31, 2004</td>
</tr>
<tr>
<td>Comair Flight Attendants</td>
<td>980</td>
<td>International Brotherhood of Teamsters</td>
<td>July 19, 2007</td>
</tr>
</tbody>
</table>

ASA is in collective bargaining negotiations with the Air Line Pilots Association, International (“ALPA”), which represents ASA’s approximately 1,450 pilots and with the Association of Flight Attendants (“AFA”), which represents ASA’s approximately 800 flight attendants. The outcome of these collective bargaining negotiations cannot presently be determined.
Environmental Matters

The Airport Noise and Capacity Act of 1990 (the “ANCA”) recognizes the rights of operators of airports with noise problems to implement local noise abatement programs so long as such programs do not interfere unreasonably with interstate or foreign commerce or the national air transportation system. It generally provides that local noise restrictions on Stage 3 aircraft first effective after October 1, 1990, require FAA approval. While we have had sufficient scheduling flexibility to accommodate local noise restrictions in the past, our operations could be adversely impacted if locally-imposed regulations become more restrictive or widespread.

On December 1, 2003, the FAA published a Notice of Proposed Rulemaking (“NPRM”) to adopt the International Civil Aviation Organization’s (“ICAO”) Chapter 4 noise standard, which is known as the Stage 4 standard in the United States. This standard would require that all new commercial jet aircraft designs certified on or after January 1, 2006 be at least ten decibels quieter than the existing Stage 3 noise standard requires. This new standard would not apply to existing aircraft or to the continued production of aircraft types already certified. Comments on the NPRM are due on March 1, 2004. All new aircraft that we have on order will meet the proposed Stage 4 standard. Accordingly, the proposed rule is not expected to have any significant impact on us, and we and the U.S. airline industry are likely to support the adoption of the NPRM.

The United States Environmental Protection Agency (the “EPA”) is authorized to regulate aircraft emissions. Our aircraft comply with the applicable EPA standards. The EPA has issued a notice of proposed rulemaking to adopt the emissions control standards for aircraft engines previously adopted by the ICAO. These standards would apply to newly designed engines certified after December 31, 2003 and would align the U.S. aircraft engine emission standards with existing international standards. The rule, as proposed, is not expected to have a material impact on us.

Air carriers, the EPA, the FAA and local and state regulators are evaluating potential options for emission reductions from airport activities, including aircraft engine emissions reductions and alternative-fueled ground service equipment, but no conclusion or agreement has been reached. Additionally, we have agreed to reduce emissions at certain airports by utilizing alternative-fueled ground service equipment.

In April 2001, Miami-Dade County filed a lawsuit, which is titled Miami-Dade County, Florida v. Advance Cargo Services, Inc., et al., in Florida Circuit Court against 17 defendants, including us, alleging responsibility for past and future environmental cleanup costs and civil penalties for environmental conditions at Miami International Airport. The County also provided notice to over 200 other potentially responsible parties seeking to recover past and future cleanup costs. The County is continuing to investigate and remediate various environmental conditions at the airport. At this time, it is not possible to reasonably estimate our potential exposure in this matter due to a number of issues, including uncertainties regarding the contamination at the airport, the extent of remediation required and the County’s potential recovery from responsible parties. We are vigorously defending the lawsuit.
We have been identified by the EPA as a potentially responsible party (a “PRP”) with respect to certain Superfund Sites, and have entered into consent decrees regarding some of these sites. Our alleged disposal volume at each of these sites is small when compared to the total contributions of all PRPs at each site. We are aware of soil and/or ground water contamination present on our current or former leaseholds at several domestic airports. To address this contamination, we have a program in place to investigate and, if appropriate, remediate these sites. Although the ultimate outcome of these matters cannot be predicted with certainty, management believes that the resolution of these matters will not have a material adverse effect on our Consolidated Financial Statements.

Frequent Flyer Program

We have a frequent flyer program, the SkyMiles® program, offering incentives to increase travel on Delta. This program allows participants to earn mileage for travel awards by flying on Delta, Delta Connection carriers and participating airlines. Mileage credit may also be earned by using certain services offered by program partners such as credit card companies, hotels, car rental agencies, telecommunication services and internet services. In addition, we have programs under which individuals and companies may purchase mileage credits. We reserve the right to terminate the program with six months advance notice, and to change the program’s terms and conditions at any time without notice.

Mileage credits can be redeemed for free or upgraded air travel on Delta and participating airline partners, for membership in our Crown Room Club and for other program partner awards. Travel awards are subject to certain transfer restrictions and capacity-controlled seating. In some cases, blackout dates may apply. Miles earned prior to May 1, 1995 do not expire so long as we have a frequent flyer program. Miles earned or purchased on or after May 1, 1995 will not expire as long as, at least once every three years, the participant (1) takes a qualifying flight on Delta or a Delta Connection carrier; (2) earns miles through one of our program partners; or (3) redeems miles for any program award.

We account for our frequent flyer program obligations by recording a liability for the estimated incremental cost of travel awards we expect to be redeemed. The estimated incremental cost associated with a travel award does not include any contribution to overhead or profit. Such incremental cost is based on our system average cost per passenger for fuel, food and other direct passenger costs. We do not record a liability for mileage earned by participants who have not reached the level to become eligible for a free travel award. We believe this is appropriate because the large majority of these participants are not expected to earn a travel award. We do not record a liability for the expected redemption of miles for non-travel awards since the cost of these awards to us is negligible.

We estimated the potential number of round-trip travel awards outstanding under our frequent flyer program to be 14.3 million, 13.7 million and 13.1 million at December 31, 2003, 2002 and 2001, respectively. Of these travel awards, we expected that approximately 10.4 million, 10.0 million and 9.6 million, respectively, would be redeemed. At December 31, 2003, 2002 and 2001, we had recorded a liability for these awards of $229 million, $228 million and $226 million, respectively. The difference between the round-trip awards outstanding and the
awards expected to be redeemed is the estimate, based on historical data, of awards which will (1) never be redeemed; or (2) be redeemed for something other than award travel.

Frequent flyer program participants flew 2.8 million, 2.8 million and 2.4 million award round-trips on Delta in 2003, 2002 and 2001, respectively. These round-trips accounted for approximately 9%, 9% and 8% of the total passenger miles flown for 2003, 2002 and 2001, respectively. We believe that the relatively low percentage of passenger miles flown by SkyMiles members traveling on program awards and the restrictions applied to travel awards minimize the displacement of revenue passengers.

Civil Reserve Air Fleet Program

We participate in the Civil Reserve Air Fleet (“CRAF”) program, which permits the U.S. military to use the aircraft and crew resources of participating U.S. airlines during airlift emergencies, national emergencies or times of war. We have agreed to make available under the CRAF program, during the period October 1, 2003 through September 30, 2004, up to 100% of our international range aircraft. As of March 1, 2004, the following numbers of our aircraft are available for CRAF activation:

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description of Event Leading to Activation</th>
<th>Number of International Passenger Aircraft Allocated</th>
<th>Number of Aeromedical Aircraft Allocated</th>
<th>Total Aircraft by Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Minor Crisis</td>
<td>5</td>
<td>Not Applicable</td>
<td>5</td>
</tr>
<tr>
<td>II</td>
<td>Major Theater Conflict</td>
<td>10</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>III</td>
<td>Total National Mobilization</td>
<td>23</td>
<td>35</td>
<td>58</td>
</tr>
</tbody>
</table>

The CRAF program has only been activated twice, both times at the Stage I level, since it was created in 1951.

Executive Officers of the Registrant

Certain information concerning our executive officers follows. Unless otherwise indicated, all positions shown are with Delta. There are no family relationships between any of our executive officers. Delta announced on March 12, 2004 that President and Chief Operating Officer Frederick W. Reid will retire from the company effective April 1, 2004.

Gerald Grinstein Chief Executive Officer, January 2004 to date. Mr. Grinstein was non-executive Chairman of the Board of Agilent Technologies from August 1999 to November 2002. He served
as non-executive Chairman of our Board of Directors from August 1997 to October 1999. Mr. Grinstein was Chairman of Burlington Northern Santa Fe Corporation (successor to Burlington Northern Inc.) from September 1995 until his retirement in December 1995; an executive officer of Burlington Northern Inc. and certain affiliated companies from April 1987 through September 1995; and Chief Executive Officer of Western Air Lines, Inc. from 1985 through March 1987. Age 71.

Leo F. Mullin
Chairman of the Board, January 2004 to date; Chairman of the Board and Chief Executive Officer, January 2000 to December 2003; Chairman of the Board, President and Chief Executive Officer, October 1999 to January 2000; President and Chief Executive Officer, August 1997 to October 1999. Mr. Mullin was Vice Chairman of Unicom Corporation and its principal subsidiary, Commonwealth Edison Company, from 1995 to August 1997. He was an executive of First Chicago Corporation from 1981 to 1995, serving as that company’s President and Chief Operating Officer from 1993 to 1995. Age 61.

Frederick W. Reid
President and Chief Operating Officer, May 2001 to date; Executive Vice President and Chief Marketing Officer, July 1998 to May 2001. Mr. Reid was an executive of Lufthansa German Airlines from 1991 to June 1998, serving as President and Chief Operating Officer from April 1997 to June 1998, as Executive Vice President from 1996 to March 1997, and as Senior Vice President, The Americas, from 1991 to 1996. Age 53.

M. Michele Burns
Executive Vice President and Chief Financial Officer, August 2000 to date; Senior Vice President — Finance and Treasurer, February 2000 to August 2000; Vice President - Finance and Treasurer, September 1999 to February 2000; Vice President — Corporate Tax, January 1999 to September 1999. Ms. Burns was a partner at Arthur Andersen LLP from 1991 to January 1999. Age 46.

Robert L. Colman
Executive Vice President — Human Resources, October 1998 to date. Mr. Colman was an executive of General Electric Corporation from October 1993 to October 1998, serving as Vice President — Human Resources for General Electric Aircraft Engines Business. Age 58.
The airline industry has changed fundamentally since the terrorist attacks on September 11, 2001, and our business, financial condition and operating results have been materially adversely affected.

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

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

Since September 11, 2001, several air carriers have sought to reorganize under Chapter 11 of the Bankruptcy Code, including United, the second-largest U.S. air carrier, U.S. Airways Group, Inc. (“U.S. Airways”), the seventh-largest U.S. air carrier, and several smaller competitors. Since filing for Chapter 11 on August 11, 2002, U.S. Airways has emerged from bankruptcy, but has recently announced that it is seeking additional cost concessions from its unions. Additionally, American has recently restructured certain labor costs and lowered its operating cost base. These reorganizations or restructurings have enabled these competitors to significantly lower their operating costs. Our unit costs have gone from being among the lowest of the hub and spoke carriers to among the highest for the full year 2003.
The airline industry is highly competitive, and if we cannot successfully compete in the marketplace, our business, financial condition and operating results may be materially adversely affected.

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

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

We reported a net loss of $773 million for the year ended December 31, 2003, or $6.40 basic and diluted loss per common share, compared to a net loss of $1.3 billion for the year ended December 31, 2002, or $10.44 basic and diluted loss per common share. We have recorded a substantial net loss for three consecutive years. Our revenue and cost challenges are expected to continue for the immediate term, and we expect to report a net loss of approximately $400 million for the March 2004 quarter. We do not expect significant improvement in the revenue environment in 2004 and expect significant cost pressures related to aircraft fuel, pension and interest expenses to continue.

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

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

Our business is highly dependent on our ability to access the capital markets. Our access to, and our costs of borrowing in, these markets depend on our credit ratings. Since September 11, 2001, our issuer credit ratings have been lowered to B3 by Moody’s Investors Service, Inc. (“Moody’s”), to B+ by Standard & Poor’s Rating Services (“S&P”) and to B by Fitch Ratings (“Fitch”). Our senior unsecured long-term debt is rated Caa2 by Moody’s, B- by S&P and B by Fitch. S&P and Fitch have each stated that their ratings outlook for our senior unsecured debt is negative, while Moody’s has stated that its ratings outlook is stable. Our credit ratings may be lowered further or withdrawn. While we do not have debt obligations that accelerate as a result of

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a credit ratings downgrade, our credit ratings have negatively impacted our ability to issue unsecured debt, renew outstanding letters of credit that back certain of our obligations and obtain certain financial instruments that we use in our fuel hedging program. Our credit ratings have also increased the cost of our financing transactions and the amount of collateral required for certain financial instruments, insurance coverage and vendor agreements. To the extent we are unable to access the capital markets, or our financing costs continue to increase, including as a result of further credit ratings downgrades, our business, financial condition and operating results would be materially adversely impacted.

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

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

Estimates of the amount and timing of our future funding obligations for the pension plans are based on various assumptions. These include assumptions concerning, among other things, the actual and projected market performance of the pension plan assets; 30-year U.S. treasury bond yields; statutory requirements; and demographic data for pension plan participants. The amount and timing of our future funding obligations also depend on whether we elect to make contributions to the pension plans in excess of those required under ERISA; such voluntary contributions may reduce or defer the funding obligations we would have absent those contributions.

Our estimated pension funding of approximately $440 million for 2004 includes (1) a voluntary contribution of $325 million to our non-pilot pension plan, the majority of which we made in February 2004; and (2) required contributions totaling approximately $115 million which we will make to our pilot pension plan during the year. Our anticipated funding obligations under our pension plans for 2005 and thereafter cannot be reasonably estimated at this time because these estimates vary materially depending on the assumptions used to determine them and whether we make contributions in excess of those required. Nevertheless, we presently expect that our funding obligations under our pension plans in each of the years from 2005 through 2008 will be significant and could have a material adverse impact on our liquidity.

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

We have now and will continue to have a significant amount of indebtedness and other obligations. As of December 31, 2003, we had approximately $12.6 billion of total consolidated indebtedness, including capital leases. We also have minimum rental commitments with a present value of approximately $8 billion under noncancelable operating leases with initial or remaining terms in excess of one year. Our substantial indebtedness and other obligations could negatively impact our operations in the future. For example, it could:
We have significant debt obligations maturing in the near term (approximately $1.0 billion in 2004 and $1.2 billion in 2005, as adjusted for certain refinancings of regional jet aircraft subsequent to December 31, 2003), as well as substantial pension funding obligations. We expect to meet our obligations as they come due through available cash and cash equivalents, investments, internally generated funds and borrowings. We do not have any existing undrawn lines of credit. However, we have available to us long-term secured financing commitments that we may use only to finance a substantial portion of regional jet aircraft delivered to us through 2004. While we believe that new financing will be available to us, access to such financing cannot be assured given the existing business environment and the composition of our currently available unencumbered assets. Most of our owned aircraft are encumbered and those that are not are less attractive to lenders because they are not eligible for mortgage financing under Section 1110 of the U.S. Bankruptcy Code, are older aircraft types and/or are aircraft types which are no longer manufactured. Failure to obtain new financing could have a material adverse effect on our liquidity.

Interruptions or disruptions in service at one of our hub airports could have a material adverse impact on our operations.

Our business is heavily dependent on our operations at the Atlanta Airport and at our other hub airports in Cincinnati, Dallas/Fort Worth and Salt Lake City. Each of these hub operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub to other major cities and to other Delta hubs. A significant interruption or disruption in service at the Atlanta Airport or at one of our other hubs could have a serious impact on our business, financial condition and operating results.

We are increasingly dependent on technology in our operations, and if our technology fails or we are unable to continue to invest in new technology, our business may be adversely affected.

We are increasingly dependent on technology initiatives to reduce costs and to enhance customer service in order to compete in the current business environment. For example, we have
made significant investments in check-in kiosks, Delta Direct phone banks and related initiatives across the system. The performance and reliability of our technology is critical to our ability to attract and retain customers and our ability to compete effectively. In this challenging business environment, we may not be able to continue to make sufficient capital investments in our technology infrastructure to deliver these expected benefits.

In addition, any internal technology error or failure, or large scale external interruption in technology infrastructure we depend on, such as power, telecommunications or internet, may disrupt our technology network. Any individual, sustained or repeated failure of our technology could impact our customer service and result in increased costs. Like all companies, our technology systems may be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly.

The airline industry is subject to extensive government regulation, and new regulations may increase our operating costs.

Airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs. For instance, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that necessitate significant expenditures. We expect to continue incurring expenses to comply with the FAA’s regulations.

Other laws, regulations, taxes and airport rates and charges have also been imposed from time to time that significantly increase the cost of airline operations or reduce revenues. For example, the Aviation and Transportation Security Act, which became law in November 2001, mandates the federalization of certain airport security procedures and imposes additional security requirements on airports and airlines, most of which are funded by a per-ticket tax on passengers and a tax on airlines. Due to the weak demand and revenue environment, this action has negatively impacted our revenues because we have not been able to increase our fares to pass these fees on to our customers.

Furthermore, we and other U.S. carriers are subject to domestic and foreign laws regarding privacy of passenger and employee data that are not consistent in all countries in which we operate. In addition to the heightened level of concern regarding privacy of passenger data in the United States, certain European government agencies are initiating inquiries into airline privacy practices. Compliance with these regulatory regimes is expected to result in additional operating costs and could impact our operations and any future expansion.

Our insurance costs have increased substantially as a result of the September 11 terrorist attacks, and further increases in insurance costs or reductions in coverage could have a material adverse impact on our business and operating results.

As a result of the terrorist attacks on September 11, 2001, aviation insurers significantly reduced the maximum amount of insurance coverage available to commercial air carriers for
liability to persons (other than employees or passengers) for claims resulting from acts of terrorism, war or similar events. At the same time, aviation insurers significantly increased the premiums for such coverage and for aviation insurance in general. The U.S. government is providing U.S. airlines with war-risk insurance to cover losses to passengers, third parties (ground damage) and the aircraft hull. This coverage extends through August 2004 (with a possible extension to December 31, 2004 at the discretion of the Secretary of Transportation), but the coverage may not be extended beyond that time. We expect that if the U.S. government fails to renew the war-risk insurance that it provides, we will be required to replace such coverage commercially or consider other alternatives. There can be no assurance that such commercially provided war-risk insurance coverage will be adequate to protect our risk of loss from future acts of terrorism or will be provided on terms that will not have a material adverse impact on our financial condition and operating results.

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

Our operating results can be significantly impacted by changes in the availability or price of aircraft fuel. Fuel prices increased substantially in 2003, when our average fuel price per gallon rose 22% to approximately 81.78¢ as compared to 2002. Our fuel costs represented 14%, 12% and 12% of our operating expenses in 2003, 2002 and 2001, respectively. Due to the competitive nature of the airline industry, we may not be able to pass on any increases in fuel prices to our customers by increasing our fares. Furthermore, the impact of lower aircraft fuel prices could be offset by increased price competition, and a resulting decrease in revenues, for all air carriers.

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

Although we are currently able to obtain adequate supplies of aircraft fuel, it is impossible to predict the future availability or price of aircraft fuel. Political disruptions or wars involving oil-producing countries, changes in government policy concerning aircraft fuel production, transportation or marketing, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events may result in fuel supply shortages and fuel price increases in the future.
If we experience a significant loss of our senior management and other key employees, our operating results could be adversely affected, and we may not be able to attract and retain additional qualified management personnel.

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

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

Our business is labor intensive, requiring large numbers of pilots, flight attendants, mechanics and other personnel. Approximately 18% of our workforce is unionized. Strikes or labor disputes with our and our affiliates’ unionized employees may adversely affect our ability to conduct our business. Relations between air carriers and labor unions in the United States are governed by the Railway Labor Act, which provides that a collective bargaining agreement between an airline and a labor union does not expire, but instead becomes amendable as of a stated date. Our collective bargaining agreement with ALPA, which represents our pilots, becomes amendable on May 1, 2005. Our wholly-owned subsidiary, ASA, is in collective bargaining negotiations with ALPA, which represents ASA’s pilots, and with AFA, which represents ASA’s flight attendants. The outcome of these collective bargaining negotiations cannot presently be determined. In addition to the ASA negotiations, if we or our affiliates are unable to reach agreement with any of our unionized work groups on future negotiations regarding the terms of their collective bargaining agreements, or if additional segments of our workforce become unionized, we may be subject to work interruptions or stoppages.

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

We are involved in legal proceedings relating to antitrust matters, employment practices, environmental issues and other matters concerning our business. We are also a defendant in numerous lawsuits arising out of the terrorist attacks of September 11, 2001. It appears that the plaintiffs in these September 11 actions are alleging that we and many other air carriers are jointly liable for damages resulting from the terrorist attacks based on a theory of shared responsibility for passenger security screening at Logan, Washington Dulles International Airport (“Dulles”) and Newark Liberty International Airport (“Newark”). These lawsuits, which are in preliminary stages, generally seek unspecified damages, including punitive damages. Although federal law limits the financial liability of any air carrier for compensatory and punitive damages arising out of the September 11 terrorist attacks to no more than the limits of liability insurance coverage maintained by the air carrier, it is possible that we may be required to pay damages in the event of our insurer’s insolvency or otherwise. While we cannot reasonably estimate the potential loss for certain of our legal proceedings because, for example, the litigation is in its early stages or the plaintiff does not specify damages being sought, if the outcome of any significant litigation is adverse to us, our financial condition and operating results could be materially adversely impacted.
The SARS outbreak significantly impacted the airline industry, and future disease outbreaks could materially adversely impact our business and operating results.

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

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

If one of our aircraft were to crash or be involved in an accident, we could be exposed to significant tort liability. The insurance we carry to cover damages arising from any future accidents may be inadequate. In the event that our insurance is not adequate, we may be forced to bear substantial losses from an accident. In addition, any accident involving an aircraft that we operate or an airline that is one of our codeshare partners could create a public perception that our aircraft are not safe or reliable, which could harm our reputation, result in air travelers being reluctant to fly on our aircraft and harm our business.

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

In general, demand for air travel is typically higher in the June and September quarters, particularly in international markets, because there is more vacation travel during these periods than during the remainder of the year. Demand for air travel is also affected by factors such as economic conditions, war or the threat of war, fare levels and weather conditions. In addition, demand for air travel at particular airlines may be impacted from time to time by, among other things, actual or threatened disruptions to operations due to labor issues. Due to these and other factors, operating results for an interim period are not necessarily indicative of operating results for an entire year, and operating results for a historical period are not necessarily indicative of operating results for a future period.
ITEM 2. PROPERTIES

Flight Equipment

The table set forth below shows our aircraft fleet at December 31, 2003.

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Owned</th>
<th>Capital Lease</th>
<th>Operating Lease</th>
<th>Total</th>
<th>Average Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-737-200</td>
<td>6</td>
<td>36</td>
<td>10</td>
<td>52</td>
<td>18.8</td>
</tr>
<tr>
<td>B-737-300</td>
<td>—</td>
<td>—</td>
<td>26</td>
<td>26</td>
<td>17.1</td>
</tr>
<tr>
<td>B-737-800</td>
<td>71</td>
<td>—</td>
<td>—</td>
<td>71</td>
<td>3.2</td>
</tr>
<tr>
<td>B-757-200</td>
<td>77</td>
<td>3</td>
<td>41</td>
<td>121</td>
<td>12.3</td>
</tr>
<tr>
<td>B-767-200</td>
<td>15</td>
<td>—</td>
<td>—</td>
<td>15</td>
<td>20.6</td>
</tr>
<tr>
<td>B-767-300</td>
<td>4</td>
<td>—</td>
<td>24</td>
<td>28</td>
<td>13.9</td>
</tr>
<tr>
<td>B-767-300ER</td>
<td>51</td>
<td>—</td>
<td>8</td>
<td>59</td>
<td>7.9</td>
</tr>
<tr>
<td>B-767-400</td>
<td>21</td>
<td>—</td>
<td>—</td>
<td>21</td>
<td>2.8</td>
</tr>
<tr>
<td>B-777-200</td>
<td>8</td>
<td>—</td>
<td>—</td>
<td>8</td>
<td>3.9</td>
</tr>
<tr>
<td>MD-11</td>
<td>8</td>
<td>—</td>
<td>5</td>
<td>13</td>
<td>9.7</td>
</tr>
<tr>
<td>MD-88</td>
<td>63</td>
<td>—</td>
<td>57</td>
<td>120</td>
<td>13.5</td>
</tr>
<tr>
<td>MD-90</td>
<td>16</td>
<td>—</td>
<td>—</td>
<td>16</td>
<td>8.1</td>
</tr>
<tr>
<td>ATR-72</td>
<td>4</td>
<td>—</td>
<td>15</td>
<td>19</td>
<td>9.5</td>
</tr>
<tr>
<td>CRJ-100/200</td>
<td>106</td>
<td>—</td>
<td>123</td>
<td>229</td>
<td>4.2</td>
</tr>
<tr>
<td>CRJ-700</td>
<td>35</td>
<td>—</td>
<td>—</td>
<td>35</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>485</td>
<td>39</td>
<td>309</td>
<td>833</td>
<td></td>
</tr>
</tbody>
</table>

Our purchase commitments (firm orders) for aircraft, as well as options to purchase additional aircraft, as of December 31, 2003, are shown below.

<table>
<thead>
<tr>
<th>Aircraft on Firm Order</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>After 2007</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-737-800</td>
<td>—</td>
<td>18(1)</td>
<td>19</td>
<td>23</td>
<td>1</td>
<td>61</td>
</tr>
<tr>
<td>B-777-200</td>
<td>—</td>
<td>2</td>
<td>3</td>
<td>—</td>
<td>—</td>
<td>5</td>
</tr>
<tr>
<td>CRJ-700</td>
<td>23</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23</td>
<td>20</td>
<td>22</td>
<td>23</td>
<td>1</td>
<td>89</td>
</tr>
</tbody>
</table>

(1) In October 2003, we entered into a definitive agreement with a third party to sell 11 B-737-800 aircraft immediately after those aircraft are delivered to us by the manufacturer in 2005. These 11 B-737-800 aircraft are included in the above table because we continue to have a contractual obligation to purchase these aircraft from the manufacturer. For additional information about our sale agreement, see Note 9 of the Notes to the Consolidated Financial Statements.
Aircraft options have scheduled delivery slots, while rolling options replace options and are assigned delivery slots as options expire or are exercised.

On October 16, 2003, Boeing announced that it will discontinue production of 757 model aircraft at the end of 2004. We are discussing with Boeing the implications of this announcement on our options and rolling options for 757 aircraft after 2004.

While our agreement with the manufacturer enables us to exercise the options indicated in this table, our collective bargaining agreement with ALPA limits the number of jet aircraft certificated for operation with between 51 and 70 seats that may be operated by other U.S. Carriers (including ASA and Comair) using the Delta flight code. This limit is currently 58 aircraft but potentially could increase in the future depending on certain factors related to the extent of flying performed by Delta pilots. Based on our current fleet and block hour plans, we will reach the current limit by the end of 2004 and we are unable to predict when or if that limit will increase.

Our long-term agreement with The Boeing Company (“Boeing”) covers firm orders, options and rolling options for certain aircraft through calendar year 2017. This agreement supports our plan for disciplined growth, aircraft rationalization and fleet replacement. It also gives us certain flexibility to adjust scheduled aircraft deliveries and to substitute between aircraft models and aircraft types. The majority of the aircraft under firm order from Boeing will be used to replace older aircraft.

In October 2003, we entered into a definitive agreement to sell 11 B-737-800 aircraft to a third party immediately after those aircraft are delivered to us by the manufacturer in 2005. As of December 31, 2003, we had deferred delivery of one B-737-800 aircraft, and plan to exercise our right to defer delivery of an additional seven B-737-800 aircraft scheduled for delivery in 2005, until 2008. In February 2004, we announced our intention to seek to sell two B-777-200 aircraft scheduled for delivery in 2005. In conjunction with this announcement, we also disclosed our intention to either acquire other Boeing aircraft in place of the three B-777-200 aircraft scheduled for delivery in 2006 or to attempt to sell these three aircraft. We have no scheduled mainline aircraft deliveries in 2004.

Our long-term plan is to reduce our mainline aircraft fleet to three family types. We believe fleet standardization will improve reliability and produce long-term cost savings. Consistent with this plan, we retired our last B-727 aircraft in April 2003. Due to weak traffic, we temporarily grounded the entire MD-11 fleet by the end of January 2004. As a result of these actions, beginning in 2004, we will operate a mainline fleet composed entirely of two-pilot, two-engine aircraft.

Our fleet at December 31, 2003 includes the following 23 aircraft which have been temporarily grounded: 13 MD-11, five B-767-200, four B-737-200 and one B-767-300ER (included in our fleet table). Other fleet activity included the conversion of 36 B-757-200 aircraft from mainline to Song configuration, and the sublease of two MD-11 aircraft to World Airways (these two aircraft are excluded from our fleet table).
Our regional jet operations offer service to small and medium-sized cities and enable us to supplement mainline frequencies and service to larger cities. In 2000, our wholly-owned subsidiaries, ASA and Comair, entered into agreements with Bombardier, Inc. to purchase a total of 94 Canadair Regional Jet (“CRJ”) aircraft, including 69 CRJ-200 aircraft with a mix of 40 and 50 seats, and 25 CRJ-700 aircraft with 70 seats. ASA and Comair also received options to purchase 406 CRJ aircraft through 2010. At December 31 2003, all 69 CRJ-200 aircraft have been delivered. During 2004, all remaining firm CRJ-700 aircraft are scheduled for delivery.

On February 27, 2004, we entered into an agreement to purchase 32 CRJ-200 aircraft to be delivered in 2005. In conjunction with this agreement, we entered into a facility with a third party to finance, on a secured basis at the time of acquisition, the future deliveries of these regional jet aircraft. Borrowings under this facility (1) will be due in installments for 15 years after the date of borrowing and (2) bear interest at LIBOR plus a margin.

ASA retired its last EMB-120 turbo prop aircraft in August 2003. ASA continues to operate ATR-72 turbo prop aircraft, while Comair operates an all-jet fleet.

Ground Facilities

We lease most of the land and buildings that we occupy. Our largest aircraft maintenance base; various computer, cargo, flight kitchen and training facilities; and most of our principal offices are located at or near the Atlanta Airport, on land leased from the City of Atlanta generally under long-term leases. We own a portion of our principal offices, our Atlanta reservations center and other real property in Atlanta, as well as a limited number of radio transmitting and receiving sites and certain other facilities.

We lease ticket counter and other terminal space, operating areas and air cargo facilities in most of the airports that we serve. These leases generally run for periods of less than one year to thirty years or more, and often contain provisions for periodic adjustments of lease rates. At most airports that we serve, we have entered into use agreements which provide for the non-exclusive use of runways, taxiways, and other facilities; landing fees under these agreements normally are based on the number of landings and weight of aircraft. We also lease aircraft maintenance facilities at certain airports; these leases generally require us to pay the cost of providing, operating and maintaining such facilities. In addition to our Atlanta maintenance base, our other major aircraft maintenance facilities are located at Cincinnati/Northern Kentucky International Airport, Dallas/Fort Worth International Airport and Salt Lake City International Airport. We lease marketing, ticket and reservations offices in certain major cities that we serve; these leases are generally for shorter terms than the airport leases. Additional information relating to our ground facilities is set forth in Note 7 of the Notes to the Consolidated Financial Statements.

In recent years, some airports have increased or sought to increase the rates charged to airlines to levels that we believe are unreasonable. The extent to which such charges are limited by statute or regulation and the ability of airlines to contest such charges has been subject to litigation and to administrative proceedings before the DOT. If the limitations on such charges

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The City of Atlanta, with the support of us and other airlines, has begun a ten year capital improvement program (the “CIP”) at the Atlanta Airport. Implementation of the CIP should increase the number of flights that may operate at the airport and reduce flight delays. The CIP includes, among other things, a new approximately 9,000 foot full-service runway (targeted for completion in May 2006), related airfield improvements, additional terminal and gate capacity, new cargo and other support facilities and roadway and other infrastructure improvements. If fully implemented, the CIP is currently estimated by the City of Atlanta to cost approximately $6.8 billion, which exceeds the $5.4 billion CIP approved by the airlines in 1999. The CIP runs through 2010, with individual projects scheduled to be constructed at different times. A combination of federal grants, passenger facility charge revenues, increased user rentals and fees, and other airport funds are expected to be used to pay CIP costs directly and through the payment of debt service on bonds. Certain elements of the CIP have been delayed, and there is no assurance that the CIP will be fully implemented. Failure to implement certain portions of the CIP in a timely manner could adversely impact our operations at the Atlanta Airport.

During 2001, we entered into lease and financing agreements with the Massachusetts Port Authority (“Massport”) for the redevelopment and expansion of Terminal A at Logan. The completion of this project will enable us to consolidate all of our domestic operations at that airport into one location. Construction began in the June 2002 quarter and is scheduled to be completed during 2005. Project costs will be funded with $498 million in proceeds from Special Facilities Revenue Bonds issued by Massport on August 16, 2001. We agreed to pay the debt service on the bonds under a long-term lease agreement with Massport and issued a guarantee to the bond trustee covering the payment of the debt service on the bonds. Additional information about these bonds is set forth in Note 6 of the Notes to the Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

In Re Northwest Airlines, et al. Antitrust Litigation. In June 1999, two purported class action antitrust lawsuits were filed in the U.S. District Court for the Eastern District of Michigan against us, U.S. Airways, Northwest and the Airlines Reporting Corporation, an airline-owned company that operates a centralized clearinghouse for travel agents to report and account for airline ticket sales.

In the first case, the plaintiffs allege, among other things: (1) that the defendants and certain other airlines conspired with us in violation of Section 1 of the Sherman Act to restrain competition and assist us in fixing and maintaining anticompetitive prices for air passenger service to and from our Atlanta and Cincinnati hubs; and (2) that we violated Section 2 of the Sherman Act by exercising monopoly power to establish such prices in an anticompetitive or exclusionary manner. The complaint asserts that, for purposes of plaintiffs’ damages claims, the purported plaintiff class consists of all persons who purchased a Delta full-fare ticket between June 11, 1995 and the present on routes (1) that start or end at our hubs in Atlanta or Cincinnati;
(2) on which we have over a 50% market share; (3) that are longer than 150 miles; and (4) that have total annual traffic of over 30,000 passengers.

In the second case, the plaintiffs assert similar allegations and claims under Sections 1 and 2 of the Sherman Act with respect to U.S. Airways’ pricing practices at its Pittsburgh and Charlotte hubs (“U.S. Airways Hubs”). The complaint asserts, among other things, that we, the other defendants and certain other airlines conspired with U.S. Airways to restrain competition and assist U.S. Airways in fixing and maintaining prices for air passenger service to and from the U.S. Airways Hubs.

In both cases, plaintiffs have requested a jury trial, and are seeking in their complaints injunctive relief; costs and attorneys’ fees; and unspecified damages, to be trebled under the antitrust laws. In May 2002, the District Court granted the plaintiffs’ motion for class action certification and denied the airlines’ motions for summary judgment. The U.S. Court of Appeals for the Sixth Circuit refused to hear the airlines’ interlocutory appeal of the District Court’s order granting class action certification. The trial for this lawsuit has not yet been scheduled.

Hall, et al. v. United Airlines, et al. In January 2002, a travel agent in North Carolina filed a class action lawsuit against numerous airlines, including us, in the U.S. District Court for the Eastern District of North Carolina on behalf of all travel agents in the United States which sold tickets from September 1, 1997 to the present on any of the defendant airlines. The lawsuit alleges that we and the other airline defendants conspired to fix travel agent commissions in violation of Section 1 of the Sherman Act. The plaintiff, who has requested a jury trial, is seeking in its complaint injunctive relief; costs and attorneys’ fees; and unspecified damages, to be trebled under the antitrust laws.

In September 2002, the District Court granted the plaintiff’s motion for class action certification, certifying a class consisting of all travel agents in the United States, Puerto Rico and the U.S. Virgin Islands which sold tickets on the defendant airlines between 1997 and 2002.

On October 30, 2003, the District Court granted summary judgment against the plaintiff class, dismissing all claims asserted against us and most other defendants. Plaintiffs appealed to the U.S. Court of Appeals for the Fourth Circuit. Similar litigation alleging violations under Canadian competition law is pending against us and other airlines in Canada.

All Direct Travel, Inc., et al. v. Delta Air Lines, et al. Two travel agencies have filed a purported class action lawsuit against us in the U.S. District Court for the Central District of California on behalf of all travel agencies from which we have demanded payment for breach of the agencies’ contractual and fiduciary duties to us in connection with Delta ticket sale transactions during the period from September 20, 1997 to the present. The lawsuit alleges that our conduct (1) violates the Racketeer Influenced and Corrupt Organizations Act of 1970; and (2) creates liability for unjust enrichment. The plaintiffs, who have requested a jury trial, are seeking in their complaint injunctive and declaratory relief; costs and attorneys’ fees; and unspecified treble damages.
In January 2003, the District Court denied the plaintiffs’ motion for class action certification and in April 2003 granted our motion for summary judgment on all claims. Plaintiffs have appealed to the U.S. Court of Appeals for the Ninth Circuit.

Power Travel International, Inc., et al. v. American Airlines, et al. In August 2002, a travel agency filed a purported class action lawsuit in New York state court against us, American, Continental, Northwest, United and JetBlue, on behalf of an alleged nationwide class of U.S. travel agents. JetBlue has been dismissed from the case, and the remaining defendants removed the action to the U.S. District Court for the Southern District of New York. The lawsuit alleges that the defendants breached their contracts with and their duties of good faith and fair dealing to U.S. travel agencies when these airlines discontinued the payment of published base commissions to U.S. travel agencies at various times beginning in March 2002. The plaintiffs’ amended complaint seeks unspecified damages, as well as declaratory and injunctive relief. Similar litigation involving contract claims alleged under the agency agreements applicable to Canadian travel agents is pending against us and other airlines in Canada.

Multidistrict Pilot Retirement Plan Litigation. During the June 2001 quarter, the Delta Pilots Retirement Plan (“Retirement Plan”) and related non-qualified pilot retirement plans sponsored and funded by us were named as defendants in five purported class action lawsuits filed in federal district courts in California, Massachusetts, Ohio, New Mexico and New York. The complaints (1) seek to assert claims on behalf of a class consisting of certain groups of retired and active Delta pilots; (2) allege that the calculation of the retirement benefits of the plaintiffs and the class violated the Retirement Plan and the Internal Revenue Code; and (3) seek unspecified damages. In October 2001, the Judicial Panel on Multidistrict Litigation granted our motion to transfer these cases to the U.S. District Court for the Northern District of Georgia for coordinated pretrial proceedings. Plaintiffs have filed a motion for class action certification.

Litigation Re September 11 Terrorist Attacks. We are a defendant in numerous lawsuits arising out of the terrorist attacks of September 11, 2001. It appears that the plaintiffs in these actions are alleging that we and many other air carriers are jointly liable for damages resulting from the terrorist attacks based on a theory of shared responsibility for passenger security screening at Logan, Dulles and Newark. These lawsuits, which are in preliminary stages, generally seek unspecified damages, including punitive damages. Although federal law limits the financial liability of any air carrier for compensatory and punitive damages arising out of the September 11 terrorist attacks to no more than the limits of liability insurance coverage maintained by the air carrier, it is possible that we may be required to pay damages in the event of our insurers’ insolvency or otherwise.

In each of the foregoing cases, we believe the plaintiffs’ claims are without merit, and we are vigorously defending the lawsuits. An adverse decision in any of these cases could result in substantial damages against us. Although the ultimate outcome of these matters cannot be predicted with certainty, management believes that the resolution of these actions will not have a material adverse effect on our Consolidated Financial Statements.
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the New York Stock Exchange under the ticker symbol DAL. As of December 31, 2003, there were 22,401 registered owners of common stock. The table below shows the high and low sales prices for our common stock on the New York Stock Exchange during 2003 and 2002, as well as cash dividends paid per common share.

<table>
<thead>
<tr>
<th>Quarter Ended:</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31</td>
<td>$14.00</td>
<td>$38.69</td>
</tr>
<tr>
<td>June 30</td>
<td>16.05</td>
<td>32.65</td>
</tr>
<tr>
<td>September 30</td>
<td>15.26</td>
<td>21.12</td>
</tr>
<tr>
<td>December 31</td>
<td>15.14</td>
<td>14.09</td>
</tr>
<tr>
<td>March 31</td>
<td>6.72</td>
<td>28.52</td>
</tr>
<tr>
<td>June 30</td>
<td>8.76</td>
<td>18.30</td>
</tr>
<tr>
<td>September 30</td>
<td>10.30</td>
<td>8.30</td>
</tr>
<tr>
<td>December 31</td>
<td>10.45</td>
<td>6.10</td>
</tr>
<tr>
<td>Cash Dividends per Common Share</td>
<td>$0.025</td>
<td>$0.025</td>
</tr>
</tbody>
</table>

In July 2003, our Board of Directors discontinued the payment of quarterly cash dividends on our common stock. Additional information about our ability to pay dividends on our common stock is set forth in Note 12 of the Notes to the Consolidated Financial Statements and under Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition and Liquidity” in this Form 10-K.

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ITEM 6. SELECTED FINANCIAL DATA

Consolidated Summary of Operations
For the years ended December 31, 2003-1999

<table>
<thead>
<tr>
<th>(in millions, except share data)</th>
<th>2003 (1)</th>
<th>2002 (2)</th>
<th>2001 (3)</th>
<th>2000 (4)</th>
<th>1999 (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$13,303</td>
<td>$13,305</td>
<td>$13,879</td>
<td>$16,741</td>
<td>$14,883</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>14,089</td>
<td>14,614</td>
<td>15,481</td>
<td>15,104</td>
<td>13,565</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>(786)</td>
<td>(1,309)</td>
<td>(1,602)</td>
<td>1,637</td>
<td>1,318</td>
</tr>
<tr>
<td>Interest income (expense), net</td>
<td>(696)</td>
<td>(610)</td>
<td>(410)</td>
<td>(257)</td>
<td>(126)</td>
</tr>
<tr>
<td>Miscellaneous income (expense), net</td>
<td>302</td>
<td>(2)</td>
<td>80</td>
<td>328</td>
<td>901</td>
</tr>
<tr>
<td>Gain on extinguishment of debt, net</td>
<td>—</td>
<td>(42)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fair value adjustments of SFAS 133 derivatives</td>
<td>(9)</td>
<td>(39)</td>
<td>68</td>
<td>(159)</td>
<td>—</td>
</tr>
</tbody>
</table>

Income (loss) before income taxes and cumulative effect of change in accounting principle
(1,189) (2,002) (1,864) 1,549 2,093

Net income (loss) before cumulative effect of change in accounting principle
(773) (1,272) (1,216) 928 1,262

Net income (loss) after cumulative effect of change in accounting principle
(773) (1,272) (1,216) 828 1,208

Preferred stock dividends
(17) (15) (14) (13) (12)

Net Income (loss) attributable to common shareowners
$ (790) $ (1,287) $ (1,230) $ 815 $ 1,196

Earnings (loss) per share before cumulative effect of change in accounting principle
Basic $ (6.40) $(10.44) $(9.99) $ 7.39 $ 9.05
Diluted $ (6.40) $(10.44) $(9.99) $ 7.05 $ 8.52

Earnings (loss) per share
Basic $ (6.40) $(10.44) $(9.99) $ 6.58 $ 8.66
Diluted $ (6.40) $(10.44) $(9.99) $ 6.28 $ 8.15

Dividends declared per common share
$ 0.05 $ 0.10 $ 0.10 $ 0.10 $ 0.10

Other Financial and Statistical Data
For the years ended December 31, 2003-1999

<table>
<thead>
<tr>
<th>(millions)</th>
<th>2003 (1)</th>
<th>2002 (2)</th>
<th>2001 (3)</th>
<th>2000 (4)</th>
<th>1999 (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$26,356</td>
<td>$24,720</td>
<td>$23,605</td>
<td>$21,931</td>
<td>$19,942</td>
</tr>
<tr>
<td>Long-term debt and capital leases (excluding current maturities)</td>
<td>$11,538</td>
<td>$10,174</td>
<td>$8,347</td>
<td>$5,896</td>
<td>$4,303</td>
</tr>
<tr>
<td>Shareholders’ (deficit) equity</td>
<td>$659</td>
<td>$893</td>
<td>$3,769</td>
<td>$5,343</td>
<td>$4,908</td>
</tr>
<tr>
<td>Shares of common stock outstanding at year end</td>
<td>123,544,945</td>
<td>123,359,205</td>
<td>123,245,666</td>
<td>123,013,372</td>
<td>132,893,470</td>
</tr>
<tr>
<td>Revenue passengers enplaned (thousands)</td>
<td>104,452</td>
<td>107,048</td>
<td>104,943</td>
<td>119,930</td>
<td>110,083</td>
</tr>
<tr>
<td>Available seat miles (millions)</td>
<td>134,383</td>
<td>141,719</td>
<td>147,837</td>
<td>154,974</td>
<td>147,073</td>
</tr>
<tr>
<td>Revenue passenger miles (millions)</td>
<td>98,674</td>
<td>102,029</td>
<td>101,717</td>
<td>112,998</td>
<td>106,165</td>
</tr>
<tr>
<td>Passenger mile yield</td>
<td>12.49¢</td>
<td>12.08¢</td>
<td>12.74¢</td>
<td>13.86¢</td>
<td>13.14¢</td>
</tr>
<tr>
<td>Operating cost per available seat mile</td>
<td>10.48¢</td>
<td>10.31¢</td>
<td>10.47¢</td>
<td>9.75¢</td>
<td>9.22¢</td>
</tr>
<tr>
<td>Passenger load factor</td>
<td>73.43%</td>
<td>71.99%</td>
<td>68.80%</td>
<td>72.91%</td>
<td>72.18%</td>
</tr>
<tr>
<td>Breakeven passenger load factor</td>
<td>78.11%</td>
<td>79.64%</td>
<td>77.31%</td>
<td>65.29%</td>
<td>65.37%</td>
</tr>
<tr>
<td>Available ton miles (millions)</td>
<td>20,421</td>
<td>21,548</td>
<td>22,282</td>
<td>22,925</td>
<td>21,245</td>
</tr>
<tr>
<td>Revenue ton miles (millions)</td>
<td>11,271</td>
<td>11,698</td>
<td>11,752</td>
<td>13,058</td>
<td>12,227</td>
</tr>
<tr>
<td>Operating cost per available ton miles</td>
<td>68.99¢</td>
<td>67.82¢</td>
<td>69.48¢</td>
<td>65.88¢</td>
<td>63.85¢</td>
</tr>
<tr>
<td>Cargo ton miles (millions)</td>
<td>1,404</td>
<td>1,495</td>
<td>1,583</td>
<td>1,855</td>
<td>1,747</td>
</tr>
<tr>
<td>Cargo ton mile yield</td>
<td>33.08¢</td>
<td>30.62¢</td>
<td>31.95¢</td>
<td>31.46¢</td>
<td>32.10¢</td>
</tr>
</tbody>
</table>
Includes a $268 million charge ($169 million net of tax, or $1.37 diluted EPS) for restructuring, asset writedowns, pension settlements and related items, net; a $398 million gain ($251 million net of tax, or $2.03 diluted EPS) for Appropriations Act compensation; and a $304 million gain ($191 million net of tax, or $1.55 diluted EPS) for certain other income and expense items (see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Form 10-K).

<table>
<thead>
<tr>
<th>Fuel gallons consumed (millions)</th>
<th>2,370</th>
<th>2,514</th>
<th>2,649</th>
<th>2,922</th>
<th>2,779</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average price per fuel gallon, net of hedging gains</td>
<td>81.78¢</td>
<td>66.94¢</td>
<td>68.60¢</td>
<td>67.38¢</td>
<td>51.13¢</td>
</tr>
</tbody>
</table>
Our net loss was $773 million for the year ended December 31, 2003, the third consecutive year we recorded a substantial net loss. These financial results reflect the unprecedented challenges confronting us and other airlines. Since the terrorist attacks on September 11, 2001, the airline industry has experienced a severely depressed revenue environment and significant cost pressures. These factors have resulted in industry-wide liquidity issues, including the restructuring of certain hub and spoke airlines due to bankruptcy or near bankruptcy.

The continuing impact of the September 11, 2001 terrorist attacks and other events have resulted in fundamental, and what we believe will be long-term, changes in the airline industry. The revenue environment continues to be severely impacted by the following factors:

- a sharp decline in high yield business travel;
- the continuing growth of low-cost carriers with which we compete in most of our domestic markets;
- industry capacity exceeding demand, which has resulted in significant fare discounting to stimulate demand; and
- increased price sensitivity by our customers, reflecting in part the availability of airline fare information on the Internet.

Our revenues have also been negatively affected by a passenger security fee, imposed by the U.S. government after September 11, 2001, which airlines are required to collect from customers and remit to the government. Due to the depressed revenue environment, we have not been able to increase our fares to pass these fees on to our customers. Although suspended for tickets sold between June 1, 2003 and September 30, 2003, the passenger security fee was re-imposed on October 1, 2003.
Due to the changes that have occurred in the airline industry, we must significantly reduce our costs in order to be competitive in the current environment and over the long-term. Our cost structure is materially higher than that of the low-cost airlines with which we compete. Moreover, as mentioned above, other hub and spoke airlines, such as American Airlines, United Airlines and US Airways, have significantly reduced their costs through bankruptcy or the threat of bankruptcy. Our unit costs have gone from being among the lowest of the hub and spoke airlines to among the highest for 2003, a result which places us at a serious competitive disadvantage.

Revenues. Our operating revenues were $13.3 billion in 2003, which was unchanged from our operating revenues in 2002 and 4% lower than our operating revenues in 2001. Our operating revenue performance in 2003 reflects the depressed revenue environment discussed above. During 2003, our and other airlines’ revenues were also negatively impacted by the military action in Iraq.

International traffic, particularly in our Atlantic region, experienced the greatest impact related to the situation in Iraq, declining 12% for 2003 as compared to the prior year. Year-over-year increases in our military charter revenues in 2003 partially offset the negative effect of these events.

In April 2003, we implemented a 12% reduction in mainline capacity due to the military action in Iraq. Because there has been some improvement in passenger demand since the end of major military combat in Iraq in May 2003, we have now restored most of this capacity.

Costs. Our cost pressures for 2003 compared to 2002 included increases in pension, aircraft fuel and interest expense. Pension and related expense increased approximately $290 million, primarily due to declining interest rates, a decrease in the fair value of our pension plan assets and scheduled pilot salary increases under the pilots’ collective bargaining agreement. Aircraft fuel expense rose $255 million, mainly due to the rise in fuel prices to historically high levels in the period leading up to the military action in Iraq and again during the December 2003 quarter. Our interest expense increased $86 million, largely due to higher levels of debt outstanding based on our substantial increase in borrowings as discussed below.

We expect these cost pressures to continue during 2004. We estimate that the total annual increase for 2004 compared to 2003 related to aircraft fuel, pension and related, and interest expense will be approximately $180 million, $130 million and $75 million, respectively. Our estimated increase in aircraft fuel expense assumes an average fuel price per gallon in 2004 of approximately 84¢, a 3% increase over 2003, on our projected aircraft fuel consumption of approximately 2.5 billion gallons.

Salaries and related costs represented 45% and 42% of our total operating expenses for 2003 and 2002, respectively. We have taken actions, such as workforce reductions and changes in our non-pilot employee benefits, to reduce employee-related costs. Our pilot cost structure is, however, significantly higher than our competitors. It is critical to reduce our costs in order to be competitive with other airlines. We are currently in discussions with ALPA, to move toward a

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competitive pilot cost structure, but we cannot predict the outcome of these discussions. Our collective bargaining agreement with ALPA becomes amendable on May 1, 2005.

The U.S. government is providing U.S. airlines with war-risk insurance. This coverage extends through August 2004, with a possible extension to December 31, 2004, at the discretion of the Secretary of Transportation. If the U.S. government fails to renew this insurance, there can be no assurance that commercially provided war-risk insurance coverage will be adequate to protect our risk of loss from future acts of terrorism or will be provided on terms that will not have a material adverse impact on our business, financial condition and results of operations.

Initiatives. We implemented a profit improvement initiative program aimed at lowering our costs and increasing our revenues to compete in the current business environment and over the long term. Our actions under this program have included, among other things, (1) the transformation of the passenger check-in process to utilize more self-service options such as automated ticketing kiosks, DeltaDirect phones and check-in via delta.com; (2) selling food on flights and changing catering processes; (3) new crew scheduling technology for pilots and flight attendants; (4) the restructuring of operations at our Salt Lake City and Dallas/Fort Worth hubs; and (5) our marketing alliance with Continental Airlines and Northwest Airlines. While we believe we have made progress under this program, we must continue to reduce our costs to compete in the existing business environment.

At the end of 2003, we began a reassessment of our operating and business strategy. The purposes of this review include assessing our competitive effectiveness, determining the best use of our available resources and identifying strategic initiatives that we might pursue to improve our performance. We expect to complete this review by July 2004.

Liquidity. Due to the depressed revenue environment and significant cost pressures, we borrowed $2.2 billion of debt in 2003. The net proceeds of these transactions were primarily used to finance aircraft, repay certain debt obligations and increase our liquidity. All of these borrowings were secured by aircraft or other assets, except for our issuance of $350 million principal amount of 8.00% Convertible Senior Notes. In 2002 and 2001, we borrowed $2.6 billion and $2.3 billion, respectively, of debt, all of which was secured by aircraft.

At December 31, 2003, we had cash and cash equivalents totaling $2.7 billion. On February 6, 2004, we issued $325 million principal amount of 2-7/8% Convertible Senior Notes. We do not have any undrawn lines of credit. However, we have available to us long-term secured financing commitments that we may use only to finance a substantial portion of regional jet aircraft delivered to us through 2004 (“RJ Commitments”). Most of our owned aircraft are encumbered and those that are not are less attractive to lenders because they are not eligible for mortgage financing under Section 1110 of the U.S. Bankruptcy Code, are older aircraft types and/or are aircraft types which are no longer manufactured. Substantially all of our spare mainline aircraft engines, and a substantial portion of our mainline aircraft spare parts, are also encumbered.

Absent factors outside our control, we believe that our annual 2004 cash flows from operations will be sufficient to fund our daily operations, including (1) approximately
$1.3 billion of operating lease payments; (2) approximately $750 million in interest payments, which may vary as interest rates change on our $4.2 billion principal amount of variable rate debt; and (3) estimated pension funding of approximately $440 million. We also believe that our annual 2004 cash flows from operations will be sufficient to fund our non-fleet capital expenditures for 2004, but will not be sufficient to pay our aircraft capital expenditures and debt maturities for that year.

Our estimated pension funding of approximately $440 million for 2004 includes (1) a voluntary contribution of $325 million to our non-pilot pension plan, the majority of which we made in February 2004, and (2) required contributions totaling approximately $115 million which we will make to our pilot pension plan during the year. The voluntary contribution to the non-pilot pension plan will reduce our near term funding obligation for that plan and increase the benefit security for plan participants. As a result of the 2004 contributions to our pension plans, the non-pilot and pilot pension plans will each have a funded ratio, for current liability purposes under ERISA, of at least 80% as of July 1, 2003, our most recent ERISA funding measurement date.

During 2004, we expect capital expenditures to be approximately $1.2 billion, covering $600 million for aircraft expenditures, which includes approximately $500 million for the acquisition of regional jet aircraft; $300 million for aircraft parts and modifications; and $300 million for non-fleet capital expenditures. We may use the RJ Commitments to fund a substantial portion of our obligations for the acquisition of regional jet aircraft. As discussed above, we believe our non-fleet capital expenditures will be funded through cash flows from operations. We currently expect to fund the remaining capital expenditures in 2004 through cash and cash equivalents.

We have approximately $1.0 billion of debt maturities due during 2004, including $430 million in the March 2004 quarter, $160 million in the June 2004 quarter, $290 million in the September 2004 quarter and $120 million in the December 2004 quarter. These maturities include approximately $300 million due under short-term financing arrangements associated with our acquisition of regional jet aircraft, which will be largely refinanced through the RJ Commitments. We currently expect to pay the remaining debt maturities in 2004 through cash and cash equivalents.

We have significant obligations due in 2005 and thereafter. For additional information, see the Contractual Obligations section of Management’s Discussion and Analysis in this Form 10-K.

We expect to meet our obligations as they come due through available cash and cash equivalents, investments, internally generated funds and borrowings. While new financing may be available to us, access to such financing cannot be assured given the existing business environment and the composition of our currently available unencumbered assets. Failure to obtain new financing could have a material adverse effect on our liquidity.

Outlook. Based on the continuing weak revenue environment and cost pressures, including higher fuel costs, we estimate we will record a net loss of approximately $400 million in the March 2004 quarter.
Results of Operations—2003 Compared to 2002

Net Loss per Share. We recorded a consolidated net loss of $773 million ($6.40 diluted loss per share) in 2003, compared to a consolidated net loss of $1.3 billion ($10.44 diluted loss per share) in 2002.

Operating Revenues. Operating and passenger revenues remained unchanged at $13.3 billion and $12.3 billion, respectively, in 2003 compared to 2002. Revenue Passenger Miles (“RPMs”) decreased 3% on a capacity decline of 5%, while passenger mile yield increased 3% to 12.49¢. For information about the factors negatively impacting the revenue environment, see the Business Environment section of Management’s Discussion and Analysis in this Form 10-K.

North American Passenger Revenues. North American passenger revenues remained unchanged at $10.0 billion in 2003. RPMs decreased 1% on a capacity decrease of 3%, while passenger mile yield increased 1%. Load factors increased by 1.6 points.

International Passenger Revenues. International passenger revenues decreased 5% to $2.2 billion in 2003. RPMs fell 12% on a capacity decline of 14%, while passenger mile yield increased 9%. The decline in international revenue passenger miles, particularly in the Atlantic region, is due to the reduction in traffic in the period leading up to and during the military action in Iraq. The increase in passenger mile yield primarily relates to the reduction of capacity in certain markets and favorable foreign currency exchange rates.

Cargo and Other Revenues. Cargo revenues increased 1% to $464 million in 2003. Cargo ton miles decreased 6% due to reductions in capacity, while cargo ton mile yield increased 8%. Other revenues decreased 2% to $516 million, primarily reflecting decreases due to lower revenue from certain mileage partnership arrangements as well as a decline in codeshare revenue. These decreases were partially offset by an increase in various miscellaneous revenues and growth under our contract carrier arrangements.

Operating Expenses. Operating expenses totaled $14.1 billion for 2003, decreasing 4% from 2002. Operating capacity decreased 5% to 134 billion Available Seat Miles (“ASM”)s) primarily due to capacity reductions implemented as a result of the military action in Iraq. Because there has been some improvement in passenger demand since the end of major military combat in Iraq in May 2003, we have now restored most of this capacity. Operating Cost per Available Seat Mile (“CASM”) rose 2% to 10.48¢. Operating expenses and CASM reflect (1) Appropriations Act reimbursements received during 2003; (2) restructuring, asset writedowns, pension settlements and related items, net recorded during 2003 and 2002; and (3) Stabilization Act compensation recorded in 2002. These items are discussed below.

Salaries and related costs totaled $6.3 billion in 2003, a 3% increase from 2002. This 3% increase primarily reflects (1) a 5% increase from higher pension and related expense of approximately $290 million; (2) a 2% increase due to salary rate increases primarily for pilots in the June 2003 and 2002 quarters under their collective bargaining agreement, and for mechanics in the June 2002 quarter; and (3) a 2% increase due to growth in our wholly-owned subsidiaries’ regional jet operations. These increases were partially offset by a 6% decrease due
to our 2002 workforce reduction programs. The increase in pension expense mainly reflects the impact of declining interest rates, a decrease in the fair value of pension plan assets and scheduled pilot salary increases, partially offset by approximately $120 million in expense reductions from the transition of our non-pilot defined benefit pension plan to a cash balance plan. For additional information related to this transition, see Note 11 of the Notes to the Consolidated Financial Statements.

Aircraft fuel expense totaled $1.9 billion during 2003, a 15% increase from 2002. This increase is primarily due to higher fuel prices, partially offset by capacity reductions. The average fuel price per gallon rose 22% to 81.78¢, while total gallons consumed decreased 6%. Our fuel cost is shown net of fuel hedge gains of $152 million for 2003 and $136 million for 2002. Approximately 65% and 56% of our aircraft fuel requirements were hedged during 2003 and 2002, respectively. For additional information about our fuel hedge contracts, see Note 4 of the Notes to the Consolidated Financial Statements.

Depreciation and amortization expense rose 5% in 2003, primarily due to the acquisition of regional jet aircraft and an increase in software amortization associated with completed technology projects.

Contracted services expense declined 12% primarily due to reduced traffic and capacity, the suspension of the air carrier security fees under the Emergency Wartime Supplemental Appropriations Act (“Appropriations Act”) between June 1, 2003 and September 30, 2003, and a decrease in contracted services across certain workgroups. For additional information about the Appropriations Act, see Note 19 of the Notes to the Consolidated Financial Statements.

Landing fees and other rents rose 3%, primarily due to higher landing fees, adopted by airports seeking to recover lost revenue due to decreased traffic, and increased facility rates. Aircraft maintenance materials and outside repairs expense fell 11%, primarily from reduced maintenance volume and materials consumption as a result of process improvement initiatives, lower capacity and our fleet simplification program. Aircraft rent expense increased 3% mainly due to our decision in the December 2002 quarter to return our B-737-300 leased aircraft to service during 2003. For additional information related to this decision, see Note 15 of the Notes to Consolidated Financial Statements.

Other selling expenses fell 11%. This increase primarily reflects a 9% decrease related to lower booking fees resulting from decreased traffic and a 3% decline from higher sales of mileage credits under our SkyMiles program because a portion of this revenue is recorded as an offset to other selling expenses. These decreases were partially offset by an increase in advertising expenses due to the launch of Song, our new low-fare service. Passenger commission expense declined 34%, primarily reflecting a 22% decrease from the change in our commission rate structure in 2002, which resulted in the elimination of travel agent base commissions for tickets sold in the U.S. and Canada. The decrease in passenger commissions also reflects the cancellation or renegotiation of certain travel agent contracts and a lower volume of base and incentive commissions. Passenger service expense decreased 13%, primarily reflecting a 10% decline from decreased traffic and capacity and a 7% decrease due to certain meal service-related cost savings initiatives.
Restructuring, asset writedowns, pension settlements and related items, net totaled $268 million in 2003 compared to $439 million in 2002. Our 2003 charge consists of (1) $212 million related to settlements under the pilots’ defined benefit pension plans; (2) $43 million related to a net curtailment loss for the cost of pension and postretirement obligations for participants under our 2002 workforce reduction programs; and (3) $41 million associated with the planned sale of 11 B-737-800 aircraft. This charge was partially offset by a $28 million reduction to operating expenses from revised estimates of remaining costs associated with our restructuring activities. Our 2002 charge consists of (1) $251 million in asset writedowns; (2) $127 million related to our 2002 workforce reduction programs; (3) $93 million for the temporary carrying cost of surplus pilots and grounded aircraft; (4) $30 million due to the deferred delivery of certain Boeing aircraft; (5) $14 million for the closure of certain leased facilities; and (6) $3 million related to other items. This charge was partially offset by (1) the reversal of a $56 million reserve for future lease payments related to nine B-737-300 leased aircraft as a result of a decision in 2002 to return these aircraft to service and (2) a $23 million adjustment of certain prior year restructuring reserves based on revised estimates of remaining costs. For additional information on these restructuring, asset writedowns, pension settlements and related items, net, see Note 15 of the Notes to the Consolidated Financial Statements.

Appropriations Act reimbursements totaled $398 million in 2003, representing reimbursements from the U.S. government to air carriers for certain passenger and air carrier security fees paid to the Transportation Security Administration (“TSA”). We recorded these amounts as a reduction to operating expenses in our Consolidated Statement of Operations. For additional information about the Appropriations Act, see Note 19 of the Notes to the Consolidated Financial Statements.

Stabilization Act compensation totaled $34 million in 2002, representing amounts we recognized as compensation in the applicable period under the Air Transportation Safety and System Stabilization Act (“Stabilization Act”). We recorded these amounts as a reduction to operating expenses in our Consolidated Statement of Operations. For additional information about the Stabilization Act, see Note 19 of the Notes to the Consolidated Financial Statements.

Other operating expenses fell 14%, primarily reflecting a 9% decrease due to lower insurance rates under U.S. government-provided insurance policies and lower volume-related insurance premiums due to decreased capacity and traffic, as well as a 3% decline due to lower communication and supplies expenses.

Operating Loss and Operating Margin. We incurred an operating loss of $786 million in 2003, compared to an operating loss of $1.3 billion in 2002. Operating margin was (6%) and (10%) for 2003 and 2002, respectively.

Other Income (Expense). Other expense, net totaled $403 million during 2003, compared to other expense, net of $693 million in 2002. Included in these results are the following:

- An $86 million increase in interest expense in 2003 compared to 2002 primarily due to higher levels of outstanding debt in 2003.
Results of Operations—2002 Compared to 2001

Net Loss and Loss per Share. We recorded a consolidated net loss of $1.3 billion ($10.44 diluted loss per share) in 2002, compared to a consolidated net loss of $1.2 billion ($9.99 diluted loss per share) in 2001.

Operating Revenues. Operating revenues were $13.3 billion in 2002, decreasing 4% from 2001. Passenger revenues fell 5% to $12.3 billion. RPMs were unchanged on a capacity decline of 4%, while passenger mile yield decreased 5% to 12.08¢. The decreases in operating revenues, passenger revenues and passenger mile yield from the depressed 2001 levels reflect the continuing effects of the September 11 terrorist attacks on our business, the challenging revenue environment discussed above and the weakness of the U.S. and world economies.

North American Passenger Revenues. North American passenger revenues fell 6% to $10.0 billion in 2002. RPMs increased 1% on a capacity decrease of 3%, while passenger mile yield decreased 7%. The decline in passenger mile yield reflects the challenging revenue environment, including significant fare discounting as well as a substantial reduction in high-yield business traffic reflecting the continuing effects of the September 11 terrorist attacks on our business.

International Passenger Revenues. International passenger revenues decreased 2% to $2.3 billion in 2002. RPMs fell 2% on a capacity decline of 7%, while passenger mile yield increased 1%. The decline in our international capacity was primarily driven by reductions in our Pacific operations due to weak passenger demand.

Cargo and Other Revenues. Cargo revenues decreased 9% to $458 million in 2002. This reflects a 7% decline due to Federal Aviation Administration security measures.

• A $321 million gain in 2003 from the sale of certain investments. This primarily relates to a $279 million gain from the sale of our equity investment in Worldspan and a $28 million gain from the sale of a portion of our Orbitz shares. For additional information about these investments, see Note 17 of the Notes to the Consolidated Financial Statements.

• Gain (loss) on extinguishment of debt, net was zero for 2003 compared to a $42 million loss in 2002. During 2003, we recorded a $15 million loss resulting from our repurchase of a portion of outstanding Employee Stock Ownership Plan (“ESOP”) Notes, offset by a $15 million gain related to our debt exchange offer. For additional information about our repurchase of ESOP Notes in 2003 and 2002 and our debt exchange offer in 2003, see Note 6 of the Notes to the Consolidated Financial Statements.

• A $9 million charge in 2003 compared to a $39 million charge in 2002 for fair value adjustments of financial instruments accounted for under Statement of Financial Accounting Standards (“SFAS”) No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”). This relates to derivative instruments we use in our fuel hedging program and to our equity warrants and other similar rights in certain companies.

• Miscellaneous expense, net was $19 million in 2003 compared to miscellaneous income, net of $1 million in 2002 due primarily to a decrease in earnings from our equity investment in Worldspan, which we sold in June 2003.
adopted after the September 11 terrorist attacks, that prohibit passenger airlines from transporting mail weighing more than 16 ounces; such mail had represented approximately 50% of our mail business. The decline in cargo revenues also reflects a 2% decrease due to lower domestic freight volumes and yields. Cargo ton miles decreased 6% and cargo ton mile yield decreased 4%. Other revenues increased 29% to $526 million, primarily reflecting a 12% increase due to higher administrative service fees and a 12% increase due to higher codeshare revenues.

Operating Expenses. Operating expenses totaled $14.6 billion for 2002, decreasing 6% from 2001. Operating capacity decreased 4% to 142 billion ASMs. CASM fell 2% to 10.31¢. Operating expenses and CASM reflect in 2002 and 2001 (1) restructuring, asset writedowns, pension settlements and related items, net and (2) Stabilization Act compensation. These items are discussed below.

Salaries and related costs totaled $6.2 billion in 2002, a 1% increase from 2001. This reflects a 6% increase from higher pension expense and a 5% increase due to salary and benefit rate increases for pilots and mechanics in the June 2002 quarter. These increases were largely offset by decreases due to workforce reductions implemented after we reduced capacity following September 11, 2001.

Aircraft fuel expense totaled $1.7 billion during 2002, a 7% decrease from 2001. Total gallons consumed decreased 5% mainly due to capacity reductions. The average fuel price per gallon fell 2% to 66.94¢. Our fuel cost is shown net of fuel hedge gains of $136 million for 2002 and $299 million for 2001. Approximately 56% and 58% of our aircraft fuel requirements were hedged during 2002 and 2001, respectively. For additional information about our fuel hedge contracts, see Note 4 of the Notes to the Consolidated Financial Statements.

Depreciation and amortization expense fell 11% in 2002, reflecting a 6% decrease due to a change in our asset base and a 5% decrease due to our adoption on January 1, 2002, of SFAS No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”). SFAS 142 requires that goodwill and certain other intangible assets no longer be amortized (see Note 5 of the Notes to the Consolidated Financial Statements).

Contracted services expense declined 1% primarily due to a 4% decrease from fewer contract workers, partially offset by a 3% increase due to higher security costs. Landing fees and other rents rose 7%, of which 3% was related to an increase in landing fee rates and 2% was due to lower costs in 2001 resulting from reduced operations by Comair. Due to a strike by its pilots, Comair suspended operations between March 26, 2001 and July 1, 2001, and gradually returned to service after the strike.

Aircraft maintenance materials and outside repairs expense fell 11%, primarily reflecting a reduction in maintenance volume and materials consumption due to the timing of maintenance events. Aircraft rent expense decreased 4%, primarily due to a reduction in the number of leased aircraft during 2002 from our fleet simplification efforts. Other selling expenses fell 13%, of which 6% was due to lower costs associated with our mileage partnership programs and 4% was due to reduced advertising and promotion spending.
Passenger commission expense declined 40%, primarily due to a change in our commission rate structure. On March 14, 2002, we eliminated travel agent base commissions for tickets sold in the U.S. and Canada. Passenger service expense decreased 20%, primarily due to meal service reductions.

Restructuring, asset writedowns, pension settlements and related items, net totaled $439 million in 2002 compared to $1.1 billion in 2001. Our 2002 charge is discussed above. Our 2001 charge consists of (1) $566 million related to our 2001 workforce reduction programs; (2) $363 million from a decrease in value of certain aircraft and other fleet related charges; (3) $160 million related primarily to discontinued contracts, facilities and information technology projects; and (4) $30 million for the temporary carrying cost of surplus pilots and grounded aircraft. For additional information on restructuring, asset writedowns, pension settlements and related items, net, see Note 15 of the Notes to the Consolidated Financial Statements.

Stabilization Act compensation totaled $34 million in 2002 compared to $634 million in 2001, representing amounts we recognized as compensation in the applicable period under the Stabilization Act. For additional information about the Stabilization Act, see Note 19 of the Notes to the Consolidated Financial Statements.

Other operating expenses decreased 11%, primarily due to declines in miscellaneous expenses such as supplies, utilities, interrupted operations expenses and professional fees, which were partially offset by a 19% increase in expenses due to a rise in war-risk insurance rates.

Operating Loss and Operating Margin. We incurred an operating loss of $1.3 billion in 2002, compared to an operating loss of $1.6 billion in 2001. Operating margin was (10%) and (12%) for 2002 and 2001, respectively.

Other Income (Expense). Other expense totaled $693 million during 2002, compared to other expense of $262 million in 2001. Included in these results are the following:

- A $147 million increase in interest expense in 2002 compared to 2001 primarily due to higher levels of outstanding debt in 2002.
- A $53 million decrease in interest income in 2002 compared to 2001 due to lower interest rates and a lower average cash balance in 2002.
- A $127 million net gain in 2001 on the sale of certain investments. This primarily relates to a $111 million gain on the sale of our equity interest in SkyWest, Inc., the parent company of SkyWest Airlines, and an $11 million gain from the sale of our equity interest in Equant, N.V., an international data network services company.
- A $39 million charge in 2002 compared to a $68 million gain in 2001 for fair value adjustments of financial instruments accounted for under SFAS 133. This relates to derivative instruments we use in our fuel hedging program and to our equity warrants and other similar rights in certain companies.
- A $42 million loss on extinguishment of debt in 2002, which resulted from our repurchase of a portion of outstanding ESOP Notes.
Financial Condition and Liquidity

Sources and Uses of Cash—2003. Cash and cash equivalents totaled $2.7 billion at December 31, 2003, compared to $2.0 billion at December 31, 2002. For 2003, net cash provided by operating activities totaled $453 million, which includes the following items:

- Net tax refunds totaling $402 million.
- Our net loss of $773 million.
- Our $76 million payment to fund a defined benefit pension plan.
- A $102 million increase in total restricted cash, primarily to support certain projected insurance obligations. For additional information about our restricted cash, see Note 1 of the Notes to the Consolidated Financial Statements.

During 2003, capital expenditures were $1.5 billion, which included the acquisition of 31 CRJ-200 and 20 CRJ-700 aircraft. Of these regional jet aircraft, 43 were acquired through seller financing arrangements for $718 million.

On June 30, 2003, we sold our 40% equity investment in Worldspan. In consideration for this sale, we received (1) $285 million in cash and (2) a $45 million subordinated promissory note, which bears interest at 10% per annum and matures in 2012. We will also receive credits totaling approximately $125 million, which will be recognized ratably as a reduction of costs through 2012, for future Worldspan-provided services. At December 31, 2003, the carrying and fair value of the subordinated promissory note was $38 million. For additional information about the sale of our equity investment in Worldspan, see Note 17 of the Notes to the Consolidated Financial Statements.

Debt and capital lease obligations, including current maturities and short-term obligations, totaled $12.6 billion at December 31, 2003, compared to $10.9 billion at December 31, 2002. During 2003, we engaged in the following financing transactions (for additional information about these transactions, see Note 6 of the Notes to the Consolidated Financial Statements):

- We issued $1.9 billion principal amount of debt under secured financing arrangements, due in installments through 2021.
- We issued $350 million principal amount of 8% Convertible Senior Notes due 2023.
- General Electric Capital Corporation (“GECC”) issued $404 million of irrevocable, direct-pay letters of credit to support our obligations related to $397 million principal amount of outstanding municipal bonds. This transaction replaced letters of credit issued by a third party that were due to expire in June 2003.
- We completed a debt exchange offer in which $262 million principal amount of previously outstanding unsecured notes due in 2004 and 2005 were exchanged for a total of $47 million

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In February 2004, we issued $325 million principal amount of 2-7/8% Convertible Senior Notes due 2024. For additional information on this transaction, see Note 22 of the Notes to the Consolidated Financial Statements.

Future Aircraft Order Commitments. To preserve liquidity, we have taken the following actions regarding our orders for mainline aircraft:

- In 2002, we deferred the delivery of 31 mainline aircraft. As a result of these deferrals, we had no mainline aircraft deliveries in 2003, and we have no such deliveries scheduled for 2004.

- In October 2003, we entered into a definitive agreement to sell 11 B-737-800 aircraft to a third party immediately after those aircraft are delivered to us by the manufacturer in 2005. We also granted the third party an option to purchase up to 10 additional B-737-800 aircraft scheduled for delivery to us in 2006.

- As of December 31, 2003, we had deferred delivery of one B-737-800 aircraft, and plan to exercise our right to defer delivery of an additional seven B-737-800 aircraft, until 2008. These aircraft were originally scheduled for delivery in 2005.

- In February 2004, we announced our intention to seek to sell two B-777-200 aircraft scheduled for delivery in 2005. Additionally, we have agreed with the manufacturer to defer the delivery of these aircraft from the first half of 2005 until the second half of 2005. We also disclosed our intention either to acquire other Boeing aircraft in place of three B-777-200 aircraft scheduled for delivery in 2006 or to attempt to sell these three aircraft.

On February 27, 2004, we entered into an agreement to purchase 32 CRJ-200 aircraft to be delivered in 2005. In conjunction with this agreement, we entered into a facility with a third party to finance, on a secured basis at the time of acquisition, the future deliveries of these regional jet aircraft. Borrowings under this facility (1) will be due in installments for 15 years after the date of borrowing and (2) bear interest at LIBOR plus a margin.

For additional information about our aircraft order commitments, see Note 9 of the Notes to the Consolidated Financial Statements.

Shareowners’ (Deficit) Equity. Shareowners’ (deficit) equity was $(659) million at December 31, 2003 and $893 million at December 31, 2002. The decrease in our shareowners’ (deficit) equity is primarily due to our $773 million net loss in 2003 and the $786 million, net of tax, non-cash adjustment to our additional minimum pension liability recorded during 2003. For further information about our additional minimum pension liability, see Note 11 of the Notes to the Consolidated Financial Statements.
ESOP Preferred Stock. Delaware General Corporation Law (“Delaware law”) provides that a company may pay dividends on its stock only (1) out of its “surplus,” which is generally defined as the excess of a company’s net assets over the aggregate par value of its issued stock, or (2) from its net profits for the fiscal year in which the dividend is paid or from its net profits for the preceding fiscal year. Delaware law also prohibits a company from redeeming or purchasing its stock for cash or other property, unless the company has sufficient “surplus.”

Because we expected to have, and did in fact have, a negative “surplus” at December 31, 2003, our Board of Directors took the following actions, effective in December 2003, related to our ESOP Preferred Stock to comply with Delaware law:

- Suspended indefinitely the payment of dividends on our ESOP Preferred Stock. Unpaid dividends on the ESOP Preferred Stock will accrue without interest, until paid, at a rate of $4.32 per share per year. The ESOP Preferred Stock is held by Fidelity Management Trust Company in its capacity as trustee for the Delta Family-Care Savings Plan, a broad-based employee benefit plan (“Savings Plan”).

- Changed the form of payment we use to redeem shares of ESOP Preferred Stock when redemptions are required under the Savings Plan. For the indefinite future, we will pay the redemption price of the ESOP Preferred Stock in shares of our common stock rather than in cash.

At December 31, 2003, approximately 5.8 million shares of ESOP Preferred Stock were held by the Savings Plan. About 3.8 million shares of ESOP Preferred Stock are currently allocated to the accounts of Savings Plan participants; the remainder of the shares is available for allocation in the future.

We are generally required to redeem shares of ESOP Preferred Stock (1) to provide for distributions of the accounts of Savings Plan participants who terminate employment with us and request a distribution and (2) to implement annual diversification elections by Savings Plan participants who are at least age 55 and have participated in the Savings Plan for at least ten years. In these circumstances, shares of ESOP Preferred Stock are redeemable at a price equal to the greater of (1) $72.00 per share or (2) the fair value of the shares of our common stock issuable upon conversion of the ESOP Preferred Stock to be redeemed, plus, in either case, accrued but unpaid dividends on such shares of ESOP Preferred Stock. Under the terms of the ESOP Preferred Stock, we may pay the redemption price in cash, shares of our common stock (valued at fair value), or in a combination thereof. Each share of ESOP Convertible Preferred Stock is convertible into 1.7155 shares of our common stock, subject to adjustment in certain circumstances.

During 2003, an average of approximately 20,000 shares of ESOP Preferred Stock was redeemed each month under the Savings Plan, resulting in an average aggregate monthly redemption price of $1.4 million plus accrued and unpaid dividends. At this rate, and assuming a Delta common stock price of $12.00 per share, we estimate that we will issue approximately 3.5 million shares of our common stock during 2004 and 2005 to redeem ESOP Preferred Stock. The actual number of shares of our common stock issued may differ materially from this estimate because the actual number of shares will depend on various factors, including the duration of the period during which we may not redeem ESOP Preferred Stock for cash under Delaware Law;
the fair value of Delta common stock when ESOP Preferred Stock is redeemed; and the number of shares of ESOP Preferred Stock redeemed by Savings Plan participants who terminate their employment with us or elect to diversify their Savings Plan accounts.

For additional information about our ESOP Preferred Stock, see Notes 11 and 12 of the Notes to the Consolidated Financial Statements.

Working Capital Position. As of December 31, 2003, we had negative working capital of $1.7 billion, compared to negative working capital of $2.6 billion at December 31, 2002. This change in our negative working capital balance is primarily due to the increase in our cash and cash equivalents, which is discussed above in the Sources and Uses of Cash section of Management’s Discussion and Analysis in this Form 10-K. A negative working capital position is normal for us, typically due to our air traffic liability and the fact that we primarily generate revenue by providing air transportation through the utilization of property and equipment, which are classified as long-term assets.

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

Our credit facilities do not contain any negative financial covenants. Our Reimbursement Agreement with GECC includes a Collateral Value Test. For additional information about this test, see Note 6 of the Notes to the Consolidated Financial Statements.

As is customary in the airline industry, our aircraft lease and financing agreements require that we maintain certain levels of insurance coverage, including war-risk insurance. We were in compliance with these requirements at December 31, 2003 and 2002. For additional information about our war-risk insurance currently provided by the U.S. government under the Stabilization Act, see Note 19 in the Notes to the Consolidated Financial Statements.

For additional information on our liquidity, see the Business Environment section of Management’s Discussion and Analysis in this Form 10-K.

Prior Years

million tax refund due to a new tax law and (2) a $112 million in compensation under the Stabilization Act. Capital expenditures, including aircraft acquisitions made under seller financing arrangements, were $2.0 billion during 2002; this included the acquisition of four B-737-800, three B-767-400, one B-777-200, 34 CRJ-200 and 15 CRJ-700 aircraft. Debt and capital lease obligations, including current maturities and short-term obligations, totaled $10.9 billion at December 31, 2002. We issued $2.6 billion of secured long-term debt during 2002.

2001. Cash and cash equivalents totaled $2.2 billion at December 31, 2001. Net cash provided by operations totaled $236 million during 2001, including $556 million of compensation received under the Stabilization Act. Capital expenditures, including aircraft acquisitions made under seller financing arrangements, were $2.9 billion during 2001; this included the acquisition of 27 B-737-800, three B-757-200, two B-767-300ER, six B-767-400, 23 CRJ-200 and four CRJ-100 aircraft. Debt and capital lease obligations, including current maturities and short-term obligations, totaled $9.4 billion at December 31, 2001. We issued $2.3 billion of secured long-term debt during 2001.

Financial Position

December 31, 2003 Compared to December 31, 2002. This section discusses certain changes in our Consolidated Balance Sheets which are not otherwise discussed in this Form 10-K.

Prepaid expenses and other current assets increased by 34%, or $120 million, primarily due to an increase in prepaid aircraft fuel as well as an increase in the fair value of our fuel hedge derivative contracts. Restricted investments for our Boston airport terminal project decreased 31%, or $131 million, due to the capitalization of project expenditures and interest paid. Other noncurrent assets increased 42%, or $634 million, due to an increase in our deferred tax assets which was partially offset by a decrease in the intangible asset recorded in conjunction with our additional minimum pension liability.

Accounts payable, deferred credits and other accrued liabilities decreased 8%, or $162 million, primarily due to payments related to our restructuring reserves and to the Delta Employees Credit Union (see Note 16 and Note 20, respectively, of the Notes to the Consolidated Financial Statements). Pension and related benefits increased 51%, or $1.6 billion, primarily due to our non-cash adjustments to our additional minimum pension liability recorded during 2003. For additional information on our employee benefit plans, see Note 11 of the Notes to the Consolidated Financial Statements.

Contractual Obligations. The following table provides a summary of our contractual obligations as of December 31, 2003 related to debt; operating leases; aircraft order commitments; capital leases; interest and related payments; other material, noncancelable purchase obligations; and other liabilities. The table excludes commitments that are contingent based on certain events or other factors that are uncertain or unknown at this time.
Table of Contents

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Total</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>After 2008</th>
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<td>Debt (1)</td>
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<td>$1,002</td>
<td>$1,164</td>
<td>$781</td>
<td>$463</td>
<td>$1,272</td>
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<td>1,285</td>
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<td>Capital lease obligations (4)</td>
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<td>22</td>
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<td>671</td>
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<td>Other purchase obligations (6)</td>
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<td>Other liabilities (7)</td>
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<td>—</td>
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<td><strong>Total</strong></td>
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<td><strong>$2,998</strong></td>
<td><strong>$18,044</strong></td>
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(1) These amounts are included on our Consolidated Balance Sheets. A portion of this debt is backed by letters of credit totaling $300 million at December 31, 2003. For additional information about our debt and related matters, see Note 6 of the Notes to the Consolidated Financial Statements.

(2) Our operating lease obligations are described in Note 7 of the Notes to the Consolidated Financial Statements. A portion of these obligations is backed by letters of credit totaling $104 million at December 31, 2003. For additional information about these letters of credit, see Note 6 of the Notes to the Consolidated Financial Statements.

(3) Includes capital expenditures related to our purchase of seven B-737-800 aircraft in 2005. We intend to exercise our right to defer the delivery of these aircraft to 2008. This action will defer the related capital expenditures from 2004 and 2005 to later years. Accordingly, the aircraft capital expenditure amount in the Business Environment section of Management’s Discussion and Analysis in this Form 10-K does not include any amount in 2004 related to our purchase of these seven aircraft.

Includes capital expenditures to purchase from the manufacturer 11 B-737-800 aircraft for which we have entered into a definitive agreement to sell to a third party immediately following delivery of those aircraft to us in 2005. For additional information about our intention to exercise our right to defer the delivery of seven B-737-800 aircraft from 2005 to 2008, and our definitive agreement to sell 11 B-737-800 aircraft immediately after those aircraft are delivered to us by the manufacturer in 2005, see Note 9 of the Notes to the Consolidated Financial Statements.

(4) Interest payments related to capital lease obligations are included in the table. The present value of these obligations, excluding interest, is included on our Consolidated Balance Sheets. For additional information about our capital lease obligations, see Note 7 of the Notes to the Consolidated Financial Statements.

(5) These amounts represent future interest payments related to our debt obligations based on the fixed and variable interest rates specified in the associated debt agreements. Payments in early 2004 related to variable rate debt are based on the specified margin and the base rate, such as LIBOR, in effect at December 31, 2003. The base rates typically reset every one to six months depending on the debt agreement. Payments in late 2004 and other years for variable rate debt do not consider any amount for the base rate component of the interest calculation since the rate is unknown at December 31, 2003; these payments were calculated based only on the specified margin. At December 31, 2003, by way of context, the base rate component of the interest calculation on our $4.2 billion of variable rate debt is approximately 1%. The related payments represent credit enhancements required in conjunction with certain debt agreements.

(6) Includes purchase obligations pursuant to which we are required to make minimum payments for goods and services. For additional information about other commitments and contingencies, see Note 9 of the Notes to the Consolidated Financial Statements.

(7) Represents other liabilities on our Consolidated Balance Sheets for which we are obligated to make future payments primarily related to postretirement medical benefit costs incurred but not yet paid and payments required under certain collective bargaining agreements for unused vacation time. These liabilities are not included in any other line item on this table.

The table above does not include amounts related to our future funding obligations under our defined benefit pension plans. Estimates of the amount and timing of these future funding obligations are based on various assumptions. These include assumptions concerning, among other things, the actual and projected market performance of the plan assets, 30-year U.S. Treasury bond yields, statutory requirements and demographic data for pension plan participants. The amount and timing of our future funding obligations also depend on whether we elect to make contributions to the pension plans in excess of those required under ERISA; such voluntary contributions may reduce or defer the funding obligations we would have absent those contributions.
We estimate that our pension plan funding will be approximately $440 million for 2004. As discussed in the Business Environment section of Management’s Discussion and Analysis in this Form 10-K, this includes a voluntary contribution of $325 million to our non-pilot pension plan in January and February 2004. Our anticipated funding obligations under our pension plans for 2005 and thereafter cannot be reasonably estimated at this time because these estimates vary materially depending on the assumptions used to determine them and whether we make contributions in excess of those required. Nevertheless, we presently expect that our funding obligations under our pension plans in each of the years from 2005 through 2008 will be significant and could have a material adverse impact on our liquidity.

In addition to the contractual obligations discussed above, we have certain contracts for goods and services that require us to pay a penalty, acquire inventory specific to us or purchase contract specific equipment, as defined by each respective contract, if we terminate the contract without cause prior to its expiration date. These obligations are contingent upon whether we terminate the contract without cause prior to its expiration date; therefore, no obligation would exist unless such a termination were to occur.

We are party to a collective bargaining agreement with ALPA representing Delta pilots. The agreement generally provides that no pilot on the seniority list as of July 1, 2001 may be furloughed unless the furlough is caused by a circumstance beyond our control, as defined in that agreement. Therefore, if we reduce the number of flights in our schedule for reasons other than a circumstance beyond our control, as defined in the agreement, we may be required to pay unutilized pilots their full salary and benefits. If we furlough pilots due to a circumstance beyond our control, we are only obligated to remit furlough pay and to provide or pay for certain other benefits for a limited period until the pilots are recalled. We have been involved in arbitration regarding whether the agreement permits furloughs in particular circumstances, as described in Item 1. “Business—Employee Matters—Pilot Furloughs” of this Form 10-K. Our agreement with ALPA becomes amendable on May 1, 2005.

We have long-term contract carrier agreements with three regional air carriers, ACA, SkyWest and Chautauqua. Under these agreements, ACA, SkyWest and Chautauqua operate certain of their aircraft using our flight code; we schedule those aircraft and sell the seats on those flights; and we keep the related revenues. We pay those airlines an amount, as defined in the applicable agreement, which is based on an annual redetermination of their cost of operating those flights and other factors intended to approximate market rates for those services.

We expect to incur expenses of approximately $890 million in 2004 related to our contract carrier agreements with ACA, SkyWest and Chautauqua. These expenses are not included in the table above because they are contingent based on the costs associated with the operation of contract carrier flights by those air carriers. We cannot reasonably estimate at this time our expenses under the contract carrier agreements in 2005 and thereafter. For additional information regarding our contract carrier agreements, including the possibility that we may be required to assume certain of ACA’s regional jet leases, see Note 9 of the Notes to the Consolidated Financial Statements.
As discussed above, we changed the form of payment we will use to redeem shares of ESOP Preferred Stock when redemptions are required under the Savings Plan. For the indefinite future, we will pay the redemption price of the ESOP Preferred Stock in shares of our common stock rather than in cash. For additional information about our ESOP Preferred Stock, see Notes 11 and 12 of the Notes to the Consolidated Financial Statements.

For additional information about other contingencies, see Note 9 of the Notes to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements.

Sale of Receivables. We were party to an agreement, as amended, under which we sold a defined pool of our accounts receivable, on a revolving basis, through a special-purpose, wholly-owned subsidiary to a third party. In accordance with accounting principles generally accepted in the United States of America (“GAAP”), we did not consolidate this subsidiary in our Consolidated Financial Statements. This agreement terminated on its scheduled expiration date of March 31, 2003. As a result, on April 2, 2003, we paid $250 million, which represented the total amount owed to the third party by the subsidiary, and subsequently collected the related receivables. For additional information about this agreement, see Note 8 of the Notes to the Consolidated Financial Statements.

Other.

Legal Contingencies. We are involved in legal proceedings relating to antitrust matters, employment practices, environmental issues and other matters concerning our business. We are also a defendant in numerous lawsuits arising out of the terrorist attacks of September 11, 2001. We cannot reasonably estimate the potential loss for certain legal proceedings because, for example, the litigation is in its early stages or the plaintiff does not specify the damages being sought. Although the ultimate outcome of our legal proceedings cannot be predicted with certainty, we believe that the resolution of these actions will not have a material adverse effect on our Consolidated Financial Statements.

Application of Critical Accounting Policies.

Critical Accounting Estimates. The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions. We periodically evaluate these estimates and assumptions, which are based on historical experience, changes in the business environment and other factors that management believes to be reasonable under the circumstances. Actual results may differ materially from these estimates.

Rules proposed by the Securities and Exchange Commission would require disclosures related to accounting estimates management makes in applying accounting policies and the initial adoption of an accounting policy that has a material impact on its financial statements. These Rules define critical accounting estimates as those accounting estimates which (1) require management to make assumptions about matters that are highly uncertain at the time the estimate is made and (2) would have resulted in material changes to our Consolidated Financial Statements.
Statements if different estimates, which we reasonably could have used, were made. Our critical accounting estimates are briefly described below.

**Goodwill.** SFAS 142 addresses financial accounting and reporting for goodwill and other intangible assets, including when and how to perform impairment tests of recorded balances. We have three reporting units that have assigned goodwill: Delta-Mainline, Atlantic Southeast Airlines, Inc. and Comair. Quoted stock market prices are not available for these individual reporting units. Accordingly, consistent with SFAS 142, our methodology for estimating the fair value of each reporting unit primarily considers discounted future cash flows. In applying this methodology, we (1) make assumptions about each reporting unit’s future cash flows based on capacity, yield, traffic, operating costs and other relevant factors and (2) discount those cash flows based on each reporting unit’s weighted average cost of capital. Changes in these assumptions may have a material impact on our Consolidated Financial Statements. For additional information about our accounting policy related to goodwill and other intangibles, see Notes 1 and 5 in the Notes to the Consolidated Financial Statements.

**Income Tax Valuation Allowance.** In accordance with SFAS No. 109, “Accounting for Income Taxes” (“SFAS 109”), deferred tax assets should be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The future realization of our net deferred tax assets depends on the availability of sufficient future taxable income. In making this determination, we consider all available positive and negative evidence and make certain assumptions. We consider, among other things, the overall business environment; our historical earnings, including our significant pretax losses incurred during the last three years; our industry’s historically cyclical periods of earnings and losses; and our outlook for future years.

We performed this analysis as of December 31, 2003 and determined that there was sufficient positive evidence to conclude that it is more likely than not that our net deferred tax assets will be realized. The positive evidence included (1) our expectation that we will report pre-tax book and taxable income in future years; (2) our federal net operating losses (“NOL”s) have never expired unused; (3) our alternative minimum tax (“AMT”) credit carryforwards do not expire; (4) substantially all of our cumulative NOL carryforward at December 31, 2003 will not begin to expire until 2022; and (5) given the long economic cycles of this industry, our belief that we are not in a cumulative loss position for purposes of assessing recoverability of our net deferred tax assets. Additionally, a significant portion of our deferred tax assets is associated with our additional minimum pension liability. Over time, this liability is required to be funded, which will eliminate the related deferred tax asset. We will assess the need for a deferred tax asset valuation allowance on an ongoing basis considering factors such as those mentioned above as well as other relevant criteria. Changes in the assumptions discussed above may have a material impact on our Consolidated Financial Statements. For additional information about income taxes, see Notes 1 and 10 of the Notes to the Consolidated Financial Statements.

**Pension Plans.** We sponsor defined benefit pension plans (“Plans”) for eligible employees and retirees. The impact of the Plans on our Consolidated Financial Statements as of December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001 is presented in Note 11 of the Notes to the Consolidated Financial Statements. We currently

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estimate that our defined benefit pension expense in 2004 will be approximately $525 million. The effect of our Plans on our Consolidated Financial Statements is subject to many assumptions. We believe the most critical assumptions are (1) the weighted average discount rate; (2) the rate of increase in future compensation levels; and (3) the expected long-term rate of return on Plan assets.

We determine our weighted average discount rate on our measurement date primarily by reference to annualized rates earned on high quality fixed income investments and yield-to-maturity analysis specific to our estimated future benefit payments. Adjusting our discount rate (6.125% at September 30, 2003) by 0.5% would change our accrued pension cost by approximately $780 million at December 31, 2003 and change our estimated pension expense in 2004 by approximately $60 million.

Our rate of increase in future compensation levels is based primarily on labor contracts currently in effect with our employees under collective bargaining agreements and expected future pay rate increases for other employees. Adjusting our estimated rate of increase in future compensation levels (1.89% at September 30, 2003) by 0.5% would change our estimated pension expense in 2004 by approximately $20 million.

The expected long-term rate of return on our Plan assets is based primarily on Plan-specific asset/liability investment studies performed by outside consultants and recent and historical returns on our Plans’ assets. Adjusting our expected long-term rate of return (9.00% at September 30, 2003) by 0.5% would change our estimated pension expense in 2004 by approximately $40 million. For additional information about our pension plans, see Note 11 of the Notes to the Consolidated Financial Statements.

**Impairment of Long-Lived Assets**. We record impairment losses on long-lived assets used in operations when events and circumstances indicate the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. The amount of impairment loss recognized is the amount by which the carrying amounts of the assets exceed the estimated fair values.

In order to evaluate potential impairment as required by SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”), we group assets at the fleet type level (the lowest level for which there are identifiable cash flows) and then estimate future cash flows based on assumptions involving projections of passenger yield, fuel costs, labor costs and other relevant factors in the markets in which these aircraft operate. Aircraft fair values are estimated by management using published sources, appraisals and bids received from third parties, as available. Changes in these assumptions may have a material impact on our Consolidated Financial Statements. For additional information about our accounting policy for the impairment of long-lived assets, see Note 1 of the Notes to the Consolidated Financial Statements.

**Recently Issued Accounting Pronouncements**. On December 8, 2003, President Bush signed into law the Medicare Prescription Drug, Improvement and Modernization Act (“Medicare Act”). The Medicare Act introduced a prescription drug benefit under Medicare and a
federal subsidy to sponsors of health care benefit plans in certain circumstances. The impact of the Medicare Act is not reflected in our 2003 Consolidated Financial Statements due to our September 30 measurement date for our postretirement plans, which was prior to the enactment of this law.

The FASB issued FASB Staff Position SFAS No. 106-1, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003” (“FSP 106-1”) in January 2004. FSP 106-1 permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the Medicare Act. It also requires certain disclosures regarding the Medicare Act and is effective for financial statements issued after December 7, 2003. In compliance with FSP 106-1, in 2004, we will make a one-time election to reflect the estimated impact of the Medicare Act immediately or to defer recognition until specific authoritative guidance on accounting for the federal subsidy portion of the Medicare Act is issued. In either case, when specific guidance is issued, we could be required to change previously reported financial information. We are still evaluating the impact of the Medicare Act on our 2004 Consolidated Financial Statements. For additional information about our employee benefit plans, see Note 11 of the Notes to the Consolidated Financial Statements.

Market Risks Associated with Financial Instruments. We have significant market risk exposure related to aircraft fuel prices and interest rates. Market risk is the potential negative impact of adverse changes in these prices or rates on our Consolidated Financial Statements. To manage the volatility relating to these exposures, we periodically enter into derivative transactions pursuant to stated policies (see Notes 3 and 4 of the Notes to the Consolidated Financial Statements). Management expects adjustments to the fair value of financial instruments accounted for under SFAS 133 to result in ongoing volatility in earnings and shareowners’ (deficit) equity.

The following sensitivity analyses do not consider the effects of a change in demand for air travel, the economy as a whole or additional actions by management to mitigate our exposure to a particular risk. For these and other reasons, the actual results of changes in these prices or rates may differ materially from the following hypothetical results.

Aircraft Fuel Price Risk. Our results of operations may be significantly impacted by changes in the price of aircraft fuel. To manage this risk, we periodically enter into heating and crude oil derivative contracts to hedge a portion of our projected annual aircraft fuel requirements. Heating and crude oil prices have a highly correlated relationship to fuel prices, making these derivatives effective in offsetting changes in the cost of aircraft fuel. We do not enter into fuel hedge contracts for speculative purposes.

At December 31, 2003, we had hedged 32% of our projected aircraft fuel requirements for 2004 at an average hedge price per gallon of 76.46¢, and none of our projected aircraft fuel requirements for 2005 or thereafter. The fair values of our heating and crude oil derivative instruments were $97 million at December 31, 2003 and $73 million at December 31, 2002. A 10% decrease in the average annual price of heating and crude oil would have decreased the fair values of these instruments by $65 million at December 31, 2003.
In February 2004, we settled all of our fuel hedge contracts prior to their scheduled settlement dates. As a result of these transactions, we received $83 million in cash, which represented the fair value of these contracts at the date of settlement. In accordance with SFAS 133, effective gains of $82 million will be recorded in accumulated other comprehensive loss until the related fuel purchases, which were being hedged, are consumed and recognized in expense during 2004. These gains will then be recorded as a reduction in fuel expense on our Consolidated Statements of Operations. The ineffective portion of the hedges and the time value component of these contracts totaling $17 million will be recognized in the March 2004 quarter as a fair value adjustment of SFAS 133 derivatives in other income (expense) on our Consolidated Statements of Operations. We may enter into fuel hedge contracts in the future depending on certain conditions.

During 2003, aircraft fuel accounted for 14% of our total operating expenses. Based on our projected aircraft fuel consumption of approximately 2.5 billion gallons for 2004, a 10% rise in our jet fuel prices would increase our aircraft fuel expense by approximately $150 million in 2004. This analysis includes the effects of fuel hedging instruments in place at December 31, 2003.

For additional information regarding our aircraft fuel price risk management program, see Note 4 of the Notes to the Consolidated Financial Statements.

*Interest Rate Risk.* Our exposure to market risk due to changes in interest rates primarily relates to our long-term debt obligations.

Market risk associated with our long-term debt is the potential change in fair value resulting from a change in interest rates. A 10% decrease in average annual interest rates would have increased the estimated fair value of our long-term debt by $682 million at December 31, 2003 and $395 million at December 31, 2002. A 10% increase in average annual interest rates would not have had a material impact on our interest expense in 2003. For additional information on our long-term debt agreements, see Notes 4 and 6 of the Notes to the Consolidated Financial Statements.

**Glossary of Defined Terms**

*ASM* - Available Seat Mile. A measure of capacity. ASMs equal the total number of seats available for transporting passengers during a reporting period multiplied by the total number of miles flown during that period.

*Cargo Ton Miles* - The total number of tons of cargo transported during a reporting period, multiplied by the total number of miles cargo is flown during that period.

*Cargo Ton Mile Yield* - The amount of cargo revenue earned per cargo ton mile during a reporting period.
**CASM-** (Operating) Cost per Available Seat Mile. The amount of operating cost incurred per available seat mile during a reporting period. Also referred to as “unit cost.”

**Passenger Load Factor** - A measure of utilized available seating capacity calculated by dividing RPMs by ASMs for a reporting period.

**Passenger Mile Yield** - The amount of passenger revenue earned per revenue passenger mile during a reporting period.

**RASM** - (Operating or Passenger) Revenue per Available Seat Mile. The amount of operating or passenger revenue earned per available seat mile during a reporting period. Passenger RASM is also referred to as “unit revenue.”

**RPM** - Revenue Passenger Mile. One revenue-paying passenger transported one mile. RPMs equal the number of revenue passengers during a reporting period multiplied by the number of miles flown by those passengers during that period. Also referred to as traffic.

**Section 1110** - Section 1110 of the U.S. Bankruptcy Code enables a lessor or secured creditor to a U.S. airline to repossess eligible equipment that secures the lease or security interest 60 days after the airline files a petition for bankruptcy protection, unless the airline cures the default and agrees to meet its future obligations to the creditor under the lease or security agreement.
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is set forth under Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financial Position—Market Risks Associated With Financial Instruments” and in Notes 1 through 4 of the Notes to the Consolidated Financial Statements in this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index on page F-1 of the Consolidated Financial Statements and the Notes thereto contained in this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The information required by this Item 9 was previously reported in our Annual Report on Form 10-K for the year ended December 31, 2002.

ITEM 9A. CONTROLS AND PROCEDURES.

(a) Our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. Our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the controls and procedures were effective as of December 31, 2003 to ensure that material information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) During the three months ended December 31, 2003, we have made no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.
PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this item is set forth under “Certain Information About Nominees” and under “Section 16 Beneficial Ownership Reporting Compliance” in our Proxy Statement to be filed with the Commission related to our Annual Meeting of Shareowners on April 23, 2004 (“Proxy Statement”), and is incorporated by reference. Certain information regarding executive officers is contained in Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is set forth under “Director Compensation,” under “Compensation Committee Interlocks and Insider Participation” and under “Executive Compensation” in our Proxy Statement and is incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is set forth under “Beneficial Ownership of Securities” and under “Equity Compensation Plan Information” in our Proxy Statement and is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is set forth under “Fees of Independent Auditors for 2003 and 2002” in our Proxy Statement and is incorporated by reference.
PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1), (2). The financial statements and schedule required by this item are listed in the Index to Consolidated Financial Statements and Schedules in this Form 10-K.

(3). The exhibits required by this item are listed in the Exhibit Index to this Form 10-K. The management contracts and compensatory plans or arrangements required to be filed as an exhibit to this Form 10-K are listed as Exhibits 10.5 through 10.26 in the Exhibit Index.

(b). Reports on Form 8-K:

(i) Report dated November 12, 2003, reporting Item 5. “Other Events and Required FD Disclosure” and Item 7. “Financial Statements and Exhibits.” No financial statements were filed with the report, which included a press release announcing certain information relating to our defined benefit pension plans, our Series B ESOP Convertible Preferred Stock and our projected GAAP net loss for the December 2003 quarter.

(ii) Report dated November 24, 2003, reporting Item 5. “Other Events and Required FD Disclosure” and Item 7. “Financial Statements and Exhibits.” No financial statements were filed with the report, which included a press release announcing the retirement of Leo F. Mullin as our Chief Executive Officer, effective December 31, 2003, and as Chairman of the Board, effective as of the 2004 annual shareowners’ meeting, and his succession by Gerald Grinstein as Chief Executive Officer on January 1, 2004, and John F. Smith Jr. as Chairman of the Board on April 23, 2004.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 12th day of March, 2004.

DELA AIR LINES, INC.

By: /s/ Gerald Grinstein

Gerald Grinstein
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 12th day of March, 2004 by the following persons on behalf of the registrant and in the capacities indicated.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edward H. Budd*</td>
<td>Director</td>
</tr>
<tr>
<td>Edward H. Budd</td>
<td></td>
</tr>
<tr>
<td>M. Michele Burns*</td>
<td>Executive Vice President and</td>
</tr>
<tr>
<td></td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>(Principal Financial Officer and Principal</td>
</tr>
<tr>
<td></td>
<td>Accounting Officer)</td>
</tr>
<tr>
<td>M. Michele Burns</td>
<td></td>
</tr>
<tr>
<td>George M.C. Fisher*</td>
<td>Director</td>
</tr>
<tr>
<td>George M.C. Fisher</td>
<td></td>
</tr>
<tr>
<td>David R. Goode*</td>
<td>Director</td>
</tr>
<tr>
<td>David R. Goode</td>
<td></td>
</tr>
<tr>
<td>/s/Gerald Grinstein</td>
<td>Director and Chief Executive Officer</td>
</tr>
<tr>
<td>Gerald Grinstein</td>
<td>(Principal Executive Officer)</td>
</tr>
</tbody>
</table>

57
<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>James M. Kilts*</td>
<td>Director</td>
</tr>
<tr>
<td>James M. Kilts</td>
<td></td>
</tr>
<tr>
<td>Leo F. Mullin*</td>
<td>Chairman of the Board</td>
</tr>
<tr>
<td>Leo F. Mullin</td>
<td></td>
</tr>
<tr>
<td>John F. Smith, Jr.*</td>
<td>Director</td>
</tr>
<tr>
<td>John F. Smith, Jr.</td>
<td></td>
</tr>
<tr>
<td>Joan E. Spero*</td>
<td>Director</td>
</tr>
<tr>
<td>Joan E. Spero</td>
<td></td>
</tr>
<tr>
<td>Larry D. Thompson*</td>
<td>Director</td>
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<tr>
<td>Larry D. Thompson</td>
<td></td>
</tr>
<tr>
<td>Andrew J. Young*</td>
<td>Director</td>
</tr>
<tr>
<td>Andrew J. Young</td>
<td></td>
</tr>
<tr>
<td>*By: /s/ Gerald Grinstein</td>
<td>Attorney-In-Fact</td>
</tr>
<tr>
<td>Gerald Grinstein</td>
<td></td>
</tr>
</tbody>
</table>

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EXHIBIT INDEX

3.1. Delta’s Certificate of Incorporation (Filed as Exhibit 3.1 to Delta’s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).*

3.2. Delta’s By-Laws.

4.1. Rights Agreement dated as of October 24, 1996, between Delta and First Chicago Trust Company of New York, as Rights Agent, as amended by Amendment No. 1 thereto dated as of July 22, 1999 (Filed as Exhibit 1 to Delta’s Form 8-A/A Registration Statement dated November 4, 1996, and Exhibit 3 to Delta’s Amendment No. 1 to Form 8-A/A Registration Statement dated July 30, 1999).*

4.2. Certificate of Designations, Preferences and Rights of Series B ESOP Convertible Preferred Stock and Series D Junior Participating Preferred Stock (Filed as part of Exhibit 3.1 of this Form 10-K).*

4.3. Indenture dated as of March 1, 1983, between Delta and The Citizens and Southern National Bank, as trustee, as supplemented by the First and Second Supplemental Indentures thereto dated as of January 27, 1986 and May 26, 1989, respectively (Filed as Exhibit 4 to Delta’s Registration Statement on Form S-3 (Registration No. 2-82412), Exhibit 4(b) to Delta’s Registration Statement on Form S-3 (Registration No. 33-2972), and Exhibit 4.5 to Delta’s Annual Report on Form 10-K for the year ended June 30, 1989).*

4.4. Third Supplemental Indenture dated as of August 10, 1998, between Delta and The Bank of New York, as successor trustee, to the Indenture dated as of March 1, 1983, as supplemented, between Delta and The Citizens and Southern National Bank of Florida, as predecessor trustee (Filed as Exhibit 4.5 to Delta’s Annual Report on Form 10-K for the year ended June 30, 1998).*

4.5. Indenture dated as of April 30, 1990, between Delta and The Citizens and Southern National Bank of Florida, as trustee (Filed as Exhibit 4(a) to Amendment No. 1 to Delta’s Registration Statement on Form S-3 (Registration No. 33-34523)).*

4.6. First Supplemental Indenture dated as of August 10, 1998, between Delta and The Bank of New York, as successor trustee, to the Indenture dated as of April 30, 1990, between Delta and The Citizens and Southern National Bank of Florida, as predecessor trustee (Filed as Exhibit 4.7 to Delta’s Annual Report on Form 10-K for the year ended June 30, 1998).*

4.7. Indenture dated as of May 1, 1991, between Delta and The Citizens and Southern National Bank of Florida, as Trustee (Filed as Exhibit 4 to Delta’s Registration Statement on Form S-3 (Registration No. 33-40190)).*

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4.8. Indenture dated as of December 14, 1999, between Delta and The Bank of New York, as Trustee, relating to $500 million of 7.70% Notes due 2005, $500 million of 7.90% Notes due 2009 and $1 billion of 8.30% Notes due 2029. (Filed as Exhibit 4.2 to Delta’s Registration Statement on Form S-4 (Registration No. 333-94991)).

4.9. Indenture dated as of June 2, 2003, between Delta and The Bank of New York Trust Company of Florida, N.A., as Trustee, relating to $350 million principal amount of 8.00% Convertible Senior Notes due 2023 (Filed as Exhibit 4.2 to Delta’s Registration Statement on Form S-3 (Registration No. 333-108176)).

4.10. Indenture dated as of February 6, 2004, between Delta and The Bank of New York Trust Company, N.A., as Trustee, relating to up to $390 million principal amount of 2-7/8% Convertible Senior Notes due 2024.

Delta is not filing any other instruments evidencing any indebtedness because the total amount of securities authorized under any single such instrument does not exceed 10% of the total assets of Delta and its subsidiaries on a consolidated basis. Copies of such instruments will be furnished to the Securities and Exchange Commission upon request.

10.1. Purchase Agreement No. 2022 between Boeing and Delta relating to Boeing Model 737-632/-732/-832 Aircraft (Filed as Exhibit 10.3 to Delta’s Quarterly Report on Form 10-Q for the quarter ended March 31, 1998)./**

10.2. Purchase Agreement No. 2025 between Boeing and Delta relating to Boeing Model 767-432ER Aircraft (Filed as Exhibit 10.4 to Delta’s Quarterly Report on Form 10-Q for the quarter ended March 31, 1998)./**

10.3. Letter Agreements related to Purchase Agreements No. 2022 and/or No. 2025 between Boeing and Delta (Filed as Exhibit 10.5 to Delta’s Quarterly Report on Form 10-Q for the quarter ended March 31, 1998)./**

10.4. Aircraft General Terms Agreement between Boeing and Delta (Filed as Exhibit 10.6 to Delta’s Quarterly Report on Form 10-Q for the quarter ended March 31, 1998)./**

10.5. Delta 2000 Performance Compensation Plan (Filed as Appendix A to Delta’s Proxy Statement dated September 15, 2000).*

10.6. First Amendment to Delta 2000 Performance Compensation Plan, effective April 25, 2003 (Filed as Exhibit 10.3 to Delta’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).*

10.7. Forms of Executive Retention Protection Agreements for Executive Officers and Senior Vice Presidents (Filed as Exhibit 10.16 of Delta’s Annual Report on Form 10-K for the year ended June 30, 1997).*
10.8. Employment Agreement dated as of November 29, 2002, between Delta and Leo F. Mullin (Filed as Exhibit 10.8 to Delta’s Annual Report on Form 10-K for the year ended December 31, 2002).*

10.9. Amendment and Waiver dated as of November 18, 2003, between Delta and Leo F. Mullin.

10.10. Letter Agreement dated June 5, 1998, between Delta and Frederick W. Reid concerning Mr. Reid’s employment with Delta (Filed as Exhibit 10.20 to Delta’s Annual Report on Form 10-K for the year ended June 30, 1998).*

10.11. Amendment and Waiver dated as of November 18, 2003, between Delta and Frederick W. Reid.

10.12. Letter Agreement dated September 17, 1998, between Delta and Robert L. Colman concerning Mr. Colman’s employment with Delta (Filed as Exhibit 10 to Delta’s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).*

10.13. Letter Agreement dated May 28, 2002, supplementing the Letter Agreement dated September 17, 1998, between Delta and Robert L. Colman concerning Mr. Colman’s employment with Delta (Filed as Exhibit 10.3 to Delta’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002).*

10.14. Agreement dated May 6, 2003, between Delta and the United States of America under Title IV of the Emergency Wartime Supplemental Appropriations Act (Filed as Exhibit 10.2 to Delta’s Form 10-Q for the quarter ended March 31, 2003).*

10.15. Form of Waiver of compensation in connection with Delta’s Agreement with the United States of America under Title IV of the Emergency Wartime Supplemental Appropriations Act of 2003, dated as of July 24, 2003, executed by Leo F. Mullin and Frederick W. Reid (under cover of an executive summary) (Filed as Exhibit 10.5 of Delta’s Form 10-Q for the quarter ended September 30, 2003).*

10.16. 2002 Delta Excess Benefit Plan (Filed as Exhibit 10.1 to Delta’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002).*

10.17. 2002 Delta Supplemental Excess Benefit Plan (Filed as Exhibit 10.2 to Delta’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002).*

10.18. Form of Excess Benefit Agreement between Delta and its officers (Filed as Exhibit 10.3 to Delta’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002).*


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<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.20.</td>
<td>Delta’s 2002 Retention Program (Filed as Exhibit 10.1 to Delta’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002).*</td>
</tr>
<tr>
<td>10.22.</td>
<td>Form of Executive Life Insurance Assignment Agreement executed by Leo F. Mullin, Frederick W. Reid, M. Michele Burns, Vicki B. Escarra and Robert L. Colman, dated July 1, 2003 (under cover of an executive summary) (Filed as Exhibit 10.4 to Delta’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).*</td>
</tr>
<tr>
<td>10.23.</td>
<td>Directors’ Deferred Compensation Plan, as amended (Filed as Exhibit 10.1 to Delta’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003).*</td>
</tr>
<tr>
<td>10.24.</td>
<td>Directors’ Charitable Award Program (Filed as Exhibit 10.3 to Delta’s Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).*</td>
</tr>
<tr>
<td>10.25.</td>
<td>Delta’s Non-Employee Directors’ Stock Plan (Filed as Exhibit 4.5 to Delta’s Registration Statement on Form S-8 (Registration No. 33-65391)).*</td>
</tr>
<tr>
<td>10.26.</td>
<td>Delta’s Non-Employee Directors’ Stock Option Plan, as amended (Filed as Exhibit 10.2 to Delta’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2001).*</td>
</tr>
<tr>
<td>16.</td>
<td>Letter from Arthur Andersen LLP dated March 27, 2002 to the Securities and Exchange Commission (Filed as Exhibit 16 to Delta’s Form 10-K for the year ended December 31, 2001).*</td>
</tr>
<tr>
<td>23.</td>
<td>Consent of Deloitte &amp; Touche LLP.</td>
</tr>
<tr>
<td>31.1</td>
<td>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.</td>
</tr>
<tr>
<td>31.2</td>
<td>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.</td>
</tr>
</tbody>
</table>
32. Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 2002.

* Incorporated by reference.

** Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to Delta’s request for confidential treatment.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

INDEPENDENT AUDITORS’ REPORT
COPY OF REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

CONSOLIDATED FINANCIAL STATEMENTS:
Consolidated Balance Sheets — December 31, 2003 and 2002
Consolidated Statements of Operations for the years ended December 31, 2003, 2002 and 2001
Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001
Consolidated Statements of Shareowners’ Equity for the years ended December 31, 2003, 2002 and 2001
Notes to the Consolidated Financial Statements

COPY OF REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

SCHEDULE SUPPORTING FINANCIAL STATEMENTS:

Schedule Number

II Valuation and Qualifying Accounts for the year ended December 31, 2001. The required information for the years ended December 31, 2003 and 2002 is included in Note 21 of the Notes to the Consolidated Financial Statements in this Form 10-K.

F-1
INDEPENDENT AUDITORS’ REPORT

To the Board of Directors and Shareowners’ of Delta Air Lines, Inc.:

We have audited the accompanying consolidated balance sheets of Delta Air Lines, Inc. and subsidiaries (the “Company”) as of December 31, 2003 and 2002, and the related consolidated statements of operations, cash flows and shareowners’ (deficit) equity for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of the Company for the year ended December 31, 2001, before the revisions discussed below to Notes 5, 9, 16 and 21 to the consolidated financial statements, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated January 23, 2002. Their report contained an explanatory paragraph related to the Company’s change in its method of accounting for derivative instruments and hedging activities effective July 1, 2000 as discussed in Note 4 to the consolidated financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such 2003 and 2002 consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5 to the consolidated financial statements, effective January 1, 2002, the Company changed its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142 (“SFAS 142”).

As discussed above, the consolidated financial statements of the Company for the year ended December 31, 2001, were audited by other auditors who have ceased operations. These consolidated financial statements have been revised as follows:

• As described in Note 5, the Company adopted the provisions of SFAS 142 as of January 1, 2002. These consolidated financial statements have been revised to include the disclosures required by SFAS 142.
We audited the disclosures in Notes 5, 9, 16 and 21 that were included to revise the 2001 consolidated financial statements. In our opinion, such disclosures are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 consolidated financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 consolidated financial statements taken as a whole.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
March 12, 2004

F-3
To Delta Air Lines, Inc.:

We have audited the accompanying consolidated balance sheets of Delta Air Lines, Inc. (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, cash flows and shareowners’ equity for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Delta Air Lines, Inc. and subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 4 to the consolidated financial statements, effective July 1, 2000, Delta Air Lines, Inc. changed its method of accounting for derivative instruments and hedging activities.

/s/ Arthur Andersen LLP

Atlanta, Georgia
January 23, 2002
# Consolidated Balance Sheets

December 31, 2003 and 2002

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
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</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,710</td>
<td>$1,969</td>
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<td>Restricted cash</td>
<td>207</td>
<td>134</td>
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<tr>
<td>Accounts receivable, net of an allowance for uncollectible accounts of $38 at December 31, 2003, and $33 at December 31, 2002</td>
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<td>292</td>
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<tr>
<td>Income tax receivable</td>
<td>—</td>
<td>319</td>
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<td>Expendable parts and supplies inventories, net of an allowance for obsolescence of $183 at December 31, 2003 and 2002</td>
<td>202</td>
<td>164</td>
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<tr>
<td>Deferred income taxes</td>
<td>710</td>
<td>668</td>
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<tr>
<td>Prepaid expenses and other</td>
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<td>356</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
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<td>$3,902</td>
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<td></td>
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<tr>
<td><strong>PROPERTY AND EQUIPMENT:</strong></td>
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<tr>
<td>Flight equipment</td>
<td>21,008</td>
<td>20,295</td>
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<tr>
<td>Accumulated depreciation</td>
<td>(6,497)</td>
<td>(6,109)</td>
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<tr>
<td>Flight equipment, net</td>
<td>14,511</td>
<td>14,186</td>
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<tr>
<td>Flight and ground equipment under capital leases</td>
<td>463</td>
<td>439</td>
</tr>
<tr>
<td>Accumulated amortization</td>
<td>(353)</td>
<td>(297)</td>
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<tr>
<td>Flight and ground equipment under capital leases, net</td>
<td>110</td>
<td>142</td>
</tr>
<tr>
<td>Ground property and equipment</td>
<td>4,477</td>
<td>4,270</td>
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<tr>
<td>Accumulated depreciation</td>
<td>(2,408)</td>
<td>(2,206)</td>
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<td>Ground property and equipment, net</td>
<td>2,069</td>
<td>2,064</td>
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<tr>
<td>Advance payments for equipment</td>
<td>62</td>
<td>132</td>
</tr>
<tr>
<td><strong>Total property and equipment, net</strong></td>
<td>$16,752</td>
<td>$16,524</td>
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<td><strong>OTHER ASSETS:</strong></td>
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<tr>
<td>Investments in associated companies</td>
<td>21</td>
<td>174</td>
</tr>
<tr>
<td>Goodwill</td>
<td>2,092</td>
<td>2,092</td>
</tr>
<tr>
<td>Operating rights and other intangibles, net of accumulated amortization of $179 at December 31, 2003, and $172 at December 31, 2002</td>
<td>95</td>
<td>102</td>
</tr>
<tr>
<td>Restricted investments for Boston airport terminal project</td>
<td>286</td>
<td>417</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>2,143</td>
<td>1,509</td>
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<tr>
<td><strong>Total other assets</strong></td>
<td>$4,637</td>
<td>$4,294</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>$26,356</td>
<td>$24,720</td>
</tr>
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</table>

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

F-5
**Consolidated Balance Sheets**  
December 31, 2003 and 2002

**LIABILITIES AND SHAREOWNERS’ (DEFICIT) EQUITY**  
(in millions, except share data)

<table>
<thead>
<tr>
<th>Category</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
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<td></td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td>$ 1,002</td>
<td>$ 666</td>
</tr>
<tr>
<td>Current obligations under capital leases</td>
<td>19</td>
<td>27</td>
</tr>
<tr>
<td>Accounts payable, deferred credits and other accrued liabilities</td>
<td>1,759</td>
<td>1,921</td>
</tr>
<tr>
<td>Air traffic liability</td>
<td>1,308</td>
<td>1,270</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>915</td>
<td>862</td>
</tr>
<tr>
<td>Accrued salaries and related benefits</td>
<td>1,285</td>
<td>1,365</td>
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<tr>
<td>Accrued rent</td>
<td>336</td>
<td>344</td>
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<tr>
<td><strong>Total current liabilities</strong></td>
<td>6,624</td>
<td>6,455</td>
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<tr>
<td><strong>NONCURRENT LIABILITIES:</strong></td>
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<tr>
<td>Long-term debt</td>
<td>10,962</td>
<td>9,576</td>
</tr>
<tr>
<td>Long-term debt issued by Massachusetts Port Authority (Note 6)</td>
<td>498</td>
<td>498</td>
</tr>
<tr>
<td>Capital leases</td>
<td>78</td>
<td>100</td>
</tr>
<tr>
<td>Postretirement benefits</td>
<td>2,253</td>
<td>2,282</td>
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<tr>
<td>Accrued rent</td>
<td>701</td>
<td>739</td>
</tr>
<tr>
<td>Pension and related benefits</td>
<td>4,886</td>
<td>3,242</td>
</tr>
<tr>
<td>Other</td>
<td>204</td>
<td>93</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>19,582</td>
<td>16,530</td>
</tr>
<tr>
<td><strong>DEFERRED CREDITS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred gains on sale and leaseback transactions</td>
<td>426</td>
<td>478</td>
</tr>
<tr>
<td>Deferred revenue and other credits</td>
<td>108</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total deferred credits</strong></td>
<td>534</td>
<td>578</td>
</tr>
<tr>
<td><strong>COMMITMENTS AND CONTINGENCIES (Notes 3, 4, 6, 7, 8 and 9)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EMPLOYEE STOCK OWNERSHIP PLAN PREFERRED STOCK:</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Series B ESOP Convertible Preferred Stock, $1.00 par value, $72.00 stated and liquidation
  value; 5,839,708 shares issued and outstanding at December 31, 2003, and 6,065,489
  shares issued and outstanding at December 31, 2002 | 420      | 437      |
| Unearned compensation under employee stock ownership plan               | (145)    | (173)    |
| **Total Employee Stock Ownership Plan Preferred Stock**                 | 275      | 264      |
| **SHAREOWNERS’ (DEFICIT) EQUITY:**                                      |          |          |
| Common stock, $1.50 par value; $450,000,000 authorized; 180,915,087 shares issued at
  December 31, 2003, and 180,903,373 shares issued at December 31, 2002 | 271      | 271      |
| Additional paid-in capital                                              | 3,272    | 3,263    |
| Retained earnings                                                       | 844      | 1,639    |
| Accumulated other comprehensive loss                                   | (2,338)  | (1,562)  |
| Treasury stock at cost, 57,370,142 shares at December 31, 2003, and 57,544,168 shares at
  December 31, 2002                                                     | (2,708)  | (2,718)  |
| **Total shareowners’ (deficit) equity**                                 | (659)    | 893      |
| **Total liabilities and shareowners’ (deficit) equity**                 | $26,356  | $24,720  |

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

F-6
## Consolidated Statements of Operations

For the years ended December 31, 2003, 2002 and 2001

<table>
<thead>
<tr>
<th>(in millions, except per share data)</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger</td>
<td>$12,323</td>
<td>$12,321</td>
<td>$12,964</td>
</tr>
<tr>
<td>Cargo</td>
<td>464</td>
<td>458</td>
<td>506</td>
</tr>
<tr>
<td>Other, net</td>
<td>516</td>
<td>526</td>
<td>409</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>13,303</td>
<td>13,305</td>
<td>13,879</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
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<td></td>
</tr>
<tr>
<td>Salaries and related costs</td>
<td>6,342</td>
<td>6,165</td>
<td>6,124</td>
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<tr>
<td>Aircraft fuel</td>
<td>1,938</td>
<td>1,683</td>
<td>1,817</td>
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<tr>
<td>Depreciation and amortization</td>
<td>1,202</td>
<td>1,148</td>
<td>1,283</td>
</tr>
<tr>
<td>Contracted services</td>
<td>886</td>
<td>1,003</td>
<td>1,016</td>
</tr>
<tr>
<td>Landing fees and other rents</td>
<td>858</td>
<td>834</td>
<td>780</td>
</tr>
<tr>
<td>Aircraft maintenance materials and outside repairs</td>
<td>630</td>
<td>711</td>
<td>801</td>
</tr>
<tr>
<td>Aircraft rent</td>
<td>727</td>
<td>709</td>
<td>737</td>
</tr>
<tr>
<td>Other selling expenses</td>
<td>479</td>
<td>539</td>
<td>616</td>
</tr>
<tr>
<td>Passenger commissions</td>
<td>211</td>
<td>322</td>
<td>540</td>
</tr>
<tr>
<td>Passenger service</td>
<td>325</td>
<td>372</td>
<td>466</td>
</tr>
<tr>
<td>Restructuring, asset writedowns, pension settlements and related items, net</td>
<td>268</td>
<td>439</td>
<td>1,119</td>
</tr>
<tr>
<td>Appropriations Act reimbursements</td>
<td>(398)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stabilization Act compensation</td>
<td>(34)</td>
<td>(634)</td>
<td>(634)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>14,089</td>
<td>14,614</td>
<td>15,481</td>
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<tr>
<td><strong>OPERATING LOSS</strong></td>
<td>(786)</td>
<td>(1,309)</td>
<td>(1,602)</td>
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<tr>
<td><strong>OTHER INCOME (EXPENSE):</strong></td>
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</tr>
<tr>
<td>Interest expense</td>
<td>(732)</td>
<td>(646)</td>
<td>(499)</td>
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<tr>
<td>Interest income</td>
<td>36</td>
<td>36</td>
<td>89</td>
</tr>
<tr>
<td>Gain (loss) from sale of investments, net</td>
<td>321</td>
<td>(3)</td>
<td>127</td>
</tr>
<tr>
<td>Gain (loss) on extinguishment of debt, net</td>
<td>—</td>
<td>(42)</td>
<td>—</td>
</tr>
<tr>
<td>Fair value adjustments of SFAS 133 derivatives</td>
<td>(9)</td>
<td>(39)</td>
<td>68</td>
</tr>
<tr>
<td>Miscellaneous income (expense), net</td>
<td>(19)</td>
<td>1</td>
<td>(47)</td>
</tr>
<tr>
<td><strong>Total other income (expense)</strong></td>
<td>(403)</td>
<td>(693)</td>
<td>(262)</td>
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<tr>
<td><strong>LOSS BEFORE INCOME TAXES</strong></td>
<td>(1,189)</td>
<td>(2,002)</td>
<td>(1,864)</td>
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<tr>
<td><strong>INCOME TAX BENEFIT</strong></td>
<td>416</td>
<td>730</td>
<td>648</td>
</tr>
<tr>
<td><strong>NET LOSS</strong></td>
<td>(773)</td>
<td>(1,272)</td>
<td>(1,216)</td>
</tr>
<tr>
<td><strong>PREFERRED STOCK DIVIDENDS</strong></td>
<td>(17)</td>
<td>(15)</td>
<td>(14)</td>
</tr>
<tr>
<td><strong>NET LOSS AVAILABLE TO COMMON SHAREOWNERS</strong></td>
<td>$(790)</td>
<td>$(1,287)</td>
<td>$(1,230)</td>
</tr>
<tr>
<td><strong>BASIC AND DILUTED LOSS PER SHARE</strong></td>
<td>$(6.40)</td>
<td>$(10.44)</td>
<td>$(9.99)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these Consolidated Financial Statements.
### Consolidated Statements of Cash Flows
For the years ended December 31, 2003, 2002 and 2001

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$(773)</td>
<td>$(1,272)</td>
<td>$(1,216)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to cash provided by operating activities:</td>
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<td></td>
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<tr>
<td>Asset and other writedowns</td>
<td>47</td>
<td>287</td>
<td>339</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,230</td>
<td>1,181</td>
<td>1,283</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(416)</td>
<td>(411)</td>
<td>(648)</td>
</tr>
<tr>
<td>Fair value adjustments of SFAS 133 derivatives</td>
<td>9</td>
<td>39</td>
<td>(68)</td>
</tr>
<tr>
<td>Pension, postretirement and postemployment expense in excess of payments</td>
<td>532</td>
<td>177</td>
<td>419</td>
</tr>
<tr>
<td>(Gain) loss on extinguishment of debt, net</td>
<td>—</td>
<td>42</td>
<td>—</td>
</tr>
<tr>
<td>Dividends (less than) in excess of equity income</td>
<td>30</td>
<td>(3)</td>
<td>51</td>
</tr>
<tr>
<td>(Gain) loss from sale of investments, net</td>
<td>(321)</td>
<td>3</td>
<td>(127)</td>
</tr>
<tr>
<td><strong>Changes in certain current assets and liabilities:</strong></td>
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<tr>
<td>Decrease (increase) in receivables</td>
<td>317</td>
<td>(243)</td>
<td>47</td>
</tr>
<tr>
<td>Increase in current restricted cash</td>
<td>(73)</td>
<td>(134)</td>
<td>—</td>
</tr>
<tr>
<td>(Increase) decrease in prepaid expenses and other current assets</td>
<td>(90)</td>
<td>(35)</td>
<td>60</td>
</tr>
<tr>
<td>Increase (decrease) in air traffic liability</td>
<td>38</td>
<td>46</td>
<td>(215)</td>
</tr>
<tr>
<td>(Decrease) increase in other payables, deferred credits and accrued liabilities</td>
<td>(301)</td>
<td>675</td>
<td>274</td>
</tr>
<tr>
<td>Other, net</td>
<td>224</td>
<td>(67)</td>
<td>37</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>453</td>
<td>285</td>
<td>236</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment additions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight equipment, including advance payments</td>
<td>(382)</td>
<td>(922)</td>
<td>(2,321)</td>
</tr>
<tr>
<td>Ground property and equipment, including technology</td>
<td>(362)</td>
<td>(364)</td>
<td>(472)</td>
</tr>
<tr>
<td>Decrease (increase) in restricted investments related to the Boston airport terminal project</td>
<td>131</td>
<td>58</td>
<td>(485)</td>
</tr>
<tr>
<td>Decrease in short-term investments, net</td>
<td>—</td>
<td>5</td>
<td>238</td>
</tr>
<tr>
<td>Proceeds from sales of flight equipment</td>
<td>15</td>
<td>100</td>
<td>66</td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>325</td>
<td>24</td>
<td>286</td>
</tr>
<tr>
<td>Other, net</td>
<td>13</td>
<td>(10)</td>
<td>(8)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(260)</td>
<td>(1,109)</td>
<td>(2,696)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments on long-term debt and capital lease obligations</td>
<td>(650)</td>
<td>(734)</td>
<td>(173)</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>(19)</td>
<td>(39)</td>
<td>(40)</td>
</tr>
<tr>
<td>Issuance of long-term obligations</td>
<td>1,774</td>
<td>2,554</td>
<td>2,335</td>
</tr>
<tr>
<td>Issuance of long-term debt by Massachusetts Port Authority</td>
<td>—</td>
<td>—</td>
<td>498</td>
</tr>
<tr>
<td>(Payments on) proceeds from short term obligations and notes payable, net</td>
<td>(152)</td>
<td>(1,144)</td>
<td>701</td>
</tr>
<tr>
<td>Make-whole payments on extinguishment of ESOP Notes</td>
<td>(15)</td>
<td>(42)</td>
<td>—</td>
</tr>
<tr>
<td>Payment on termination of accounts receivable securitization</td>
<td>(250)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other, net</td>
<td>(140)</td>
<td>(12)</td>
<td>(15)</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>548</td>
<td>583</td>
<td>3,306</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net (Decrease) Increase In Cash and Cash Equivalents</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>1,969</td>
<td>2,210</td>
<td>1,364</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>2,710</td>
<td>1,969</td>
<td>2,210</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supplemental disclosure of cash paid (refunded) for:</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest, net of amounts capitalized</td>
<td>$715</td>
<td>$569</td>
<td>$490</td>
</tr>
<tr>
<td>Income taxes</td>
<td>$(402)</td>
<td>$(649)</td>
<td>$(103)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft delivered under seller-financing</td>
<td>$718</td>
<td>$705</td>
<td>$77</td>
</tr>
<tr>
<td>Aircraft capital leases from sale and leaseback transactions</td>
<td>—</td>
<td>$52</td>
<td>—</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these Consolidated Financial Statements.
### Consolidated Statements of Shareowners’ (Deficit) Equity

For the years ended December 31, 2003, 2002 and 2001

<table>
<thead>
<tr>
<th>(in millions, except share data)</th>
<th>Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Retained Earnings</th>
<th>Accumulated Other Comprehensive Income (Loss)</th>
<th>Treasury Stock</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at December 31, 2000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$271</td>
<td>$3,264</td>
<td>$4,176</td>
<td>$360</td>
<td>$(2,728)</td>
<td>$5,343</td>
</tr>
<tr>
<td><strong>Comprehensive loss:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total comprehensive loss (See Note 13)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on common stock ($0.10 per share)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on Series B ESOP Convertible Preferred Stock allocated shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of 126,299 shares of common stock under dividend reinvestment and stock purchase plan and stock options ($38.10 per share (1))</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers and forfeitures of 105,995 shares of common from Treasury under stock incentive plan ($37.10 per share (1))</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at December 31, 2001</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$271</td>
<td>$3,267</td>
<td>$2,930</td>
<td>$25</td>
<td>$(2,724)</td>
<td>$3,769</td>
</tr>
<tr>
<td><strong>Comprehensive loss:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total comprehensive loss (See Note 13)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on common stock ($0.10 per share)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on Series B ESOP Convertible Preferred Stock allocated shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of 13,017 shares of common stock under stock purchase plan and stock options ($15.70 per share (1))</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Forfeitures of 82,878 shares of common to Treasury under stock incentive plan ($27.31 per share (1))</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Transfer of 183,400 shares of common from Treasury under stock incentive plan ($47.11 per share (1))</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at December 31, 2002</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$271</td>
<td>$3,263</td>
<td>$1,639</td>
<td>(1,562)</td>
<td>(2,718)</td>
<td>893</td>
</tr>
<tr>
<td><strong>Comprehensive loss:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total comprehensive loss (See Note 13)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAB 51 gain related to Orbitz, net of tax (See Note 17)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Dividends on common stock ($0.05 per share)</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on Series B ESOP Convertible Preferred Stock allocated shares</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of 11,715 shares of common stock under stock purchase plan ($30.64 per share (1))</td>
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<tr>
<td>Forfeitures of 44,100 shares of common to Treasury under stock incentive plan ($11.97 per share (1))</td>
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</tr>
<tr>
<td>Transfer of 144,874 shares of common from Treasury under stock incentive plan and stock purchase plan ($47.22 per share (1))</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Transfer of 73,252 shares of common from Treasury under ESOP ($47.20 per share (1))</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at December 31, 2003</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$271</td>
<td>$3,272</td>
<td>$844</td>
<td>$(2,338)</td>
<td>$(2,708)</td>
<td>$(659)</td>
</tr>
</tbody>
</table>
(1) Average price per share

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

F-9
Delta Air Lines, Inc. (a Delaware corporation) is a major air carrier that provides air transportation for passengers and cargo throughout the U.S. and around the world. Our Consolidated Financial Statements include the accounts of Delta Air Lines, Inc. and our wholly owned subsidiaries, including ASA Holdings, Inc. (ASA Holdings) and Comair Holdings, Inc. (Comair Holdings), collectively referred to as Delta. ASA Holdings is the parent company of Atlantic Southeast Airlines, Inc. (ASA), and Comair Holdings is the parent company of Comair, Inc. (Comair). We have eliminated all material intercompany transactions in our Consolidated Financial Statements.

These Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). We have reclassified certain prior period amounts in our Consolidated Financial Statements to be consistent with our current period presentation. The effect of these reclassifications is not material.

We do not consolidate the financial statements of any company in which we have an ownership interest of 50% or less unless we control that company. During 2003, 2002 and 2001, we did not control any company in which we had an ownership interest of 50% or less.

**Business Environment**

Our net loss was $773 million for the year ended December 31, 2003, the third consecutive year we recorded a substantial net loss. These financial results reflect the unprecedented challenges confronting us and other airlines. Since the terrorist attacks on September 11, 2001, the airline industry has experienced a severely depressed revenue environment and significant cost pressures. These factors have resulted in industry-wide liquidity issues, including the restructuring of certain hub and spoke airlines due to bankruptcy or near bankruptcy.

The events of the past few years have resulted in fundamental, and what we believe will be long-term, changes in the airline industry. These include: (1) a sharp decline in high yield business travel; (2) the continuing growth of low-cost carriers with which we compete in most of our domestic markets; (3) industry capacity exceeding demand which has led to significant fare discounting; and (4) increased price sensitivity by our customers, reflecting in part the availability of airline fare information on the Internet.

Due to the changes that have occurred in the airline industry, we must significantly reduce our costs in order to be competitive in the current environment and over the long term. Our cost structure is materially higher than that of the low-cost carriers with which we compete. Certain other hub-and-spoke airlines have significantly reduced their costs through bankruptcy or the threat of bankruptcy. Our unit costs have gone from being among the lowest of the hub-and-spoke carriers to among the highest for 2003, a result which places us at a serious competitive disadvantage.

We have implemented a profit improvement initiative program aimed at lowering our costs and increasing our revenues to compete in the current business environment and over the long-term.
While we believe we have made progress under this program, we must continue to reduce our costs to compete in the existing business environment. We have also taken steps to preserve our liquidity through the deferral or reduction of capital expenditures related to our mainline aircraft deliveries in future years. At the end of 2003, we began a reassessment of our operating and business strategy in order to assess our competitive effectiveness, determine the best use of our available resources and identify strategic initiatives that we might pursue to improve our performance. We expect to complete this review by July 2004.

We expect to meet our obligations as they come due through available cash and cash equivalents, investments, internally generated funds and borrowings. While new financing may be available to us, access to such financing cannot be assured given the existing business environment and the composition of our currently available unencumbered assets. Failure to improve our operational performance and obtain new financing could have a material adverse effect on our Consolidated Financial Statements.

Use of Estimates

We are required to make estimates and assumptions when preparing our Consolidated Financial Statements in accordance with GAAP. These estimates and assumptions affect the amounts reported in our financial statements and the accompanying notes. Actual results could differ materially from those estimates.

New Accounting Standards


We adopted SFAS No. 143, “Accounting for Asset Retirement Obligations” (SFAS 143) on January 1, 2003. The adoption of SFAS 143 had no impact on our Consolidated Financial Statements.

The FASB issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities” (SFAS 149) in April 2003. This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (SFAS 133). SFAS 149 is effective for contracts entered into or modified after June 30, 2003, except in certain circumstances. The adoption of SFAS 149 had no impact on our Consolidated Financial Statements.

The FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity” (SFAS 150) in May 2003. This statement
The FASB issued FASB Staff Position SFAS No. 106-1, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003” (FSP 106-1) in January 2004. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Medicare Act) introduced a prescription drug benefit under Medicare and a federal subsidy to sponsors of health care benefit plans in certain circumstances. FSP 106-1 permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the Medicare Act. It also requires certain disclosures regarding the Medicare Act and is effective for financial statements issued after December 7, 2003. Our 2003 Consolidated Financial Statements were not impacted by the Medicare Act because our September 30 measurement date for our postretirement plans was prior to the enactment of the Medicare Act. We are evaluating the impact of the Medicare Act on our 2004 Consolidated Financial Statements (see Note 11 for additional information).

The FASB issued FASB Interpretation No. (FIN) 46, “Consolidation of Variable Interest Entities” (FIN 46) in February 2003. FIN 46 addresses how to identify variable interest entities (VIEs) and the criteria that require a company to consolidate such entities in its financial statements. FIN 46, as revised by FIN 46R, was effective on February 1, 2003 for new transactions and is effective for reporting periods ending after March 15, 2004 for transactions entered into prior to February 1, 2003. We have not entered into any new transactions subject to FIN 46 since February 1, 2003.

We completed an evaluation of our transactions entered into prior to February 1, 2003 that may be impacted by FIN 46, including (1) contract carrier arrangements; (2) aircraft operating leases; and (3) fuel consortiums. While we determined that some of these arrangements are VIEs, we neither hold a significant variable interest in, nor are the primary beneficiary of, any of these arrangements. The adoption of FIN 46 will not have a material impact on our Consolidated Financial Statements.

The Emerging Issues Task Force (EITF) reached a consensus on EITF Issue 01-08, “Determining Whether an Arrangement Contains a Lease” (EITF 01-08) in May 2003. This EITF provides guidance on how to determine whether an arrangement contains a lease that is within the scope of SFAS No. 13, “Accounting for Leases” (SFAS 13). The guidance should be applied to arrangements agreed to or modified after June 30, 2003. If our contract carrier arrangements are modified in the future, we will likely have to account for these arrangements as operating or capital leases in accordance with SFAS 13. See our accounting policy for our contract carrier arrangements in this Note.
During 2002, we adopted the following accounting standards:

- SFAS No. 142, “Goodwill and Other Intangible Assets” (SFAS 142) (see our goodwill and other intangible assets policy and related information in this Note and in Note 5, respectively);
- SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (SFAS 144) (see our long-lived assets policy in this Note);
- SFAS No. 145, “Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections” (SFAS 145). In accordance with SFAS 145, we recorded losses of $15 million and $42 million on the extinguishment of Employee Stock Ownership Plan (ESOP) Notes in other income (expense) on our 2003 and 2002 Consolidated Statements of Operations, respectively. In addition, during 2003, we recorded a $15 million gain on the extinguishment of debt as a result of our debt exchange offer in other income (expense) on our Consolidated Statement of Operations (see Note 6 for additional information);
- SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (SFAS 146). The adoption of SFAS 146 will impact the timing of the recognition of liabilities related to future exit or disposal activities;
- SFAS No. 148, “Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment to FASB Statement No. 123” (SFAS 148) (see our stock-based compensation policy in this Note); and
- FIN 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others” (FIN 45) (see Note 9 for our disclosures required under FIN 45).

Cash and Cash Equivalents

We classify short-term, highly liquid investments with original maturities of three months or less as cash and cash equivalents. These investments are recorded at cost, which we believe approximates fair value.

Under our cash management system, we utilize controlled disbursement accounts that are funded daily. Payments issued by us, which have not been presented for payment, are recorded in accounts payable, deferred credits and other accrued liabilities on our Consolidated Balance Sheets. These amounts totaled $129 million and $154 million at December 31, 2003 and 2002, respectively.

Restricted Assets

We have restricted cash which primarily relates to cash held as collateral to support certain projected insurance obligations. Restricted cash included in current assets on our Consolidated Balance Sheets totaled $207 million and $134 million at December 31, 2003 and 2002, respectively. We also have $28 million of restricted cash recorded in other noncurrent assets on our Consolidated Balance Sheet at December 31, 2003 related to the planned sale of 11 B-737-800 aircraft in 2005. See Note 9 for additional information about this planned sale.

We have restricted investments for the redevelopment and expansion of Terminal A at Boston’s Logan International Airport (see Note 6 for additional information about this project). Our restricted investments included in other assets on our Consolidated Balance Sheets totaled $286 million and $417 million at December 31, 2003 and 2002, respectively.

F-13
We account for derivative financial instruments in accordance with SFAS 133. These derivative instruments include fuel hedge contracts, interest rate swap agreements and equity warrants and other similar rights in certain companies (see Note 4).

**Fuel Hedge Contracts**
Our fuel hedge contracts qualify for hedge accounting under SFAS 133. We record the fair value of our fuel hedge contracts on our Consolidated Balance Sheets and regularly adjust the balances to reflect changes in the fair values of those contracts.

Effective gains or losses related to the fair value adjustments of the fuel hedge contracts are recorded in shareowners’ (deficit) equity as a component of accumulated other comprehensive income (loss). These gains or losses are recognized in aircraft fuel expense in the period in which the related aircraft fuel purchases being hedged are consumed and when the fuel hedge contract is settled. However, to the extent that the change in fair value of a fuel hedge contract does not perfectly offset the change in the value of the aircraft fuel being hedged, the ineffective portion of the hedge is immediately recognized as a fair value adjustment of SFAS 133 derivatives in other income (expense) on our Consolidated Statements of Operations. In calculating the ineffective portion of our hedges under SFAS 133, we include all changes in the fair value attributable to the time value component and recognize the amount in other income (expense) during the life of the contract.

**Interest Rate Swap Agreements**
We record interest rate swap agreements that qualify as fair value hedges under SFAS 133 at their fair value on our Consolidated Balance Sheets and adjust these amounts and the related debt to reflect changes in their fair values. We record net periodic interest rate swap settlements as adjustments to interest expense in other income (expense) on our Consolidated Statements of Operations.

**Equity Warrants and Other Similar Rights**
We record our equity warrants and other similar rights in certain companies at fair value at the date of acquisition in investments in debt and equity securities on our Consolidated Balance Sheets. In accordance with SFAS 133, we regularly adjust our Consolidated Balance Sheets to reflect the changes in the fair values of the equity warrants and other similar rights, and recognize the related gains or losses as fair value adjustments of SFAS 133 derivatives in other income (expense) on our Consolidated Statements of Operations.

**Revenue Recognition**

**Passenger Revenues**
We record sales of passenger tickets as air traffic liability on our Consolidated Balance Sheets. Passenger revenues are recognized when we provide the transportation, reducing the related air traffic liability. We periodically evaluate the estimated air traffic liability and record any resulting adjustments in our Consolidated Statements of Operations in the period that the evaluations are completed.

F-14
We sell mileage credits in the SkyMiles® frequent flyer program to participating partners such as credit card companies, hotels and car rental agencies. A portion of the revenue from the sale of mileage credits is deferred until the credits are redeemed for travel. We amortize the deferred revenue on a straight-line basis over a 30-month period. The majority of the revenue from the sale of mileage credits, including the amortization of deferred revenue, is recorded in passenger revenue on our Consolidated Statements of Operations; the remaining portion is recorded as an offset to other selling expenses.

Cargo Revenues
Cargo revenues are recognized in our Consolidated Statements of Operations when we provide the transportation.

Other, net
We are party to codeshare agreements with certain airlines. Under these agreements, we sell seats on these airlines’ flights and they sell seats on our flights, with each airline separately marketing its respective seats. The revenue from our sale of codeshare seats flown by other airlines, and the direct costs incurred in marketing the codeshare flights, are recorded in other, net in operating revenues on our Consolidated Statements of Operations. Our revenue from other airlines’ sale of codeshare seats flown by us is recorded in passenger revenue on our Consolidated Statements of Operations.

We record revenues from our contract carrier agreements, reduced by related expenses, in other, net in operating revenues on our Consolidated Statements of Operations (see Note 9).

Long-Lived Assets
We record our property and equipment at cost and depreciate or amortize these assets on a straight-line basis to their estimated residual values over their respective estimated useful lives. Residual values for flight equipment range from 5%-40% of cost. We also capitalize certain internal and external costs incurred to develop internal-use software; these assets are included in ground property and equipment, net on our Consolidated Balance Sheets. The estimated useful lives for major asset classifications are as follows:

<table>
<thead>
<tr>
<th>Asset Classification</th>
<th>Estimated Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned flight equipment</td>
<td>15-25 years</td>
</tr>
<tr>
<td>Flight and ground equipment under capital lease</td>
<td>Lease Term</td>
</tr>
<tr>
<td>Ground property and equipment</td>
<td>3-30 years</td>
</tr>
</tbody>
</table>

In accordance with SFAS 144, we record impairment losses on long-lived assets used in operations when events and circumstances indicate the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. For long-lived assets held for sale, we record impairment losses when the carrying amount is greater than the fair value less the cost to sell. We discontinue depreciation of long-lived assets once they are classified as held for sale.
To determine impairments for aircraft used in operations, we group assets at the fleet type level (the lowest level for which there are identifiable cash flows) and then estimate future cash flows based on projections of passenger yield, fuel costs, labor costs and other relevant factors in the markets in which these aircraft operate. If an impairment occurs, the amount of the impairment loss recognized is the amount by which the carrying amount of the aircraft exceeds the estimated fair value. Aircraft fair values are estimated by management using published sources, appraisals and bids received from third parties, as available.

Goodwill and Other Intangible Assets

Prior to our adoption of SFAS 142 on January 1, 2002, goodwill and other intangible assets were amortized over their estimated useful lives (not to exceed 40 years in the case of goodwill). Upon adoption of SFAS 142, we discontinued the amortization of goodwill and other intangible assets with indefinite useful lives. Instead, in accordance with SFAS 142, we now apply a fair value-based impairment test to the net book value of goodwill and indefinite-lived intangible assets on an annual basis and, if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. Intangible assets that have determinable useful lives continue to be amortized on a straight-line basis over their remaining estimated useful lives. Our leasehold and operating rights have definite useful lives and we amortize these assets over their respective lease terms, which range from nine to 19 years.

SFAS 142 requires a two step process in evaluating goodwill for impairment. The first step requires the comparison of the fair value of each reporting unit to its carrying value. We have three reporting units which have assigned goodwill: Delta-Mainline, ASA and Comair. Our methodology for estimating the fair value of each reporting unit primarily considers discounted future cash flows. If the fair value of a reporting unit exceeds its carrying value, then no further testing is required. If the carrying value of a reporting unit exceeds its fair value, however, a second step is required to determine the amount of the impairment charge, if any. An impairment charge is recognized if the carrying value of a reporting unit’s goodwill exceeds its implied fair value.

We perform our impairment test for our indefinite-lived intangible assets by comparing the fair value of each indefinite-lived intangible asset unit to its carrying value. The fair value of the asset unit is estimated based on its discounted future cash flows. We recognize an impairment charge if the carrying value of the asset unit exceeds its estimated fair value.

The annual impairment test date for our goodwill and indefinite-lived intangible assets is December 31 (see Note 5).

Interest Capitalized

We capitalize interest on advance payments for the acquisition of new aircraft and on construction of ground facilities as an additional cost of the related assets. Interest is capitalized at our weighted average interest rate on long-term debt or, if applicable, the interest rate related to specific asset financings. Interest capitalization ends when the equipment or facility is ready for service or its intended use. Capitalized interest totaled $12 million, $15 million and $32 million for the years ended December 31, 2003, 2002 and 2001, respectively.

F-16
Equity Method Investments

We use the equity method to account for our investments in companies when we have significant influence but not control over the operations of the company. Under the equity method, we initially record our investment at cost and then adjust the carrying value of the investment to recognize our proportional share of the company’s net income (loss). In addition, dividends received from the company reduce the carrying value of our investment.

In accordance with Securities and Exchange Commission Staff Accounting Bulletin (SAB) 51, “Accounting for Sales of Stock by a Subsidiary” (SAB 51), we record SAB 51 gains (losses) as a component of shareowners’ (deficit) equity on our Consolidated Balance Sheets (see Note 17).

Income Taxes

We account for deferred income taxes under the liability method in accordance with SFAS No. 109, “Accounting for Income Taxes” (SFAS 109). Under this method, we recognize deferred tax assets and liabilities based on the tax effects of temporary differences between the financial statement and tax bases of assets and liabilities, as measured by current enacted tax rates. A valuation allowance is recorded to reduce deferred tax assets when determined necessary in accordance with SFAS 109. Deferred tax assets and liabilities are recorded net as current and noncurrent deferred income taxes on our Consolidated Balance Sheets (see Note 10).

Investments in Debt and Equity Securities

In accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities” (SFAS 115), we record our investments classified as available-for-sale securities under SFAS 115 at fair value in other noncurrent assets on our Consolidated Balance Sheets. Any changes in the fair value of these securities are recorded, net of tax, in accumulated other comprehensive income (loss), unless such changes are deemed to be other than temporary (see Note 2).

We record our investments classified as trading securities under SFAS 115 at fair value in prepaid expenses and other on our Consolidated Balance Sheets and recognize changes in the fair value of these securities in other income (expense) on our Consolidated Statements of Operations (see Note 17).

Frequent Flyer Program

We record an estimated liability for the incremental cost associated with providing free transportation under our SkyMiles frequent flyer program when a free travel award is earned. The liability is recorded in accounts payable, deferred credits and other accrued liabilities on our Consolidated Balance Sheets. We periodically record adjustments to this liability in other operating expenses on our Consolidated Statements of Operations based on awards earned, awards redeemed, changes in the SkyMiles program and changes in estimated incremental costs.

Deferred Gains on Sale and Leaseback Transactions

We amortize deferred gains on the sale and leaseback of property and equipment under operating leases over the lives of these leases. The amortization of these gains is recorded as a reduction in
rent expense. Gains on the sale and leaseback of property and equipment under capital leases reduce the carrying value of the related assets.

Manufacturers’ Credits

We periodically receive credits in connection with the acquisition of aircraft and engines. These credits are deferred until the aircraft and engines are delivered, then applied on a pro rata basis as a reduction to the cost of the related equipment.

Maintenance Costs

We record maintenance costs in operating expenses as they are incurred.

Inventories

Inventories of expendable parts related to flight equipment are carried at moving average cost and charged to operations as consumed. An allowance for obsolescence for the cost of these parts is provided over the remaining useful life of the related fleet.

Advertising Costs

We expense advertising costs as other selling expenses in the year incurred. Advertising expense was $135 million, $130 million and $153 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Commissions

We record passenger commissions in prepaid expenses and other on our Consolidated Balance Sheets when the related passenger tickets are sold. Passenger commissions are recognized in operating expenses on our Consolidated Statements of Operations when the transportation is provided and the related revenue is recognized.

Foreign Currency Remeasurement

We remeasure assets and liabilities denominated in foreign currencies using exchange rates in effect on the balance sheet date. Fixed assets and the related depreciation or amortization charges are recorded at the exchange rates in effect on the date we acquired the assets. Revenues and expenses denominated in foreign currencies are remeasured using average exchange rates for each of the periods presented. We recognize the resulting foreign exchange gains (losses) as a component of miscellaneous income (expense) on our Consolidated Statements of Operations. These gains (losses) are immaterial for all periods presented.

Stock-Based Compensation

We account for our stock-based compensation plans under the intrinsic value method in accordance with Accounting Principles Bulletin (APB) Opinion 25, “Accounting for Stock Issued to Employees,” and related interpretations (see Note 12 for additional information related to our stock-based compensation plans). No stock option compensation expense is recognized in our Consolidated Statements of Operations because all stock options granted had an exercise price equal to the fair value of the underlying common stock on the grant date.

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The estimated fair values of stock options granted during the years ended December 31, 2003, 2002 and 2001 were derived using the Black-Scholes model. The following table includes the assumptions used in estimating fair values and the resulting weighted average fair value of a stock option granted in the periods presented:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>2.2%</td>
<td>4.4%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Average expected life of stock options (in years)</td>
<td>2.9</td>
<td>6.7</td>
<td>7.5</td>
</tr>
<tr>
<td>Expected volatility of common stock</td>
<td>66.4%</td>
<td>38.9%</td>
<td>26.9%</td>
</tr>
<tr>
<td>Expected annual dividends on common stock</td>
<td>$ —</td>
<td>$0.10</td>
<td>$0.10</td>
</tr>
<tr>
<td>Weighted average fair value of a stock option granted</td>
<td>$5</td>
<td>$9</td>
<td>$20</td>
</tr>
</tbody>
</table>

The following table shows what our net loss and loss per share would have been for the years ended December 31, 2003, 2002 and 2001 had we accounted for our stock-based compensation plans under the fair value method of SFAS 123, “Accounting for Stock-Based Compensation” (SFAS 123), as amended by SFAS 148, using the assumptions in the table above:

<table>
<thead>
<tr>
<th>(in millions, except per share data)</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss: As reported</td>
<td>$(773)</td>
<td>$(1,272)</td>
<td>$(1,216)</td>
</tr>
<tr>
<td>Deduct: total stock option compensation expense determined under the fair value based method, net of tax</td>
<td>(33)</td>
<td>(47)</td>
<td>(30)</td>
</tr>
<tr>
<td>As adjusted for the fair value method under SFAS 123</td>
<td>$(806)</td>
<td>$(1,319)</td>
<td>$(1,246)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Basic and diluted loss per share:</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>As reported</td>
<td>$(6.40)</td>
<td>$(10.44)</td>
<td>$(9.99)</td>
</tr>
<tr>
<td>As adjusted for the fair value method under SFAS 123</td>
<td>$(6.66)</td>
<td>$(10.82)</td>
<td>$(10.23)</td>
</tr>
</tbody>
</table>

**Fair Value of Financial Instruments**

We record our cash equivalents and short-term investments at cost, which we believe approximates their fair values. The estimated fair values of other financial instruments, including debt and derivative instruments, have been determined using available market information and valuation methodologies, primarily discounted cash flow analyses and the Black-Scholes model.

**Note 2. Marketable and Other Equity Securities**

*priceline.com Incorporated (priceline)*

We are party to an agreement with priceline under which we (1) provide ticket inventory that may be sold through priceline’s Internet-based e-commerce system and (2) received certain equity interests in priceline. We are required to provide priceline access to unpublished fares.

**2001**

At January 1, 2001, our equity interests in priceline included (1) a warrant, as amended, which is exercisable until November 17, 2004, to purchase up to 4.7 million shares of priceline common stock for $4.72 per share (1999 Warrant) and (2) six million shares of priceline Series A
Convertible Preferred Stock (Series A Preferred Stock). We recognized $61 million in income ratably from November 1999 through November 2002 related to the original 1999 Warrant.

On February 6, 2001, we and priceline agreed to restructure our investment in priceline. We exchanged our six million shares of Series A Preferred Stock for (1) 80,000 shares of priceline Series B Redeemable Preferred Stock (Series B Preferred Stock) and (2) a warrant to purchase up to 26.9 million shares of priceline common stock for $2.97 per share (2001 Warrant).

The Series B Preferred Stock (1) bears an annual per share dividend of approximately 36 shares of priceline common stock; (2) has a liquidation preference of $1,000 per share plus any dividends accrued or accumulated but not yet paid (Liquidation Preference); (3) is subject to mandatory redemption on February 6, 2007, at a price per share equal to the Liquidation Preference; and (4) is subject to redemption in whole, at the option of us or priceline, if priceline completes any of certain business combination transactions (Optional Redemption).

We may exercise the 2001 Warrant, in whole or in part, at any time prior to the close of business on February 6, 2007, unless all of the shares of Series B Preferred Stock owned by us are redeemed in an Optional Redemption, in which case we may not exercise the 2001 Warrant after the date of the Optional Redemption. The exercise price may be paid by us only by the surrender of shares of Series B Preferred Stock, valued at $1,000 per share.

The 2001 Warrant also provides that it will automatically be deemed exercised if the closing sales price of priceline common stock exceeds $8.91 for 20 consecutive trading days. In that event, our rights in the shares of Series B Preferred Stock necessary to pay the exercise price of the 2001 Warrant would automatically be converted into the right to receive shares of priceline common stock pursuant to the 2001 Warrant.

Based on an independent third-party appraisal, at February 6, 2001, the fair value of (1) the Series B Preferred Stock was estimated to be $80 million and (2) the 2001 Warrant was estimated to be $46 million. The total fair value of these securities equaled the carrying amount of the Series A Preferred Stock, including its conversion feature and accumulated dividends on the date the Series A Preferred Stock was exchanged for the Series B Preferred Stock and the 2001 Warrant. Accordingly, we did not recognize a gain or loss on this transaction.

During 2001, we (1) exercised the 2001 Warrant in part to purchase 18.4 million shares of priceline common stock, paying the exercise price by surrendering to priceline 54,656 shares of Series B Preferred Stock; (2) sold 18.7 million shares of priceline common stock; and (3) received 986,491 shares of priceline common stock as a dividend on the Series B Preferred Stock. In our 2001 Consolidated Statement of Operations, we recognized (1) other income of $9 million, pretax, from the dividend and (2) a pretax gain of $4 million from the exercise of the 2001 Warrant and the sale of priceline common stock.

During 2002, we (1) exercised the 2001 Warrant in part to purchase 4.0 million shares of priceline common stock, paying the exercise price by surrendering to priceline 11,875 shares of Series B Preferred Stock and (2) sold 4.0 million shares of priceline common stock. In our 2002 Consolidated Statement of Operations, we recognized a pretax gain of $4 million from the exercise of the 2001 Warrant and the sale of priceline common stock.
Series B Preferred Stock; (2) sold 3.9 million shares of priceline common stock; and (3) received 695,749 shares of priceline common stock as dividends on the Series B Preferred Stock. In our 2002 Consolidated Statement of Operations, we recognized (1) a pretax loss of $3 million from the exercise of the 2001 Warrant and the sale of priceline common stock and (2) other income of $2 million, pretax, from the dividends.

2003
On June 16, 2003, priceline effected a 1-for-6 reverse common stock split. As a result of the stock split:

- The 1999 Warrant, as amended, was adjusted to (1) reduce from 4.7 million to approximately 779,000 the maximum number of shares we may purchase by exercising that warrant and (2) increase from $4.72 to $28.31 the per share purchase price of those shares.

- The 2001 Warrant was adjusted to (1) reduce from 4.5 million to approximately 756,000 the maximum number of remaining shares we may purchase by exercising that warrant; (2) increase from $2.97 to $17.81 the per share purchase price of those shares; and (3) increase from $8.91 to $53.46 the closing sales price which priceline common stock must exceed for 20 consecutive days for the 2001 Warrant to automatically be deemed exercised.

- The Series B Preferred Stock was adjusted to reduce its annual per share dividend from approximately 36 shares to six shares of priceline common stock.

The reverse stock split did not impact the carrying value of our equity interests in priceline.

During 2003, as adjusted for priceline’s 1-for-6 reverse common stock split, we (1) sold 423,640 shares of priceline common stock and (2) received 80,480 shares of priceline common stock. In our 2003 Consolidated Statements of Operations, we recognized (1) a pretax gain of $5 million from the sale of priceline common stock; (2) other income of $1 million, pretax, from the dividends; and (3) an $8 million writedown related to our priceline common stock due to an other than temporary decline in the fair value of that stock.

The following table represents our equity interests in priceline and their respective carrying values at December 31, 2003 and 2002, as adjusted for the 1-for-6 reverse common stock split discussed above:

<table>
<thead>
<tr>
<th></th>
<th>Number of Shares (2)</th>
<th>Carrying Values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
<td>2002</td>
</tr>
<tr>
<td>Series B Preferred Stock</td>
<td>13,469</td>
<td>13,469</td>
</tr>
<tr>
<td>2001 Warrant</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>1999 Warrant</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>priceline common stock</td>
<td>—</td>
<td>0.3</td>
</tr>
</tbody>
</table>

(1) Except shares of Series B Preferred Stock.

(2) We have certain registration rights relating to shares of priceline common stock we acquire from the exercise of the 1999 Warrant or the 2001 Warrant, or receive as dividends on the Series B Preferred Stock.
The Series B Preferred Stock and priceline common stock are classified as available-for-sale securities under SFAS 115 and are recorded in other noncurrent assets on our Consolidated Balance Sheets. We did not own any shares of priceline common stock at December 31, 2003. The Series B Preferred Stock is recorded at face value, which we believe approximates fair value. The 1999 and 2001 Warrants are recorded at fair value in other noncurrent assets on our Consolidated Balance Sheets and any changes in fair value are recorded in other income (expense) on our Consolidated Statements of Operations in accordance with SFAS 133. See Note 1 for information about our accounting policy for investments in debt and equity securities.

**Republic Airways Holdings, Inc. (Republic)**

On June 7, 2002, we entered into a contract carrier agreement with Chautauqua Airlines, Inc. (Chautauqua), a regional air carrier that is a subsidiary of Republic (see Note 9). In conjunction with this agreement, we received from Republic (1) a warrant to purchase up to 1.5 million shares of Republic common stock for $12.50 per share (2002 Warrant); (2) a warrant to purchase up to 1.5 million shares of Republic common stock at a price per share equal to 95% of the public offering price per share in Republic’s initial public offering (IPO) of common stock (IPO Warrant); (3) the right to purchase up to 5% of the shares of common stock that Republic offers for sale in its IPO at a price per share equal to the IPO price; and (4) the right to receive a warrant to purchase up to an additional 60,000 shares of Republic common stock for each additional aircraft Chautauqua operates for us above the 22 aircraft under the original contract carrier agreement.

The 2002 Warrant is exercisable in whole or in part at any time until June 7, 2012. The fair value of the 2002 Warrant on the date received was $11 million, and is being recognized on a straight-line basis over a five-year period in other, net in operating revenues on our Consolidated Statement of Operations.

The IPO Warrant is exercisable in whole or in part at any time (1) beginning on the closing date of Republic’s IPO of common stock and (2) subject to earlier cancellation if the contract carrier agreement is terminated in certain circumstances, ending on the tenth anniversary of that closing date. We will record the fair value of the IPO Warrant on the closing date of Republic’s IPO of common stock.

In February and October 2003, we amended our contract carrier agreement with Chautauqua to increase from 22 to 34, and then from 34 to 39, respectively, the number of aircraft Chautauqua will operate for us by the end of 2004 under that agreement. As a result of these amendments, we received two new warrants, as follows (2003 Warrants):

- A warrant to purchase up to 720,000 shares of Republic common stock for (1) $12.50 per share, if the warrant is exercised prior to the completion of Republic’s IPO of common stock or (2) the price per share at which Republic common stock is sold in the IPO, if the warrant is exercised in connection with or after the IPO; and

- A warrant to purchase up to 300,000 shares of Republic common stock for (1) $18.00 per share, if the warrant is exercised prior to the completion of Republic’s IPO or (2) 95% of
The 2003 Warrants are exercisable in whole or in part at any time until ten years from their date of issue. The fair values of the 2003 Warrants on the dates received were not material.

The carrying value of the 2002 and 2003 Warrants was $18 million at December 31, 2003. The carrying value of the 2002 Warrant was $10 million at December 31, 2002. The 2002 and 2003 Warrants are accounted for in the same manner as the priceline warrants described above and are included in other noncurrent assets on our Consolidated Balance Sheets. The 2002 Warrant, the IPO Warrant, the 2003 Warrants and the shares of Republic common stock underlying these securities are not registered under the Securities Act of 1933; however, we have certain demand and piggyback registration rights relating to the underlying shares of Republic common stock.

**Other**

During 2001, we sold our equity interests in SkyWest, Inc., the parent company of SkyWest Airlines, Inc. (SkyWest), and Equant, N.V., an international data services company. We recognized pretax gains of $111 million and $11 million, respectively, on these transactions. These gains are recorded in our 2001 Consolidated Statement of Operations in gain (loss) from sale of investments, net.

**Note 3. Risk Management**

**Aircraft Fuel Price Risk**

Our results of operations can be significantly impacted by changes in the price of aircraft fuel. To manage this risk, we periodically purchase options and other similar derivative instruments and enter into forward contracts for the purchase of fuel. These contracts may have maturities of up to 36 months. We may hedge up to 80% of our expected fuel requirements on a 12-month rolling basis. See Note 4 for additional information about our fuel hedge contracts. We do not enter into fuel hedge contracts for speculative purposes.

**Interest Rate Risk**

Our exposure to market risk due to changes in interest rates primarily relates to our long-term debt obligations, cash portfolio, and pension, postemployment and postretirement benefits. Market risk associated with our long-term debt relates to the potential change in fair value resulting from a change in interest rates as well as the potential increase in interest we would pay on variable rate debt. At December 31, 2003 and 2002, approximately 34% and 26%, respectively, of our total debt was variable rate debt. Market risk associated with our cash portfolio relates to the potential change in our earnings resulting from a decrease in interest rates. Pension, postemployment and postretirement benefits risk relates to the potential changes in our benefit obligations, funding and expenses from a change in interest rates (see Note 11).

From time to time, we may enter into interest rate swap agreements, provided that the notional amount of these transactions does not exceed 50% of our long-term debt. See Note 4 for additional information about our interest rate swap agreements. We do not enter into interest rate swap agreements for speculative purposes.

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Foreign Currency Exchange Risk

We are subject to foreign currency exchange risk because we have revenues and expenses denominated in foreign currencies, primarily the euro, the British pound and the Canadian dollar. To manage exchange rate risk, we attempt to execute both our international revenue and expense transactions in the same foreign currency, to the extent practicable. From time to time, we may also enter into foreign currency options and forward contracts with maturities of up to 12 months. We did not have any foreign currency hedge contracts at December 31, 2003 or 2002. We do not enter into foreign currency hedge contracts for speculative purposes.

Credit Risk

To manage credit risk associated with our aircraft fuel price, interest rate and foreign currency exchange risk management programs, we select counterparties based on their credit ratings and limit our exposure to any one counterparty under defined guidelines. We also monitor the market position of these programs and our relative market position with each counterparty. The credit exposure related to these programs was not significant at December 31, 2003 and 2002.

Our accounts receivable are generated largely from the sale of passenger airline tickets and cargo transportation services. The majority of these sales are processed through major credit card companies, resulting in accounts receivable which are generally short-term in duration. We also have receivables from the sale of mileage credits to partners, such as credit card companies, hotels and car rental agencies, that participate in our SkyMiles program. We believe that the credit risk associated with these receivables is minimal and that the allowance for uncollectible accounts that we have provided is appropriate.

Self-Insurance Risk

We self-insure a portion of our losses from claims related to workers’ compensation, environmental issues, property damage, medical insurance for employees and general liability. Losses are accrued based on an estimate of the ultimate aggregate liability for claims incurred, using independent actuarial reviews based on standard industry practices and our actual experience. A portion of our projected workers’ compensation liability is secured with restricted cash collateral (see Note 1).

Note 4. Derivative Instruments

On July 1, 2000, we adopted SFAS 133, as amended, which requires us to record all derivative instruments on our Consolidated Balance Sheets at fair value and to recognize certain changes in these fair values in our Consolidated Statements of Operations. SFAS 133 impacts the accounting for our fuel hedging program, our interest rate hedging program and our holdings of equity warrants and other similar rights in certain companies.

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The impact of SFAS 133 on our Consolidated Statements of Operations is summarized as follows:

### Fuel Hedging Program

Because there is not a readily available market for derivatives in aircraft fuel, we use heating and crude oil derivative contracts to manage our exposure to changes in aircraft fuel prices. Changes in the fair value of these contracts (fuel hedge contracts) are highly effective at offsetting changes in aircraft fuel prices.

At December 31, 2003, our fuel hedge contracts had a fair value of $97 million, which was recorded in prepaid expenses and other, with unrealized effective gains of $34 million, net of tax, recorded in accumulated other comprehensive loss on our Consolidated Balance Sheet. At December 31, 2002, our fuel hedge contracts had a fair value of $73 million, $68 million of which was recorded in prepaid expenses and other and $5 million of which was recorded in noncurrent assets, with unrealized effective gains of $29 million, net of tax, recorded in accumulated other comprehensive loss on our Consolidated Balance Sheet. See Note 1 for information about our accounting policy for fuel hedge contracts. See Note 22 for information regarding the early settlement of our fuel hedge contracts.

### Interest Rate Hedging Program

To manage our interest rate exposure, in July 2002, we entered into two interest rate swap agreements relating to our (1) $300 million principal amount of unsecured Series C Medium-Term Notes due March 15, 2004, which pay interest at a fixed rate of 6.65% per year and (2) $500 million principal amount of unsecured Notes due December 15, 2005, which pay interest at a fixed rate of 7.70% per year. Under the first interest rate swap agreement, we paid the London Interbank Offered Rate (LIBOR) plus a margin per year in exchange for the right to receive 6.65% per year on a notional amount of $300 million until March 15, 2004. Under the second agreement, we paid LIBOR plus a margin per year in exchange for the right to receive 7.70% per year on a notional amount of $500 million until December 15, 2005.

On May 9, 2003, we settled these interest rate swap agreements prior to their expiration. As a result, we received $27 million, including $7 million previously recognized as adjustments to interest expense under the terms of the swap agreements. These swaps were accounted for as fair value hedges of debt in accordance with SFAS 133. At the date of settlement, the fair value adjustments to the previously underlying debt related to the interest rate swaps totaled $20 million. These adjustments are being recognized in accordance with SFAS 133 as an adjustment to interest expense over the remaining term of the previously underlying debt. A portion of these fair value adjustments were recognized as a part of the gain on extinguishment of a portion of the previously hedged debt (see Note 6).

At December 31, 2002, our interest rate swap agreements had a fair value of $21 million, which was recorded in other noncurrent assets on our Consolidated Balance Sheet. In accordance with

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fair value hedge accounting, the carrying value of our long-term debt at December 31, 2003 and 2002 included $8 million and $21 million, respectively, of fair value adjustments. See Note 1 for information about our accounting policy for interest rate swap agreements.

**Equity Warrants and Other Similar Rights**

We own equity warrants and other similar rights in certain companies, primarily priceline and Republic. The total fair value of these rights was $30 million and $14 million at December 31, 2003 and 2002, respectively. See Notes 1 and 2 for information about our accounting policy for and ownership of these rights, respectively.

**Note 5. Goodwill and Intangible Assets**

On January 1, 2002, we adopted SFAS 142, which requires that we discontinue the amortization of goodwill and other intangible assets with indefinite useful lives. Accordingly, we now apply a fair value-based impairment test to the net book value of goodwill and indefinite-lived intangible assets. See Note 1 for information about our accounting policy for the impairment tests of goodwill and other intangible assets.

The adoption of SFAS 142 decreased our operating expenses on our Consolidated Statements of Operations by approximately $60 million, net of tax, for each of the years ended December 31, 2003 and 2002, due to the discontinuance of amortization of goodwill and indefinite-lived intangible assets. During the June 2002 quarter, we completed our transitional goodwill impairment test, which indicated no impairment at the date of adoption of SFAS 142.

The following table reconciles our reported net loss and loss per share to adjusted net loss and loss per share as if the non-amortization provisions of SFAS 142 had been applied to the year ended December 31, 2001:

<table>
<thead>
<tr>
<th></th>
<th>For the Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(773)</td>
</tr>
<tr>
<td>Add back: goodwill and international route amortization, net of tax</td>
<td>—</td>
</tr>
<tr>
<td>Adjusted net loss</td>
<td>$(773)</td>
</tr>
<tr>
<td>Basic and diluted earnings per share:</td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(6.40)</td>
</tr>
<tr>
<td>Add back: goodwill and international route amortization, net of tax</td>
<td>—</td>
</tr>
<tr>
<td>Adjusted net loss</td>
<td>$(6.40)</td>
</tr>
</tbody>
</table>
During the March 2002 quarter, we completed the required initial test of potential impairment of indefinite-lived intangible assets, other than goodwill; that test indicated no impairment at the date of adoption of SFAS 142. The following table presents information about our intangible assets, other than goodwill, at December 31, 2003 and 2002:

At December 31, 2003, we performed the required annual impairment test of our goodwill and indefinite-lived intangible assets; that test indicated no impairment.

**Note 6. Debt**

The following table summarizes our debt at December 31, 2003 and 2002:

---

### Definite-lived intangible assets:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross Carrying Amount</td>
<td>Accumulated Amortization</td>
</tr>
<tr>
<td>Leasehold and operating rights</td>
<td>$125</td>
<td>$(92)</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>(2)</td>
</tr>
<tr>
<td>Total</td>
<td>$128</td>
<td>$(94)</td>
</tr>
</tbody>
</table>

### Indefinite-lived intangible assets:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net Carrying Amount</td>
<td>Net Carrying Amount</td>
</tr>
<tr>
<td>International routes</td>
<td>$60</td>
<td>$60</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>$61</td>
<td>$61</td>
</tr>
</tbody>
</table>

---

At December 31, 2003, we performed the required annual impairment test of our goodwill and indefinite-lived intangible assets; that test indicated no impairment.

---

### Secured (1)

**Series 2000-1 Enhanced Equipment Trust Certificates**

- 7.38% Class A-1 due in installments from 2004 to May 18, 2010 $241 $274
- 7.57% Class A-2 due November 18, 2010 738 738
- 7.92% Class B due November 18, 2010 182 182
- 7.78% Class C due November 18, 2005 239 239
- 9.11% Class D due November 18, 2005 176 176

Total 1,576 1,609

**Series 2001-1 Enhanced Equipment Trust Certificates**

- 6.62% Class A-1 due in installments from 2004 to March 18, 2011 225 262
- 7.11% Class A-2 due September 18, 2011 571 571
- 7.71% Class B due September 18, 2011 207 207
- 7.30% Class C due September 18, 2006 170 170
- 6.95% Class D due September 18, 2006 150 150

Total 1,323 1,360

**Series 2001-2 Enhanced Equipment Trust Certificates**

- 2.92% Class A due in installments from 2004 to December 18, 2011 (2) 396 423
- 4.12% Class B due in installments from 2004 to December 18, 2011 (2) 227 254
- 5.47% Class C due in installments from 2005 to December 18, 2011 (2) 80 80

Total 703 757

**Series 2002-1 Enhanced Equipment Trust Certificates**

- 6.72% Class G-1 due in installments from 2004 to January 2, 2023 554 587
- 6.42% Class G-2 due July 2, 2012 370 370
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.78% Class C due in installments from 2004 to January 2, 2012</td>
<td>156</td>
<td>169</td>
</tr>
<tr>
<td></td>
<td>1,080</td>
<td>1,126</td>
</tr>
<tr>
<td><strong>Series 2003-1 Enhanced Equipment Trust Certificates</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.97% Class G due in installments from 2004 to January 25, 2008</td>
<td>374</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>374</td>
<td>—</td>
</tr>
<tr>
<td><strong>General Electric Capital Corporation (GECC)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.65% Notes due in installments from 2004 to April 15, 2010 (2)(4)</td>
<td>127</td>
<td>—</td>
</tr>
<tr>
<td>5.65% Notes due in installments from 2004 to April 15, 2010 (2)(5)</td>
<td>114</td>
<td>—</td>
</tr>
<tr>
<td>5.65% Notes due in installments from 2004 to April 15, 2010 (2)(6)</td>
<td>91</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>332</td>
<td>—</td>
</tr>
<tr>
<td>1.11% to 15.46% Other secured financings due in installments from 2004 to May 9, 2021 (2)(7)</td>
<td>2,534</td>
<td>1,555</td>
</tr>
<tr>
<td><strong>Total secured debt</strong></td>
<td>7,922</td>
<td>6,407</td>
</tr>
</tbody>
</table>
## Unsecured

### Massachusetts Port Authority Special Facilities Revenue Bonds

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.0-5.5% Series 2001A due in installments from 2012 to 2027</td>
<td>338</td>
<td>338</td>
</tr>
<tr>
<td>1.2% Series 2001B due in installments from 2027 to January 1, 2031 (2)</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>1.2% Series 2001C due in installments from 2027 to January 1, 2031 (2)</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>8.10% Series C Guaranteed Serial ESOP Notes, due in installments from 2003 to 2009</td>
<td>18</td>
<td>92</td>
</tr>
<tr>
<td>6.65% Series C Medium-Term Notes, due March 15, 2004</td>
<td>236</td>
<td>300</td>
</tr>
<tr>
<td>7.7% Notes due December 15, 2005</td>
<td>302</td>
<td>500</td>
</tr>
<tr>
<td>7.9% Notes due December 15, 2009</td>
<td>499</td>
<td>499</td>
</tr>
<tr>
<td>9.75% Debentures due May 15, 2021</td>
<td>106</td>
<td>106</td>
</tr>
</tbody>
</table>

### Development Authority of Clayton County, loan agreement

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1% Series 2000A due June 1, 2029 (2)</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>1.2% Series 2000B due May 1, 2035 (2)</td>
<td>110</td>
<td>116</td>
</tr>
<tr>
<td>1.3% Series 2000C due May 1, 2035 (2)</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>8.3% Notes due December 15, 2029</td>
<td>925</td>
<td>925</td>
</tr>
<tr>
<td>8.125% Notes due July 1, 2039 (8)</td>
<td>538</td>
<td>538</td>
</tr>
<tr>
<td>10.0% Senior Notes due August 15, 2008</td>
<td>248</td>
<td>—</td>
</tr>
<tr>
<td>8.0% Convertible Senior Notes due June 3, 2023</td>
<td>350</td>
<td>—</td>
</tr>
<tr>
<td>3.01% to 10.375% Other unsecured debt due in installments from 2004 to 2033</td>
<td>587</td>
<td>607</td>
</tr>
<tr>
<td>Less: unamortized discounts, net</td>
<td>(62)</td>
<td>(33)</td>
</tr>
</tbody>
</table>

| Total unsecured debt                                                             | 4,540 | 4,333 |
| Total debt                                                                       | 12,462| 10,740|
| Less: current maturities                                                          | 1,002 | 666   |
| Total long-term debt                                                             | $11,460 | $10,074 |

---

(1) Our secured debt is collateralized by first mortgage liens on a total of 320 aircraft (71 B-737-800, 41 B-757-200, two B-767-300, 38 B-767-300ER, 21 B-767-400, eight B-777-200, and 139 CRJ-100/200/700) delivered new to us from March 1992 through December 2003. In addition, certain debt is secured by 96 spare mainline aircraft engines (Engine Collateral), which constitute substantially all the spare mainline aircraft engines currently owned by us, and by a substantial portion of the mainline aircraft spare parts owned by us (Spare Parts Collateral). These aircraft, engines and spare parts had an aggregate net book value of approximately $10.6 billion at December 31, 2003.

(2) Our variable interest rate long-term debt is shown using interest rates which represent LIBOR or Commercial Paper plus a specified margin, as provided for in the related agreements. The rates shown were in effect at December 31, 2003.

(3) In connection with these financings, GECC issued irrevocable, direct-pay letters of credit, which totaled $404 million at December 31, 2003, to back our obligations with respect to $397 million principal amount of tax exempt municipal bonds. We are required to reimburse GECC for drawings under the letters of credit. Our reimbursement obligation is secured by nine B-767-400 and three B-777-200 aircraft (LOC Aircraft Collateral) and the Engine Collateral. See “Letter of Credit Enhanced Municipal Bonds” in this Note for additional information on this subject. In addition to our obligations described in Notes 3-6 of this table, the Engine Collateral also secures, on a subordinated basis, certain of our other existing debt and aircraft lease obligations to General Electric Company and its affiliates up to a maximum amount of $230 million. The outstanding amount of these obligations is substantially in excess of $230 million.

(4) This debt is secured by the Engine Collateral and the LOC Aircraft Collateral. It is not repayable at our election prior to maturity.

(5) This debt is secured by five B-767-400 aircraft (Other Aircraft Collateral), the Engine Collateral and the Spare Parts Collateral. It is repayable at our election at any time, subject to certain prepayment fees if repayment occurs before April 2005.

(6) This debt is secured by the Other Aircraft Collateral, the Engine Collateral and the Spare Parts Collateral. It is repayable at our election at any time, subject to certain prepayment fees if repayment occurs before April 2005.

(7) The 15.46% interest rate applies to $86 million of debt due in installments through June 2011. The maximum interest rate on the remaining secured debt is 6.23%; the majority of this debt is related to aircraft financings for Comair and ASA.

(8) The 8.125% Notes due 2039 are redeemable by us, in whole or in part, at par on or after July 1, 2004.
The fair value of our total secured and unsecured debt was $11.9 billion and $9.5 billion at December 31, 2003 and 2002, respectively.

**Future Maturities**

The following table summarizes the scheduled maturities of our debt, including current maturities, at December 31, 2003, as adjusted for certain refinancings of regional jet aircraft subsequent to December 31, 2003 (see Note 22):

<table>
<thead>
<tr>
<th>Years Ending December 31, (in millions)</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$ 1,002</td>
</tr>
<tr>
<td>2005</td>
<td>1,164</td>
</tr>
<tr>
<td>2006</td>
<td>781</td>
</tr>
<tr>
<td>2007</td>
<td>463</td>
</tr>
<tr>
<td>2008</td>
<td>1,272</td>
</tr>
<tr>
<td>After 2008</td>
<td>7,780</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,462</strong></td>
</tr>
</tbody>
</table>

We have available to us long-term, secured financing commitments from a third party that we may elect to use for a substantial portion of the regional jet aircraft delivered to ASA and Comair through 2004. Borrowings under these commitments would bear interest at a rate determined by reference to ten-year U.S. Treasury Notes plus a margin, and would have various repayment dates. Our election to use these commitments would result in the refinancing of approximately $300 million of our 2004 maturities included in the table above. Other than these commitments, we do not have any undrawn lines of credit.

**Boston Airport Terminal Project**

During 2001, we entered into lease and financing agreements with the Massachusetts Port Authority (Massport) for the redevelopment and expansion of Terminal A at Boston’s Logan International Airport. The completion of this project will enable us to consolidate all of our domestic operations at that airport into one location. Construction began in the June 2002 quarter and is expected to be completed during 2005. Project costs will be funded with $498 million in proceeds from Special Facilities Revenue Bonds issued by Massport on August 16, 2001. We agreed to pay the debt service on the bonds under a long-term lease agreement with Massport and issued a guarantee to the bond trustee covering the payment of the debt service on the bonds. For additional information about these bonds, see the debt table above. Because we have issued a guarantee of the debt service on the bonds, we have included the bonds, as well as the related bond proceeds, on our Consolidated Balance Sheets. The bonds are reflected in noncurrent

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liabilities and the related remaining proceeds, which are held in trust, are reflected as restricted investments in other assets on our Consolidated Balance Sheets.

**Letter Of Credit Enhanced Municipal Bonds**

At December 31, 2003, there were outstanding $397 million aggregate principal amount of tax-exempt municipal bonds (Bonds) enhanced by letters of credit, including:

- $295 million principal amount of bonds issued by the Development Authority of Clayton County (Clayton Authority) to refinance the construction cost of certain facilities leased to us at Hartsfield-Jackson Atlanta International Airport. We pay debt service on these bonds pursuant to loan agreements between us and the Clayton Authority; and

- $102 million principal amount of bonds issued by other municipalities to refinance the construction cost of certain facilities leased to us at Cincinnati/Northern Kentucky International Airport, Salt Lake City International Airport and Tampa International Airport. We pay debt service on these bonds pursuant to long-term lease agreements (see Note 7).

The Bonds (1) have scheduled maturities between 2029 and 2035; (2) currently bear interest at a variable rate that is determined weekly; and (3) may be tendered for purchase by their holders on seven days’ notice. Tendered Bonds are remarketed at prevailing interest rates.

Principal and interest on the Bonds are currently paid through drawings on irrevocable, direct-pay letters of credit totaling $404 million issued by GECC. In addition, the purchase price of tendered Bonds that cannot be remarketed are paid by drawings on these letters of credit. The GECC letters of credit, which replaced similar letters of credit issued by a third party, expire on May 20, 2008.

Pursuant to an agreement between us and GECC (Reimbursement Agreement), we are required to reimburse GECC for drawings on the letters of credit. Our reimbursement obligation to GECC is secured by nine B-767-400 and three B-777-200 aircraft (LOC Aircraft Collateral) and 96 spare mainline engines owned by us. This collateral also secures other obligations we have to GECC, as discussed in the table above.

If a drawing under a letter of credit is made to pay the purchase price of Bonds tendered for purchase and not remarketed, our resulting reimbursement obligation to GECC will bear interest at a base rate or three-month LIBOR plus a margin. The principal amount of the reimbursement obligation will be repaid quarterly through May 20, 2008.

GECC has the right to cause a mandatory tender for purchase of all Bonds and terminate the letters of credit if an event of default occurs or if a minimum collateral value test (Collateral Value Test) is not satisfied on May 19, 2006. We will not satisfy the Collateral Value Test if (1) the appraised market value of the LOC Aircraft Collateral on March 20, 2006 is less than two times the aggregate amount of the outstanding letters of credit plus any other amounts payable by us under the Reimbursement Agreement (Aggregate Obligations) and (2) within 60 days...
thereafter, we have not either provided additional collateral to GECC in the form of cash or aircraft or caused a reduction in the Aggregate Obligations such that the Collateral Value Test is satisfied.

Unless the GECC letters of credit are extended in a timely manner, we will be required to purchase the Bonds on May 15, 2008, five days prior to the expiration of the letters of credit. In this circumstance, we could seek, but there is no assurance that we would be able, to (1) sell the Bonds without credit enhancement at then-prevailing fixed interest rates or (2) replace the expiring letters of credit with new letters of credit from an alternate credit provider and remarket the Bonds.

We may terminate the GECC letters of credit, and repay any outstanding obligations under the Reimbursement Agreement, at our election prior to maturity, subject to certain prepayment fees if such action occurs before May 20, 2005.

Convertible Senior Notes (8.00% Notes)

In June 2003, we issued $350 million principal amount of 8.00% Notes due 2023. Holders may convert their 8.00% Notes into shares of our common stock at a conversion rate of 35.7143 shares of common stock per $1,000 principal amount of 8.00% Notes, subject to adjustment in certain circumstances, which is equivalent to a conversion price of approximately $28.00 per share of common stock, if:

- during any calendar quarter after June 30, 2003, the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price per share of our common stock;
- the trading price of the 8.00% Notes falls below a specified threshold;
- we call the 8.00% Notes for redemption; or
- specified corporate transactions occur.

We may redeem all or some of the 8.00% Notes for cash at any time after June 5, 2008, at a redemption price equal to the principal amount of the 8.00% Notes to be redeemed plus any accrued and unpaid interest.

Holders may require us to repurchase their 8.00% Notes for cash on June 3, 2008, 2013 and 2018, or in other specified circumstances involving the exchange, conversion or acquisition of all or substantially all of our common stock, at a purchase price equal to the principal amount of the 8.00% Notes to be purchased plus any accrued and unpaid interest. At December 31, 2003, 12,500,005 shares of common stock were reserved for issuance for the conversion of the 8.00% Notes.

ESOP Notes

We guarantee the ESOP Notes issued by the Delta Family-Care Savings Plan. During 2002, we terminated the letter of credit used to make required payments of principal, interest and make-whole premium on the ESOP Notes. As a result of this action, each holder of ESOP Notes had
two opportunities to require us to purchase their ESOP Notes. During 2002, we purchased ESOP Notes for $215 million, covering $169 million principal amount of ESOP Notes, $4 million of accrued interest and $42 million of make-whole premium. During 2003, we purchased additional ESOP Notes for $91 million, covering $72 million principal amount of ESOP Notes, $4 million of accrued interest and $15 million of make-whole premium. As of December 31, 2003, $18 million principal amount of ESOP Notes was held by third parties.

We recognized losses of $15 million and $42 million for the years ended December 31, 2003 and 2002, respectively, for the make-whole premiums related to these extinguishments of debt. These losses were recorded in other income (expense) on our Consolidated Statements of Operations.

**Debt Exchange Offer**

In September 2003, we completed a debt exchange offer relating to $300 million principal amount of our 6.65% Series C Medium-Term Notes due 2004 (2004 Notes), and $500 million principal amount of our 7.70% Senior Notes due 2005 (2005 Notes). Under the exchange offer, qualified institutional buyers could elect to exchange (1) for each $1,000 principal amount of 2004 Notes tendered, $650 cash and $409.50 principal amount of new 10% Senior Notes due August 15, 2008 (2008 Notes), and (2) for each $1,000 principal amount of 2005 Notes tendered, $1,120 principal amount of new 2008 Notes.

Eligible holders elected to exchange $64 million principal amount of the 2004 Notes and $198 million principal amount of the 2005 Notes. We paid a total of $47 million in cash (including $5 million in accrued interest) and issued an aggregate of $248 million principal amount of 2008 Notes.

The exchange offer qualified as a debt extinguishment and, accordingly, we recorded the issuance of the 2008 Notes at a fair value of $211 million, which reflects a $37 million original issue discount. This discount will be amortized to interest expense through August 15, 2008. Of the $47 million payment, we recorded $42 million as a payment on long-term debt and capital lease obligations and $5 million as a change in certain assets and liabilities, net on our 2003 Consolidated Statement of Cash Flows. As a result of this transaction, we also recorded a $15 million gain ($9 million net of tax) on extinguishment of debt in other income (expense) on our 2003 Consolidated Statement of Operations.

**Other Financing Arrangements**

On January 31, 2002, we entered into a facility to finance, on a secured basis at the time of acquisition, certain future deliveries of regional jet aircraft. At December 31, 2003, the total borrowings outstanding under this facility, as amended, were $449 million. Borrowings under this facility (1) are due between 366 days and 18 months after the date of borrowing (subject to earlier repayment if certain longer-term financing is obtained for these aircraft) and (2) bear interest at LIBOR plus a margin.

**Covenants**

Our credit facilities do not contain any negative financial covenants. As discussed above, our Reimbursement Agreement with GECC includes the Collateral Value Test.

As is customary in the airline industry, our aircraft lease and financing agreements require that we maintain certain levels of insurance coverage, including war-risk insurance. We were in compliance with these requirements at December 31, 2003 and 2002. See Note 19 for additional information on war-risk insurance currently provided by the U.S. government under the Air Transportation Safety and System Stabilization Act.
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Note 7. Lease Obligations

We lease aircraft, airport terminal and maintenance facilities, ticket offices and other property and equipment from third parties. Rental expense for operating leases, which is recorded on a straight-line basis over the life of the lease, totaled $1.3 billion for each year ended December 31, 2003, 2002 and 2001. Amounts due under capital leases are recorded as liabilities on our Consolidated Balance Sheets. Our interest in assets acquired under capital leases is recorded as property and equipment on our Consolidated Balance Sheets. Amortization of assets recorded under capital leases is included in depreciation and amortization expense on our Consolidated Statements of Operations. Our leases do not include residual value guarantees.

The following table summarizes, as of December 31, 2003, our minimum rental commitments under capital leases and noncancelable operating leases with initial or remaining terms in excess of one year:

<table>
<thead>
<tr>
<th>Years Ending December 31, (in millions)</th>
<th>Capital Leases</th>
<th>Operating Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$ 29</td>
<td>$ 1,271</td>
</tr>
<tr>
<td>2005</td>
<td>22</td>
<td>1,237</td>
</tr>
<tr>
<td>2006</td>
<td>18</td>
<td>1,173</td>
</tr>
<tr>
<td>2007</td>
<td>15</td>
<td>1,112</td>
</tr>
<tr>
<td>2008</td>
<td>13</td>
<td>1,147</td>
</tr>
<tr>
<td>After 2008</td>
<td>32</td>
<td>5,914</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>129</td>
<td>$11,854</td>
</tr>
</tbody>
</table>

Less: lease payments that represent interest

Present value of future minimum capital lease payments

Less: current obligations under capital leases

Long-term capital lease obligations $ 78

We expect to receive approximately $130 million under noncancelable sublease agreements. This expected sublease income is not reflected as a reduction in the total minimum rental commitments under operating leases in the table above.

At December 31, 2003, we operated 309 aircraft under operating leases and 39 aircraft under capital leases. These leases have remaining terms ranging from three months to 14 years.

Certain municipalities have issued special facilities revenue bonds to build or improve airport and maintenance facilities leased to us. The facility lease agreements require us to make rental payments sufficient to pay principal and interest on the bonds. The above table includes $1.7 billion of operating lease rental commitments for such payments.
Note 8. Sale of Receivables

We were party to an agreement, as amended, under which we sold a defined pool of our accounts receivable, on a revolving basis, through a special-purpose, wholly owned subsidiary, which then sold an undivided interest in the receivables to a third party. In accordance with SFAS 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities” (SFAS 140), the subsidiary was not consolidated in our Consolidated Financial Statements. At December 31, 2002, we had a subordinated promissory note with a principal amount of $67 million from the subsidiary; this note was included in accounts receivable on our 2002 Consolidated Balance Sheet. Additionally, our investment in the subsidiary, which represented our funding of that entity, totaled $117 million at December 31, 2002, and was recorded in investments in associated companies on our Consolidated Balance Sheet.

This agreement terminated on its scheduled expiration date of March 31, 2003. As a result, on April 2, 2003, we paid $250 million, which represented the total amount owed to the third party by the subsidiary, and subsequently collected the related receivables.

Note 9. Purchase Commitments and Contingencies

Aircraft Order Commitments

Future commitments for aircraft on firm order as of December 31, 2003 are estimated to be $4.0 billion. The following table shows the timing of these commitments:

<table>
<thead>
<tr>
<th>Year Ending December 31, (in millions)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$ 675</td>
</tr>
<tr>
<td>2005</td>
<td>1,171</td>
</tr>
<tr>
<td>2006</td>
<td>1,285</td>
</tr>
<tr>
<td>2007</td>
<td>840</td>
</tr>
<tr>
<td>2008</td>
<td>43</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,014</strong></td>
</tr>
</tbody>
</table>

The table above includes our payments to purchase from the manufacturer 11 B-737-800 aircraft, which we have entered into a definitive agreement to sell to a third party immediately following delivery of these aircraft to us in 2005. This transaction will reduce our commitments by approximately $460 million through 2005. We also granted the third party an option to purchase up to 10 additional B-737-800 aircraft scheduled for delivery to us in 2006.

Additionally, as of December 31, 2003, we had deferred delivery of one B-737-800 aircraft, and plan to exercise our right to defer delivery of an additional seven B-737-800 aircraft from 2005 to 2008. This transaction will defer approximately $300 million of our commitments through 2005 to later years in the table above.

Contract Carrier Agreements

We have contract carrier agreements with three regional air carriers, Atlantic Coast Airlines (ACA), SkyWest and Chautauqua. Under these agreements, ACA, SkyWest and Chautauqua operate certain of their aircraft using our flight code; we schedule those aircraft and sell the seats
on those flights; and we retain the related revenues. We pay those airlines an amount, as defined in the applicable agreement, which is based on an annual redetermination of their cost of operating those flights and other factors intended to approximate market rates for those services. Our contract carrier agreements with ACA and SkyWest expire in 2010, and our agreement with Chautauqua expires in 2012.

The following table shows the total number of aircraft and available seat miles (ASMs) operated for us by ACA, SkyWest and Chautauqua under, and our expenses related to, the contract carrier agreements, for the years ended December 31, 2003, 2002 and 2001:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of aircraft operated, end of period (1)</td>
<td>123</td>
<td>100</td>
<td>72</td>
</tr>
<tr>
<td>ASMs (2)</td>
<td>5,121</td>
<td>3,513</td>
<td>1,562</td>
</tr>
<tr>
<td>Expenses</td>
<td>$ 784</td>
<td>$ 561</td>
<td>$ 240</td>
</tr>
</tbody>
</table>

(1) The 123 aircraft operated for us at December 31, 2003 include 30 aircraft operated by ACA, 59 aircraft operated by SkyWest and 34 aircraft operated by Chautauqua. Our contract carrier agreements do not include any scheduled changes in these numbers during the remaining term of those agreements, except that the number of aircraft scheduled to be operated for us by Chautauqua increases to 39 by the end of 2004.

(2) These amounts are unaudited and are not included in our ASMs disclosed in Item 6 in this Form 10-K.

During 2004, we expect to incur a total of approximately $890 million in expenses related to our contract carrier agreements with these airlines. See Note 1 for information about our accounting policy for revenues and expenses related to our contract carrier agreements.

We may terminate the ACA and SkyWest agreements without cause at any time by giving the airlines certain advance notice. If we terminate the ACA agreement without cause, ACA has the right to (1) assign to us leased aircraft that it operates for us, provided we are able to continue the leases on the same financial terms ACA had prior to the assignment and (2) require us to purchase, at fair value, aircraft that ACA operates for us and owns at the time of the termination. If we terminate the SkyWest agreement without cause, SkyWest has the right to assign to us leased regional jet aircraft which it operates for us, provided we are able to continue the leases on the same terms SkyWest had prior to the assignment.

We may terminate the Chautauqua agreement, as amended, without cause at any time after November 2008 by giving the airline certain advance notice. If we terminate the Chautauqua agreement without cause, Chautauqua has the right to (1) assign to us leased aircraft that it operates for us, provided we are able to continue the leases on the same terms Chautauqua had prior to the assignment and (2) require us to purchase or sublease any of the aircraft that it owns and operates for us at the time of the termination. If we are required to purchase aircraft owned by Chautauqua, the purchase price would be equal to the amount necessary to (1) reimburse Chautauqua for the equity it provided to purchase the aircraft and (2) repay in full any debt outstanding at such time that is not being assumed in connection with such purchase. If we are required to sublease aircraft owned by Chautauqua, the sublease would have (1) a rate equal to the debt payments of Chautauqua for the debt financing of the aircraft calculated as if 90% of the aircraft was debt financed by Chautauqua and (2) specified other terms and conditions.

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ACA has announced plans to begin operating in November 2004 a new low-fare airline using jet aircraft with more than 70 seats. Our collective bargaining agreement with the Air Line Pilots Association, International (ALPA) prohibits contract carrier codeshare arrangements with domestic carriers such as ACA if the contract carrier operates aircraft with more than 70 seats. As discussed above, we have the right to terminate the ACA agreement without cause, in which case ACA has the right to require us to assume the leases on leased aircraft, or purchase owned aircraft, that ACA operates for us. ACA currently operates 30 leased Fairchild Dornier FRJ-328 regional jet aircraft for us. If we are required to assume the leases on these aircraft in November 2004, we estimate that the total remaining operating lease payments would be approximately $300 million. These payments would be made over the remaining terms of the aircraft leases, which are approximately 13 years.

We estimate that the total fair value, at December 31, 2003, of the aircraft that SkyWest or Chautauqua could assign to us or require that we purchase if we terminate without cause our contract carrier agreements with those airlines is approximately $630 million and $450 million, respectively. The actual amount that we may be required to pay in these circumstances may be materially different from these estimates.

**Legal Contingencies**

We are involved in legal proceedings relating to antitrust matters, employment practices, environmental issues and other matters concerning our business. We are also a defendant in numerous lawsuits arising out of the terrorist attacks of September 11, 2001. We cannot reasonably estimate the potential loss for certain legal proceedings because, for example, the litigation is in its early stages or the plaintiff does not specify the damages being sought. Although the ultimate outcome of our legal proceedings cannot be predicted with certainty, we believe that the resolution of these actions will not have a material adverse effect on our Consolidated Financial Statements.

**Other Contingencies**

**Regional Airports Improvement Corporation (RAIC)**

We are obligated under a facilities sublease with the RAIC to pay the bond trustee rent in an amount sufficient to pay the debt service on $47 million in Facilities Sublease Revenue Bonds; these bonds were issued in 1985 to finance the construction of certain airport and terminal facilities we lease at Los Angeles International Airport. We also provide a guarantee to the bond trustee covering payment of the debt service.

**General Indemnifications**

We are the lessee under many real estate leases. It is common in these commercial lease transactions for us, as the lessee, to agree to indemnify the lessor and other related third parties for tort, environmental and other liabilities that arise out of or relate to our use or occupancy of the leased premises. This type of indemnity would typically make us responsible to indemnified parties for liabilities arising out of the conduct of, among others, contractors, licensees and invitees at or in connection with the use or occupancy of the leased premises. This indemnity often extends to related liabilities arising from the negligence of the indemnified parties, but
usually excludes any liabilities caused by either their sole or gross negligence and their willful misconduct.

Our aircraft and other equipment lease and financing agreements typically contain provisions requiring us, as the lessee or obligor, to indemnify the other parties to those agreements, including certain related parties, against virtually any liabilities that might arise from the condition, use or operation of the aircraft or such other equipment.

We believe that our insurance would cover most of our exposure to such liabilities and related indemnities associated with the types of lease and financing agreements described above, including real estate leases.

Certain of our aircraft and other financing transactions include provisions which require us to make payments to preserve an expected economic return to the lenders if that economic return is diminished due to certain changes in law or regulations. In certain of these financing transactions, we also bear the risk of certain changes in tax laws that would subject payments to non-U.S. lenders to withholding taxes.

We cannot reasonably estimate our potential future payments under the indemnities and related provisions described above because we cannot predict when and under what circumstances these provisions may be triggered.

**Employees Under Collective Bargaining Agreements**

At December 31, 2003, we had a total of approximately 70,600 full-time equivalent employees. Approximately 18% of these employees, including all of our pilots, are represented by labor unions. ASA is in collective bargaining negotiations with ALPA and the Association of Flight Attendants (AFA), which represent ASA’s approximately 1,450 pilots and 800 flight attendants, respectively. ASA’s collective bargaining agreements with ALPA and AFA became amendable in September 2002 and September 2003, respectively. The outcome of these collective bargaining negotiations cannot presently be determined.

Delta’s collective bargaining agreement with ALPA becomes amendable on May 1, 2005. The agreement generally provides that no pilot on the seniority list as of July 1, 2001 may be furloughed unless the furlough is caused by a circumstance beyond our control, as defined in the agreement. Therefore, if we reduce the number of flights in our schedule for reasons other than a circumstance beyond our control, as defined in the agreement, we may be required to pay unutilized pilots their full salary and benefits. If we furlough pilots due to a circumstance beyond our control, we are only obligated to remit furlough pay and to provide or pay for certain other benefits for a limited period until the pilots are recalled. We have been involved in arbitration regarding whether the agreement permits furloughs in particular circumstances.

**Planned Sale of Aircraft**

In conjunction with our agreement to sell 11 B-737-800 aircraft to a third party immediately after those aircraft are delivered to us by the manufacturer in 2005, we have agreed to pay the third party, for a designated period with respect to each of the 11 B-737-800 aircraft, an amount equal to

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to the excess, if any, of a specified rate over the rate at which the third party leases the aircraft to another party. The maximum undiscounted amount we could be required to pay for all 11 aircraft totals approximately $70 million. While we cannot predict with certainty whether we will be required to make a payment under this provision, we believe that the possibility of this event is not likely due to the current and estimated future marketability of these aircraft.

**Other**

We have certain contracts for goods and services that require us to pay a penalty, acquire inventory specific to us or purchase contract specific equipment, as defined by each respective contract, if we terminate the contract without cause prior to its expiration date. These obligations are contingent upon whether we terminate the contract without cause prior to its expiration date; therefore, no obligation would exist unless such a termination were to occur.

**Note 10. 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 income tax purposes (see Note 1 for information about our accounting policy for income taxes). The following table shows significant components of our deferred tax assets and liabilities at December 31, 2003 and 2002:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred tax assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating loss carryforwards</td>
<td>$1,908</td>
<td>$1,256</td>
</tr>
<tr>
<td>Additional minimum pension liability (see Note 13)</td>
<td>1,454</td>
<td>972</td>
</tr>
<tr>
<td>Postretirement benefits</td>
<td>917</td>
<td>909</td>
</tr>
<tr>
<td>Other employee benefits</td>
<td>571</td>
<td>404</td>
</tr>
<tr>
<td>AMT credit carryforward</td>
<td>346</td>
<td>349</td>
</tr>
<tr>
<td>Gains on sale and leaseback transactions, net</td>
<td>197</td>
<td>217</td>
</tr>
<tr>
<td>Rent expense</td>
<td>178</td>
<td>215</td>
</tr>
<tr>
<td>Other</td>
<td>465</td>
<td>508</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(25)</td>
<td>(16)</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td>$6,011</td>
<td>$4,814</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred tax liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$4,042</td>
<td>$3,639</td>
</tr>
<tr>
<td>Other</td>
<td>390</td>
<td>332</td>
</tr>
<tr>
<td><strong>Total deferred tax liabilities</strong></td>
<td>$4,432</td>
<td>$3,971</td>
</tr>
</tbody>
</table>

The following table shows the current and noncurrent deferred tax assets, net recorded on our Consolidated Balance Sheets at December 31, 2003 and 2002:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current deferred tax assets, net</td>
<td>$ 710</td>
<td>$668</td>
</tr>
<tr>
<td>Noncurrent deferred tax assets, net</td>
<td>869</td>
<td>175</td>
</tr>
<tr>
<td><strong>Total deferred tax assets, net</strong></td>
<td>$1,579</td>
<td>$843</td>
</tr>
</tbody>
</table>

At December 31, 2003, we had $346 million of federal alternative minimum tax (AMT) credit carryforward, which does not expire. We also had federal and state net operating loss.
carryforwards of approximately $4.9 billion, pretax, at December 31, 2003, substantially all of which will not begin to expire until 2022.

In accordance with SFAS 109, deferred tax assets should be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The future realization of our net deferred tax assets depends on the availability of sufficient future taxable income. In making this determination, we considered all available positive and negative evidence and made certain assumptions. We considered, among other things, the overall business environment; our historical earnings, including our significant pretax losses incurred during the last three years; our industry’s historically cyclical periods of earnings and losses; and our outlook for future years.

We performed this analysis as of December 31, 2003 and determined that there was sufficient positive evidence to conclude that it is more likely than not that our net deferred tax assets will be realized. We will assess the need for a deferred tax asset valuation allowance on an ongoing basis considering factors such as those mentioned above as well as other relevant criteria. Changes in our assumptions may have a material impact on our Consolidated Financial Statements.

Our income tax benefit for the years ended December 31, 2003, 2002 and 2001 consisted of:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax benefit</td>
<td>$ —</td>
<td>$319</td>
<td>$ —</td>
</tr>
<tr>
<td>Deferred tax benefit</td>
<td>411</td>
<td>407</td>
<td>644</td>
</tr>
<tr>
<td>Tax benefit of dividends on allocated Series B ESOP Convertible Preferred Stock</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>$416</td>
<td>$730</td>
<td>$648</td>
</tr>
</tbody>
</table>

The following table presents the principal reasons for the difference between our effective income tax rate and the U.S. federal statutory income tax rate for the years ended December 31, 2003, 2002 and 2001:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. federal statutory income tax rate</td>
<td>(35.0)%</td>
<td>(35.0)%</td>
<td>(35.0)%</td>
</tr>
<tr>
<td>State taxes, net of federal income tax effect</td>
<td>(2.1)</td>
<td>(2.4)</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Meals and entertainment</td>
<td>1.1</td>
<td>0.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Amortization</td>
<td>—</td>
<td>—</td>
<td>1.0</td>
</tr>
<tr>
<td>Municipal bond interest</td>
<td>—</td>
<td>—</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Increase in valuation allowance</td>
<td>0.8</td>
<td>—</td>
<td>0.8</td>
</tr>
<tr>
<td>Other, net</td>
<td>0.2</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Effective income tax rate</strong></td>
<td>(35.0)%</td>
<td>(36.5)%</td>
<td>(34.8)%</td>
</tr>
</tbody>
</table>

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Note 11. Employee Benefit Plans

We sponsor qualified and non-qualified defined benefit pension plans, defined contribution pension plans, healthcare plans, and disability and survivorship plans for eligible employees and retirees, and their eligible family members. We reserve the right to modify or terminate these plans as to all participants and beneficiaries at any time, except as restricted by the Internal Revenue Code or the Employee Retirement Income Security Act (ERISA).

Our qualified defined benefit pension plans meet or exceed ERISA’s minimum funding requirements as of December 31, 2003. Our non-qualified plans are funded primarily with current assets.

We regularly evaluate ways to better manage employee benefits and control costs. Any changes to the plans or assumptions used to estimate future benefits could have a significant effect on the amount of the reported obligation and future annual expense.

Pension and Other Postretirement Benefit Plans

We sponsor both funded and nonfunded noncontributory defined benefit pension plans that cover substantially all of our employees. The plans generally provide benefits based on years of service and final average salary. However, as announced in the December 2002 quarter and effective July 1, 2003, the existing plan for employees not covered by a collective bargaining agreement (Non-contract employees) was converted to a cash balance plan with a seven year transition period. During the transition period, eligible Non-contract employees receive the greater of the old final average salary benefit or the new cash balance benefit. Generally, the new cash balance benefit formula provides for an annual pay credit of 6% of eligible pay plus accrued interest. Participants in the plan on July 1, 2003, may be eligible for additional pay credits of 2% or 2.75%, depending on their age and service as of that date. Non-contract employees hired on or after July 1, 2003 are covered by the cash balance plan only. Effective July 1, 2010, all covered employees earn the cash balance benefit only.

We also sponsor medical plans that provide benefits to substantially all Delta retirees and their eligible dependents. Benefits are funded from our current assets. Plan benefits are subject to copayments, deductibles and other limits as described in the plans. Non-contract employees hired on or after July 1, 2003 are not eligible for company provided postretirement medical coverage, although they may purchase coverage at full cost.

We use a September 30 measurement date for all our benefit plans. As discussed above, during the December 2002 quarter, we announced the implementation of and migration to a cash balance pension plan, as well as changes to eligibility requirements for postretirement medical coverage for Non-contract employees. As a result of these changes and the 2002 workforce reductions (see Note 15), we remeasured a portion of our benefit obligations on October 31, 2002.
**Obligations and funded status (measured at September 30):**

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2003</th>
<th>2002</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation at beginning of year</td>
<td>$11,682</td>
<td>$10,657</td>
<td>$2,370</td>
<td>$2,100</td>
</tr>
<tr>
<td>Service cost</td>
<td>238</td>
<td>282</td>
<td>33</td>
<td>30</td>
</tr>
<tr>
<td>Interest cost</td>
<td>768</td>
<td>825</td>
<td>161</td>
<td>160</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>1,014</td>
<td>798</td>
<td>131</td>
<td>234</td>
</tr>
<tr>
<td>Benefits paid, including lump sums and annuities</td>
<td>(1,092)</td>
<td>(888)</td>
<td>(162)</td>
<td>(154)</td>
</tr>
<tr>
<td>Special termination benefits</td>
<td>7</td>
<td>—</td>
<td>44</td>
<td>—</td>
</tr>
<tr>
<td>Curtailment loss (gain)</td>
<td>25</td>
<td>—</td>
<td>(4)</td>
<td>—</td>
</tr>
<tr>
<td>Plan amendments</td>
<td>(165)</td>
<td>8</td>
<td>(313)</td>
<td>—</td>
</tr>
<tr>
<td>Benefit obligation at end of year</td>
<td>$12,477</td>
<td>$11,682</td>
<td>$2,260</td>
<td>$2,370</td>
</tr>
<tr>
<td>Fair value of plan assets at beginning of period</td>
<td>$ 6,775</td>
<td>$ 8,304</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual gain (loss) on plan assets</td>
<td>991</td>
<td>(718)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employer contributions</td>
<td>144</td>
<td>77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits paid, including lump sums and annuities</td>
<td>(1,092)</td>
<td>(888)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets at end of period</td>
<td>$ 6,818</td>
<td>$ 6,775</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2003</th>
<th>2002</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded status</td>
<td>$(5,659)</td>
<td>$(4,907)</td>
<td>$(2,260)</td>
<td>$(2,370)</td>
</tr>
<tr>
<td>Unrecognized net actuarial loss</td>
<td>4,304</td>
<td>4,092</td>
<td>412</td>
<td>299</td>
</tr>
<tr>
<td>Unrecognized transition obligation</td>
<td>29</td>
<td>41</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Unrecognized prior service cost (benefit)</td>
<td>122</td>
<td>292</td>
<td>(605)</td>
<td>(353)</td>
</tr>
<tr>
<td>Contributions made between the measurement date and year end</td>
<td>16</td>
<td>10</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td>Special termination benefits recognized between the measurement date and year end</td>
<td>—</td>
<td>(7)</td>
<td>—</td>
<td>(44)</td>
</tr>
<tr>
<td>Settlement charge recognized between the measurement date and year end</td>
<td>212</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net amount recognized on the Consolidated Balance Sheets</td>
<td>$ (976)</td>
<td>$ (479)</td>
<td>$(2,412)</td>
<td>$(2,423)</td>
</tr>
</tbody>
</table>
During December 2003, we recorded a $212 million non-cash charge on our Consolidated Statement of Operations related to our pilots’ defined benefit pension plan due to a significant increase in pilot retirements. We recorded this charge in accordance with SFAS No. 88, “Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits” (SFAS 88). SFAS 88 requires settlement accounting if the cost of all settlements, including lump sum retirement benefits paid, in a year exceeds the total of the service and interest cost components of pension expense for the same period.

The special termination benefits and curtailment loss (gain) reflected in the table above relate to the workforce reduction programs offered to certain of our employees in 2002. See Note 15 for additional information about our 2002 workforce reduction programs.

At December 31, 2003 and 2002, we recorded a non-cash charge to accumulate other comprehensive loss to recognize a portion of our additional minimum pension liability in accordance with SFAS No. 87, “Employers’ Accounting for Pensions” (SFAS 87). SFAS 87 requires that this liability be recognized at year end in an amount equal to the amount by which the accumulated benefit obligation (ABO) exceeds the fair value of the defined benefit pension plan assets. The additional minimum pension liability was recorded by recognizing an intangible asset to the extent of any unrecognized prior service cost and transition obligation, which totaled $227 million and $333 million at December 31, 2003 and 2002, respectively. The additional minimum pension liability adjustments totaling $786 million and $1.6 billion, net of tax, were recorded in accumulated other comprehensive loss on our Consolidated Balance Sheets at December 31, 2003 and 2002, respectively (see Note 13).

The accumulated benefit obligation for all our defined benefit pension plans was $11.9 billion and $10.1 billion at September 30, 2003 and 2002, respectively. The following is information about our pension plans with an accumulated benefit obligation in excess of plan assets (measured at September 30):

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected benefit obligation</td>
<td>$12,477</td>
<td>$11,682</td>
</tr>
<tr>
<td>Accumulated benefit obligation</td>
<td>11,863</td>
<td>10,145</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>6,818</td>
<td>6,775</td>
</tr>
</tbody>
</table>
Net periodic benefit cost for the years ended December 31, 2003, 2002 and 2001, included the following components:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Pension Benefits</th>
<th>Other Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$238</td>
<td>$282</td>
</tr>
<tr>
<td>Interest cost</td>
<td>768</td>
<td>825</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(753)</td>
<td>(984)</td>
</tr>
<tr>
<td>Amortization of prior service cost (benefit)</td>
<td>13</td>
<td>24</td>
</tr>
<tr>
<td>Recognized net actuarial (gain) loss</td>
<td>97</td>
<td>(8)</td>
</tr>
<tr>
<td>Amortization of net transition obligation</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Settlement charge</td>
<td>219</td>
<td>1</td>
</tr>
<tr>
<td>Curtailment loss (gain)</td>
<td>47</td>
<td>—</td>
</tr>
<tr>
<td>Special termination benefits</td>
<td>—</td>
<td>7</td>
</tr>
<tr>
<td>Net periodic benefit cost</td>
<td>$636</td>
<td>$155</td>
</tr>
</tbody>
</table>

Assumptions

We used the following actuarial assumptions to determine our benefit obligations at September 30, 2003 and 2002 and our net periodic benefit cost for the years ended December 31, 2003, 2002 and 2001, as measured at September 30:

<table>
<thead>
<tr>
<th>Benefit Obligations</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average discount rate</td>
<td>6.125%</td>
<td>6.75%</td>
</tr>
<tr>
<td>Rate of increase in future compensation levels</td>
<td>1.89%</td>
<td>2.67%</td>
</tr>
<tr>
<td>Assumed healthcare cost trend rate (1)</td>
<td>9.00%</td>
<td>10.00%</td>
</tr>
</tbody>
</table>

Net Periodic Benefit Cost

<table>
<thead>
<tr>
<th>2003 (2)</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average discount rate — pension benefits</td>
<td>6.83%</td>
<td>7.75%</td>
</tr>
<tr>
<td>Weighted average discount rate — other benefits</td>
<td>6.91%</td>
<td>7.75%</td>
</tr>
<tr>
<td>Rate of increase in future compensation levels</td>
<td>2.47%</td>
<td>4.67%</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>9.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Assumed healthcare cost trend rate (1)</td>
<td>10.00%</td>
<td>6.25%</td>
</tr>
</tbody>
</table>

(1) We have implemented a limit on the amount we will pay for postretirement medical benefits for employees who retire after November 1, 1993. The assumed healthcare cost trend rate is assumed to decline gradually to 5.25% by 2007 for health plan costs not subject to this limit and to zero by 2006 for health plan costs subject to the limit, and remain level thereafter.

(2) Our 2003 assumptions reflect our October 31, 2002 remeasurement of a portion of our obligations and represent the weighted average of the September 30, 2002 and October 31, 2002 assumptions.

The expected long-term rate of return on our plan assets was based on plan-specific asset/liability investment studies performed by outside consultants who used historical market return and volatility data with forward looking estimates based on existing financial market conditions and forecasts. Modest excess return expectations versus some market indices were incorporated into the return projections based on the actively managed structure of our investment program and its record of achieving such returns historically.
Assumed healthcare cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. A 1% change in the healthcare cost trend rate used in measuring the accumulated postretirement benefit obligation (APBO) for these plans at September 30, 2003, would have the following effects:

<table>
<thead>
<tr>
<th></th>
<th>1% Increase</th>
<th>1% Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (decrease) in total service and interest cost</td>
<td>$3</td>
<td>$(3)</td>
</tr>
<tr>
<td>Increase (decrease) in the APBO</td>
<td>$49</td>
<td>$(44)</td>
</tr>
</tbody>
</table>

On December 8, 2003, President Bush signed into law the Medicare Act. The impact of this law is not reflected in the tables above due to our September 30 measurement date, which was prior to the enactment of this law. In compliance with FSP 106-1, in 2004, we will make a one-time election to reflect the estimated impact of the law immediately or to defer recognition until specific authoritative guidance on accounting for the federal subsidy portion of the law is issued. In either case, when specific guidance is issued, we could be required to change previously reported financial information.

Pension Plan Assets

The weighted-average asset allocation for our pension plans at September 30, 2003 and 2002 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. equity securities</td>
<td>35%</td>
<td>34%</td>
</tr>
<tr>
<td>Non-U.S. equity securities</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>High quality bonds</td>
<td>17%</td>
<td>14%</td>
</tr>
<tr>
<td>Convertible and high yield bonds</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Private equity</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Real estate</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The investment strategy for pension plan assets is to utilize a diversified mix of global public and private equity portfolios, public and private fixed income portfolios, and private real estate and natural resource investments to earn a long-term investment return that meets or exceeds a 9% annualized return target. The overall asset mix of the portfolio is more heavily weighted in equity-like investments, including portions of the bond portfolio which consist of convertible and high yield securities. Active management strategies are utilized throughout the program in an effort to realize investment returns in excess of market indices. Also, option and currency overlay strategies are used in an effort to generate modest amounts of additional income, and a bond duration extension program utilizing fixed income derivatives is employed in an effort to better align the market value movements of a portion of the pension plan assets to the related pension plan liabilities.
Target investment allocations for the pension plan assets are as follows:

<table>
<thead>
<tr>
<th>Investment Category</th>
<th>Allocation Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. equity securities</td>
<td>27-41%</td>
</tr>
<tr>
<td>Non-U.S. equity securities</td>
<td>12-18%</td>
</tr>
<tr>
<td>High quality bonds</td>
<td>15-21%</td>
</tr>
<tr>
<td>Convertible and high yield bonds</td>
<td>5-11%</td>
</tr>
<tr>
<td>Private equity</td>
<td>15%</td>
</tr>
<tr>
<td>Real estate</td>
<td>10%</td>
</tr>
</tbody>
</table>

Cash Flows

We expect to contribute approximately $440 million to our qualified defined benefit pension plans in 2004. Benefit payments relating to our non-qualified pension plans are expected to be approximately $60 million in 2004 and funded primarily from current assets.

Our postretirement benefit plans are funded from current assets. We expect to make benefit payments of $161 million in relation to our postretirement benefit plans in 2004.

Benefit Payments

Benefit payments are made from both funded benefit plan trusts and from current assets. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending December 31:

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension Benefits</th>
<th>Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$779</td>
<td>$161</td>
</tr>
<tr>
<td>2005</td>
<td>806</td>
<td>169</td>
</tr>
<tr>
<td>2006</td>
<td>841</td>
<td>169</td>
</tr>
<tr>
<td>2007</td>
<td>839</td>
<td>168</td>
</tr>
<tr>
<td>2008</td>
<td>894</td>
<td>155</td>
</tr>
<tr>
<td>2009 - 2013</td>
<td>4,640</td>
<td>590</td>
</tr>
</tbody>
</table>

These estimates are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

Defined Contribution Pension Plans

Delta Pilots Money Purchase Pension Plan (MPPP)

We contribute 5% of covered pay to the MPPP for each eligible Delta pilot. The MPPP is related to the Delta Pilots Retirement Plan. The defined benefit pension payable to a pilot is reduced by the actuarial equivalent of the accumulated account balance in the MPPP. During the years ended December 31, 2003, 2002 and 2001, we recognized expense of $66 million, $71 million and $69 million, respectively, for this plan.

Delta Family-Care Savings Plan

Our Savings Plan includes an employee stock ownership plan (ESOP) feature. Eligible employees may contribute a portion of their covered pay to the Savings Plan.
Prior to July 1, 2001, we matched 50% of employee contributions with a maximum employer contribution of 2% of a participant’s covered pay for all participants. Effective July 1, 2001, the Savings Plan was amended to provide all eligible Delta pilots with an employer contribution of 3% of their covered pay to replace their former matching contribution. We make our contributions for non-pilots and pilots by allocating Series B ESOP Convertible Preferred Stock (ESOP Preferred Stock), common stock or cash to the Savings Plan. Our contributions, which are recorded as salaries and related costs in our Consolidated Statements of Operations, totaled $81 million, $85 million and $83 million for the years ended December 31, 2003, 2002 and 2001, respectively.

When we adopted the ESOP in 1989, we sold 6,944,450 shares of ESOP Preferred Stock to the Savings Plan for $500 million. We have recorded unearned compensation equal to the value of the shares of ESOP Preferred Stock not yet allocated to participants’ accounts. We reduce the unearned compensation as shares of ESOP Preferred Stock are allocated to participants’ accounts. Dividends on unallocated shares of ESOP Preferred Stock are used for debt service on the Savings Plan’s ESOP Notes and are not considered dividends for financial reporting purposes. Dividends on allocated shares of ESOP Preferred Stock are credited to participants’ accounts and are considered dividends for financial reporting purposes. Only allocated shares of ESOP Preferred Stock are considered outstanding when we compute diluted earnings per share. At December 31, 2003, 3,817,884 shares of ESOP Preferred Stock were allocated to participants’ accounts, and 2,021,824 shares were held by the ESOP for future allocations. See Note 12 for information about changes to our ESOP Preferred Stock dividend and redemption policies.

Other Plans

ASA, Comair and DAL Global Services, Inc., three of our wholly owned subsidiaries, sponsor defined contribution retirement plans for eligible employees. These plans did not have a material impact on our Consolidated Financial Statements in 2003, 2002 and 2001.

Postemployment Benefits

We provide certain other welfare benefits to eligible former or inactive employees after employment but before retirement, primarily as part of the disability and survivorship plans.

Postemployment benefit expense (income) was $131 million, $62 million and $(23) million for the years ended December 31, 2003, 2002 and 2001, respectively. We include the amount funded in excess of the liability in other noncurrent assets on our Consolidated Balance Sheets. Future period expenses will vary based on actual claims experience and the return on plan assets. Gains and losses occur because actual experience differs from assumed experience. These gains and losses are amortized over the average future service period of employees. We also amortize differences in prior service costs resulting from amendments affecting the benefits of retired and inactive employees.
Note 12. Common and Preferred Stock

Stock Option and Other Stock-Based Award Plans

To more closely align the interests of directors, officers and other employees with the interests of our shareowners, we maintain certain plans which provide for the issuance of common stock in connection with the exercise of stock options and for other stock-based awards. Stock options awarded under these plans (1) have an exercise price equal to the fair value of the common stock on the grant date; (2) become exercisable one to five years after the grant date; and (3) expire up to 10 years after the grant date. The following table includes additional information about these plans as of December 31, 2003:

<table>
<thead>
<tr>
<th>Plan</th>
<th>Total Shares Authorized for Issuance</th>
<th>Non-Qualified Stock Options Granted</th>
<th>Shares Reserved for Future Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad-based employee stock option plans</td>
<td>49,400,000</td>
<td>49,400,000</td>
<td>—</td>
</tr>
<tr>
<td>Delta 2000 Performance Compensation Plan</td>
<td>16,000,000</td>
<td>4,948,073</td>
<td>12,218,267</td>
</tr>
<tr>
<td>Non-Employee Directors’ Stock Option Plan</td>
<td>250,000</td>
<td>119,245</td>
<td>132,755</td>
</tr>
<tr>
<td>Non-Employee Directors’ Stock Plan</td>
<td>500,000</td>
<td>—</td>
<td>441,869</td>
</tr>
</tbody>
</table>

(1) In 1996, shareowners approved broad-based pilot and non-pilot stock option plans. Under these two plans, we granted eligible employees non-qualified stock options to purchase a total of 49.4 million shares of common stock in three approximately equal installments on October 30, 1996, 1997 and 1998.

(2) On October 25, 2000, shareowners approved this plan, which authorizes the grant of stock options and a limited number of other stock awards. The plan amends and restates a prior plan which was also approved by shareowners. No awards have been, or will be, granted under the prior plan on or after October 25, 2000. At December 31, 2003, there were 3.6 million shares of common stock reserved for awards (primarily non-qualified stock options) that were outstanding under the prior plan. The current plan provides that shares reserved for awards under the plans that are forfeited, settled in cash rather than stock or withheld, plus shares tendered to us in connection with such awards, may be added back to the shares available for future grants. At December 31, 2003, 14.4 million shares had been added back pursuant to that provision, including 11.0 million shares canceled under the stock option exchange program discussed below.

(3) On October 22, 1998, the Board of Directors approved this plan under which each non-employee director may receive an annual grant of non-qualified stock options. This plan provides that shares reserved for awards that are forfeited may be added back to the shares available for future grants.

(4) In 1995, shareowners approved this plan, which provides that a portion of each non-employee director’s compensation for serving as a director will be paid in shares of common stock. It also permits non-employee directors to elect to receive all or a portion of their cash compensation for service as a director in shares of common stock at current market prices.

On May 28, 2003, we commenced, with shareowner approval, a stock option exchange program (Exchange Program) for eligible employees in our broad-based stock option plans and the Delta 2000 Performance Compensation Plan. Approximately 45,000 eligible employees were offered the opportunity to exchange their outstanding stock options with an exercise price of $25 per share or more for a designated fewer number of replacement options with an exercise price equal to the fair market value of the common stock on the grant date of the replacement options. In accordance with the terms of the Exchange Program, we canceled approximately 32 million outstanding stock options on June 25, 2003 and issued, in exchange for the canceled options, approximately 12 million replacement options on December 26, 2003. The exercise price of the replacement options is $11.60, the closing price of our common stock on the grant date. Members of our Board of Directors, including our Chief Executive Officer, were not eligible to participate in the Exchange Program.

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The following table summarizes all stock option and stock appreciation rights (SAR) activity for the years ended December 31, 2003, 2002 and 2001:

<table>
<thead>
<tr>
<th>(shares in thousands)</th>
<th>2003 Shares</th>
<th>2002 Shares</th>
<th>2001 Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at the beginning of the year</td>
<td>58,806 $44</td>
<td>51,537 $48</td>
<td>50,365 $48</td>
</tr>
<tr>
<td>Granted</td>
<td>14,235 11</td>
<td>8,478 21</td>
<td>2,358 46</td>
</tr>
<tr>
<td>Exercised</td>
<td>(38) 11</td>
<td>(9) 27</td>
<td>(76) 34</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(32,769) 47</td>
<td>(1,200) 48</td>
<td>(1,110) 53</td>
</tr>
<tr>
<td>Outstanding at the end of the year</td>
<td>40,234 31</td>
<td>58,806 44</td>
<td>51,537 48</td>
</tr>
<tr>
<td>Exercisable at the end of the year</td>
<td>22,846 $44</td>
<td>45,996 $48</td>
<td>44,751 $48</td>
</tr>
</tbody>
</table>

The following table summarizes information about stock options outstanding and exercisable at December 31, 2003:

<table>
<thead>
<tr>
<th>Stock Options Outstanding</th>
<th>Stock Options Exercisable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number Outstanding (000)</td>
<td>Weighted Average Life (years)</td>
</tr>
<tr>
<td>$9-$20</td>
<td>18,231 7 $11 2,055 $11</td>
</tr>
<tr>
<td>$36-$50</td>
<td>15,915 4 $49 15,244 $49</td>
</tr>
</tbody>
</table>

**Payment of Dividends**

The determination to pay cash dividends on our ESOP Preferred Stock and our common stock is at the discretion of our Board of Directors, and is also subject to the provisions of Delaware General Corporation Law (Delaware Law). Delaware law provides that a company may pay dividends on its stock only (1) out of its “surplus”, which is generally defined as the excess of the company’s net assets over the aggregate par value of its issued stock, or (2) from its net profits for the fiscal year in which the dividend is paid or from its net profits for the preceding fiscal year.

In July 2003, our Board of Directors discontinued the payment of quarterly cash dividends on our common stock due to the financial challenges facing Delta. We had previously paid a quarterly dividend of $0.025 per common share.

Effective December 2003, our Board of Directors suspended indefinitely the payment of dividends on our ESOP Preferred Stock to comply with Delaware law. At December 31, 2003, we had a negative “surplus” (as defined above) and we did not have net profits in either of the years ended December 31, 2003 or 2002. The terms of the ESOP Preferred Stock discussed...
below provide for cumulative dividends on that stock and prohibit the payment of dividends on our common stock until all cumulative dividends on the ESOP Preferred Stock have been paid. Unpaid dividends on the ESOP Preferred Stock will accrue without interest, until paid, at a rate of $4.32 per share per year. At December 31, 2003, accumulated but unpaid dividends on the ESOP Preferred Stock totaled $13 million and are recorded in accounts payable, deferred credits and other accrued liabilities on our Consolidated Balance Sheet.

**ESOP Preferred Stock**

Each outstanding share of ESOP Preferred Stock bears a cumulative cash dividend of 6% per year of its stated value of $72.00; is convertible into 1.7155 shares of common stock, which is equivalent to a conversion price of $41.97 per share; and has a liquidation preference of $72.00, plus accrued and unpaid dividends. The ESOP Preferred Stock generally votes together as a single class with the common stock and has two votes per share. The conversion rate, conversion price and voting rights of the ESOP Preferred Stock are subject to adjustment in certain circumstances.

All shares of ESOP Preferred Stock are held of record by the trustee of the Delta Family-Care Savings Plan (see Note 11). At December 31, 2003, 10,018,019 shares of common stock were reserved for issuance for the conversion of the ESOP Preferred Stock.

We are generally required to redeem shares of ESOP Preferred Stock (1) to provide for distributions of the accounts of Savings Plan participants who terminate employment with us and request a distribution and (2) to implement annual diversification elections by Savings Plan participants who are at least age 55 and have participated in the Savings Plan for at least 10 years. In these circumstances, shares of ESOP Preferred Stock are redeemable at a price equal to the greater of (1) $72.00 per share or (2) the fair value of the shares of common stock issuable upon conversion of the ESOP Preferred Stock to be redeemed, plus, in either case, accrued and unpaid dividends on such shares of ESOP Preferred Stock (Redemption Price). Under the terms of the ESOP Preferred Stock, we may pay the Redemption Price in cash, shares of common stock (valued at fair market value), or in a combination thereof.

Delaware law, however, prohibits a company from redeeming or purchasing its stock for cash or other property, unless the company has sufficient “surplus”. As discussed above, at December 31, 2003, we had a negative “surplus”. Accordingly, effective December 2003, our Board of Directors changed the form of payment we use to redeem shares of the ESOP Preferred Stock when redemptions are required under our Delta Family-Care Savings Plan. For the indefinite future, we will pay the Redemption Price in shares of our common stock rather than in cash.

**Shareowner Rights Plan**

The Shareowner Rights Plan is designed to protect shareowners against attempts to acquire Delta that do not offer an adequate purchase price to all shareowners, or are otherwise not in the best interest of Delta and our shareowners. Under the plan, each outstanding share of common stock is accompanied by one-half of a preferred stock purchase right. Each whole right entitles the holder to purchase 1/100 of a share of Series D Junior Participating Preferred Stock at an exercise price of $300, subject to adjustment.
The rights become exercisable only after a person acquires, or makes a tender or exchange offer that would result in the person acquiring, beneficial ownership of 15% or more of our common stock. If a person acquires beneficial ownership of 15% or more of our common stock, each right will entitle its holder (other than the acquiring person) to exercise his rights to purchase our common stock having a market value of twice the exercise price.

If a person acquires beneficial interest of 15% or more of our common stock and (1) we are involved in a merger or other business combination in which we are not the surviving corporation, or (2) we sell more than 50% of our assets or earning power, then each right will entitle its holder (other than the acquiring person) to exercise their rights to purchase common stock of the acquiring company having a market value of twice the exercise price.

The rights expire on November 4, 2006. We may redeem the rights for $0.01 per right at any time before a person becomes the beneficial owner of 15% or more of our common stock. We may amend the rights in any respect so long as the rights are redeemable. At December 31, 2003, 2,250,000 shares of preferred stock were reserved for issuance under the Shareowner Rights Plan.

**Note 13. Comprehensive Income (Loss)**

Comprehensive income (loss) includes (1) reported net income (loss); (2) the additional minimum pension liability; (3) effective unrealized gains and losses on fuel derivative instruments that qualify for hedge accounting; and (4) unrealized gains and losses on marketable equity securities. The following table shows our comprehensive loss for the years ended December 31, 2003, 2002 and 2001:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$(773)</td>
<td>$(1,272)</td>
<td>$(1,216)</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>(776)</td>
<td>(1,587)</td>
<td>(335)</td>
</tr>
<tr>
<td><strong>Comprehensive loss</strong></td>
<td><strong>$(1,549)</strong></td>
<td><strong>$(2,859)</strong></td>
<td><strong>$(1,551)</strong></td>
</tr>
</tbody>
</table>

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The following table shows the components of accumulated other comprehensive income (loss) at December 31, 2003, 2002 and 2001, and the activity for the years then ended:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Additional Minimum Pension Liability</th>
<th>Fuel Derivative Instruments</th>
<th>Marketable Equity Securities</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at December 31, 2000</strong></td>
<td>$ —</td>
<td>$ 268</td>
<td>$ 92</td>
<td>$—</td>
<td>$ 360</td>
</tr>
<tr>
<td>Unrealized gain (loss)</td>
<td>—</td>
<td>(100)</td>
<td>(84)</td>
<td>2</td>
<td>(182)</td>
</tr>
<tr>
<td>Realized loss</td>
<td>—</td>
<td>(299)</td>
<td>(73)</td>
<td>—</td>
<td>(372)</td>
</tr>
<tr>
<td>Tax effect</td>
<td>—</td>
<td>156</td>
<td>64</td>
<td>(1)</td>
<td>219</td>
</tr>
<tr>
<td><strong>Net of tax</strong></td>
<td>—</td>
<td>(243)</td>
<td>(93)</td>
<td>1</td>
<td>(335)</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2001</strong></td>
<td>—</td>
<td>25</td>
<td>(1)</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td><strong>Additional minimum pension liability adjustment</strong></td>
<td>(2,558)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2,558)</td>
</tr>
<tr>
<td>Unrealized gain (loss)</td>
<td>—</td>
<td>143</td>
<td>(9)</td>
<td>(2)</td>
<td>132</td>
</tr>
<tr>
<td>Realized (gain) loss</td>
<td>—</td>
<td>(136)</td>
<td>4</td>
<td>—</td>
<td>(132)</td>
</tr>
<tr>
<td>Tax effect</td>
<td>972</td>
<td>(3)</td>
<td>1</td>
<td>1</td>
<td>971</td>
</tr>
<tr>
<td><strong>Net of tax</strong></td>
<td>(1,586)</td>
<td>4</td>
<td>(4)</td>
<td>(1)</td>
<td>(1,587)</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2002</strong></td>
<td>(1,586)</td>
<td>29</td>
<td>(5)</td>
<td>—</td>
<td>(1,562)</td>
</tr>
<tr>
<td><strong>Additional minimum pension liability adjustments</strong></td>
<td>(1,268)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,268)</td>
</tr>
<tr>
<td>Unrealized gain</td>
<td>—</td>
<td>159</td>
<td>6</td>
<td>—</td>
<td>165</td>
</tr>
<tr>
<td>Realized (gain)</td>
<td>—</td>
<td>(152)</td>
<td>(5)</td>
<td>—</td>
<td>(157)</td>
</tr>
<tr>
<td>Impairment</td>
<td>—</td>
<td>—</td>
<td>8</td>
<td>—</td>
<td>8</td>
</tr>
<tr>
<td>Tax effect</td>
<td>482</td>
<td>(2)</td>
<td>(4)</td>
<td>—</td>
<td>476</td>
</tr>
<tr>
<td><strong>Net of tax</strong></td>
<td>(786)</td>
<td>5</td>
<td>5</td>
<td>—</td>
<td>(776)</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2003</strong></td>
<td>$(2,372)</td>
<td>$ 34</td>
<td>$—</td>
<td>$—</td>
<td>$(2,338)</td>
</tr>
</tbody>
</table>

We estimate that effective gains of $34 million, net of tax, will be realized during 2004 as (1) fuel hedge contracts settle and (2) the related aircraft fuel purchases being hedged are consumed and recognized in expense. See Note 4 for additional information regarding our fuel hedge contracts. See Note 22 for information regarding the early settlement of our fuel hedge contracts.

See Note 11 for additional information related to our additional minimum pension liability.

**Note 14. Geographic Information**

SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information” (SFAS 131), requires us to disclose certain information about our operating segments. Operating segments are defined as components of an enterprise with separate financial information which is
evaluated regularly by the chief operating decision-maker and is used in resource allocation and performance assessments.

We are managed as a single business unit that provides air transportation for passengers and cargo. This allows us to benefit from an integrated revenue pricing and route network that includes Delta-Mainline (including Song), ASA and Comair. The flight equipment of all three carriers is combined to form one fleet which is deployed through a single route scheduling system. When making resource allocation decisions, our chief operating decision maker evaluates flight profitability data, which considers aircraft type and route economics, but gives no weight to the financial impact of the resource allocation decision on an individual carrier basis. Our objective in making resource allocation decisions is to maximize our consolidated financial results, not the individual results of Delta-Mainline (including Song), ASA and Comair.

Operating revenues are assigned to a specific geographic region based on the origin, flight path and destination of each flight segment. Our operating revenues by geographic region for the years ended December 31, 2003, 2002 and 2001 are summarized in the following table:

<table>
<thead>
<tr>
<th>Region</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>$10,891</td>
<td>$10,778</td>
<td>$11,288</td>
</tr>
<tr>
<td>Atlantic</td>
<td>1,770</td>
<td>1,860</td>
<td>1,823</td>
</tr>
<tr>
<td>Pacific</td>
<td>107</td>
<td>127</td>
<td>222</td>
</tr>
<tr>
<td>Latin America</td>
<td>535</td>
<td>540</td>
<td>546</td>
</tr>
<tr>
<td>Total</td>
<td>$13,303</td>
<td>$13,305</td>
<td>$13,879</td>
</tr>
</tbody>
</table>

Our tangible assets consist primarily of flight equipment which is mobile across geographic markets. Accordingly, assets are not allocated to specific geographic regions.

Note 15. Restructuring, Asset Writedowns, Pension Settlements and Related Items, Net

2003

In 2003, we recorded net charges totaling $268 million ($169 million net of tax, or $1.37 diluted earnings per share) in restructuring, asset writedowns, pension settlements and related items, net on our Consolidated Statement of Operations, as follows:

- **Pension Settlement**

  We recorded a $212 million non-cash charge related to our pilots’ defined benefit pension plan due to a significant increase in pilot retirements (see Note 11).

- **Pension and Postretirement Curtailment**

  We recorded a $43 million net charge for costs associated with the 2002 workforce reduction program. This charge relates to a net curtailment loss under certain of our pension and postretirement medical benefit plans (see Note 11). See below for additional information about our 2002 workforce reduction programs.

- **Planned Sale of Aircraft**

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In 2002, we recorded net charges totaling $439 million ($277 million net of tax, or $2.25 diluted earnings per share) in restructuring, asset writedowns, pension settlements and related items, net on our Consolidated Statement of Operations, as follows:

### Other

We recorded a $28 million reduction to operating expenses based primarily on revised estimates of remaining costs associated with prior year restructuring reserves (see Note 16).

### Fleet Changes

During 2002, we made significant changes in our fleet plan (1) to reduce costs through fleet simplification and capacity reductions and (2) to decrease capital expenditures through aircraft deferrals. These actions resulted in $225 million in net asset impairments and other charges which are discussed below.

During the September 2002 quarter, we recorded an impairment charge, shown in the table below, related to 59 owned B-727 aircraft. The impairment of 23 B-727 aircraft used in operations, at the time of the impairment analysis, resulted from a further reduction in their estimated future cash flows and fair values since our impairment review in 2001. The impairment of 36 B-727 aircraft held for sale resulted from a further decline in their fair values less the cost to sell since our impairment review in 2001. The aircraft held for sale were sold as part of our fleet simplification plan during 2003; the net book value of these aircraft was included in other noncurrent assets on our Consolidated Balance Sheet at December 31, 2002, and was not material.

During the September 2002 quarter, we also decided to temporarily remove our MD-11 aircraft from service beginning in early 2003. As a result of this decision, we recorded an impairment charge, shown in the table below, related to our eight owned MD-11 aircraft. This charge reflects the further reduction in estimated future cash flows and fair values of these aircraft since our impairment review in 2001. The MD-11 aircraft were replaced on international routes by B-767-300ER aircraft that had been used in our domestic system. We used smaller mainline aircraft to replace the B-767-300ER aircraft on domestic routes, thereby reducing our domestic capacity.

During the December 2002 quarter, we decided to return to service, beginning in 2003, nine leased B-737-300 aircraft. This decision was based on (1) capacity and operating cost considerations and (2) our inability to sublease the B-737-300 aircraft due to the difficult business environment facing the airline industry after September 11, 2001. As discussed below, during the June 2001 quarter, we decided to remove the B-737-300 aircraft from service and recorded a reserve for future lease payments less estimated sublease income. Due
to our decision to return these aircraft to service, we reversed the remaining $56 million reserve related to these B-737-300 aircraft.

During the December 2002 quarter, we entered into an agreement with Boeing to defer 31 mainline aircraft previously scheduled for delivery in 2003 and 2004. As a result of these deferrals, we had no mainline aircraft deliveries in 2003 and have none scheduled for 2004. We incurred a $30 million charge related to these deferrals.

During the December 2002 quarter, we decided to accelerate the retirement of 37 owned EMB-120 aircraft to achieve costs savings and operating efficiencies. We removed these aircraft from service during 2003. The accelerated retirement of these aircraft as well as a reduction in their estimated future cash flows and fair values resulted in an impairment charge.

During 2002, we recorded the following impairment charges for our owned B-727, MD-11 and EMB-120 aircraft:

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>Used in Operations (1)</th>
<th>Held for Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Writedown (1)</td>
<td>No. of Aircraft</td>
</tr>
<tr>
<td>B-727</td>
<td>$ 24</td>
<td>23</td>
</tr>
<tr>
<td>MD-11</td>
<td>141</td>
<td>8</td>
</tr>
<tr>
<td>EMB-120</td>
<td>27</td>
<td>37</td>
</tr>
<tr>
<td>Total</td>
<td>$192</td>
<td>—</td>
</tr>
</tbody>
</table>

(1) The fair value of aircraft used in operations was determined using third party appraisals.
(2) Charges related to the writedown of the related spare parts inventory to their net realizable value.
(3) Reflects the classification of these aircraft at the time of the 2002 impairment analysis, which may differ from the classification at December 31, 2003.

• Workforce Reductions

We recorded a $127 million charge related to our decision in October 2002 to reduce staffing by up to approximately 8,000 jobs across all workgroups, excluding pilots, to further reduce operating costs. We offered eligible non-pilot employees several programs, including voluntary severance, leaves of absence and early retirement. Approximately 3,900 employees elected to participate in one of these programs. Involuntary reductions were expected to affect approximately 4,000 employees (see Note 16).

The total charge includes (1) $51 million for costs associated with the voluntary programs that were recorded as special termination benefits under our pension and postretirement medical benefit obligations (see Note 11) and (2) $76 million for severance and related costs.

• Surplus Pilots and Grounded Aircraft

We recorded $93 million in expenses for the temporary carrying cost of surplus pilots and grounded aircraft related to our capacity reductions which became effective on November 1, 2001. This cost also included related requalification training and relocation costs for certain pilots.
In 2001, we recorded charges totaling $1.1 billion ($695 million net of tax, or $5.63 diluted earnings per share) in restructuring, asset writedowns, pension settlements and related items, net on our Consolidated Statement of Operations, as follows:

**2001**

In 2001, we recorded charges totaling $1.1 billion ($695 million net of tax, or $5.63 diluted earnings per share) in restructuring, asset writedowns, pension settlements and related items, net on our Consolidated Statement of Operations, as follows:

**Other**

We recorded (1) a $23 million gain related to the adjustment of certain prior year restructuring reserves based on revised estimates of remaining costs; (2) a $14 million charge associated with our decision to close certain leased facilities; and (3) a $3 million charge related to other items (see Note 16).

**Workforce Reductions**

We recorded a $566 million charge relating to our decision in 2001 to reduce staffing across all workgroups due to the capacity reductions we implemented as a result of the September 11 terrorist attacks. We offered eligible employees several programs, including voluntary severance, leaves of absence and early retirement. Approximately 10,000 employees elected to participate in one of the voluntary programs. Involuntary reductions were expected to affect up to approximately 1,700 employees — up to 1,400 pilots and 300 employees from other workgroups.

The total charge includes $475 million for costs associated with the early retirement and certain voluntary leave of absence programs which are recorded as special termination benefits under our pension and postretirement medical benefit obligations (see Note 11). The remaining $91 million relates to severance and related costs.

**Fleet Changes**

As a result of the effects of the September 11 terrorist attacks on our business and the related decline in aircraft values, we recorded $286 million in asset writedowns. These writedowns include (1) the impairment of 16 MD-90 and eight MD-11 owned aircraft, which reflects further reductions in the estimated future cash flows and fair values of these aircraft since our impairment review in 1999, as well as a revised schedule for retiring these aircraft; (2) charges related to the accelerated retirement of 40 owned B-727 aircraft by 2003; and (3) the writedown to fair value of 18 owned L-1011 aircraft. These charges are summarized in the table below:

<table>
<thead>
<tr>
<th>(dollars in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Used in Operations (2)</td>
</tr>
<tr>
<td>Held for Sale</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Writedown (1)</th>
<th>No. of Aircraft</th>
<th>Writedown</th>
<th>No. of Aircraft</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>MD-90</td>
<td>98</td>
<td>16</td>
<td>—</td>
<td>—</td>
<td>$ 98</td>
</tr>
<tr>
<td>MD-11</td>
<td>93</td>
<td>8</td>
<td>—</td>
<td>—</td>
<td>93</td>
</tr>
<tr>
<td>B-727-200</td>
<td>81</td>
<td>36</td>
<td>2</td>
<td>4</td>
<td>83</td>
</tr>
<tr>
<td>L-1011</td>
<td>—</td>
<td>—</td>
<td>12</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$272</strong></td>
<td><strong>14</strong></td>
<td></td>
<td></td>
<td><strong>$286</strong></td>
</tr>
</tbody>
</table>

(1) The fair value of aircraft used in operations was determined using third party appraisals.

(2) Reflects the classification of these aircraft at the time of the 2001 impairment analysis, which may differ from the classification at December 31, 2003.

The net book value of the aircraft held for sale is included in other noncurrent assets on our Consolidated Balance Sheet at December 31, 2001, and is not material.
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In addition, we recorded a $71 million reserve related to our decision to remove nine leased B-737-300 aircraft from service to more closely align capacity and demand, and to improve scheduling and operating efficiency. The reserve consisted of future lease payments for these aircraft less estimated sublease income. We also recorded an additional $6 million charge for the writedown to net realizable value of related aircraft spare parts.

- **Surplus Pilots and Grounded Aircraft**

  We recorded $30 million in expenses for the temporary carrying cost of surplus pilots and grounded aircraft related to our capacity reductions which became effective on November 1, 2001. This cost also included related requalification training and relocation costs for certain pilots.

- **Other**

  We recorded $160 million in charges that included (1) $81 million related to the write-off of previously capitalized amounts that would provide no future economic benefit due to our decision to cancel or delay certain airport and technology projects following September 11, 2001; (2) $63 million related to contract termination costs; (3) $9 million related to the write-off of certain receivables, primarily those of foreign air carriers and other related businesses, that we believe became uncollectible as a result of those businesses’ weakened financial condition after September 11, 2001; and (4) $7 million related to our decision to close certain facilities.
Note 16. Restructuring and Other Reserves

The following table shows changes in our restructuring and other reserve balances as of December 31, 2003, 2002 and 2001, and the associated activity for the years then ended:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Leased Aircraft</th>
<th>Facilities and Other</th>
<th>2002 Reduction Programs</th>
<th>2001 Reduction Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2000</td>
<td>$—</td>
<td>$56</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Additional costs and expenses</td>
<td>71</td>
<td>24</td>
<td>—</td>
<td>91</td>
</tr>
<tr>
<td>Payments</td>
<td>(1)</td>
<td>(6)</td>
<td>—</td>
<td>(44)</td>
</tr>
<tr>
<td>Balance at December 31, 2001</td>
<td>70</td>
<td>74</td>
<td>—</td>
<td>47</td>
</tr>
<tr>
<td>Additional costs and expenses</td>
<td>—</td>
<td>14</td>
<td>76</td>
<td>—</td>
</tr>
<tr>
<td>Payments</td>
<td>(14)</td>
<td>(9)</td>
<td>(5)</td>
<td>(35)</td>
</tr>
<tr>
<td>Adjustments</td>
<td>(56)</td>
<td>(14)</td>
<td>—</td>
<td>(9)</td>
</tr>
<tr>
<td>Balance at December 31, 2002</td>
<td>—</td>
<td>65</td>
<td>71</td>
<td>3</td>
</tr>
<tr>
<td>Additional costs and expenses</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Payments</td>
<td>—</td>
<td>(9)</td>
<td>(45)</td>
<td>(2)</td>
</tr>
<tr>
<td>Adjustments</td>
<td>—</td>
<td>(9)</td>
<td>(21)</td>
<td>—</td>
</tr>
<tr>
<td>Balance at December 31, 2003</td>
<td>$—</td>
<td>$47</td>
<td>$5</td>
<td>$1</td>
</tr>
</tbody>
</table>

The leased aircraft reserve represented future lease payments under operating leases for nine B-737-300 aircraft previously removed from service prior to the lease expiration date, less estimated sublease income. Due to changes in our fleet plan during the December 2002 quarter, we (1) reversed the remaining $56 million balance of this reserve and (2) returned these aircraft to service in 2003.

At December 31, 2003, the facilities and other reserve represents costs related primarily to (1) future lease payments for facilities closures and (2) contract termination fees. During 2003, we recorded a $9 million adjustment to prior year reserves based on revised estimates of remaining costs primarily due to changes in certain facility lease terms. During 2002, we recorded a $14 million adjustment to prior year reserves based on revised estimates of remaining costs.

The severance and related costs reserve represents future payments associated with our 2002 and 2001 voluntary and involuntary workforce reduction programs. At December 31, 2003, the remaining $5 million balance related to the 2002 workforce reduction programs represents severance and medical benefits for employees who received severance or are participating in certain leave of absence programs. Approximately half of the remaining balance is for international employees that will be paid in accordance with local country laws and regulations. At December 31, 2003, the remaining $1 million balance related to the 2001 workforce reduction

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programs primarily consists of severance for international employees that will be paid in accordance with local country laws and regulations. During 2003, we recorded a $21 million adjustment to prior year reserves based upon revised estimates of remaining costs primarily due to fewer employee reductions under our 2002 involuntary workforce reduction program than originally anticipated because of higher than expected reductions from attrition and retirements.

During 2002, we recorded a $9 million adjustment to the 2001 severance and related costs reserve based on revised estimates of the remaining costs, including (1) the adjustment of medical benefits for certain employees participating in the leave of absence programs who returned to the workforce earlier than originally scheduled and (2) the change in the number of pilot furloughs from up to 1,400 to approximately 1,100.

See Note 15 for additional information related to the charges discussed above.

Note 17. Equity Investments

WORLDSPAN, L.P. (Worldspan)

On June 30, 2003, we sold our 40% equity investment in Worldspan, which operates and markets a computer reservation system for the travel industry. In exchange for the sale of our equity interest, we received (1) $285 million in cash and (2) a $45 million subordinated promissory note, which bears interest at 10% per annum and matures in 2012. As a result of this transaction, we recorded a gain of $279 million ($176 million net of tax) in other income (expense) on our 2003 Consolidated Statement of Operations. In addition, we will receive credits totaling approximately $125 million, which will be recognized ratably as a reduction of costs through 2012, for future Worldspan-provided services. At December 31, 2003, the carrying and fair value of the subordinated promissory note was $38 million, which reflects a writedown resulting from a decrease in its fair value. This note is classified as a trading security under SFAS 115 (see Note 1).

Our equity earnings from this investment totaled $18 million, $43 million and $19 million for the years ended December 31, 2003, 2002 and 2001, respectively. We also received cash dividends from Worldspan of $44 million, $40 million and $70 million for the years ended December 31, 2003, 2002, and 2001, respectively. At December 31, 2002, our Worldspan investment of $57 million was recorded in investments in associated companies on our Consolidated Balance Sheet.

Worldspan provides computer reservation and related services for us, which totaled approximately $90 million for the six-months ended June 30, 2003 and approximately $180 million for the year ended December 31, 2002. As discussed above, we sold our equity interest in Worldspan on June 30, 2003.

Orbitz, Inc. (Orbitz)

Prior to December 2003, we had an 18% ownership and voting interest in Orbitz, which we accounted for under the equity method. We used the equity method because we had the ability to exercise significant influence, but not control, over the financial and operating policies of Orbitz. This influence was evidenced by, among other things, our right to appoint two of our senior

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officers to the 11 member Board of Managers of Orbitz, which enabled us to participate in Orbitz’s financial and operating decisions.

During December 2003, Orbitz completed its initial public offering and the founding airlines of Orbitz, including us, sold a portion of their Orbitz shares. We received $33 million in cash from our sale of Orbitz shares. Additionally, we recorded (1) a SAB 51 gain of $18 million, net of tax, in additional paid-in capital on our Consolidated Balance Sheet (see Note 1 for our SAB 51 accounting policy); (2) a $28 million gain ($17 million net of tax) in other income (expense) on our Consolidated Statement of Operations resulting from our sale of Orbitz shares; and (3) a $4 million loss ($2 million net of tax) in other income (expense) on our Consolidated Statement of Operations resulting from previously unrecognized Orbitz losses since our recorded investment in Orbitz was zero prior to its initial public offering.

Upon completion of the transactions discussed above, we have a 13% ownership interest in Orbitz and an 18% voting interest. We continue to account for this investment under the equity method due to, among other things, our continuing 18% voting interest and our right to appoint one of our senior officers to the nine member Board of Directors of Orbitz, which enables us to exercise significant influence over Orbitz’s financial and operating decisions. At December 31, 2003, our investment in Orbitz was $21 million and is recorded in investments in associated companies on our Consolidated Balance Sheet. At December 31, 2002, our investment balance was zero since our equity investment had been reduced to zero as a result of our share of Orbitz’s net losses.

**Note 18. Earnings (Loss) per Share**

We calculate basic earnings (loss) per share by dividing the net income (loss) available to common shareowners by the weighted average number of common shares outstanding. Diluted earnings (loss) per share includes the dilutive effects of stock options and convertible securities. To the extent stock options and convertible securities are anti-dilutive, they are excluded from the calculation of diluted earnings (loss) per share. The following table shows our computation of basic and diluted loss per share:

<table>
<thead>
<tr>
<th>Years Ended December 31, (in millions, except per share data)</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic and diluted:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (773)</td>
<td>$(1,272)</td>
<td>$(1,216)</td>
</tr>
<tr>
<td>Dividends on allocated Series B ESOP Convertible Preferred Stock</td>
<td>(17)</td>
<td>(15)</td>
<td>(14)</td>
</tr>
<tr>
<td>Net loss available to common shareowners</td>
<td>$ (790)</td>
<td>$(1,287)</td>
<td>$(1,230)</td>
</tr>
<tr>
<td>Weighted average shares outstanding</td>
<td>123.4</td>
<td>123.3</td>
<td>123.1</td>
</tr>
<tr>
<td><strong>Basic and diluted loss per share</strong></td>
<td>$ (6.40)</td>
<td>$(10.44)</td>
<td>$(9.99)</td>
</tr>
</tbody>
</table>

For the years ended December 31, 2003, 2002 and 2001, we excluded from the diluted loss per share computation (1) 37.3 million, 54.5 million and 44.3 million stock options, respectively, because the exercise price of the options was greater than the average price of our common stock; (2) 7.3 million, 6.9 million and 6.5 million additional shares that may be issued in certain circumstances, respectively, because their effect on loss per share was anti-dilutive; and (3) the
Note 19. Government Compensation and Reimbursements

Appropriations Act Reimbursements

On April 16, 2003, President Bush signed into law the Emergency Wartime Supplemental Appropriations Act (Appropriations Act), which provides for, among other things:

- **Payments for Certain Security Fees.** Payments totaling $2.3 billion from the U.S. government to U.S. air carriers for the reimbursement of certain passenger and air carrier security fees.

- **Executive Compensation Limits.** A requirement that certain airlines which receive the security fee payments described above enter into a contract with the Transportation Security Administration (TSA) agreeing that the air carrier will not provide total cash compensation (as defined in the Appropriations Act) during the 12-month period beginning April 1, 2003 to certain executive officers during its fiscal year 2002 in an amount greater than the annual salary paid to that officer with respect to the air carrier’s fiscal year 2002. If it violates this agreement, the air carrier is required to repay its security fee payments described above. We are subject to this requirement and have entered into the required contract with the TSA.

- **Compensation for Strengthening Flight Deck Doors.** Payments totaling $100 million from the U.S. government to compensate air carriers for the direct costs associated with the strengthening of flight deck doors and locks on aircraft.

- **Suspension of Passenger and Air Carrier Security Fees.** The suspension of the TSA’s collection of passenger and air carrier security fees during the period beginning June 1, 2003 and ending September 30, 2003.

- **Insurance.** An extension for one year until August 2004, with a possible extension to December 31, 2004 at the discretion of the Secretary of Transportation, of the U.S. government’s obligation to sell war-risk insurance to air carriers.

During 2003, we received payments under the Appropriations Act totaling (1) $398 million as reimbursement for passenger and air carrier security fees, which was recorded as a reduction of operating expenses in our 2003 Consolidated Statement of Operations and (2) $13 million related to the strengthening of flight deck doors, which was recorded as a reduction to previously capitalized costs.

Stabilization Act Compensation

On September 22, 2001, the Air Transportation Safety and System Stabilization Act (Stabilization Act) became effective. The Stabilization Act was intended to preserve the viability of the U.S. air transportation system following the terrorist attacks on September 11, 2001 by, among other things, (1) providing for payments from the U.S. Government totaling $5 billion to compensate U.S. air carriers for losses incurred from September 11, 2001 through December 31.
2001 as a result of the September 11 terrorist attacks and (2) permitting the Secretary of Transportation to sell insurance to U.S. air carriers.

Our allocated portion of compensation under the Stabilization Act was $668 million. Due to uncertainties regarding the U.S. government’s calculation of compensation, we recognized $634 million of this amount in our 2001 Consolidated Statement of Operations. We recognized the remaining $34 million of compensation in our 2002 Consolidated Statement of Operations. We received $112 million and $556 million in cash for the years ended December 31, 2002 and 2001, respectively, under the Stabilization Act.

Subsequent to September 11, 2001, aviation insurers significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons (other than employees or passengers) for claims resulting from acts of terrorism, war or similar events. At the same time, aviation insurers significantly increased the premiums for such coverage and for aviation insurance in general. Under the Stabilization Act, the U.S. government is providing U.S. airlines with war-risk insurance to cover losses to passengers, third parties (ground damage) and the aircraft hull. This coverage extends through August 2004, with a possible extension to December 31, 2004 at the discretion of the Secretary of Transportation, but the coverage may not be extended beyond that time. We expect that if the U.S. government fails to renew the war-risk insurance that it provides, we will be required to replace such coverage commercially or consider other alternatives. There can be no assurance that such commercially provided war-risk insurance coverage will be adequate to protect our risk of loss from future acts of terrorism or will be provided on terms that will not have a material adverse impact on our Consolidated Financial Statements.

Note 20. Related Party Transaction

The Delta Employees Credit Union (DECU) is an independent entity that is chartered to provide banking and financial services to our employees, former employees and certain relatives of these persons. At December 31, 2002, we had a $71 million liability to DECU recorded in accounts payable, deferred credits and other accrued liabilities on our Consolidated Balance Sheet. The liability resulted from a timing difference in funding a portion of our 2002 year end payroll and is reflected as a non-cash transaction on our 2002 Consolidated Statement of Cash Flows. We paid the liability on January 2, 2003.

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Note 21. Valuation and Qualifying Accounts

The following table shows our valuation and qualifying accounts as of December 31, 2003, 2002 and 2001, and the associated activity for the years then ended:

<table>
<thead>
<tr>
<th>Allowance for:</th>
<th>Leased Aircraft (1)</th>
<th>Restructuring and Other Charges (1)</th>
<th>Uncollectible Accounts Receivable (2)</th>
<th>Obsolescence of Expendable Parts &amp; Supplies Inventory (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2000</td>
<td>$ —</td>
<td>$ 56</td>
<td>$ 31</td>
<td>$124</td>
</tr>
<tr>
<td>Additional costs and expenses</td>
<td>71</td>
<td>115</td>
<td>18</td>
<td>38</td>
</tr>
<tr>
<td>Payments and deductions</td>
<td>(1)</td>
<td>(50)</td>
<td>(6)</td>
<td>(23)</td>
</tr>
<tr>
<td>Balance at December 31, 2001</td>
<td>70</td>
<td>121</td>
<td>43</td>
<td>139</td>
</tr>
<tr>
<td>Additional costs and expenses</td>
<td>—</td>
<td>90</td>
<td>21</td>
<td>51</td>
</tr>
<tr>
<td>Payments and deductions</td>
<td>(70)</td>
<td>(72)</td>
<td>(31)</td>
<td>(7)</td>
</tr>
<tr>
<td>Balance at December 31, 2002</td>
<td>—</td>
<td>139</td>
<td>33</td>
<td>183</td>
</tr>
<tr>
<td>Additional costs and expenses</td>
<td>—</td>
<td>—</td>
<td>34</td>
<td>11</td>
</tr>
<tr>
<td>Payments and deductions</td>
<td>—</td>
<td>(86)</td>
<td>(29)</td>
<td>(11)</td>
</tr>
<tr>
<td>Balance at December 31, 2003</td>
<td>$ —</td>
<td>$ 53</td>
<td>$ 38</td>
<td>$183</td>
</tr>
</tbody>
</table>

(1) See Note 16 for additional information related to leased aircraft and restructuring and other charges.

(2) The payments and deductions related to the allowance for uncollectible accounts receivable represent the write-off of accounts considered to be uncollectible, less recoveries.

(3) These additional costs and expenses in 2001 and 2002 include the charges related to the writedown of certain aircraft spare parts inventory to their net realizable value (see Note 15).

Note 22. Subsequent Events

Convertible Senior Notes (2-7/8% Notes)

In February 2004, we issued $325 million principal amount of 2-7/8% Notes due 2024. Holders may convert their 2-7/8% Notes into shares of our common stock at a conversion rate of 73.6106 shares of common stock per $1,000 principal amount of 2-7/8% Notes, subject to adjustment in certain circumstances, which is equivalent to a conversion price of approximately $13.59 per share of common stock, if:

- during any calendar quarter after March 31, 2004, the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price per share of our common stock;
- the trading price of the 2-7/8% Notes falls below a specified threshold;
- we call the 2-7/8% Notes for redemption; or
- specified corporate transactions occur.
We may redeem all or some of the 2-7/8% Notes for cash at any time after February 21, 2009, at a redemption price equal to the principal amount of the 2-7/8% Notes to be redeemed plus any accrued and unpaid interest.

Holders may require us to repurchase their 2-7/8% Notes for cash on February 18, 2009, 2014 and 2019, or in other specified circumstances involving the exchange, conversion or acquisition of all or substantially all of our common stock, at a purchase price equal to the principal amount of the 2-7/8% Notes to be purchased plus any accrued and unpaid interest. At February 27, 2003, 23,923,445 shares of common stock were reserved for issuance for the conversion of the 2-7/8% Notes.

Aircraft Acquisition

On February 27, 2004, we entered into an agreement to purchase 32 CRJ-200 aircraft to be delivered in 2005. In conjunction with this agreement, we entered into a facility with a third party to finance, on a secured basis at the time of acquisition, the future deliveries of these regional jet aircraft. Borrowings under this facility (1) will be due in installments for 15 years after the date of borrowing and (2) bear interest at LIBOR plus a margin.

Other Financing Arrangements

In January 2004, we entered into financing arrangements under which we borrowed a total of $208 million. These borrowings are due in installments through February 2020; are secured by six CRJ-200 and seven CRJ-700 aircraft; and bear interest at LIBOR plus a margin. A portion of the proceeds from these borrowings was used to repay $151 million of outstanding interim financing for six CRJ-200 and three CRJ-700 aircraft.

Fuel Contract Settlements

In February 2004, we settled all of our fuel hedge contracts prior to their scheduled settlement dates. As a result of these transactions, we received $83 million in cash, which represented the fair value of these contracts at the date of settlement. In accordance with SFAS 133, effective gains of $82 million will be recorded in accumulated other comprehensive loss until the related fuel purchases, which were being hedged, are consumed and recognized in expense during 2004. These gains will then be recorded as a reduction in fuel expense on our Consolidated Statements of Operations. The ineffective portion of the hedges and the time value component of these contracts totaling $17 million will be recognized in the March 2004 quarter as a fair value adjustment of SFAS 133 derivatives in other income (expense) on our Consolidated Statements of Operations. See Note 4 and 13 for additional information about our fuel hedge contracts.
### Note 23. Quarterly Financial Data (Unaudited)

The following table summarizes our unaudited quarterly results of operations for 2003 and 2002:

#### 2003

<table>
<thead>
<tr>
<th></th>
<th>March 31</th>
<th>June 30</th>
<th>September 30</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$3,155</td>
<td>$3,307</td>
<td>$3,443</td>
<td>$3,398</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>$(535)</td>
<td>$196</td>
<td>$(81)</td>
<td>$(366)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$(466)</td>
<td>$184</td>
<td>$(164)</td>
<td>$(327)</td>
</tr>
<tr>
<td>Basic income (loss) per share (1)</td>
<td>$(3.81)</td>
<td>$1.46</td>
<td>$(1.36)</td>
<td>$(2.69)</td>
</tr>
<tr>
<td>Diluted income (loss) per share (1)</td>
<td>$(3.81)</td>
<td>$1.40</td>
<td>$(1.36)</td>
<td>$(2.69)</td>
</tr>
</tbody>
</table>

#### 2002

<table>
<thead>
<tr>
<th></th>
<th>March 31</th>
<th>June 30</th>
<th>September 30</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$3,103</td>
<td>$3,474</td>
<td>$3,420</td>
<td>$3,308</td>
</tr>
<tr>
<td>Operating loss</td>
<td>$(435)</td>
<td>$(127)</td>
<td>$(385)</td>
<td>$(362)</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(397)</td>
<td>$(186)</td>
<td>$(326)</td>
<td>$(363)</td>
</tr>
<tr>
<td>Basic and diluted loss per share (1)</td>
<td>$(3.25)</td>
<td>$(1.54)</td>
<td>$(2.67)</td>
<td>$(2.98)</td>
</tr>
</tbody>
</table>

(1) The sum of the quarterly earnings per share does not equal the annual earnings per share due to changes in average shares outstanding.

The comparability of our financial results during 2003 and 2002 were materially impacted by certain events, as discussed below:

- During March and December 2003, we recorded certain pension and postretirement related charges. In December 2002, we recorded a charge related to our 2002 workforce reduction programs. See Note 15 for additional information about these charges.

- In June 2003, we received Appropriations Act reimbursements from the U.S. government for certain passenger and air carrier security fees. In August 2002, we recorded the final amounts related to the Stabilization Act compensation. See Note 19 for additional information about these government reimbursements and compensation.

- During 2003, we recorded gains on the sale of certain of our investments. These gains primarily related to (1) the sale of our investment in Worldspan in June 2003 and (2) our sale of Orbitz shares in December 2003. See Note 17 for additional information about these sales.

- In October 2003, we recorded a charge as a result of a definitive agreement we entered into to sell 11 B-737-800 aircraft to a third party immediately after those aircraft are delivered to us by the manufacturer in 2005. See Note 15 for additional information about this charge.

- During 2002, we made significant changes in our fleet plan to simplify our aircraft fleet, to reduce capacity and to decrease capital expenditures through aircraft deferrals. See Note 15 for additional information related to charges and other costs associated with these changes.

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The following is a copy of the audit report previously issued by Arthur Andersen LLP in connection with Delta’s Annual Report on Form 10-K for the year ended December 31, 2001. This audit report has not been reissued by Arthur Andersen LLP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To Delta Air Lines, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in Delta Air Lines, Inc.’s annual report to shareholders incorporated by reference in this Form 10-K and have issued our report thereon dated January 23, 2002. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in the accompanying index is the responsibility of the company’s management, is presented for purposes of complying with the Securities and Exchange Commission’s rules, and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 23, 2002
## DELTA AIR LINES, INC.
### VALUATION AND QUALIFYING ACCOUNTS
#### FOR THE YEAR ENDED DECEMBER 31, 2001

(Amounts in Millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
<th>Column D</th>
<th>Column E</th>
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<tr>
<td></td>
<td>Balance at Beginning of Period</td>
<td>Charged to Costs and Expenses</td>
<td>Charged to Other Accounts-Describe</td>
<td>Deductions-Describe</td>
<td>Balance at End of Period</td>
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<td>DEDUCTION (INCREASE) IN THE BALANCE SHEET FROM THE ASSET TO WHICH IT APPLIES:</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Allowance for uncollectible accounts receivable</td>
<td>$ 31</td>
<td>$ 18</td>
<td>—</td>
<td>$ (6)(a)</td>
<td>$ 43</td>
</tr>
<tr>
<td>Reserve for restructuring and other nonrecurring charges</td>
<td>$ 56</td>
<td>$115</td>
<td>—</td>
<td>$(50)(b)</td>
<td>$121</td>
</tr>
</tbody>
</table>

(a) Represents write-off of accounts considered to be uncollectible, less collections.

(b) Represents payments made.
<table>
<thead>
<tr>
<th>ARTICLE</th>
<th>SECTION</th>
<th>SUBJECT</th>
<th>PAGE</th>
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<tbody>
<tr>
<td>I</td>
<td></td>
<td>NAME, INCORPORATION AND LOCATION OF OFFICES.</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>1.1</td>
<td>Name and Incorporation.</td>
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<tr>
<td>II</td>
<td></td>
<td>CAPITAL STOCK.</td>
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<td>Amount and Class Authorized.</td>
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<td>Stock Certificates.</td>
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<td>Transfer Agents and Registrars.</td>
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<td>Transfers of Stock.</td>
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<td>Lost or Destroyed Certificates.</td>
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<td>2.6</td>
<td>No Preemptive Rights.</td>
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<td>III</td>
<td></td>
<td>MEETINGS OF STOCKHOLDERS.</td>
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<td>Special Meetings.</td>
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<td>Notices of Meetings.</td>
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<td>Record Date.</td>
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<td>Quorum and Adjournment.</td>
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<tr>
<td></td>
<td>3.6</td>
<td>Voting Rights and Proxies.</td>
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<tr>
<td></td>
<td>3.7</td>
<td>Presiding Officer.</td>
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<tr>
<td></td>
<td>3.8</td>
<td>List of Stockholders Entitled To Vote.</td>
<td>7</td>
</tr>
<tr>
<td>IV</td>
<td></td>
<td>BOARD OF DIRECTORS.</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>4.1</td>
<td>Power and Authority.</td>
<td>7</td>
</tr>
<tr>
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<td>4.2</td>
<td>Number, Nomination and Election of Directors.</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>4.2.1</td>
<td>Eligibility, Tenure and Vacancies.</td>
<td>8</td>
</tr>
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<td>Regular Meetings of the Board of Directors.</td>
<td>8</td>
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<td>Special Meetings.</td>
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<td>Committees Appointed by the Board.</td>
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<td>Meetings of Committees Appointed by the Board.</td>
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<td>4.7</td>
<td>Quorum and Voting.</td>
<td>9</td>
</tr>
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<td>4.8</td>
<td>Meeting by Conference Telephone.</td>
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</tr>
<tr>
<td></td>
<td>4.9</td>
<td>Action Without Meeting.</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>4.10</td>
<td>Compensation.</td>
<td>10</td>
</tr>
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<td>V</td>
<td></td>
<td>OFFICERS.</td>
<td>10</td>
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<tr>
<td></td>
<td>5.1</td>
<td>Election, Qualification, Tenure and Compensation.</td>
<td>10</td>
</tr>
<tr>
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<td>5.2</td>
<td>Chief Executive Officer.</td>
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</tr>
<tr>
<td></td>
<td>5.3</td>
<td>Chairman of the Board.</td>
<td>11</td>
</tr>
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ARTICLE I.
NAME, INCORPORATION AND LOCATION OF OFFICES

SECTION 1.1 NAME AND INCORPORATION.

The name of this corporation is DELTA AIR LINES, INC. It is incorporated under the laws of Delaware in perpetuity.

ARTICLE II.
CAPITAL STOCK

SECTION 2.1 AMOUNT AND CLASS AUTHORIZED.

Until otherwise provided by amendment to its Certificate of Incorporation, the authorized capital stock of the corporation shall consist of 470,000,000 shares, of which 450,000,000 shall be common stock of the par value of $1.50 per share and 20,000,000 shall be preferred stock of the par value of $1.00 per share. Shares of such authorized $1.50 par value common stock, in addition to the shares now outstanding, up to the authorized maximum of 450,000,000 shares, may be issued at such times, and from time to time, and may be sold for such considerations, not less than the par value thereof, as shall be fixed and determined by the board of directors. Shares of such authorized preferred stock up to the authorized maximum of 20,000,000 shares may be issued at such times, and from time to time, in such series and with such rights, including voting rights, preferences, and limitations, and may be sold for such considerations, not less than the par value thereof, as shall be fixed and determined by the board of directors.

SECTION 2.2 STOCK CERTIFICATES.

Certificates evidencing the stock of the corporation shall be in such forms as shall be authorized and approved by the board of directors. Such certificates shall be signed by the chairman of the board, the president or a vice president and by the secretary or an assistant secretary of the corporation, and the seal of the corporation shall be affixed thereto. The seal of the corporation and any or all the signatures on such certificate may be facsimile engraved, stamped or printed.

If any officer, transfer agent or registrar who has signed, or whose facsimile signature has been used on, a certificate has ceased to be an officer, transfer agent or registrar or if any officer who has signed has had a change in title before the certificate is delivered, such certificate may nevertheless be issued and delivered by the corporation as though the officer, transfer agent or registrar who signed or whose facsimile signature shall have been used had not ceased to be such officer, transfer agent or registrar or such officer had not had such change in title.

SECTION 2.3 TRANSFER AGENTS AND REGISTRARS.

The board of directors may appoint transfer agents and co-transfer agents and registrars and co-registrars for the stock of the corporation and, if it so elects, may appoint a single agency to serve as both transfer agent and registrar, and may require all certificates evidencing stock to bear the signature or signatures of any of them.

SECTION 2.4 TRANSFERS OF STOCK.

Transfers of stock of the corporation shall be made only on the books of the corporation by the registered holder thereof in person or by attorney thereunto duly authorized in writing. Powers of attorney to transfer stock of the corporation shall be filed with the duly authorized transfer agent of the corporation, when appointed, and the certificates evidencing the stock to be transferred shall be surrendered to such transfer agent for cancellation, and shall be cancelled by it at the time of transfer.

Until transfer shall have been made as provided above, possession of a certificate evidencing stock of the corporation shall not vest any ownership of such certificate, or of the stock evidenced thereby, in any person other than the person in whose name said stock stands registered on the books of the corporation and the corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder thereof in fact and shall not be bound
to recognize any equitable or other claim to or interest in any such share or shares on the part of any other person, whether or not it shall have express or other notice thereof. Notwithstanding the foregoing, the corporation shall have the power and is authorized to effect through the duly authorized transfer agent and registrar or otherwise transfers of stock of the corporation to various states or appropriate state authorities when applicable state laws of escheat or abandonment so require.

SECTION 2.5 LOST OR DESTROYED CERTIFICATES.

In case of the loss or destruction of an outstanding certificate of stock, another certificate for a like number of shares may be issued in place of the lost or destroyed certificate upon proof satisfactory to the board of directors or its delegate, and upon payment of the expenses, if any, incident to the issuance of such new certificate; provided, however, that the board of directors or its delegate, if it sees fit, may require that such lost or destroyed certificate be established as by the laws of Delaware in such cases made and provided, and further provided that, any provision of law to the contrary notwithstanding, the board of directors or its delegate may require the owner of such lost or destroyed certificate, or the legal representative of such owner, to give the corporation a bond sufficient, in the opinion of the board of directors or its delegate, to indemnify the corporation against and hold it harmless from any and all loss, damage, liability and claims (whether or not such claims be meritorious) on account of and with respect to such lost or destroyed certificate and the stock evidenced thereby and the issuance or establishment of such new certificate.

SECTION 2.6 NO PREEMPTIVE RIGHTS.

No holder of any stock of the corporation which shall at any time be outstanding shall have any preemptive rights to subscribe for or purchase additional shares of stock of the corporation of any class which at any time may be authorized or issued.

ARTICLE III.

MEETINGS OF STOCKHOLDERS

SECTION 3.1 ANNUAL MEETING.

The annual meeting of stockholders shall be held on the fourth Thursday in April of each year or at such other time as the board of directors shall specify, at such place, either within or without the State of Delaware, as may be designated by the board of directors from time to time, for the purpose of electing directors and for the transaction of only such other business as is properly brought before the meeting in accordance with these By-Laws.

To be properly brought before the meeting, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board, (b) otherwise properly brought before the meeting by or at the direction of the board, or (c) otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided that if the board calls the annual meeting for a date that is not within 30 days before or after such anniversary date, notice by the stockholder to be timely must be so delivered or mailed and received not later than the close of business on the 10th business day following the day on which the board gave such notice or made such public disclosure of the date of the annual meeting, whichever first occurs. Such stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of capital stock of the corporation which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business.

Notwithstanding anything in the By-Laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Article III, provided, that nothing in this Article III shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting.

If business is not properly brought before the meeting in accordance with the provisions of this Article III, the Presiding Officer at an annual meeting shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.
SECTION 3.2 SPECIAL MEETINGS.

Special meetings of the stockholders shall be held at such times, and at such places, either within or without the State of Delaware, as shall be designated in the notice of call of the meeting, and may be called by the chairman of the board or the president at any time and must be called by the chairman of the board or the president whenever requested in writing by a majority of the board of directors.

SECTION 3.3 NOTICES OF MEETINGS.

Written or printed notices of every annual or special meeting of the stockholders shall be mailed to each stockholder of record at the close of business on the record date hereinafter provided for, at the address shown on the stock book of the corporation or its transfer agents, not less than ten nor more than sixty days prior to the date of such meeting. Notices of special meetings shall briefly state or summarize the purpose or purposes of such meetings, and no business except that specified in the notice shall be transacted at any special meeting. It shall not be necessary that notices of annual meetings specify the business to be transacted at such annual meetings, and any business of the corporation may be transacted at any annual meeting of the stockholders to the extent not prohibited by applicable law, the Certificate of Incorporation or these By-Laws.

SECTION 3.4 RECORD DATE.

It shall not be necessary to close the stock transfer books of the corporation for the purpose of determining the stockholders entitled to notice of and to participate in and vote at any meeting of the stockholders. In lieu of closing the stock transfer books of the corporation, and for all purposes that might be served by closing the stock transfer books, the board of directors may fix and declare a date not less than ten days nor more than sixty days prior to the date of any annual or special meeting as the record date for the determination of stockholders entitled to notice of and to participate in and vote at such meeting of the stockholders and any adjournment thereof; and the corporation and its transfer agents may continue to receive and record transfers of stock after any record date as so provided. In any such case, such stockholders, and only such stockholders as shall have been stockholders of record at the close of business on the record date shall be entitled to notice and to participate in and vote at any such meeting of the stockholders, notwithstanding any transfers of stock which may have been made on the books of the corporation or its transfer agents after such record date.

SECTION 3.5 QUORUM AND ADJOURNMENT.

Except as otherwise provided or required by law, by the Certificate of Incorporation or by these By-Laws, a quorum at any meeting of the stockholders shall consist of the holders of shares representing a majority of the number of votes entitled to be cast by the holders of all shares of stock then outstanding and entitled to vote, present in person or by proxy. If a quorum is not present at any duly called meeting, the Presiding Officer or the holders of a majority of the votes present may adjourn the meeting from day to day, or to a fixed date, without notice other than announcement at the meeting, but no other business may be transacted until a quorum is present; provided, however, that any meeting at which directors are to be elected shall be adjourned only from day to day until such directors have been elected, and further provided that those who attend the second of such adjourned meetings, although less than a quorum as fixed hereinabove, shall nevertheless constitute a quorum for the purpose of electing directors.

The stockholders present at a duly organized meeting at which a quorum is present at the outset may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to result in less than a quorum or the refusal of any stockholder present to vote.

The Presiding Officer may in his discretion defer voting on any proposed action and adjourn any meeting of the stockholders until a later date, provided such actions are otherwise permitted by law and are not inconsistent with the Certificate of Incorporation or other provisions of these By-Laws.

SECTION 3.6 VOTING RIGHTS AND PROXIES.

At all meetings of stockholders, whether annual or special, the holder of each share of common stock which is then outstanding and entitled to vote shall be entitled to one vote for each share held and the holder of each share of any series of preferred stock which is then outstanding shall be entitled to such voting rights, if any, and such number of votes, as shall be specified in the resolution or resolutions of the board of directors providing for the issuance of such series. Stockholders may vote at all such meetings in person or by proxy duly authorized in writing or by a transmission permitted by law filed in accordance with the procedures established for the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. Directors shall be elected by a plurality of the votes cast in an election for such directors. Except as otherwise specifically provided by law, by the Certificate of Incorporation or by these By-Laws, a majority of the valid votes present shall be necessary and sufficient to decide any question which shall come before any meeting of the stockholders. In case of any challenge of the right of a given stockholder to vote in person or by proxy, the Presiding Officer hereinafter provided for shall be authorized to make the appropriate determination, and his decision shall be final.
SECTION 3.7 PRESIDING OFFICER.

All meetings of the stockholders shall be presided over by the chairman of the board or, in the absence or disability of the chairman, by the president, or in his absence or disability, by the vice chairman, if any, or, in his absence or disability, by the senior director (in terms of length of service on the board of directors) present.

SECTION 3.8 LIST OF STOCKHOLDERS ENTITLED TO VOTE.

A complete list of the stockholders entitled to vote, arranged in alphabetical order and indicating the number of shares held by each, shall be prepared by the secretary and shall be available at the place where any stockholders' meeting is being held, and shall be open to the examination of any stockholder for any proper purpose during the whole of such meeting.

ARTICLE IV.

BOARD OF DIRECTORS

SECTION 4.1 POWER AND AUTHORITY.

All of the corporate powers of this corporation shall be vested in and the business, property and affairs of the corporation shall be managed by, or under the direction of, the board of directors; and the board of directors shall be, and hereby is, fully authorized and empowered to exercise all of the powers of the corporation and to do, and to authorize, direct and regulate the doing of, any and all things which the corporation has the lawful right to do which are not by statute, the Certificate of Incorporation or these By-Laws expressly directed or required to be exercised or done by the stockholders.

SECTION 4.2 NUMBER, NOMINATION AND ELECTION OF DIRECTORS.

The board of directors shall consist of not less than five nor more than nineteen directors. The members of the board of directors shall be elected by the stockholders at the annual meeting of stockholders, or at a duly convened adjournment thereof or at a special meeting of stockholders duly called and convened for that purpose, provided, however, that only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the board of the corporation at the annual meeting or a duly convened adjournment thereof may be made by or at the direction of the board of directors, by any nominating committee or person appointed by the board, or by any stockholder of the corporation entitled to vote for the election of directors at the meeting or a duly convened adjournment thereof who complies with the notice procedures set forth in this Article IV. Such nominations, other than those made by or at the direction of the board, or by any nominating committee or person appointed by the board, shall be made pursuant to timely notice in writing to the secretary of the corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided that if the board calls the annual meeting for a date that is not within 30 days before or after such anniversary date, notice by the stockholder to be timely must be so delivered or mailed and received not later than the close of business on the 10th business day following the day on which the board gave such notice or made such public disclosure of the date of the meeting, whichever first occurs. Such stockholder's notice to the secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director,

(i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the corporation which are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Securities Exchange Act of 1934, as amended; and

(b) as to the stockholder giving the notice, (i) the name and record address of the stockholder and (ii) the class and number of shares of capital stock of the corporation which are beneficially owned by the stockholder. The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the qualifications of such proposed nominee to serve as director of the corporation. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth herein.

If a nomination is made that is not in accordance with the foregoing procedure, the Presiding Officer at an annual meeting shall so declare to the meeting and the defective nomination shall be disregarded.
A nomination to serve as a director shall be accepted and votes cast for a nominee shall be counted only if the secretary has received, at least thirty days before the annual or a special meeting of stockholders, a statement signed by the nominee advising that he or she consents to being a nominee and, if elected, intends to serve as a director, and further provided that:

(a) Directors who are full-time employees of the company shall resign from the board coincident with their retirement from full-time employment.

(b) The age limit for directors not covered by subparagraph (a), above, or who, after resigning from the board upon retirement from full-time employment are re-elected to the board, shall be seventy-two, and such directors shall retire from the board as of the date and time of the annual meeting of stockholders which next follows their attainment of age seventy-two.

Each member of the board of directors shall hold office from the time of his election and qualification until the next annual meeting of the stockholders and until his successor shall have been elected and qualified; provided, however, that any member of the board of directors may be removed from such office by the stockholders at any time, with or without cause, at any meeting of the stockholders, duly called for such purpose, by the vote of holders of a majority of the outstanding voting power entitled to vote thereon, in which event a successor may be elected by the stockholders at such meeting or at any subsequent meeting of the stockholders duly called for such purpose.

The number of members of the board of directors may be increased or decreased at any time and from time to time to not less than five nor more than nineteen members by resolution adopted by the board of directors and in such event, and in the event any vacancy on the board of directors shall occur by death, resignation, retirement, disqualification or otherwise, additional or successor members of the board of directors may be elected by majority vote of the remaining members of the board of directors, although such majority is less than a quorum, or by a plurality of the votes cast at a meeting of stockholders, and each director so elected shall hold office until the expiration of the term of office of the director whom he has replaced or until his successor is elected and qualified.

Any director may resign at any time upon written notice to the corporation.

SECTION 4.3 REGULAR MEETINGS OF THE BOARD OF DIRECTORS.

The first organizational meeting of each newly-elected board shall be held at such time and place, either within or without the State of Delaware, as shall be fixed by the outgoing board of directors at or before its last regular meeting preceding the annual meeting of the stockholders, and no notice of such meeting shall be necessary to the newly-elected directors in order to constitute the meeting legally, provided that a majority of the whole board shall be present, and further provided that such newly-elected board may meet at such other place and time as shall be fixed by the consent in writing of all of the said directors.

At such organizational meeting the board, by a vote of a majority of all of the members thereof, shall elect a chairman from among its members. The chairman shall preside over all meetings of the board of directors, if present, and shall have such other powers and perform such other duties as may be assigned to him by the board from time to time. In his capacity as chairman of the board he shall not necessarily be an officer of the corporation but he shall be eligible to serve, in addition, as an officer pursuant to Section 5.1 of these By-Laws.

All meetings of the directors shall be presided over by the chairman of the board or, in his absence or disability, by the chief executive officer of the corporation if he is a member of the Board or, in his absence or disability, by the president if he is a member of the Board or, in his absence or disability, by the vice chairman, if any, or, in his absence or disability, by the senior director (in terms of length of service on the board of directors) present.

Regular meetings of the board of directors shall be held during the months of January, July and October, on such dates and at such places as the board by resolution or, failing such resolution, as the chairman of the board or, during his absence or disability, the president or the secretary of the corporation may determine, and if not previously specified in a board resolution, each director shall be advised in writing of the date, place and time of each such meeting at least two days in advance, unless such notice be waived in writing.
SECTION 4.4 SPECIAL MEETINGS.

Special meetings of the board of directors shall be held at such time and place, within or without the State of Delaware, as shall be designated in the call and notice of the meeting; and may be called by the chairman of the board, or in his absence or disability by the president or the secretary of the company, at any time, and must be called by the chairman, or in his absence or disability by the president or the secretary of the corporation, whenever so requested in writing by three or more members of the board. Notices of special meetings shall be given to each member of the board not less than twenty-four hours before the time at which each such meeting is to convene. Such notices may be given by telephone or by any other form of written or verbal communication. It shall not be necessary that notices of special meetings state the purposes or the objects of the meetings, and any business which may come before any duly called and convened special meeting of the board may be transacted at such meeting.

The members of the board of directors, before or after any meeting of the board, may waive notice thereof and, if all members of the board be present in person at any meeting or waive notice of the meeting, the fact that proper notice of the meeting was not given shall not in any way affect the validity of the meeting or the business transacted at the meeting.

SECTION 4.5 COMMITTEES APPOINTED BY THE BOARD.

A majority of the whole board may from time to time appoint (a) committees of the board, the membership of which shall consist entirely of board members and (b) other committees, the membership of which may be either a mixture of board and non-board members or entirely non-members of the board. All committees so appointed shall elect a chairman and keep regular minutes of their meetings and transactions and such minutes shall be accessible to all members of the board at all reasonable times.

No such committee shall have the power or authority to amend the Certificate of Incorporation (except that a committee may, to the extent authorized in a resolution of the board of directors providing for the issuance of shares of stock, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series); to adopt an agreement of merger or consolidation; to recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets; to recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution; to amend the By-Laws of the corporation; or, unless a resolution of the board of directors, the By-Laws or the Certificate of Incorporation expressly so provides, to declare a dividend or authorize the issuance of stock.

SECTION 4.6 MEETINGS OF COMMITTEES APPOINTED BY THE BOARD.

Meetings of any committee appointed by the Board shall be called by the secretary or any assistant secretary of the corporation (or, in the case of committees appointed by the board whose membership does not consist exclusively of board members, by such employee of the corporation as has been designated pursuant to By-Law 5.7 to record the votes and the minutes of such committee) upon the request of the chairman of the committee, the chairman of the Board, the chief executive officer of the corporation, or any two members of the committee. Notice of each such meeting shall be given in the same manner specified in Section 4.4 for special meetings of the board of directors.

SECTION 4.7 QUORUM AND VOTING.

A majority of the members of the board of directors shall be present at any meeting of the board in order for there to constitute a quorum. One half of the members of any committee appointed by the board shall be present at any meeting of the board or such committee in order to constitute a quorum. A majority of the members present at any duly constituted meeting of the board or such committee may decide any question which properly may come before the meeting, unless a different vote is specifically required by these By-Laws, the Certificate of Incorporation or applicable law.

SECTION 4.8 MEETING BY CONFERENCE TELEPHONE.

Members of the board of directors or any committee appointed by the board may participate in a meeting by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and participation in such meeting in such manner shall constitute presence in person at such meeting.

Notwithstanding the notice provisions of Sections 4.3, 4.4 and 4.6 above, participation in a meeting by means of conference telephone by a member of the board of directors or a committee appointed by the board shall constitute waiver of notice of the meeting by such director.
SECTION 4.9 ACTION WITHOUT MEETING.

Any action required or permitted to be taken at any meeting of the board of directors or any committee appointed by the board may be taken without a meeting if all of the directors or all of the members of such a committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board of directors or of such committee.

SECTION 4.10 COMPENSATION.

A director shall receive such reasonable compensation for his services as a director or as a member of a committee appointed by the board of directors (including service as chairman of the board or as chairman of a committee of the board) as may be fixed from time to time by the board of directors and shall be reimbursed for his reasonable expenses, if any, in attending any meeting of the board of directors or such a committee. A director shall not be barred from also serving the corporation in any other capacity and receiving reasonable compensation therefor.

ARTICLE V.

OFFICERS

SECTION 5.1 ELECTION, QUALIFICATION, TENURE AND COMPENSATION.

The officers of the corporation shall be elected by the board of directors and shall include a president, one or more vice presidents (one or more of whom may be designated as an executive vice president or senior vice president), a secretary, a comptroller, a treasurer and such other officers, including a vice chairman, as from time to time the board of directors shall deem necessary or desirable. At the discretion of the board, the chairman of the board may also be elected under the same title as an officer of the corporation.

The chairman of the board (and the vice chairman, if any) shall be members of the board of directors.

Unless otherwise provided by the board of directors, each officer shall hold office from the time of his election until his successor shall have been elected and qualified, provided, however (except as otherwise provided in a contract duly authorized by the board of directors), any officer may be removed from office by the board of directors at any time, with or without cause, and any officer may resign at any time upon written notice to the corporation. Any two offices may be united in any one person, provided that no person shall act in more than one capacity in any one transaction.

The compensation of all officers shall be fixed and determined by the board of directors or pursuant to its delegated authority.

From time to time the board of directors, or its delegates, may appoint such other agents, for such terms and with such rights, powers and authorities, on such conditions, subject to such limitations and restrictions and at such compensation as shall seem right and proper to it or them, and any such agent may be removed from office by the board of directors or its delegates at any time, with or without cause.

SECTION 5.2 CHIEF EXECUTIVE OFFICER.

The chief executive officer shall have responsibility for the active and general management of the corporation and such authorities and duties as are usually incident to the office of chief executive officer and as from time to time shall be specified by the board of directors. He shall prescribe the duties of all subordinate officers, agents and employees of the company to the extent not otherwise prescribed by the Certificate of Incorporation, the By-Laws or the board of directors. Such designation shall continue in full force and effect until modified or rescinded by further resolution of the board.

SECTION 5.3 CHAIRMAN OF THE BOARD.

The chairman of the board shall preside over all meetings of the board of directors and the stockholders of the corporation. He shall have such other authorities and duties as are usually incident to the office of chairman of the board and as from time to time shall be specifically directed by the board of directors. Except where by law the signature of the president is required, the chairman of the board shall possess the same power as the president to sign all certificates, contracts and other instruments of the corporation which may be authorized by the board of directors.

During the absence or disability of the president, if the chairman has been elected as an officer of the corporation he shall exercise all of the powers and discharge all of the duties of the president. If the chairman has not been elected as an officer of the corporation, then the provisions of Section 5.6 shall apply.
SECTION 5.4 PRESIDENT.

Subject to the powers and duties hereinbefore delegated to the chairman of the board, and to the powers and duties hereinbefore delegated to the chief executive officer if the chairman of the board is designated by the board of directors to act as chief executive officer, the president shall direct the operations of the company. He shall have such other authorities and duties as are usually incident to the office of president and as, from time to time, shall be specifically directed by the board of directors. During the absence or disability of the chairman, the president shall exercise all of the powers and discharge all of the duties of the chairman.

SECTION 5.5 VICE CHAIRMAN OF THE BOARD.

The vice chairman of the board, if any, who shall be an officer of the corporation, shall have such specific powers, duties and authority, and shall perform such administrative and executive duties as, from time to time, may be assigned by the board of directors, or the chief executive officer.

SECTION 5.6 ABSENCE OR DISABILITY OF CHAIRMAN AND PRESIDENT.

In the absence or disability of both the chairman of the board if he has been elected an officer of the corporation, and the president, or in the absence or disability of the president if the chairman has not been elected as an officer of the corporation, the vice chairman, if any, or if there is no vice chairman, an officer previously designated in writing by the chief executive officer or, in the absence of such designation, an officer designated by the board of directors, shall exercise all of the powers and discharge all of the duties of the said officer or officers until one or both return to active duty or until the board of directors authorizes another person or persons to act in their capacities.

SECTION 5.7 SECRETARY.

The secretary or an assistant secretary shall record the votes and the minutes, in books to be kept for that purpose, of all meetings of the stockholders, of the board of directors, and of those committees of the board of directors whose membership is confined to members of the board, provided, however, that in the absence of the secretary and the assistant secretaries the chairman of any such meeting may designate another officer of the company to act as secretary of that meeting. Any employee of the corporation may be designated by committees which are appointed by the board, but whose membership is not confined to members of the board, to record the votes and minutes of the proceedings of such committees in books to be kept for that purpose. The secretary or an assistant secretary shall give or cause to be given, notice of all meetings of the stockholders, the board of directors and committees of the board of directors. The secretary and assistant secretaries shall keep in safe custody the seal of the corporation and shall affix the same to any instrument requiring it and, when required, it shall be attested by his signature or by the signature of an assistant secretary. In the absence or disability of the secretary and all assistant secretaries, the seal may be affixed and the instrument attested by any vice president. The secretary also shall perform such other duties as may be assigned to him by the board of directors, or the chief executive officer.

SECTION 5.8 ASSISTANT SECRETARIES.

In the absence or disability of the secretary, an assistant secretary, if specifically designated and directed by the chairman of the board or the president, shall perform the prescribed duties and functions of the secretary. The assistant secretaries also shall have such specific powers and authorities and shall perform such other duties and functions as from time to time may be assigned by the board of directors, or the chief executive officer.
SECTION 5.9 COMPTROLLER.

The comptroller shall cause to be kept full and accurate books and accounts of all assets, liabilities and transactions of the corporation. The comptroller shall establish and administer an adequate plan for the control of operations, including systems and procedures required to properly maintain internal controls on all financial transactions of the corporation. The comptroller shall prepare, or cause to be prepared, statements of the financial condition of the corporation and proper profit and loss statements covering the operations of the corporation and such other and additional financial statements, if any, as the chief executive officer or the board of directors from time to time shall require. The comptroller also shall perform such other duties as may be assigned to him by the board of directors, or the chief executive officer.

SECTION 5.10 TREASURER.

The treasurer shall be responsible for the custody and care of all the funds and securities of the corporation and shall cause to be kept full and accurate books and records of account of all receipts and disbursements of the corporation. The treasurer shall cause all money and other valuable effects of the corporation to be deposited in the name and to the credit of the corporation in such depositories as shall be designated from time to time by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, or the chief executive officer. The treasurer also shall perform such other duties as may be assigned to him by the board of directors, or the chief executive officer.

SECTION 5.11 ASSISTANT TREASURERS.

In the absence or disability of the treasurer, an assistant treasurer, if any, or any other officer of the corporation, if specifically designated and directed by the chairman of the board or the president, shall perform the prescribed duties and functions of the treasurer. Any such assistant treasurer also shall have such specific powers and authorities and shall perform such other duties and functions as from time to time shall be assigned by the board of directors, or the chief executive officer of the corporation.

SECTION 5.12 BONDS.

Any officer or agent of the corporation shall furnish to the corporation such bond or bonds, with security for the faithful performance of his duties, as from time to time may be required by the board of directors.

ARTICLE VI.

CORPORATE SEAL

SECTION 6.1 CORPORATE SEAL.

The corporate seal shall have inscribed thereon the name of the corporation, the word "SEAL" and the word "Delaware". Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VII.

FISCAL YEAR

SECTION 7.1 FISCAL YEAR.

The fiscal year of the corporation shall commence on the first day of January of each calendar year and shall end on the thirty-first day of December of such year.

ARTICLE VIII.

DIVIDENDS

SECTION 8.1 $1.50 PAR VALUE COMMON STOCK.

Dividends may be paid on the $1.50 par value common stock of the corporation in such amounts and at such times as the board of directors shall determine.
SECTION 8.2 RECORD DATE FOR PAYMENT OF DIVIDENDS.

It shall not be necessary to close the stock transfer books of the corporation for the purpose of determining the stockholders entitled to receive payment of any dividend on the stock of the corporation; but in lieu of closing the stock transfer books, and for all purposes that might be served by closing the stock transfer books, the board of directors, in declaring any dividend on the common stock, shall fix either the date on which the dividend is declared or a date between that date and the date on which the dividend is to be paid as the record date for determining stockholders entitled to receive payment of said dividend; and the corporation and its transfer agents may continue to receive and record transfers of stock after the record date so fixed and determined but, in any such case, such stockholders and only such stockholders as shall have been stockholders of record at the close of business on the record date so fixed and determined by the board of directors shall be entitled to receive payment of said dividend, notwithstanding any transfer of any stock which may have been made on the books of the corporation or its transfer agents after said record date.

ARTICLE IX.

FINANCIAL TRANSACTIONS AND EXECUTION OF INSTRUMENTS IN WRITING

SECTION 9.1 DEPOSITORIES.

The funds and securities of the corporation shall be deposited, in the name of and to the credit of the corporation, in such banks, trust companies and other financial institutions as shall from time to time be determined and designated by the board of directors or its delegate.

SECTION 9.2 WITHDRAWALS AND PAYMENTS.

All checks and orders for the withdrawal or payment of funds of the corporation, shall be signed in the name of the corporation in such manner and form and by such officer, officers or other employees as from time to time may be authorized and provided by the board of directors or its delegate. Facsimile signatures may be used when authorized by the board or its delegate.

It shall be the duty of the secretary, an assistant secretary or the corporation's official in charge of internal auditing to certify to the designated depositories of the funds and securities of the corporation the names and signatures of the officers and other employees of the corporation who, from time to time, are authorized to sign checks, drafts or orders for the withdrawal of funds and/or securities. No check, drafts or order for the withdrawal or payment of funds of the corporation shall be signed in blank.

SECTION 9.3 EVIDENCE OF INDEBTEDNESS AND INSTRUMENTS UNDER SEAL.

Unless otherwise authorized by the board of directors, all notes, bonds, and other evidences of indebtedness of the corporation, and all deeds, indentures, contracts and other instruments in writing required to be executed under the seal of the corporation, shall be signed in the name and on behalf of the corporation by the chairman of the board, the president, the vice chairman, if any, or a vice president of the corporation and shall be attested by the secretary or an assistant secretary.

ARTICLE X.

BOOKS AND RECORDS

SECTION 10.1 LOCATION.

The books, accounts and records of the corporation, except as may be otherwise required by the laws of the State of Delaware, may be kept outside of the State of Delaware, at such place or places as the board of directors may from time to time appoint.
SECTION 10.2 INSPECTION.

Except as otherwise required by law, the board of directors or its delegate shall determine whether and to what extent the books, accounts and records of the corporation, or any of them other than the stock books, shall be open to the inspection of the stockholders.

ARTICLE XI.

TRANSACTIONS WITH OFFICERS AND DIRECTORS

SECTION 11.1 VALIDATION.

Contracts and all other transactions, including but not limited to purchases and sales, by and between this corporation and one or more of its officers or directors, or by and between this corporation and any firm, partnership, association or corporation of which one or more of the officers or directors of this corporation shall be members, partners, officers or directors or in which one or more of the officers or directors of this corporation shall be interested, shall be valid, binding and enforceable, and shall not be voidable by this corporation or its stockholders notwithstanding the participation of any such interested director in any meeting of the board of directors of this corporation at which such contract or other transaction shall be considered, acted upon or authorized, and notwithstanding the participation of any such interested officer or director in the making or performance of such contract or transaction, if the material facts of such interest shall be disclosed to or be known by the members of the board of directors of this corporation who shall be present at the meeting of said board at which such contract or transaction, and such participation therein, shall be authorized or approved and if the board in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum.
ARTICLE XII.

AMENDMENT, REPEAL OR ALTERATION

SECTION 12.1 AMENDMENT, REPEAL OR ALTERATION.

These By-Laws may be amended, repealed or altered, in whole or in part, by a majority of the valid votes cast at any duly convened regular annual meeting of the stockholders or at any duly convened special meeting of stockholders when such object shall have been announced in the call and notice of the meeting. These By-Laws also may be amended, repealed or altered by vote of a majority of the whole board of directors at any duly convened meeting of the board of directors; provided, however, that any such action of the board of directors may be repealed by the stockholders. The repeal of any such action of the board of directors by the stockholders, however, shall not invalidate or in anywise affect the validity of any act or thing done in reliance upon said action of the board of directors.

EMERGENCY BY-LAWS

ADOPTED OCTOBER 27, 1967

Subject to repeal or change by the stockholders, and notwithstanding any different provision contained in the Delaware Corporation Law or in the Certificate of Incorporation or By-Laws of this corporation, the following emergency by-laws shall be operative in any emergency arising from an attack on the United States or on a locality in which the corporation conducts its business or customarily holds meetings of its board of directors or stockholders, or during any atomic or nuclear disaster or during the existence of any catastrophe or other similar emergency condition as a result of which a quorum of the board of directors cannot readily be convened for action.

1. In the event of emergency or disaster as described above, an emergency board of directors shall forthwith assume direction and control of the affairs of the corporation.

2. Such emergency board of directors shall consist of all living directors, and meetings of the emergency board may be called by the chairman of the board, the president, the vice chairman or the secretary or, in the event of the death or inability of any of the four to act, by any surviving director with the capacity and ability to act.

3. To the extent possible, notice of emergency board meetings shall be given in each instance to each known living member of the board at his last known business address, either orally or in writing delivered personally or by mail, telegraph, telephone or radio, or by publication; provided however, that if notice by such means is impossible insofar as specific individual directors are concerned, then the person calling the meeting shall give such directors such notice as is reasonably possible under the circumstances.

4. At any properly called meeting of the emergency board a quorum shall not be necessary, and the acts of a majority of the members of the emergency board present shall be and shall constitute the acts of the emergency board.

5. During its existence, the emergency board shall have the following powers:

(a) To appoint officers and agents of the corporation and to determine their compensation and duties;

(b) To borrow money and to issue bonds, notes or other obligations and evidence of indebtedness therefor;

(c) To determine questions of general policy with respect to the business of the corporation;

(d) To call stockholders’ meetings; and

(e) To take all actions and to do all things necessary to preserve the corporation as an operating entity, and to direct and control its affairs and operations, until the regular board of directors has been reconstituted, either by the passage of time, by action of the stockholders, or otherwise in accordance with law.

6. No officer, director or employee acting in accordance with these emergency by-laws shall be liable to the corporation or its stockholders with respect to action taken under power granted herein except for willful misconduct.

7. As soon as reasonably possible following the creation of an emergency board of directors, if it appears clear that such action is required because of the number of directors killed or indefinitely incapacitated, the emergency board shall call a regular or special meeting of the stockholders of the corporation for the election of a new board of directors, or otherwise to reconstitute the board, and upon the election and qualification or reconstitution of such board, the emergency board established pursuant to these emergency by-laws shall cease and terminate and the direction and control of the affairs of the corporation shall vest in such new or reconstituted board of directors.

8. To the extent not inconsistent with these emergency by-laws, the regular by-laws of the corporation shall remain in effect during the emergency.
EXHIBIT 4.10
EXECUTION COPY
DELTA AIR LINES, INC.

and

THE BANK OF NEW YORK TRUST COMPANY, N.A.
as Trustee

2 7/8% Convertible Senior Notes due 2024

INDENTURE

Dated as of February 6, 2004
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"n/a" means not applicable.

*This Cross-Reference Table shall not, for any purpose, be deemed to be a part of the Indenture.*
THIS INDENTURE, dated as of February 6, 2004, is between Delta Air Lines, Inc., a Delaware corporation (the "Company"), and The Bank of New York Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America (the "Trustee"). The Company has duly authorized the creation of its 2 7/8% Convertible Senior Notes due 2024 (the "Convertible Senior Notes" or the "Notes"), and to provide therefor the Company and the Trustee have duly authorized the execution and delivery of this Indenture. Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders from time to time of the Notes:

ARTICLE 1

DEFINITIONS

SECTION 1.01 Definitions.

"Affiliate" means, when used with reference to any person, any other person directly or indirectly controlling, controlled by, or under direct or indirect common control of, the referent person. For the purposes of this definition, "control" when used with respect to any specified person means the power to direct or cause the direction of management or policies of the referent person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise. The terms "controlling" and "controlled" have meanings correlative of the foregoing.

"Agent" means any Registrar, Paying Agent, Conversion Agent or co-registrar.

"Agent Member" means any member of, or participant in, the Depositary.

"Board of Directors" means the Board of Directors of the Company or any authorized committee of the Board of Directors.

"Capital Stock" of any person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such person, but excluding any debt securities convertible into such equity.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which is not subject to redemption by the Company. Subject to the provisions of Section 11.06, however, shares issuable on conversion of Notes shall include only shares of the class designated as Common Stock of the Company at the date of this Indenture or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which are not subject to redemption by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

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"Company" means the party named as such above until a successor replaces it in accordance with Article 5 and thereafter means the successor. References to the Company shall not include any subsidiary.

"Conversion Price" shall have the meaning set forth in paragraph 9 of the Note.

"Conversion Rate" shall be as specified in paragraph 9 of the Note, the form of which is attached hereto as Exhibit A, as adjusted in accordance with the provisions of Articles 11 and 12.

"Convertible Senior Notes" or the "Notes" means the 2 7/8% Convertible Senior Notes due 2024 issued, authenticated and delivered pursuant to this Indenture.

"Corporate Trust Office" means the corporate trust office of the Trustee at which at any particular time the trust created by this Indenture shall principally be administered; as of the date hereof, the Corporate Trust Office is located at 10161 Centurion Parkway, Jacksonville, FL 32256, Attention: Corporate Trust Department, Facsimile: (904) 645-1921.

"Default" means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

"Depositary" means, with respect to any Global Securities, a clearing agency that is registered as such under the Exchange Act and is designated by the Company to act as Depositary for such Global Securities (or any successor securities clearing agency so registered), which shall initially be DTC.

"Designated Event" means any transaction or event (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise) in connection with which all or substantially all of the Common Stock shall be exchanged for, converted into, acquired for or constitutes solely the right to receive, consideration which is not all or substantially all Common Stock that:

(i) is listed on, or immediately after such transaction or event will be listed on, a United States national securities exchange; or

(ii) is approved, or immediately after such transaction or event will be approved, for quotation on the Nasdaq National Market or any similar United States system of automated dissemination of quotations of securities prices.

"DTC" means The Depository Trust Company, a New York corporation.

"ex-dividend date" shall have the meaning set forth in Article 12 hereof and paragraph 9 of the Note, the form of which is attached hereto as Exhibit A.


"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public
Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, which are in effect from time to time.

"Global Securities Legend" means the legend labeled as such and that is set forth in Exhibit A hereto.

"Holder" means a person in whose name the Notes are registered on the Registrar's books.

"Indebtedness" means, with respect to any person, all obligations, whether or not contingent, of such person (i) (a) for borrowed money (including, but not limited to, any indebtedness secured by a security interest, mortgage or other lien on the assets of the Company that is (1) given to secure all or part of the purchase price of property subject thereto, whether given to the vendor of such property or to another, or (2) existing on property at the time of acquisition thereof), (b) evidenced by a note, debenture, bond or other written instrument, (c) under a lease required to be capitalized on the balance sheet of the lessee under GAAP or under any lease or related document (including a purchase agreement) that provides that the Company is contractually obligated to purchase or cause a third party to purchase and thereby guarantee a minimum residual value of the lease property to the lessor and the obligations of the Company under such lease or related document to purchase or to cause a third party to purchase such leased property, (d) in respect of letters of credit, bank guarantees or bankers' acceptances (including reimbursement obligations with respect to any of the foregoing), (e) with respect to Indebtedness secured by a mortgage, pledge, lien, encumbrance, charge or adverse claim affecting title or resulting in an encumbrance to which the property or assets of such person are subject, whether or not the obligation secured thereby shall have been assumed by or shall otherwise be such person's legal liability, (f) in respect of the balance of deferred and unpaid purchase price of any property or assets, and (g) under interest rate or currency swap agreements, cap, floor and collar agreements, spot and forward contracts and similar agreements and arrangements; (ii) with respect to any obligation of others of the type described in the preceding clause (i) or under clause (iii) below assumed by or guaranteed in any manner by such person through an agreement to purchase (including, without limitation, "take or pay" and similar arrangements), contingent or otherwise (and the obligations of such person under any such assumptions, guarantees or other such arrangements); and (iii) any and all deferrals, renewals, extensions, refinancings and refundings of, or amendments, modifications or supplements to, any of the foregoing.

"Indenture" means this Indenture as amended or supplemented from time to time.

"Initial Purchaser" means Morgan Stanley & Co. Incorporated

"Interest Payment Date" means February 18 and August 18 of each year, beginning August 18, 2004.

"Liquidated Damages" shall be as set forth in paragraph 15 of the Note, the form of which is attached as Exhibit A hereto, qualified by reference to, and is subject in its entirety to, the more complete description thereof contained in the Registration Rights Agreement.
"Maturity Date" means February 18, 2024.

"Offering Memorandum" means the final offering memorandum, dated February 2, 2004, relating to the Notes, including any supplements and amendments thereto.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, the Chief Accounting Officer, any Executive Vice President, Senior Vice President or Vice President (whether or not designated by a number or numbers or word or words before or after the title "Vice President"), the Treasurer, the Secretary and any Assistant Treasurer or any Assistant Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers, one of whom is the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer of the Company.

"Opinion of Counsel" means a written opinion from legal counsel, who may be an employee of or counsel to the Company or the Trustee, except to the extent otherwise indicated in this Indenture.

A "person" means any individual, corporation, partnership, joint venture, trust, estate, unincorporated organization, limited liability company or government or any agency or political subdivision thereof.

"Principal Property" means any aircraft, or any aircraft engine installed in any aircraft, that has 75 or more passenger seats, whether now owned or hereafter acquired by the Company or any Restricted Subsidiary.

"Purchase Agreement" means the Purchase Agreement related to the Notes, dated February 2, 2004, between the Company and the Initial Purchaser, as such agreement may be amended, modified or supplemented from time to time.

"Purchase Date" means February 18, 2009, February 18, 2014 and February 18, 2019, as applicable, as specified in the relevant Purchase Notice.

"Redemption Date" means the business day specified for redemption of the Notes in accordance with the terms of the Notes and this Indenture, as set forth in a notice of redemption.

"Registration Rights Agreement" means the Registration Rights Agreement relating to the Notes and the Common Stock issuable upon conversion of such Notes, dated February 6, 2004, between the Company and the Initial Purchaser, as such agreement may be amended, modified or supplemented from time to time.

"Regular Record Date" means the February 3 or August 3 immediately preceding each Interest Payment Date.

"Restricted Common Stock Legend" means the legend labeled as such and that is set forth in Exhibit B hereto.
"Restricted Securities Legend" means the legend labeled as such and that is set forth in Exhibit A hereto.

"Restricted Subsidiary" means any subsidiary of the Company (i) substantially all of the property of which is located, and substantially all of the operations of which are conducted, in the United States, and (ii) which owns a Principal Property, except a subsidiary which is primarily engaged in the business of a finance company.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Shelf Registration Statement" shall have the meaning set forth in the Registration Rights Agreement.

A "subsidiary" means, with respect to any person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such person or one or more of the other subsidiaries of that person (or a combination thereof) and (ii) any partnership (a) the sole general partner or managing general partner of which is such person or a subsidiary of such person or (b) the only general partners of which are such person or of one or more subsidiaries of such person (or any combination thereof).

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa- 77bbbb) as in effect on the date of execution of this Indenture, except as provided in Sections 9.03 and 11.07.

"trading price" shall have the meaning specified in Article 12 hereof and paragraph 9 of the Note, the form of which is attached hereto as Exhibit A.

"Trust Officer" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Indenture.

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor.

"Voting Stock" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in the election of directors.

SECTION 1.02 Other Definitions.
SECTION 1.03 Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. All other terms in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule under the TIA have the meanings so assigned to them.
SECTION 1.04 Rules of Construction.

Unless the context otherwise requires:

(a) a term has the meaning assigned to it;

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(c) "or" is not exclusive;

(d) words in the singular include the plural, and in the plural include the singular; and

(e) the male, female and neuter genders include one another.

ARTICLE 2

THE CONVERTIBLE SENIOR NOTES

SECTION 2.01 Form.

(a) GLOBAL SECURITIES. The Notes are being offered and sold by the Company pursuant to the Purchase Agreement. The Notes are being offered and sold

(i) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("Regulation S") or (ii) to "qualified institutional buyers" (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act ("Rule 144A"), each pursuant to the Purchase Agreement, and shall be issued in the form of one or more permanent global securities in definitive, fully registered form without interest coupons with the Global Securities Legend and Restricted Securities Legend as set forth in Exhibit A hereto (each, a "Global Security"). Any Global Security shall be deposited on behalf of the purchasers of the Notes represented thereby with the Trustee, as custodian for the Depositary, and registered in the name of the Depositary or a nominee of the Depositary for the accounts of participants in the Depositary (and, in the case of Notes held in accordance with Regulation S, registered in the name of the Depositary or a nominee of the Depositary for the accounts of designated agents holding on behalf of the Euroclear System ("Euroclear") or Clearstream Banking, societe anonyme ("Clearstream"), duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of a Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee as hereinafter provided.

(b) BOOK-ENTRY PROVISIONS. This Section 2.01(b) shall apply only to a Global Security deposited with or on behalf of the Depositary. The Company shall execute and the Trustee shall, in accordance with this Section 2.01(b) and the written order of the Company, authenticate and deliver initially one or more Global Securities that (i) shall be registered in the name of Cede & Co. or other nominee of such Depositary and (ii) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary’s instructions or held by the Trustee as custodian for the Depositary.

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Agent Members shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary or by the Trustee as the custodian of the Depositary or under such Global Security, and the Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of such Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Security.

The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "Management Regulations and Instructions to Participants" of Clearstream shall be applicable to interests in any Global Securities that are held by participants through Euroclear or Clearstream. The Trustee shall have no obligation to notify Holders of any such procedures or to monitor or enforce compliance with the same.

(c) DEFINITIVE SECURITIES. Except as provided in Section 2.10, owners of beneficial interests in Global Securities will not be entitled to receive physical delivery of certificated Notes in definitive form. If applicable, certificated Notes in definitive form will bear the Restricted Securities Legend set forth on Exhibit A unless removed in accordance with Section 2.06(f).

SECTION 2.02 Execution and Authentication.

One Officer shall sign the Notes for the Company by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

Upon a written order of the Company signed by an Officer of the Company, the Trustee shall authenticate Notes for original issue up to an aggregate principal amount of $325,000,000 (plus up to an additional $65,000,000 aggregate principal amount of Notes that may be sold by the Company to the Initial Purchaser pursuant to the option granted pursuant to the Purchase Agreement). The aggregate principal amount of Notes outstanding at any time may not exceed $390,000,000, except as provided in Section 2.07.

The Notes shall be issuable only in registered form without coupons and only in denominations of $1,000 or any integral multiple thereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same right as an Agent to deal with the Company or an Affiliate of the Company.

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SECTION 2.03 Registrar, Paying Agent and Conversion Agent.

The Company shall maintain or cause to be maintained in such locations as it shall determine, which may be the Corporate Trust Office, an office or agency: (i) where securities may be presented for registration of transfer or for exchange ("Registrar"); (ii) where Notes may be presented for payment ("Paying Agent"); (iii) an office or agency where Notes may be presented for conversion (the "Conversion Agent"); and (iv) where notices and demands to or upon the Company in respect of Notes and this Indenture may be served by the Holders. The Registrar shall keep a Register ("Register") of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars, one or more additional paying agents and one or more additional conversion agents. The term "Registrar" includes any additional registrar, the term "Paying Agent" includes any additional paying agent and the term "Conversion Agent" includes any additional Conversion Agent. The Company may change any Paying Agent, Registrar, Conversion Agent or co-registrar without prior notice. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture and shall enter into an appropriate agency agreement with any Registrar, Paying Agent, Conversion Agent or co-registrar not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company or any of its subsidiaries may act as Paying Agent, Registrar, Conversion Agent or co-registrar without prior notice. The Company may change any Paying Agent, Registrar, Conversion Agent or co-registrar without prior notice. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture and shall enter into an appropriate agency agreement with any Registrar, Paying Agent, Conversion Agent or co-registrar not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company or any of its subsidiaries may act as Paying Agent, Registrar, Conversion Agent or co-registrar without prior notice. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture and shall enter into an appropriate agency agreement with any Registrar, Paying Agent, Conversion Agent or co-registrar not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company or any of its subsidiaries may act as Paying Agent, Registrar, Conversion Agent or co-registrar without prior notice.

SECTION 2.04 Paying Agent to Hold Money in Trust.

The Company shall require each Paying Agent (other than the Trustee, who hereby so agrees) to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of, interest or Liquidated Damages, if any, on, or the Redemption Price, Purchase Price or Designated Event Repurchase Price for, the Notes, and will notify the Trustee of any default by the Company in respect of making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a subsidiary of the Company) shall have no further liability for the money. If the Company or a subsidiary of the Company acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent.

SECTION 2.05 Holder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least seven business days before each Interest Payment Date, and as the Trustee may request in writing within fifteen (15) days after receipt by the Company of any such request (or such lesser time as the Trustee may reasonably request in order to enable it to timely provide any notice to
SECTION 2.06 Transfer and Exchange.

(a) When Notes are presented to the Registrar or a co-registrar with a request to register a transfer or to exchange them for an equal principal amount of Notes for other denominations, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met. To permit registrations of transfers and exchanges, the Company shall issue and the Trustee shall authenticate Notes at the Registrar's request, bearing registration numbers not contemporaneously outstanding. No service charge shall be made to a Holder for any registration of transfer or exchange (except as otherwise expressly permitted herein), but the Company and the Registrar may require payment of a sum sufficient to cover any transfer tax or other governmental charge payable upon exchanges from the Holder requesting such registration of transfer or exchange.

(b) The Company shall not be required to make, and the Registrar need not register, transfers or exchanges of any Notes selected for redemption (except, in the case of Notes to be redeemed in part, the portion thereof not to be redeemed) or any Notes in respect of which a Purchase Notice or Designated Event Repurchase Notice has been given and not withdrawn by the Holder thereof in accordance with the terms of this Indenture (except, in the case of Notes to be purchased in part, the portion thereof not to be purchased).

(c) All Notes issued upon any transfer or exchange of Notes in accordance with this Indenture shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture as the Notes surrendered upon such registration of transfer or exchange.

(d) Notwithstanding any provision to the contrary herein, so long as a Global Security remains outstanding and is held by or on behalf of the Depositary, transfers of a Global Security, in whole or in part, or of any beneficial interest therein, shall only be made in accordance with Sections 2.01(b) and 2.10; provided, however, that beneficial interests in a Global Security may be transferred to persons who take delivery thereof in the form of a beneficial interest in the Global Security in accordance with the transfer restrictions set forth under the heading "Notice to Investors" in the Offering Memorandum and, if applicable, in the Restricted Securities Legend.

Except for transfers or exchanges made in accordance with Section 2.10, transfers of a Global Security shall be limited to transfers of such Global Security in whole, but not in part, to nominees of the Depositary or to a successor of the Depositary or such successor's nominee.

(e) In the event that a Global Security is exchanged for certificated Notes in definitive form pursuant to Section 2.10(b) prior to the effectiveness of a Shelf Registration Statement with respect to such Notes, such exchange may occur, and such Notes may be further exchanged or transferred, only upon receipt by the Registrar of (1) such Global Security or such Notes in definitive form, duly endorsed as provided herein, as applicable, (2) instructions from the Holder directing the Trustee to authenticate and deliver one or more Notes in definitive form of the same aggregate principal amount as the Global Security or the Notes in definitive form (or
portion thereof), as applicable, to be transferred, such instructions to contain the name or names of the designated transferee or transferees, the authorized denomination or denominations of the Notes in definitive form to be so issued and appropriate delivery instructions, and (3) such certifications or other information and, in the case of transfers pursuant to Rule 144 under the Securities Act, legal opinions as the Company may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act (including the certification requirements intended to ensure that such transfers comply with Rule 144A or Regulation S under the Securities Act, as the case may be), and upon compliance with such other procedures as may from time to time be adopted by the Company and the Registrar.

(f) Except in connection with a Shelf Registration Statement contemplated by and in accordance with the terms of the Registration Rights Agreement, if Notes are issued upon the registration of transfer, exchange or replacement of Notes bearing a Restricted Securities Legend, or if a request is made to remove such a Restricted Securities Legend on the Notes, the Notes so issued shall bear the Restricted Securities Legend, or a Restricted Securities Legend shall not be removed, as the case may be, unless there is delivered to the Company such satisfactory evidence, which, in the case of a transfer made pursuant to Rule 144 under the Securities Act, may include an opinion of counsel given in accordance with the laws in the State of New York, as may be reasonably required by the Company, that neither the legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such Notes are not "restricted" within the meaning of Rule 144 under the Securities Act. Upon provision to the Company of such satisfactory evidence, the Trustee, at the written direction of the Company, shall authenticate and deliver Notes that do not bear the legend. The Company shall not otherwise be entitled to require the delivery of a legal opinion in connection with any transfer or exchange of Securities.

(g) Neither the Trustee nor any Agent shall have any responsibility for any actions taken or not taken by the Depositary.

(h) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Notes (including any transfers between or among the Depositary's participants or beneficial owners of interests in any Global Security) other than to require delivery of such certificates and other documentation as is expressly required by, and to do so if and when expressly required by, the terms of this Indenture and to examine the same to determine substantial compliance as to form with the express requirements hereof.

SECTION 2.07 Replacement Convertible Senior Notes.

(a) If the Holder claims that its Note has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Note if the Trustee's and the Company's requirements are met. If required by the Trustee or the Company as a condition of receiving a replacement Note, the Holder must provide a certificate of loss and an indemnity and/or an indemnity bond sufficient, in the judgment of both the Company and the Trustee, to
(b) The Trustee or any authenticating agent may authenticate any such substituted Note, and deliver the same upon the receipt of such security or indemnity as the Trustee and the Company may require. Upon the issuance of any substituted Note, the Company and the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. In case any Note which has matured or is about to mature, submitted for redemption or repurchase pursuant to Article 4 or is about to be converted into Common Stock pursuant to Articles 11 and 12, shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Note, pay or authorize the payment of or convert or authorize the conversion of the same (without surrender thereof except in the case of a mutilated Note), as the case may be, if the applicant for such payment or conversion shall furnish to the Company, to the Trustee and, if applicable, to the paying agent or conversion agent such security or indemnity as may be required by the Company or the Trustee to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in case of destruction, loss or theft, evidence satisfactory to the Company, the Trustee and, if applicable, any paying agent or conversion agent of the destruction, loss or theft of such Note and of the ownership thereof.

(c) Every replacement Note is an additional obligation of the Company and shall be entitled to all the benefits provided under this Indenture equally and proportionately with all other Notes duly issued, authenticated and delivered hereunder.

SECTION 2.08 Outstanding Convertible Senior Notes.

The Notes outstanding at any time are all the Notes properly authenticated by the Trustee except for those cancelled by the Trustee, those delivered to it for cancellation, and those described in this Section as not outstanding.

If a Note is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If Notes are considered paid under Section 3.01 or converted pursuant to Articles 11 and 12, they cease to be outstanding, and interest and Liquidated Damages, if any, on them ceases to accrue.

Subject to Section 2.09 hereof, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note.

SECTION 2.09 When Treasury Convertible Senior Notes Disregarded.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or an Affiliate of the Company shall be considered as though they are not outstanding except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or
SECTION 2.10 Temporary Convertible Senior Notes.

(a) Until definitive Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes and shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Notes in exchange for temporary Notes.

(b) A Global Security deposited with the Depositary or with the Trustee as custodian for the Depositary pursuant to Section 2.01 shall be transferred to the beneficial owners thereof in the form of certificated Notes in definitive form only if such transfer complies with Section 2.06 and (i) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time such Depositary ceases to be a “clearing agency” registered under the Exchange Act and a successor Depositary is not appointed by the Company within 90 days of such notice, or (ii) an Event of Default has occurred and is continuing.

(c) Any Global Security or interest thereon that is transferable to the beneficial owners thereof in the form of certificated Notes in definitive form shall, if held by the Depositary, be surrendered by the Depositary to the Trustee, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Security, an equal aggregate principal amount of Notes of authorized denominations in the form of certificated Notes in definitive form. Any portion of a Global Security transferred pursuant to this Section shall be executed, authenticated and delivered only in denominations of $1,000 and any integral multiple thereof and registered in such names as the Depositary shall direct. Any Notes in the form of certificated Notes in definitive form delivered in exchange for an interest in the Global Security shall, except as otherwise provided by Section 2.06(f), bear the Restricted Securities Legend set forth in Exhibit A hereto.

(d) Prior to any transfer pursuant to Section 2.10(b), the registered Holder of a Global Security may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action that a Holder is entitled to take under this Indenture or the Notes.

SECTION 2.11 Cancellation.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else may cancel Notes surrendered for registration of transfer, exchange, payment, replacement, conversion, repurchase or cancellation. Upon written instructions of the Company, the Trustee shall dispose of cancelled Notes in accordance with its procedures for the disposition of cancelled securities in effect as of the date of such disposition and, after such disposition, shall deliver a certificate of
The Company may not issue new Notes to replace Notes that it has paid or repurchased or that have been delivered to the Trustee for cancellation or that any Holder has (i) converted pursuant to Articles 11 and 12 hereof or (ii) submitted for repurchase pursuant to Article 4 hereof (unless such submission is withdrawn in accordance with the terms of this Indenture).

SECTION 2.12 Defaulted Interest.

(a) If the Company fails to make a payment of interest on the Notes, it shall pay such defaulted interest plus, to the extent lawful, any interest payable on the defaulted interest. It may pay such defaulted interest, plus any such interest payable on it, to the persons who are Holders on a subsequent special record date. The Company shall fix any such record date.

(b) The Company may elect to make payment of any defaulted interest to the persons in whose names the Notes are registered at the close of business on a special record date for the payment of such defaulted interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment (which shall not be less than 20 days after such notice is received by the Trustee), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such defaulted interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such defaulted interest as in this clause provided. Thereupon the Trustee shall fix a special record date for the payment of such defaulted interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment (the "Special Record Date"). The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Notes at his address as it appears on the list of Securityholders maintained pursuant to Section 2.05 not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such defaulted interest and the Special Record Date therefor having been mailed as aforesaid, such defaulted interest shall be paid to the persons in whose names the Notes are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following paragraph (c).

(c) The Company may make payment of any defaulted interest on the Notes in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

SECTION 2.13 CUSIP Number.

The Company in issuing the Notes may use a "CUSIP" number and, if so, such CUSIP number shall be included in notices of repurchase or exchange as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the
correctness or accuracy of the CUSIP number printed in the notice or on the Notes and that reliance may be placed only on the other identification numbers printed on the Notes. The Company will promptly notify the Trustee of any change in the CUSIP number.

SECTION 2.14 Restrictions on Transfer.

The Company agrees that it will refuse to register any transfer of Notes or any shares of Common Stock issued upon conversion of Notes that is not made in accordance with the provisions of Regulation S under the Securities Act, pursuant to a registration statement which has been declared effective under the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act; provided that the provisions of this paragraph shall not be applicable to any Notes which do not bear a Restricted Securities Legend or to any shares of Common Stock evidenced by certificates which do not bear a Restricted Common Stock Legend.

ARTICLE 3

COVENANTS

SECTION 3.01 Payments on the Notes.

The Company shall pay the principal of and interest and Liquidated Damages, if any, on the Notes on the dates and in the manner provided in the Notes. Principal, interest, Liquidated Damages, if any, Redemption Price, Purchase Price and Designated Event Repurchase Price, as applicable, shall be considered paid on the date due if the Trustee or Paying Agent (other than the Company or a subsidiary of the Company) holds as of 10:00 a.m., New York City time, on that date immediately available funds designated for and sufficient to pay all principal, interest, Liquidated Damages, if any, Redemption Price, Purchase Price or the Designated Event Repurchase Price then due.

To the extent lawful, the Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on (i) overdue principal, at the rate borne by the Notes, compounded semiannually; and (ii) overdue installments of interest and Liquidated Damages, if any (without regard to any applicable grace period) at the same rate, compounded semiannually.

SECTION 3.02 Commission Reports.

The Company shall comply with TIA Section 314(a). Whether or not required by the rules and regulations of the Commission, so long as any of the Notes are outstanding, the Company shall file with the Commission and furnish to the Trustee all quarterly and annual financial information (without exhibits) required to be contained in a filing on Form 10-Q and Form 10-K, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations," and, with respect to the annual consolidated financial statements only, a report thereon by the independent auditors of the Company.
SECTION 3.03 Compliance Certificate.

The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company, an Officers' Certificate stating that a review of the activities of the Company and its subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has fully performed its obligations under this Indenture and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge, the Company is not in default in the performance or observance of any of the terms and conditions hereof (or, if any Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge) and, that to the best of his or her knowledge, no event has occurred and remains in existence by reason of which payments on account of the principal of or interest or Liquidated Damages, if any, on the Notes are prohibited.

The Company shall, so long as any of the Notes are outstanding, deliver to the Trustee, forthwith upon becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

SECTION 3.04 Maintenance of Office or Agency.

The Company shall maintain or cause to be maintained the office or agency required under Section 2.03. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency not maintained by the Trustee. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, presentations, surrenders, notices and demands with respect to the Notes may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designation.

SECTION 3.05 Continued Existence.

Subject to Article 5, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

SECTION 3.06 Appointments to Fill Vacancies in Trustee's Office.

The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.08, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 3.07 Stay, Extension and Usury Laws.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter enforced, that
may affect the Company's obligation to pay the Notes; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law insofar as such law applies to the Notes, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 3.08 Taxes.

The Company shall, and shall cause each of its subsidiaries to, pay prior to delinquency all taxes, assessments and government levies; provided, however, that the Company shall not be required to pay or cause to be paid any such tax, assessment or levy (a) if the failure to do so will not, in the aggregate, have a material adverse impact on the Company and its subsidiaries taken as a whole, or (b) if the amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 3.09 Investment Company Act.

As long as any Notes are outstanding, the Company will conduct its business and operations so as not to become an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "Investment Company Act"), and will take all steps required in order for it to continue not to be an "investment company" and not to be required to be registered under the Investment Company Act, including, if necessary, redeployment of the assets of the Company.

ARTICLE 4

REDEMPTION AND PURCHASE

SECTION 4.01 Right to Redeem; Notices to Trustee.

(a) The Company, at its option, may redeem all or a portion of the Notes on or after February 21, 2009 at a redemption price in cash ("Redemption Price") equal to 100% of the principal amount thereof, plus any accrued and unpaid interest to, but excluding, the Redemption Date.

(b) If the Company elects to redeem Notes pursuant to the terms of the Notes and this Indenture, it shall notify the Trustee in writing of the Redemption Date, the principal amount of Notes to be redeemed and the Redemption Price payable on the Redemption Date. The Company shall deliver to the Trustee the notice of redemption provided for in this Section 4.01 by means of a written request or order signed in the name of the Company by any two Officers at least 45 days before the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee).

SECTION 4.02 Selection of Notes to Be Redeemed.

(a) If less than all the Notes are to be redeemed, the Trustee shall select the Notes to be redeemed pro rata or by lot or by any other method the Trustee considers fair and appropriate (so long as such method is not prohibited by the rules of any stock exchange on which the Notes are
then listed). The Trustee shall make the selection at least 30 days but not more than 60 days before the Redemption Date from outstanding Notes not previously called for redemption.

(b) Notes and portions of them the Trustee selects shall be in principal amounts of $1,000 or an integral multiple of $1,000. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption. The Trustee shall notify the Company promptly of the amount of Notes or portions thereof to be redeemed.

(c) If any Note selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the Notes so selected, the converted portion of such Notes shall be deemed to be the portion selected for redemption. Notes that have been converted during a selection of Notes to be redeemed may be treated by the Trustee as outstanding for the purpose of such selection.

SECTION 4.03 Notice of Redemption.

(a) At least 30 days but not more than 60 days before a Redemption Date, the Company shall mail a notice of redemption by first-class mail, postage prepaid, to each Holder of Notes to be redeemed. The notice shall identify the Notes to be redeemed and shall state:

(i) the Redemption Date;

(ii) the Redemption Price payable on the Redemption Date;

(iii) the then current Conversion Rate;

(iv) the name and address of the Paying Agent and Conversion Agent;

(v) that Notes called for redemption may be converted at any time prior to the close of business on the Redemption Date;

(vi) that Holders who want to convert Notes must satisfy the requirements set forth in paragraph 9 of the Note;

(vii) that Notes called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;

(viii) if fewer than all the outstanding Notes are to be redeemed, the certificate number(s) or CUSIP number(s) and principal amounts of the particular Notes to be redeemed;

(ix) that, unless the Company defaults in making payment of such Redemption Price, the Notes called for redemption will cease to be outstanding and interest and Liquidated Damages, if any, on the Notes called for redemption will cease to accrue on and after the Redemption Date; and
(x) that all rights of the Holder will terminate on and after the Redemption Date (other than the right to receive the Redemption Price upon delivery or transfer of the Notes called for redemption).

(b) At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense, provided that the Company makes such request at least five business days (unless a shorter period shall be satisfactory to the Trustee) prior to the date such notice of redemption must be mailed.

SECTION 4.04 Effect of Notice of Redemption.

Once notice of redemption is given, Notes called for redemption become due and payable on the Redemption Date and at the Redemption Price stated in the notice of redemption, except for Notes which are converted in accordance with the terms of this Indenture. Upon surrender to the Paying Agent, such Notes shall be paid at the Redemption Price stated in the notice of redemption.

SECTION 4.05 Deposit of Redemption Price.

(a) Prior to 10:00 a.m. (New York City time) on the Redemption Date, the Company shall deposit with the Paying Agent (or the Company or a subsidiary or an Affiliate of either of them if the Paying Agent, shall segregate and hold in trust) money sufficient to pay the Redemption Price for all Notes to be redeemed on that date other than Notes or portions of Notes called for redemption which on or prior thereto have been delivered by the Company to the Trustee for cancellation or have been converted. The Paying Agent shall as promptly as practicable return to the Company any money not required for that purpose because of conversion of Notes pursuant to Articles 11 and 12. If such money is then held by the Company or its subsidiary or an Affiliate of either of them, as Paying Agent, in trust and is not required for such purpose it shall be discharged from such trust.

(b) If as of 10:00 a.m. (New York City time) on any Redemption Date the Paying Agent holds money sufficient to pay in full the Redemption Price for all Notes to be redeemed on such Redemption Date, other than Notes or portions of Notes called for redemption which on or prior thereto have been delivered by the Company to the Trustee for cancellation or have been converted, the Notes will cease to be outstanding immediately following the close of business on the Redemption Date and interest and Liquidated Damages, if any, on the Notes so purchased will cease to accrue on and after such Redemption Date. In such event, all rights of the Holder will terminate, other than the right to receive the Redemption Price upon delivery or transfer of the Notes to be so purchased.

SECTION 4.06 Notes Redeemed in Part.

Upon surrender of a Note that is redeemed in part, the Company shall execute and the Trustee shall authenticate and deliver to the Holder a new Note in an authorized denomination equal in principal amount to the unredeemed portion of the Notes surrendered.
SECTION 4.07 Arrangement on Call for Redemption.

(a) In connection with any redemption of Notes, the Company may arrange at or shortly before the time of the redemption for the purchase of any Notes called for redemption by an agreement with one or more investment banks or other purchasers to purchase such Notes by paying to the Trustee in trust for the Holders, on or prior to 10:00 a.m. (New York City time) on the Redemption Date, an amount that, together with any amounts deposited with the Trustee by the Company for the redemption of such Notes, is not less than the Redemption Price of such Notes. Notwithstanding anything to the contrary contained in this Article 4, the obligation of the Company to pay the Redemption Prices of such Notes shall be deemed to be satisfied and discharged to the extent such amount is so paid by such purchasers.

(b) If such an agreement is entered into, any Notes not duly surrendered for conversion by the Holders thereof may, at the option of the Company, be deemed, to the fullest extent permitted by law, acquired by such purchasers from such Holders as of the close of business on the Redemption Date, subject to payment of the above amount as aforesaid.

(c) The Trustee shall hold and pay to the Holders whose Notes are selected for redemption any such amount paid to it for purchase in the same manner as it would moneys deposited with it by the Company for the redemption of Notes. Without the Trustee's prior written consent, no arrangement between the Company and such purchasers for the purchase of any Notes shall increase or otherwise affect any of the powers, duties, responsibilities or obligations of the Trustee as set forth in this Indenture, and the Company agrees to indemnify the Trustee from, and hold it harmless against, any loss, liability or expense arising out of or in connection with any such arrangement for the purchase of any Notes between the Company and such purchasers, including the costs and expenses incurred by the Trustee in the defense of any claim or liability arising out of or in connection with the exercise or performance of any of its powers, duties, responsibilities or obligations under this Indenture.

SECTION 4.08 Purchase of Notes at the Option of the Holders.

(a) Notes shall be purchased by the Company at the option of the Holder thereof, in whole or in part, at a purchase price in cash (the "Purchase Price") equal to 100% of the principal amount thereof, plus any accrued and unpaid interest to, but excluding, the relevant Purchase Date, upon:

(i) delivery to the Paying Agent by the Holder of a written notice of purchase (a "Purchase Notice") at any time from the opening of business on the date that is at least 20 business days prior to the relevant Purchase Date until the close of business on the fifth business day prior to such Purchase Date stating:

(A) the relevant Purchase Date;

(B) the certificate number(s) or CUSIP number(s)

of the Notes which the Holder will deliver to be purchased;
(C) the portion of the principal amount of the Notes which the Holder will deliver to be purchased, which portion must be a principal amount of $1,000 or an integral multiple thereof; and

(D) that such Notes shall be purchased as of the Purchase Date pursuant to the terms and conditions specified in the Notes and in this Indenture; and

(ii) delivery of such Notes to the Paying Agent prior to the close of business on the business day prior to the Purchase Date (together with all necessary endorsements) at the offices of the Paying Agent, such delivery being a condition to receipt by the Holder of the Purchase Price therefor.

(b) The Company shall purchase from the Holder thereof, pursuant to this Section 4.08, a portion of a Note if the principal amount of such portion is $1,000 or an integral multiple of $1,000. Provisions of this Indenture that apply to the purchase of all of a Note also apply to the purchase of such portion of such Note.

(c) Any purchase by the Company contemplated pursuant to the provisions of this Section 4.08 shall be consummated by the delivery of the Purchase Price promptly following the later of the Purchase Date and the time of delivery of the Note.

(d) Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Purchase Notice contemplated by this Section 4.08 shall have the right to withdraw such Purchase Notice at any time prior to the close of business on the fifth business day prior to the Purchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 4.10. The Paying Agent shall promptly notify the Company of the receipt by it of any Purchase Notice or written notice of withdrawal thereof.

(e) On or before the 20th business day prior to each Purchase Date, the Company shall deliver to the Trustee, the Paying Agent, each Holder and, if required by applicable law, each beneficial holder of Notes, a written notice stating:

(i) the Purchase Price payable on such Purchase Date;

(ii) procedures that Holders must follow to have their Notes purchased on the relevant Purchase Date;

(iii) the then current Conversion Rate;

(iv) the name and address of the Paying Agent and Conversion Agent;

(v) that Holders who have delivered a Purchase Notice and who want to convert their Notes must first withdraw their Purchase Notice in accordance with the terms of this Indenture and such Holders must satisfy the requirements set forth in paragraph 9 of the Note;
(vi) that Notes must be surrendered to the Paying Agent to collect the Purchase Price;

(vii) that, unless the Company defaults in making payment of such Purchase Price, the Notes so purchased will cease to be outstanding and interest and Liquidated Damages, if any, on the Notes so purchased will cease to accrue on and after the relevant Purchase Date;

(viii) that all rights of the Holder will terminate on and after the relevant Purchase Date (other than the right to receive the Purchase Price upon delivery or transfer of the Notes to be purchased); and

(ix) if fewer than all the outstanding Notes are to be purchased, the certificate/CUSIP number(s) and principal amounts of the particular Notes to be purchased.

(f) Simultaneously with delivering the written notice pursuant to Section 4.08(e) above, the Company shall publish a notice containing all information specified in such written notice in a newspaper of general circulation in The City of New York, or publish such information on the Company's website, or through such other public medium that reasonably could be expected to inform Holders of such information.

(g) Procedure upon Purchase. The Company shall deposit the cash at the time and in the manner as provided in Section 4.11, in an amount sufficient to pay the aggregate Purchase Price of all Notes to be purchased pursuant to this Section 4.08.

SECTION 4.09 Repurchase at the Option of Holders Upon Designated Event.

(a) Following a Designated Event (the date of each such occurrence being the "Designated Event Date"), the Company shall notify the Holders in writing of such occurrence (such written notice referred to herein as the "Designated Event Notice") and shall make an offer (the "Designated Event Offer") to repurchase all Notes then outstanding at a repurchase price in cash (the "Designated Event Repurchase Price") equal to 100% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the Designated Event Repurchase Date (as defined below). If the Designated Event Repurchase Date is an Interest Payment Date, the Company shall pay interest to the person in whose name the Note is registered on the relevant Regular Record Date.

(b) The Designated Event Notice shall be mailed by or at the direction of the Company to the Holders as shown on the Register of such Holders maintained by the Registrar not more than 30 days after the applicable Designated Event Date at the addresses as shown on the Register maintained by the Registrar, with a copy to the Trustee and the Paying Agent. The Designated Event Offer shall remain open until a specified date (the "Designated Event Offer Termination Date") that is 20 business days from the date the Designated Event Notice is mailed. Prior to the Designated Event Offer Termination Date, Holders may elect to tender their Notes in whole or in part in integral multiples of $1,000 in exchange for cash. Payment shall be made by the Company in respect of Notes properly tendered pursuant to this Section (such date of payment...
being referred to herein as the "Designated Event Repurchase Date") promptly following the Designated Event Offer Termination Date.

(c) The Designated Event Notice, which shall govern the terms of the Designated Event Offer, shall include a form of written notice of repurchase substantially in the form attached in Exhibit A hereto (the "Designated Event Repurchase Notice") to be completed by the Holder and shall include such disclosures as are required by law and shall state:

(i) that a Designated Event Offer is being made pursuant to this Section 4.09 and that all Notes properly tendered will be accepted for payment;

(ii) the certificate number(s) or CUSIP number(s) of the Notes pursuant to which the Designated Event Offer is being made;

(iii) the event, transaction or transactions that constitute the Designated Event, the date of such Designated Event and that Holders have the right to elect to have their Notes repurchased in accordance with the Company's Designated Event Offer;

(iv) the Designated Event Repurchase Price for each Note, the Designated Event Offer Termination Date and the Designated Event Repurchase Date;

(v) the name and address of the Paying Agent and the Conversion Agent;

(vi) that Notes as to which a Designated Event Repurchase Notice has been given may be converted pursuant to this Section 4.09 only if the Designated Event Repurchase Notice has been withdrawn in accordance with the terms of this Indenture;

(vii) that any Note not accepted for payment will continue to accrue interest and Liquidated Damages, if applicable, in accordance with the terms thereof;

(viii) that, unless the Company defaults on making the Designated Event Repurchase Price, any Note accepted for payment pursuant to the Designated Event Offer shall cease to accrue interest and Liquidated Damages, if any, on and after the Designated Event Repurchase Date and no further interest or Liquidated Damages, if any, shall accrue on or after such date and any conversion rights associated with any Note accepted for payment pursuant to the Designated Event Offer shall terminate on the Designated Event Offer Termination Date;

(ix) that Holders electing to have Notes repurchased pursuant to a Designated Event Offer will be required to surrender their Notes to the Paying Agent at the address specified in the Designated Event Notice prior to 5:00 p.m., New York City time, on the Designated Event Offer Termination Date and must complete any form letter of transmittal proposed by the Company and acceptable to the Trustee and the Paying Agent;

(x) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than 5:00 p.m., New York City time, on the Designated Event Offer Termination Date, a facsimile transmission or letter setting forth the name of the Holder.
the principal amount of Notes the Holder delivered for purchase, the certificate number(s) or CUSIP number(s) of the Notes and a statement that such Holder is withdrawing his election to have such Notes purchased;

(xi) that Holders whose Notes are repurchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered;

(xii) the procedures that Holders must follow in order to tender their Notes; and

(xiii) that in the case of a Designated Event Repurchase Date that is also an Interest Payment Date, the interest payment and Liquidated Damages, if any, due on such date shall be paid to the person in whose name the Note is registered at the close of business on the relevant Designated Event Offer Termination Date.

(d) A Holder may exercise its rights specified in this Section 4.09 upon delivery of a Designated Event Repurchase Notice to the Trustee with a copy to the Paying Agent at any time on or prior to the Designated Event Offer Termination Date.

(e) The delivery of a Holder's Notes to the Trustee and the Paying Agent with the Designated Event Repurchase Notice (together with all necessary endorsements) at the office of the Trustee and the Paying Agent shall be a condition to the receipt by the Holder of the Designated Event Repurchase Price therefor; provided, however, that such Designated Event Repurchase Price shall be so paid pursuant to this Section 4.09 only if the Notes so delivered to the Trustee and the Paying Agent shall conform in all respects to the description thereof set forth in the related Designated Event Repurchase Notice.

(f) Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Designated Event Repurchase Notice contemplated by this Section 4.09 shall have the right to withdraw such Designated Event Repurchase Notice at any time on or prior to the Designated Event Offer Termination Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 4.10. The Paying Agent shall promptly notify the Company of the receipt by it of any Designated Event Repurchase Notice or written withdrawal thereof.

(g) On the Designated Event Offer Termination Date, the Company shall

(i) accept for payment all Notes or portions thereof properly tendered pursuant to the Designated Event Offer, (ii) deposit with the Paying Agent money sufficient to pay the Designated Event Repurchase Price with respect to all Notes or portions thereof so tendered and accepted and (iii) deliver or cause to be delivered to the Trustee for cancellation the Notes so accepted together with an Officers' Certificate setting forth the aggregate principal amount of Notes or portions thereof tendered to and accepted for payment by the Company. On the Designated Event Repurchase Date, the Paying Agent shall mail or deliver the Designated Event Repurchase Price to the Holders so accepted and the Trustee shall promptly authenticate and mail or cause to be transferred by book-entry to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered, if any; provided that such new Notes will be in a principal amount of $1,000 or an integral multiple thereof. Any Notes not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof.

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(h) In the case of any reclassification, change, consolidation, merger, share exchange, combination or sale or conveyance to which Section 11.06 applies in which the Common Stock of the Company is changed or exchanged as a result into the right to receive stock, securities or other property or assets (including cash) which includes shares of Common Stock of the Company or another person that are, or upon issuance will be, traded on a United States national securities exchange or approved for trading on an established automated over-the-counter trading market in the United States and such shares constitute at the time such change or exchange becomes effective in excess of 50% of the aggregate fair market value of such stock, securities other property and assets (including cash) (as determined by the Company, which determination shall be conclusive and binding), then the person formed by such consolidation or resulting from such merger or share exchange or which acquires such assets, as the case may be, shall execute and deliver to the Trustee a supplemental indenture (which shall comply with the TIA as in force at the date of execution of such supplemental indenture) modifying the provisions of this Indenture relating to the right of Holders to cause the Company to repurchase Notes following a Designated Event, including the applicable provisions of this Section 4.09 and the definition of Designated Event, as determined in good faith by the Company (which determination shall be conclusive and binding), to make such provision apply to such common stock and the issuer thereof if different from the Company and Common Stock of the Company (in lieu of the Company and the Common Stock of the Company).

SECTION 4.10 Effect of Purchase Notice or Designated Event Repurchase Notice.

(a) Upon receipt by the Paying Agent of the Purchase Notice or Designated Event Repurchase Notice specified in Section 4.08 or Section 4.09, as applicable, the Holder in respect of which such Purchase Notice or Designated Event Repurchase Notice, as the case may be, was given shall (unless such Purchase Notice or Designated Event Repurchase Notice is withdrawn as specified in the following two paragraphs) thereafter be entitled to receive solely the Purchase Price or Designated Event Repurchase Price, as the case may be, with respect to such Note. Such Purchase Price or Designated Event Repurchase Price shall be paid to such Holder, subject to receipt of funds by the Paying Agent, promptly following the later of (x) the Purchase Date or the Designated Event Offer Termination Date, as the case may be, with respect to such Note (provided the conditions in Section 4.08 or Section 4.09, as applicable, have been satisfied) and (y) the time of delivery of such Note to the Paying Agent by the Holder thereof in the manner required by Section 4.08 or Section 4.09, as applicable. Notes in respect of which a Purchase Notice or Designated Event Repurchase Notice, as the case may be, has been given by the Holder thereof may not be converted pursuant to Articles 11 and 12 hereof on or after the date of the delivery of such Purchase Notice or Designated Event Repurchase Notice, as the case may be, unless such Purchase Notice or Designated Event Repurchase Notice, as the case may be, has first been validly withdrawn as specified in the following paragraph.

(b) A Purchase Notice or Designated Event Purchase Notice, as the case may be, may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent in accordance with the Purchase Notice or Designated Event Purchase Notice, as the case may be, at any time prior to the close of business on the Purchase Date or the Designated Event Payment Date, as the case may be, specifying:
(i) the principal amount of the Note with respect to which such notice of withdrawal is being submitted;

(ii) the certificate number(s) or CUSIP number(s) of the Note in respect of which such notice of withdrawal is being submitted; and

(iii) the principal amount, if any, of such Note which remains subject to the original Purchase Notice or Designated Event Repurchase Notice, as the case may be, and which has been or will be delivered for purchase by the Company.

(c) There shall be no purchase of any Notes pursuant to Section 4.08 if there has occurred (prior to, on or after, as the case may be, the giving, by the Holders of such Notes of the required Purchase Notice) and is continuing an Event of Default (other than a default in the payment of the Purchase Price with respect to such Notes). The Paying Agent will promptly return to the respective Holders thereof any Notes (x) with respect to which a Purchase Notice has been delivered in compliance with this Indenture, or (y) held by it during the continuance of an Event of Default (other than a default in the payment of the Purchase Price with respect to such Notes), in which case, upon such return, the Purchase Notice with respect thereto shall be deemed to have been withdrawn.

SECTION 4.11 Deposit of Purchase Price or Designated Event Repurchase Price.

(a) Prior to 10:00 a.m. (New York City time) on the Purchase Date or the Designated Event Repurchase Date, as the case may be, the Company shall deposit with the Trustee or with the Paying Agent (or, if the Company or a subsidiary or an Affiliate of either of them is acting as the Paying Agent in connection with a purchase pursuant to Section 4.08, shall segregate and hold in trust as provided in Section 2.04) an amount of money (in immediately available funds if deposited on such business day) sufficient to pay the aggregate Purchase Price or Designated Event Repurchase Price, as the case may be, of all the Notes or portions thereof which are to be purchased as of the Purchase Date or Designated Event Repurchase Date, as the case may be.

(b) If the Paying Agent holds money sufficient to pay in full the relevant Purchase Price or Designated Event Repurchase Price, as applicable, for all Notes to be purchased on the relevant Purchase Date or Designated Event Repurchase Date, as applicable, other than Notes or portions of Notes which on or prior thereto have been delivered by the Company to the Trustee for cancellation or have been converted, the Notes will cease to be outstanding immediately following the close of business on the relevant Purchase Date or Designated Event Repurchase Date, as applicable, and interest and Liquidated Damages, if any, on the Notes so purchased will cease to accrue on and after such Purchase Date or Designated Event Repurchase Date, as applicable. In such event, all rights of the Holder will terminate on and after the relevant Purchase Date or Designated Event Repurchase Date, as applicable, other than the right to receive the relevant Purchase Price or Designated Event Repurchase Price, as applicable, upon delivery or transfer of the Notes to be so purchased.

SECTION 4.12 Notes Purchased in Part.

Any Note which is to be purchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written
SECTION 4.13 Covenant to Comply with Securities Laws upon Purchase of Convertible Senior Notes.

In connection with any offer to purchase or purchase of Notes under Section 4.08 or 4.09 hereof (provided that such offer or purchase constitutes an "issuer tender offer" for purposes of Rule 13e-4 (which term, as used herein, includes any successor provision thereto) under the Exchange Act at the time of such offer or purchase), the Company shall, to the extent applicable, (i) comply with Rule 13e-4 and Rule 14e-1 under the Exchange Act, (ii) file the related Schedule TO (or any successor schedule, form or report) under the Exchange Act, and (iii) otherwise comply with all federal and state securities laws so as to permit the rights and obligations under Sections 4.08 and 4.09 to be exercised in the time and in the manner specified in Sections 4.08 and 4.09.

SECTION 4.14 Repayment to the Company.

The Trustee and the Paying Agent shall return to the Company any cash that remains unclaimed, together with interest or dividends, if any, thereon (subject to the provisions of Section 7.01(f)), held by them for the payment of the Purchase Price or Designated Event Repurchase Price, as the case may be; provided, however, that to the extent that the aggregate amount of cash deposited by the Company pursuant to Section 4.11 exceeds the aggregate Purchase Price or Designated Event Repurchase Price, as the case may be, with respect to the Notes or portions thereof which the Company is obligated to purchase as of the Purchase Date or Designated Event Repurchase Date, as the case may be, whether as a result of withdrawal or otherwise, then promptly after the business day following the Purchase Date or Designated Event Repurchase Date, as the case may be, the Trustee shall return any such excess to the Company together with interest or dividends, if any, thereon (subject to the provisions of Section 7.01(f)).

ARTICLE 5

SUCCESSORS

SECTION 5.01 Company May Consolidate, etc., Only on Certain Terms

The Company shall not consolidate with or merge into any other person or convey, transfer or lease its properties and assets substantially as an entirety to any person, and the Company shall not permit any person to consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company unless:

(a) either:

(i) the Company shall be the continuing corporation; or
(ii) the person formed by or surviving any such consolidation or share exchange or into which the Company is merged (if other than the Company) or the person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company as an entirety or substantially as an entirety:

(1) shall be a corporation, partnership or trust organized under the laws of the United States or any State thereof or the District of Columbia; and

(2) shall expressly assume, by supplemental indenture in form reasonably satisfactory to the Trustee, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and interest and Liquidated Damages, if any, on all of the Notes and the performance or observance of every covenant of the Notes and this Indenture on the part of the Company to be performed or observed, including, without limitation, modifications to rights of Holders to cause the repurchase of Notes upon a Designated Event in accordance with Section 4.09(h) and conversion rights in accordance with Section 11.06 to the extent required by such Sections;

(b) in all cases, immediately after giving effect to such transaction no Default and no Event of Default shall have occurred and be continuing;

(c) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 5.02 Successor Corporation Substituted.

Upon any consolidation of the Company with, or merger of the Company into, any other person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with this Article 5, the successor person formed by such consolidation or into which the Company is merged or into which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor person shall be relieved of all obligations and covenants under this Indenture and the Notes.

SECTION 5.03 Repurchase at the Option of Holders upon Designated Event.

This Article 5 does not affect the obligations of the Company (including without limitation any successor to the Company) under Section 4.09.
SECTION 6.01 Events of Default.

An "Event of Default" with respect to any Notes shall be deemed to have occurred if:

(a) the Company defaults in the payment of principal of the Notes when due upon redemption, repurchase or otherwise; or

(b) the Company defaults in the payment of any installment of interest or Liquidated Damages on the Notes when due (including any interest payable in connection with a repurchase pursuant to Section 4.08 or Section 4.09 and a redemption pursuant to Section 4.01) and continuance of such default for 30 days or more; or

(c) the Company fails to comply or observe in any material respect
(other than a default set forth in clauses (a) and (b) above and clause (d) below) any other covenant or agreement of the Company in respect of the Notes set forth in this Indenture or the Notes, and fails to remedy such default or breach within a period of 60 days after the receipt of written notice to the Company from the Trustee or to the Company and the Trustee from the Holders of at least 25% in aggregate principal amount of the Notes then outstanding; or

(d) the Company defaults in the payment of the Designated Event Repurchase Price in respect of the Notes when the same becomes due and payable; or

(e) a default under any credit agreement, mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any Restricted Subsidiary, other than any such Indebtedness which is non-recourse to the Company or any Restricted Subsidiary, whether such Indebtedness exists on the date of this Indenture or shall hereafter be created, which default (i) is caused by a failure to pay when due any principal on such Indebtedness at the final stated maturity date of such Indebtedness (which failure continues beyond any applicable grace period) (a "Payment Default") or (ii) results in the acceleration of such Indebtedness prior to its express maturity (without such acceleration being rescinded or annulled) and, in each case, the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness under which there is a Payment Default or the maturity of which has been so accelerated, aggregates to $75,000,000 or more and such Payment Default is not cured or such acceleration is not annulled within 30 days after receipt of written notice to the Company from the Trustee or to the Company and the Trustee from Holders of at least 25% in aggregate principal amount of the Notes then outstanding; or

(f) the entry by a court having jurisdiction in the premises of (i) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any Bankruptcy Law, or (ii) a decree or order adjudging the Company bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable U.S. federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of
any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(g) the commencement by the Company of a voluntary case or proceeding under any Bankruptcy Law or any other case or proceeding to be adjudicated bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any Bankruptcy Law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

SECTION 6.02 Acceleration.

(a) If an Event of Default (other than an Event of Default specified in clauses (f) and (g) of Section 6.01) occurs and is continuing, then and in every such case the Trustee, by written notice to the Company, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company and the Trustee, may declare the unpaid principal of and accrued and unpaid interest and Liquidated Damages, if any, on all the Notes then outstanding to be due and payable. Upon such declaration such principal amount and accrued and unpaid interest and Liquidated Damages, if any, shall become immediately due and payable, notwithstanding anything contained in this Indenture or the Notes to the contrary. If any Event of Default specified in clauses (f) or (g) of Section 6.01 occurs, all unpaid principal of and accrued and unpaid interest and Liquidated Damages, if any, on the Notes then outstanding shall become automatically due and payable, without any declaration or other act on the part of the Trustee or any Holder.

(b) The Holders of a majority in aggregate principal amount of the Notes then outstanding by written notice to the Trustee may rescind any acceleration of the Notes and its consequences if all existing Events of Default (other than nonpayment of principal of and interest and Liquidated Damages, if any, on the Notes which has become due solely by virtue of such acceleration) have been cured or waived and if the rescission would not conflict with any judgment or decree of any court of competent jurisdiction. No such rescission shall affect any subsequent Default or Event of Default or impair any right consequent thereto.

SECTION 6.03 Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of or interest or Liquidated Damages, if any, on the Notes or to enforce the performance of any provision of the
Notes or this Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy occurring upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.04 Waiver of Past Defaults.

The Holders of a majority in aggregate principal amount of the Notes then outstanding may, on behalf of the Holders of all the Notes then outstanding, waive any past Default or Event of Default and its consequences, except a Default or Event of Default in the payment of the principal or interest or Liquidated Damages, if applicable, on the Notes (other than the non-payment of principal, interest or Liquidated Damages, if any, on the Notes which has become due solely by virtue of an acceleration which has been duly rescinded as provided above), or in respect of a covenant or provision of this Indenture which cannot be modified or amended without the consent of all Holders. When a Default or Event of Default is waived, it is cured and stops continuing. No waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

SECTION 6.05 Control by Majority.

The Holders of a majority in aggregate principal amount of the Notes then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders or that may involve the Trustee in personal liability; provided that the Trustee shall have no duty or obligation (subject to Section 7.01) to ascertain whether or not such actions of forebearances are unduly prejudicial to such Holders; provided, further, that the Trustee may take any other action the Trustee deems proper that is not inconsistent with such directions.

SECTION 6.06 Limitation on Suits.

A Holder may not pursue any remedy with respect to this Indenture or the Notes unless:

(a) the Holder gives to the Trustee written notice of a continuing Event of Default on the Notes;

(b) the Holders of at least 25% in principal amount of the Notes then outstanding make a written request to the Trustee to pursue the remedy;

(c) such Holders offer and, if requested, provide to the Trustee indemnity reasonably satisfactory to the Trustee against any cost, expense or liability;

(d) the Trustee does not act on the request on or prior to the 60th day after receipt of the request and the offer and, if requested, the provision of indemnity; and
(e) During such 60-day period the Holders of a majority in principal amount of the Notes then outstanding do not give the Trustee a direction inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder. This Section 6.06 does not affect the right of the Holders to bring an action for enforcement of the payment of the principal of or interest or Liquidated Damages, if any, the Redemption Price, Purchase Price or Designated Event Repurchase Price, as applicable, on such Holders' Notes on or after the respective due dates expressed in the Notes or such Holders' right to convert its Notes in accordance with the terms of this Indenture.

SECTION 6.07 Rights of Holders to Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal and interest and Liquidated Damages, if any, the Redemption Price, Purchase Price or Designated Event Repurchase Price, as applicable, on the Notes, on or after the respective due dates expressed in the Notes, or to bring suit for the enforcement of any such payment on or after such respective dates, or to bring suit for the enforcement of the right to convert the Notes shall not be impaired or affected without the consent of the Holder.

SECTION 6.08 Collection Suit by Trustee.

If an Event of Default specified in Section 6.01(a), (b), or (d) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal, and interest and Liquidated Damages, if any, and Redemption Price, Purchase Price and Designated Event Repurchase Price, if applicable, remaining unpaid on the Notes and interest on overdue principal, interest and Liquidated Damages, if any, and Redemption Price, Purchase Price and Designated Event Repurchase Price, if applicable, and such further amount as shall be sufficient to cover the costs and, to the extent lawful, expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09 Trustee May File Proofs of Claim.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Company, its creditors or its property. Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10 Priorities.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:
First: to the Trustee for amounts due under Section 7.07, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee, and the costs and expenses of collection;

Second: to Holders for amounts due and unpaid on the Notes for principal, interest and Liquidated Damages, if any, and the Redemption Price, Purchase Price and Designated Event Repurchase Price, if applicable, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, interest and Liquidated Damages, if any, and the Redemption Price, Purchase Price and Designated Event Repurchase Price, if applicable, respectively; and

Third: to the Company.

Except as otherwise provided in Section 2.12, the Trustee may fix a record date and payment date for any payment to Holders.

SECTION 6.11 Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit, other than the Trustee, of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 or a suit by Holders of more than 10% in principal amount of the Notes then outstanding.

ARTICLE 7

THE TRUSTEE

The Trustee hereby accepts the trust imposed upon it by this Indenture and covenants and agrees to perform the same, as herein expressed. Whether or not herein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article 7.

SECTION 7.01 Duties of the Trustee.

(a) If an Event of Default known to a Trust Officer of the Trustee has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Except during the continuance of an Event of Default known to the Trustee:

(i) The duties of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee need perform only those duties that are
specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the form required by this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) This paragraph does not limit the effect of paragraph (b) of this Section;

(ii) The Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Whether or not therein expressly so provided, every provision of this Indenture that is in any way related to the Trustee is subject to paragraphs (a), (b) and (c) of this Section 7.01.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk of liability is not reasonably assured to it.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.02 Rights of the Trustee.

(a) The Trustee may conclusively rely on and shall be protected in acting or refraining from acting upon any resolution, Officers' Certificate, or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, security or other document believed in good faith by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter contained therein.

(b) Any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof is herein specifically prescribed). In addition, before the Trustee acts or refrains from acting, it may require an Officers' Certificate, an Opinion of Counsel or both. The Trustee shall not be
liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its attorneys and agents and other persons not regularly in its employ and shall not be responsible for the misconduct or negligence of any attorney or agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith without negligence or willful misconduct which it believes to be authorized or within its discretion, rights or powers.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by Officers of the Company.

(f) The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or discretion of any of the Holders pursuant to the provisions of this Indenture, unless such Holders have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred therein or thereby.

(h) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, security or other document unless requested in writing to do so by the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding, provided that if the Trustee determines in its discretion to make any such investigation, then it shall be entitled, upon reasonable prior notice and during normal business hours, to examine the books and records and the premises of the Company, personally or by agent or attorney, and the reasonable expenses of every such examination shall be paid by the Company or, if paid by the Trustee or any predecessor Trustee, shall be reimbursed by the Company upon demand.

(i) The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(j) The Trustee shall not be responsible for the computation of any adjustment to the Conversion Rate or for any determination as to whether an adjustment is required and shall not be deemed to have knowledge of any adjustment unless and until it shall have received the notice from the Company contemplated by Section 11.05(j).

(k) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be
(l) The Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

SECTION 7.03 Individual Rights of the Trustee.

Subject to Sections 7.10 and 7.11, the Trustee in its individual or any other capacity may become the owner or pledgee of Notes with the same rights it would have if it were not the Trustee and may otherwise deal with the Company or an Affiliate of the Company and receive, collect, hold and retain collections from the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

SECTION 7.04 Trustee's Disclaimer.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes. It shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture. It shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.05 Notice of Defaults.

If a Default or Event of Default occurs and is continuing and if it is known to a Trust Officer of the Trustee, the Trustee shall mail to each Holder a notice of the Default or Event of Default within 90 days after the occurrence of such Default or Event of Default. A Default or an Event of Default shall not be considered known to a Trust Officer of the Trustee unless it is a Default or Event of Default in the payment of principal, interest or Liquidated Damages, if any, when due under Section 6.01(a), (b) or (d) (including any principal or interest payable in connection with a repurchase pursuant to Section 4.08 or Section 4.09 and a redemption pursuant to Section 4.01), or a Trust Officer of the Trustee shall have received notice thereof, in accordance with this Indenture, from the Company or from the Holders of a majority in principal amount of the outstanding Notes. Except in the case of a Default or Event of Default in payment of principal of, or interest or Liquidated Damages, if any, or payment of any Redemption Price, Purchase Price or Designated Event Repurchase Price, if applicable, on any Note, the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interest of the Holders.

SECTION 7.06 Reports by the Trustee to Holders.

(a) Within 60 days after the reporting date stated in Section 10.10, the Trustee shall mail to Holders a brief report dated as of such reporting date that complies with TIA Section 313(a) (but if
no event described in TIA Section 313(a) has occurred within twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA Section 313(b)(2). The Trustee shall also transmit by mail all reports as required by TIA Section 313(c).

(b) A copy of each report at the time of its mailing to Holders shall be filed, at the expense of the Company, by the Trustee with the Commission and each stock exchange or securities market, if any, on which the Notes are listed or quoted. The Company shall timely notify the Trustee when the Notes are listed or quoted on any stock exchange or securities market.

SECTION 7.07 Compensation and Indemnity.

(a) The Company shall pay to the Trustee from time to time, and the Trustee shall be entitled to such compensation for its acceptance of this Indenture and its services hereunder as the Company and the Trustee shall from time to time agree in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by or on behalf of it in addition to the compensation for its services. Such expenses may include the reasonable compensation, disbursements and expenses of the Trustee's agents, counsel and other persons not regularly in its employ.

(b) The Company shall indemnify the Trustee, its officers, directors and employees against, and defend and hold the Trustee, its officers, directors and employees harmless from, any loss, liability or expense incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture and the trusts hereunder, including the costs and expenses of defending itself against or investigating any claim of liability in the premises, except as set forth in the next paragraph. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim with counsel designated by the Company, who may be outside counsel to the Company but shall in all events be reasonably satisfactory to the Trustee, and the Trustee shall cooperate in the defense. In addition, the Trustee may retain one separate counsel and, if deemed advisable by such counsel, local counsel, and the Company shall pay the reasonable fees and expenses of such separate counsel and local counsel. The indemnification herein extends to any settlement, provided that the Company will not be liable for any settlement made without its consent, provided, further, that such consent will not be unreasonably withheld.

(c) The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through its own negligence or willful misconduct.

(d) The Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee to secure the Company's payment obligations in this Section 7.07, except that held in trust to pay principal, interest and Liquidated Damages, if any, on the Notes. Such liens and the Company's obligations under this Section 7.07 shall survive the satisfaction and discharge of this Indenture.
(e) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(f) or (g) occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.08 Replacement of the Trustee.

(a) A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

(b) The Trustee may resign at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in principal amount of the Notes then outstanding may remove the Trustee by so notifying the Trustee and the Company in writing and may appoint a successor Trustee. The Company may remove the Trustee if:

(i) the Trustee fails to comply with Section 7.10;

(ii) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(iii) a Custodian or public officer takes charge of the Trustee or its property; or

(iv) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the Notes then outstanding may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, at the Company's expense, the Company or the Holders of at least 10% in principal amount of the Notes then outstanding may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee after written request by any Holder who has been a Holder for at least six months fails to comply with Section 7.10, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided that all sums owing to the retiring Trustee hereunder have been paid and subject to the lien provided for in Section 7.07. Notwithstanding the replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under
Section 7.07 shall continue for the benefit of the retiring Trustee with respect to expenses and liabilities incurred by it prior to such replacement.

(g) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in the preceding paragraph.

SECTION 7.09 Successor Trustee by Merger, etc.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business (including the trust created by this Indenture) to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act shall be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee herein.

SECTION 7.10 Eligibility, Disqualification.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1). The Trustee shall always have a combined capital and surplus as stated in Section 10.11. The Trustee is subject to TIA Section 310(b) regarding the disqualification of a trustee upon acquiring a conflicting interest.

SECTION 7.11 Preferential Collection of Claims Against Company.

The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship set forth in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE 8

SATISFACTION AND DISCHARGE OF INDENTURE

SECTION 8.01 Discharge of Indenture.

When:

(a) the Company delivers to the Trustee for cancellation all Notes theretofore authenticated pursuant to this Indenture (other than any other Notes which have been destroyed, lost or stolen and in lieu of or in substitution for which other Notes have been authenticated and delivered) and not theretofore cancelled; or

(b) (i) all the Notes not theretofore cancelled or delivered to the Trustee for cancellation have become due and payable, and (ii) the Company deposits with the Trustee, the Paying Agent or the Conversion Agent, as applicable, in trust, amounts in cash or shares of Common Stock (as applicable in accordance with the terms hereof) sufficient to pay, whether at stated maturity, or any Redemption Date, or any Purchase Date, or any Designated Event Repurchase Date, or upon conversion or otherwise, all of the Notes (other than any Notes which have been mutilated, destroyed, lost or stolen and in lieu of

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then this Indenture shall cease to be of further effect, except, in the case of paragraph (b) above, as to:

(A) rights of registration of transfer, substitution, replacement and exchange and conversion of Notes;

(B) rights hereunder of Holders to receive payments of principal of and interest and Liquidated Damages, if any, and the Redemption Price, Purchase Price and Designated Event Repurchase Price, if applicable, on, the Notes;

(C) the obligations under Sections 2.03 and 8.05 hereof; and

(D) the rights, obligations and immunities of the Trustee hereunder,

and the Trustee, on written demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel as required by Section 10.04, and at the Company's cost and expense, shall execute proper instruments acknowledging satisfaction and discharging of this Indenture. The Company, however, hereby agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee and to compensate the Trustee for any services thereafter reasonably and properly rendered by the Trustee in connection with this Indenture or the Notes.

SECTION 8.02 Deposited Monies to Be Held in Trust by Trustee.

Subject to Section 8.04, all monies deposited with the Trustee pursuant to Section 8.01 shall be held in trust and applied by it to the payment either directly or through the Paying Agent, to the Holders of the particular Notes for the payment of which such monies have been deposited with the Trustee, of all sums due and to become due thereon for principal, interest, and Liquidated Damages, if any, and the Redemption Price, Purchase Price and Designated Event Repurchase Price, if applicable.

SECTION 8.03 Paying Agent to Repay Monies Held.

Upon the satisfaction and discharge of this Indenture, all monies then held by any Paying Agent (other than the Trustee and not pursuant to Section 8.01) shall, upon the Company's demand, be repaid to it or paid to the Trustee, and thereupon such Paying Agent shall be released from all further liability with respect to such monies.

SECTION 8.04 Return of Unclaimed Monies.

Subject to the requirements of applicable law, any monies deposited with or paid to the Trustee for payment of the principal of or interest or Liquidated Damages, if any, and the
Redemption Price, Purchase Price and Designated Event Repurchase Price, if applicable, on the Notes and not applied but remaining unclaimed by the Holders thereof for two years after the date upon which the principal of or interest or Liquidated Damages, if any, and the Redemption Price, Purchase Price and Designated Event Repurchase Price, if applicable, on such Notes, as the case may be, have become due and payable, shall be repaid to the Company by the Trustee on written demand; provided, however, that the Company, or the Trustee at the written request and expense of the Company, shall have first caused notice of such payment to the Company to be mailed to each Holder entitled thereto no less than 30 days prior to such payment and all liability of the Trustee shall thereupon cease with respect to such monies; and the Holder shall thereafter look only to the Company for any payment which such Holder may be entitled to collect unless an applicable abandoned property law designates another person.

SECTION 8.05 Reinstatement.

If the Trustee or the Paying Agent is unable to apply any money in accordance with Section 8.02 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.01 until such time as the Trustee or the Paying Agent is permitted to apply all such money in accordance with Section 8.02; provided, however, that if the Company makes any payment of principal of, or interest or Liquidated Damages, if any, on, and the Redemption Price, Purchase Price and Designated Event Repurchase Price, if applicable, on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders thereof to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9

AMENDMENTS

SECTION 9.01 Without the Consent of Holders.

The Company and the Trustee may amend or supplement this Indenture or the Notes without notice to or the consent of any Holder for the purposes of:

(a) curing any ambiguity, defect or inconsistency or making any other changes in the provisions of this Indenture which the Company and the Trustee may deem necessary or desirable, provided that such amendment does not materially and adversely affect the rights of the Holders under this Indenture;

(b) providing for the assumption of the covenants and obligations of the Company hereunder and in the Notes in the circumstances required by Section 5.01;

(c) providing for conversion rights of Holders in the event of consolidation, merger, or sale of all or substantially all of the assets of the Company as required to comply with Sections 5.01 and/or 11.06;

(d) increasing the Conversion Rate;
(e) evidencing and providing for the acceptance of appointment under this Indenture of a successor Trustee;

(f) making any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under this Indenture of any such Holder;

(g) complying with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the TIA; or

(h) modifying the restrictions on, and procedures for, resale and other transfers of the Notes or the shares of Common Stock pursuant to law, regulation or practice relating to the resale or transfer of restricted securities generally.

SECTION 9.02 With the Consent of Holders.

Subject to Section 6.07, the Company and the Trustee may amend or supplement this Indenture or the Notes with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for the Notes).

Subject to Sections 6.04 and 6.07, the Company and the Trustee may waive any existing Default or compliance in any particular instance by the Company with any provision of this Indenture or the Notes with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for the Notes).

However, without the consent of each Holder affected, an amendment or waiver under this Section may not (with respect to any Notes held by a non-consenting Holder):

(a) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or change the fixed maturity of any Note or, except as permitted pursuant to Section 9.01, alter the redemption or repurchase provisions with respect thereto;

(c) reduce the rate of or amount of, or change the time for payment of, interest, including defaulted interest and Liquidated Damages, if any, and any Redemption Price, Purchase Price or Designated Event Repurchase Price, if applicable, on any Note;

(d) waive a Default or Event of Default in the payment of principal of or interest or Liquidated Damages, if any, on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes then outstanding and a waiver of the payment default that resulted from such acceleration);

(e) make any Note payable in money other than as provided for herein and in the Notes;
(f) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders to receive payments of principal of or interest or Liquidated Damages, if any, and any Redemption Price, Purchase Price or Designated Event Repurchase Price, if applicable, on the Notes;

(g) waive the payment of any Designated Event Repurchase Price with respect to any Note;

(h) decrease the Conversion Rate or, except as permitted herein (including Section 9.01), modify the provisions contained herein relating to conversion of the Notes in a manner adverse to the Holders thereof; or

(i) make any change to the abilities of Holders to enforce their rights hereunder or the provisions of clauses (a) through (i) of this Section 9.02.

To secure a consent of the Holders under this Section, it shall not be necessary for such Holders to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment or waiver under this Section becomes effective, the Company shall mail to Holders a notice briefly describing the amendment or waiver.

SECTION 9.03 Compliance with the Trust Indenture Act.

Every amendment to this Indenture or the Notes shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

SECTION 9.04 Revocation and Effect of Consents.

Until an amendment or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent Holder may revoke the consent as to his or her Note or portion of a Note if the Trustee receives the notice of revocation before the date on which the Trustee receives an Officers' Certificate certifying that the Holders of the requisite principal amount of Notes have consented to the amendment or waiver.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment or waiver. If a record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those persons who were Holders at such record date (or their duly designated proxies), and only those persons, shall be entitled to consent to such amendment or waiver or to revoke any consent previously given, whether or not such persons continue to be Holders after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consents from Holders of the principal amount of Notes required hereunder for such amendment or waiver to be effective shall have also been given and not revoked within such 90-day period.
After an amendment or waiver becomes effective it shall bind every Holder, unless it is of the type described in clauses (a) - (i) of Section 9.02. In such case, the amendment or waiver shall only bind each Holder who has consented to it and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note.

SECTION 9.05 Notation on or Exchange of Convertible Senior Notes.

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article 9 may, and shall if required by the Trustee, bear a notation in the form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Notes so modified as to conform, in the opinion of the Company and the Trustee, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for outstanding Notes without charge to the Holders, except as specified in Section 2.07.

SECTION 9.06 Trustee Protected.

The Trustee shall sign any amendment or supplemental indenture authorized pursuant to this Article 9 if such amendment or supplemental indenture does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If such amendment or supplemental indenture does adversely affect the rights, duties, liabilities or immunities of the Trustee, the Trustee may, but need not, sign it. In signing such amendment or supplemental indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel as conclusive evidence that such amendment or supplemental indenture is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms.

ARTICLE 10

GENERAL PROVISIONS

SECTION 10.01 Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA Section 318(c), such duties imposed by such section of the TIA shall control. If any provision of this Indenture expressly modifies or excludes any provision of the TIA that may be so modified or excluded, the Indenture provision so modifying or excluding such provision of the TIA shall be deemed to apply.

SECTION 10.02 Notices.

Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed by first-class mail, with postage prepaid (registered or certified, return receipt requested), or sent by facsimile or overnight air couriers guaranteeing next day delivery, to the other's address as stated in Section 10.10. The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.
All notices and communications (other than those sent to Holders) shall be deemed to have been duly given at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when transmission is confirmed, if transmitted by facsimile; and the next business day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery. Notwithstanding the foregoing, all notices to the Trustee shall be effective only upon receipt by a Trust Officer.

Any notice or communication to a Holder shall be mailed by first-class mail, with postage prepaid, to his or her address shown on the Register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication to a Holder is sent in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company sends a notice or communication to Holders, it shall send a copy to the Trustee and each Agent at the same time.

All notices or communications shall be in writing.

SECTION 10.03 Communication by Holders with Other Holders.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and the paying agent shall have the protection of TIA Section 312(c).

SECTION 10.04 Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 10.05) stating that, in the opinion of such person, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 10.05) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been complied with.

SECTION 10.05 Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section 314(a)(4)) shall include:

(a) a statement that the person making such certificate or opinion has read such covenant or condition;
(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Any Officers' Certificate may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless such Officer knows that the opinion with respect to the matters upon which his or her certificate may be based as aforesaid is erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon certificates, statements or opinions of, or representations by an officer or officers of the Company, or other persons or firms deemed appropriate by such counsel, unless such counsel knows that the certificates, statements or opinions or representations with respect to the matters upon which his or her opinion may be based as aforesaid are erroneous.

Any Officers' Certificate, statement or Opinion of Counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representation by an accountant (who may be an employee of the Company), or firm of accountants, unless such Officer or counsel, as the case may be, knows that the certificate or opinion or representation with respect to the accounting matters upon which his or her certificate, statement or opinion may be based as aforesaid is erroneous.

SECTION 10.06 Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by, or a meeting of, Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 10.07 Legal Holidays.

The term "business day" means any day other than a Saturday, a Sunday or a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to close. If any Interest Payment Date, the Maturity Date, Purchase Date or Designated Event Repurchase Date falls on a day that is not a business day, the required payment of principal of, interest and Liquidated Damages, if any, on and the Purchase Price and Designated Event Repurchase Price with respect to any Note will be made on the next succeeding business day as if made on the date that such payment was due and no interest will accrue on that payment for the period from and after the Interest Payment Date, the Maturity Date, the relevant Purchase Date or the Designated Event Repurchase Date, as applicable, to the date of payment on the next succeeding business day.
SECTION 10.08 No Recourse Against Others.

No director, officer, employee, stockholder or Affiliate of the Company shall have any liability or any obligations under the Notes or this Indenture or for any claim based on, in respect of, or by reason of such obligations or the creation of such obligations. Each Holder by accepting a Note waives and releases all such liability with respect to each director, officer, employee, stockholder and Affiliate of the Company. This waiver and release are part of the consideration for the Notes. Each of such directors, officers, employees, stockholders and Affiliates of the Company is a third party beneficiary of this Section 10.08.

SECTION 10.09 Counterparts.

This Indenture may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 10.10 Other Provisions.

The Company initially appoints the Trustee as Paying Agent, Registrar, Conversion Agent and authenticating agent. The reporting date for Section 7.06 is May 15 of each year. The first reporting date is the May 15 following the issuance of the Notes hereunder.

The Trustee shall always have, or shall be a subsidiary of a bank or bank holding company that has, a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition.

The Company's address is:

Delta Air Lines, Inc.
1030 Delta Boulevard
Department 981
Atlanta, GA 30320-6001 Facsimile No.: (404) 715-2233 Attention: Dean C. Arvidson

The Trustee's address is:

The Bank of New York Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, FL 32256

Attention: Corporate Trust Department Facsimile: (904) 645-1921

SECTION 10.11 Governing Law.

The laws of the State of New York shall govern this Indenture and the Notes.
SECTION 10.12 No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a subsidiary. Any such other indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 10.13 Successors.

All agreements of the Company in this Indenture and the Notes shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

SECTION 10.14 Severability.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 10.15 Table of Contents, Headings, etc.

The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

ARTICLE 11

CONVERSION OF CONVERTIBLE SENIOR NOTES

SECTION 11.01 Right to Convert.

(a) Each Holder shall have the right to convert its Notes into shares of Common Stock at any time in accordance with Article 12 hereof and paragraph 9 of the Note, the form of which is attached hereto as Exhibit A. Each $1,000 principal amount of the Notes may be converted into the number of fully paid and non-assessable shares of Common Stock, as set forth in paragraph 9 of the Note, subject to adjustment as herein set forth. A Holder is not entitled to any rights of a holder of Common Stock until such Holder has converted his or her Notes into Common Stock, and only to the extent such Notes are deemed to have been converted to Common Stock pursuant to this Article 11 and Article 12 hereof.

(b) The Company shall notify the Holders upon determination that Holders are or will be entitled to convert their Notes, or any portion of such principal amount which is $1,000 or an integral multiple thereof, into fully paid and non-assessable shares of Common Stock in accordance with Article 12 hereof and paragraph 9 of the Note, by issuing a press release and publishing such determination on the Company's web site.

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(a) To exercise, in whole or in part, the conversion privilege with respect to any Note, the Holder shall surrender such Note, duly endorsed, at an office or agency maintained by the Company pursuant to Section 2.03, accompanied by funds, if any, required by Section 11.02(e) hereof, and shall give written notice of conversion in the form provided on the Notes (or such other notice which is acceptable to the Company), duly signed and completed, to the office or agency stating that the Holder elects to convert such Note or such portion thereof specified in said notice. Such notice shall also state the name or names (with address or addresses) in which the certificate or certificates for shares of Common Stock which are issuable on such conversion shall be issued, and shall be accompanied by transfer taxes, if required pursuant to Section 11.07.

(b) Each Note surrendered for conversion shall, unless the shares issuable on conversion are to be issued in the same name as the registration of such Note, be duly endorsed by, or be accompanied by instruments of transfer in form satisfactory to the Company duly executed by, the Holder or his or her duly authorized attorney. The Holder will not be required to pay any tax or duty which may be payable in respect of the issue or delivery of Common Stock on conversion, but will be required to pay any tax or duty which may be payable in respect of any transfer involved in the issue or delivery of Common Stock in a name other than the same name as the registration of such Note.

(c) As promptly as practicable after satisfaction of the requirements for conversion set forth above, the Company shall issue and shall deliver to such Holder at the office or agency maintained by the Company for such purpose pursuant to Section 2.03, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such Note or portion thereof in accordance with the provisions of this Article 11 and a check or cash in respect of any fractional interest in respect of a share of Common Stock arising upon such conversion, as provided in Section 11.03 (which payment, if any, shall be paid no later than five business days after satisfaction of the requirements for conversion set forth above). Certificates representing shares of Common Stock will not be issued or delivered unless all taxes and duties, if any, payable by the Holder have been paid. In case any Note of a denomination of an integral multiple greater than $1,000 is surrendered for partial conversion, and subject to Section 2.02, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder so surrendered, without charge to him or her, a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note.

(d) Each conversion shall be deemed to have been effected as to any such Note (or portion thereof) on the date on which the requirements set forth above in this Section 11.02 have been satisfied as to such Note (or portion thereof) (the "Conversion Date"), and the person in whose name any certificate or certificates for shares of Common Stock are issuable upon such conversion shall be deemed to have become on said date the holder of record of the shares represented thereby; provided, however, that any such surrender on any date when the Company's stock transfer books are closed shall result in the person in whose name the certificates are to be issued becoming the record holder thereof for all purposes on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Rate in effect on the date upon which such Note is surrendered.
(e) Any Note or portion thereof surrendered for conversion during the period from the close of business on any Regular Record Date immediately preceding any Interest Payment Date to the opening of business on such Interest Payment Date shall be accompanied by payment, in funds acceptable to the Company, of an amount equal to the interest and Liquidated Damages, if any, otherwise payable on such Interest Payment Date on the principal amount being converted; provided, however, that no such payment need be made if:

(i) there exists at the time of conversion a default in the payment of principal of or interest or Liquidated Damages, if applicable, on the Notes (including any principal of or interest payable in connection with a repurchase pursuant to Section 4.08 or Section 4.09 and a redemption pursuant to Section 4.01); or

(ii) the Company shall have specified a Redemption Date that is after the Regular Record Date and prior to such Interest Payment Date.

An amount equal to such payment shall be paid by the Company on such Interest Payment Date to the Holder at the close of business on the Regular Record Date; provided, however, that if the Company defaults in the payment of interest or Liquidated Damages, if applicable, on such Interest Payment Date, such amount shall be paid to the person who made such required payment.

(f) Except as provided above in this Section 11.02, no adjustment shall be made for interest and Liquidated Damages, if any, accrued on any Note converted or for dividends on any shares issued upon the conversion of such Note as provided in this Article 11. Delivery by the Company to the Holder of the Note converted of the number of shares of Common Stock into which the Note is convertible, at the Conversion Rate in effect at such time, shall satisfy the obligations of the Company to pay the principal amount of such Note being converted and the accrued but unpaid interest on such converted Note through the Conversion Date.

SECTION 11.03 Cash Payments in Lieu of Fractional Shares.

No fractional shares of Common Stock or scrip representing fractional shares shall be issued upon conversion of the Notes. If more than one Note shall be surrendered for conversion at one time by the same Holder, the number of full shares which shall be issuable upon conversion shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof to the extent permitted hereby) so surrendered for conversion. If any fractional share of stock otherwise would be issuable upon the conversion of any Note or Notes, the Company shall make an adjustment therefor in cash based upon the average of the closing price (as defined in Section 11.05(g)) of the Common Stock for the 5 consecutive trading days immediately preceding the Conversion Date.

SECTION 11.04 Conversion Rate.

The Conversion Rate shall be as specified in paragraph 9 of the Note, the form of which is attached as Exhibit A hereto, subject to adjustment as provided in this Article 11.
SECTION 11.05 Adjustment of Conversion Rate.

The Conversion Rate shall be adjusted from time to time by the Company as follows:

(a) If the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Rate in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be increased by multiplying such Conversion Rate by a fraction of which:

(i) the numerator shall be the sum of (1) the number of shares of Common Stock outstanding at the close of business on the Record Date (as defined in Section 11.05(g)) fixed for such determination and (2) the total number of shares of Common Stock constituting such dividend or other distribution; and

(ii) the denominator shall be number of shares of Common Stock outstanding at the close of business on the Record Date (as defined in Section 11.05(g)) fixed for such determination,

such increase to become effective immediately after the opening of business on the day following the Record Date. If the dividend or distribution of the type described in this Section 11.05(a) is declared but not so paid or made, the Conversion Rate shall again be adjusted to the Conversion Rate which would then be in effect if such dividend or distribution had not been declared.

(b) If the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately increased, and, conversely, if the outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Conversion Rate in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately reduced, such increase or reduction, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(c) If the Company shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them to subscribe for or purchase, for a period expiring within 45 days after the date of issuance, shares of Common Stock at a price per share less than the Current Market Price (as defined in Section 11.05(g)) on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction of which:

(i) the numerator shall be the number of shares of Common Stock outstanding at the close of business on such Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase; and
such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants, the Conversion Rate shall be readjusted to be the Conversion Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. If such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the Holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received by the Company for such rights or warrants, and any amount payable upon exercise thereof, with the value of such consideration, if other than cash, to be determined by the Board of Directors (whose determination shall be conclusive and described in a resolution of the Board of Directors).

(d) If the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of Capital Stock of the Company (other than any dividends or distributions to which Section 11.05(a) applies) or evidences of its indebtedness or other assets (including securities, but excluding (i) any rights or warrants of a type referred to in Section 11.05(c) and (ii) dividends and distributions paid exclusively in cash referred to in Section 11.05(e)) (the foregoing hereinafter in this Section 11.05(d) called the "Securities"), then, in each such case, the Conversion Rate shall be increased so that the same shall be equal to the rate determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date (as defined in Section 11.05(g)) with respect to such distribution by a fraction of which:

(i) the numerator shall be such Current Market Price on such Record Date; and

(ii) the denominator shall be the Current Market Price (determined as provided in Section 11.05(g)) on such Record Date less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors), on such Record Date of the portion of the Securities so distributed applicable to one share of Common Stock,

such increase to become effective immediately after the opening of business on the day following the Record Date; provided, however, that in the event the then fair market value (as so determined) of the portion of the Securities so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right
to receive upon conversion of a Note (or any portion thereof) the amount of Securities such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. If such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. If the Board of Directors determines the fair market value of any distribution for purposes of this Section 11.05(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution, it must in doing so consider the prices in such market over the same period used in computing the Current Market Price pursuant to Section 11.05(g) to the extent possible.

Notwithstanding the foregoing, if the securities distributed to all holders of the Company's Common Stock consist of shares of Capital Stock of, or similar equity interests in, a subsidiary or other business unit of the Company, the Conversion Rate shall be increased so that the same shall be equal to the rate determined by multiplying the Conversion Rate in effect on the Record Date with respect to such distribution by a fraction of which:

(i) the numerator shall be the sum of (A) the average of the closing prices of the Common Stock for the ten (10) trading days commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such distribution on the New York Stock Exchange or such other national or regional exchange or market on which such securities are then listed or quoted (the "Ex-Dividend Date") plus (B) the fair market value of such distribution in respect of each share of Common Stock for which this Section 11.05(d) applies, which shall equal the number of such securities distributed in respect of each share of Common Stock multiplied by the average of the closing prices of those securities distributed for the ten (10) trading days commencing on and including the fifth trading day after the Ex-Dividend Date; and

(ii) the denominator shall be the average of the closing prices of the Common Stock for the ten (10) trading days commencing on and including the fifth trading day after the Ex-Dividend Date,

such increase to become effective immediately after the opening of business on the day following the Record Date; provided, however, that the Company may in lieu of the foregoing adjustment, make adequate provision so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of Securities such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. If such distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such distribution had not been declared.

Rights or warrants distributed by the Company to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Company's Capital Stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events ("Trigger Event"); (i) are deemed to be transferred with such shares of Common Stock; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of Common Stock, shall be deemed not to have been distributed for purposes of this Section 11.05(d) (and no adjustment to the Conversion Rate under this Section 11.05(d) shall be
required) until the occurrence of the earliest Trigger Event, whereupon such rights and warrants shall be deemed to have been distributed and an appropriate adjustment to the Conversion Rate under this Section 11.05(d) shall be made. If any such rights or warrants, including any such existing rights or warrants distributed prior to the date of this Indenture, are subject to Trigger Events, then the occurrence of each such event shall be deemed to be such date of issuance and Record Date with respect to new rights or warrants (and a termination or expiration of the existing rights or warrants without exercise by the holder thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event with respect thereto, that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 11.05(d) was made, (1) in the case of any such rights or warrants which shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Rate shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants which shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights and warrants had not been issued.

Notwithstanding any other provision of this Section 11.05(d) to the contrary, rights, warrants, evidences of indebtedness, other securities, cash or other assets (including, without limitation, any rights distributed pursuant to any stockholders rights plan, and any rights or warrants distributed or deemed to be distributed upon the occurrence of a Trigger Event) shall be deemed not to have been distributed for purposes of this Section 11.05(d) if the Company elects to reserve such rights, warrants, evidences of indebtedness, other securities, cash or other assets (including, without limitation, any rights distributed pursuant to any stockholders rights plan, and any rights or warrants distributed or deemed to be distributed upon the occurrence of a Trigger Event) for distribution to each Holder who converts a Note (or any portion thereof) so that such Holder shall be entitled to receive upon such conversion, in addition to the shares of Common Stock issuable upon such conversion, the amount and kind of such distributions that such Holder would have been entitled to receive if such Holder had, immediately prior to the applicable Record Date, converted such Note into Common Stock.

For purposes of this Section 11.05(d) and Sections 11.05(a) and (c), any dividend or distribution to which this Section 11.05(d) is applicable that also includes shares of Common Stock, or rights or warrants to subscribe for or purchase shares of Common Stock to which Section 11.05(a) or Section 11.05(c) applies, or both, shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, assets, shares of Capital Stock, rights or warrants other than such shares of Common Stock or rights or warrants to which Section 11.05(a) or Section 11.05(c) applies (and any Conversion Rate increase required by this Section 11.05(d) with respect to such dividend or distribution shall then be made) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants to which Section 11.05(a) or Section 11.05(c) applies (and any further Conversion Rate increase required by Sections 11.05(a) and (c) with respect to such dividend or distribution shall then be made, except that (A) the Record Date of such dividend or distribution shall be substituted for "the date fixed for the determination of stockholders entitled to receive such dividend or other
distribution," "Record Date fixed for such determination" and "Record Date" within the meaning of Section 11.05(a) and for "the date fixed for the determination of stockholders entitled to receive such rights or warrants," "the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants" and "such Record Date" within the meaning of Section 11.05(c) and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of Section 11.05(a)).

(e) If the Company shall, by dividend or otherwise, distribute cash to all holders of its Common Stock (excluding any cash that is distributed as part of a distribution referred to in Section 11.05(d)), then, immediately after the close of business on the Record Date fixed for such distribution, the Conversion Rate shall be increased, so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to the close of business on such Record Date by a fraction:

(i) the numerator of which shall be equal to the Current Market Price on such Record Date; and

(ii) the denominator of which shall be equal to the Current Market Price on such Record Date less the amount of such distribution of cash applicable to one share of Common Stock,

such adjustment to be effective immediately after the opening of business on the day following the Record Date; provided, however, that in the event that the cash so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of cash such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. If such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(f) If a tender or exchange offer (other than the purchase of Notes on any Purchase Date or as part of a Designated Event) made by the Company or any of its subsidiaries for all or any portion of the Common Stock expires and such tender or exchange offer (as amended upon the expiration thereof) requires the payment to stockholders (based on the acceptance (up to any maximum specified in the terms of the tender offer) of Purchased Shares (as defined below)) of consideration per share of Common Stock having a fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors as provided in Section 11.05(g)) as of the last time (the "Expiration Time") tenders or exchanges could have been made pursuant to such tender or exchange offer (as it may be amended) that exceeds the Current Market Price (determined as provided in Section 11.05(g)) of a share of Common Stock on the trading day next succeeding the Expiration Time then, the Conversion Rate shall be increased so that the same shall equal the rate determined by multiplying the Conversion Rate in effect immediately prior to close of business on the date of the Expiration Time by a fraction of which:
(i) the numerator shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) as of the Expiration Time and the Current Market Price of a share of the Common Stock on the trading day next succeeding the Expiration Time; and

(ii) the denominator shall be the number of shares of Common Stock outstanding (including any Purchased Shares) as of the Expiration Time multiplied by the Current Market Price of a share of Common Stock on the trading day next succeeding the Expiration Time,

such adjustment to be effective immediately before the opening of business on the day following the Expiration Time. If the Company is obligated to purchase shares pursuant to any such tender or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would then be in effect if such tender or exchange offer had not been made. If the application of this Section 11.05(f) to any tender offer would result in a decrease in the Conversion Rate, no adjustment shall be made for such tender offer under this Section 11.05(f).

(g) For purposes of this Section 11.05, the following terms shall have the meaning indicated:

(1) "Current Market Price" means the average of the daily closing prices per share of Common Stock for, unless otherwise specified herein, the 10 consecutive trading days immediately prior to the date in question; provided, however, that if:

(A) the "ex" date (as hereinafter defined) for any event (other than the issuance or distribution requiring such computation) that requires an adjustment to the Conversion Rate pursuant to Sections 11.05(a), (b), (c), (d), (e) or (f) occurs during such 10 consecutive trading days, the closing price for each trading day prior to the "ex" date for such other event shall be adjusted by multiplying such closing price by the reciprocal of the fraction by which the Conversion Rate is so required to be adjusted as a result of such other event; and

(B) the "ex" date for any event (other than the issuance or distribution requiring such computation) that requires an adjustment to the Conversion Rate pursuant to Section 11.05(a), (b), (c), (d), (e) or (f) occurs on or after the "ex" date for the issuance or distribution requiring such computation and prior to the day in question, the closing price for each trading day on and after the "ex" date for such other event shall be adjusted by multiplying such closing price by the same fraction by which the Conversion Rate is so required to be adjusted as a result of such other event; and
(C) the "ex" date for the issuance or distribution requiring such computation is prior to the day in question, after taking into account any adjustment required pursuant to clause (A) or (B) of this proviso, the closing price for each trading day on or after such "ex" date shall be adjusted by adding thereto the amount of any cash and the fair market value (as determined by the Board of Directors in a manner consistent with any determination of such value for purposes of Section 11.05(d) or (f), whose determination shall be conclusive and described in a resolution of the Board of Directors) of the evidences of indebtedness, shares of Capital Stock or assets being distributed applicable to one share of Common Stock as of the close of business on the day before such "ex" date.

For purposes of any computation under Section 11.05(f), the Current Market Price on any date shall be deemed to be the average of the daily closing prices per share of Common Stock for such day and the next two succeeding trading days; provided, however, that if the "ex" date for any event (other than the tender offer or exchange offer requiring such computation) that requires an adjustment to the Conversion Rate pursuant to Section 11.05(a), (b), (c), (d), (e) or (f) occurs on or after the Expiration Time for the tender or exchange offer requiring such computation and prior to the day in question, the closing price for each trading day on and after the "ex" date for such other event shall be adjusted by multiplying such closing price by the same fraction by which the Conversion Rate is so required to be adjusted as a result of such other event.

For purposes of this paragraph, the term "ex" date, when used with respect to:

(A) any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the closing price was obtained without the right to receive such issuance or distribution;

(B) any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective; and

(C) any tender or exchange offer means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Rate are called for pursuant to this Section 11.05, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this Section 11.05 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

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

(3) "fair market value" shall mean the amount which a willing buyer would pay a willing seller in an arm's length transaction.

(4) "Record Date" shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(5) "trading day" shall mean (x) if the applicable security is listed or admitted for trading on the New York Stock Exchange or another U.S. national or regional securities exchange, a day on which the New York Stock Exchange or such other U.S. national or regional securities exchange is open for business or (y) if the applicable security is quoted on the Nasdaq National Market, a day on which trades may be made thereon, or (z) if the applicable security is not so listed, admitted for trading or quoted, any business day (as defined herein).

(h) The Company may make such increases in the Conversion Rate, in addition to those required by Sections 11.05(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any potential income tax liability to holders of Common Stock or rights to purchase Common Stock which may result from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

The Company from time to time may, to the extent permitted by law, increase the Conversion Rate by any amount for any period of at least 20 days, if the Board of Directors has made a determination that such increase would be in the Company's best interests, which determination shall be conclusive and described in a resolution of the Board of Directors. The increase in Conversion Rate shall be irrevocable during this period. Whenever the Conversion Rate is increased pursuant to the preceding sentence, the Company shall mail to the Holders at his or her last address appearing on the Register maintained for that purpose a notice of the increase at least 15 days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(i) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Rate then in effect; provided, however, that any adjustments which by reason of this Section 11.05(j) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All
calculations under this Article 11 shall be made by the Company and shall be made to the nearest cent or to the nearest one ten thousandth (0.0001) of a share, as the case may be.

No adjustment need be made for a change in the par value or no par value of the Common Stock.

(j) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly file with the Trustee and any Conversion Agent other than the Trustee an Officers' Certificate setting forth the Conversion Rate after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Rate to each Holder at his or her last address appearing on the Register maintained for that purpose within 20 days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(k) In any case in which this Section 11.05 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment.

(l) For purposes of this Section 11.05, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company shall not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

SECTION 11.06 Effect of Reclassification, Consolidation, Merger or Sale.

If any of the following events occur: (i) any reclassification or change of the outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (ii) any consolidation, merger, share exchange or combination of the Company with another corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, other than a consolidation, merger, share exchange or combination in which the Company is the continuing corporation and which does not result in reclassification (other than a change in name, or par value, or from par value to no par value, or from no par value to par value or as a result of a subdivision or combination), conversion, exchange or cancellation of the Common Stock, or (iii) any sale or conveyance or other disposition of the properties and assets of the Company as an entirety or substantially as an entirety to any other corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, then the Company or the successor or purchasing corporation, as the case may be, shall execute with the
Trustee a supplemental indenture (which shall comply with the TIA as in force at the date of execution of such supplemental indenture if such supplemental indenture is then required to so comply) providing that the Notes shall be convertible into the kind and amount of shares of stock and other securities or property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, share exchange, combination, sale, conveyance or other disposition by a holder of a number of shares of Common Stock issuable upon conversion of the Notes (assuming, for such purposes, a sufficient number of authorized shares of Common Stock available to convert all such Notes) immediately prior to such reclassification, change, consolidation, merger, share exchange, combination, sale, conveyance or other disposition assuming such holder of Common Stock did not exercise his or her rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon such reclassification, change, consolidation, merger, share exchange, sale, conveyance or other disposition (provided that, if the kind or amount of securities, cash or other property receivable upon such reclassification, change, consolidation, merger, share exchange, sale, conveyance or other disposition is not the same for each share of Common Stock in respect of which such rights of election have not been exercised ("non-electing share"), then, for the purposes of this Section 11.06, the kind and amount of securities, cash or other property receivable upon such reclassification, change, consolidation, merger, share exchange, sale, conveyance or other disposition for each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares). Such supplemental indenture shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 11. If, in the case of any such reclassification, change, consolidation, merger, share exchange, combination, sale, conveyance or other disposition, the stock or other securities and assets receivable thereupon by a holder of shares of Common Stock includes shares of stock or other securities and assets of a corporation other than the successor or purchasing corporation, as the case may be, in such reclassification, change, consolidation, merger, share exchange, combination, sale, conveyance or other disposition, then such supplemental indenture shall also be executed by such other corporation and shall contain such additional provisions to protect the interests of the Holders as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder at his or her address appearing on the Register for that purpose within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

The above provisions of this Section 11.06 shall similarly apply to successive reclassifications, changes, consolidations, mergers, share exchanges, combinations, sales, conveyances and other dispositions.

If this Section 11.06 applies to any event or occurrence, Section 11.05 shall not apply.

SECTION 11.07 Taxes on Shares Issued.

The issue of stock certificates on conversions of the Notes shall be made without charge to the converting Holder for any tax in respect of the issue thereof. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in
the issue and delivery of stock in any name other than that of the Holder of any Note converted, and the Company shall not be required to issue or deliver any such stock certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

SECTION 11.08 Reservation of Shares; Shares to Be Fully Paid; Listing of Common Stock.

(a) The Company shall provide, free from preemptive rights, out of its authorized but unissued shares or shares held in treasury, sufficient shares to provide for the conversion of the Notes from time to time as such Notes are presented for conversion.

(b) Before taking any action which would cause an adjustment of the Conversion Rate that decreases the Conversion Price below the then par value, if any, of the shares of Common Stock issuable upon conversion of the Notes, the Company shall take all corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue shares of such Common Stock at such adjusted Conversion Rate.

(c) The Company covenants that all shares of Common Stock issued upon conversion of the Notes will be duly authorized and validly issued and fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

(d) The Company further covenants that as long as the Common Stock is listed on the New York Stock Exchange, the Company shall cause all Common Stock issuable upon conversion of the Notes to be eligible for such listing in accordance with, and at the times required under, the requirements of the New York Stock Exchange, and if at any time the Common Stock becomes listed on any other U.S. national securities exchange, or quoted on the Nasdaq National Market System or any other automated quotation system, the Company shall cause all Common Stock issuable upon conversion of the Notes to be so listed or quoted and kept so listed or quoted.

SECTION 11.09 Responsibility of Trustee.

The Trustee shall not at any time be under any duty or responsibility to any Holders to determine whether any facts exist which may require any adjustment of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or property, which may at any time be issued or delivered upon the conversion of any Note; and the Trustee makes no representations with respect thereto. Subject to the provisions of Section 7.01, the Trustee shall not be responsible for any failure of the Company to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property or cash upon the surrender of any Note for the purpose of conversion or to comply with any of the duties, responsibilities or covenants of the Company contained in this Article 11. Without limiting the generality of the foregoing, the Trustee shall not have any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to

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Section 11.06 relating either to the kind or amount of shares of stock or securities or property (including cash) receivable by Holders upon the conversion of their Notes after any event referred to in such Section 11.06 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 7.01, may accept as conclusive evidence of the correctness of any such provisions, and shall fully be protected in relying upon, the Officers’ Certificate and Opinion of Counsel (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

SECTION 11.10 Notice to Holders Prior to Certain Actions.

If (a) the Company declares a dividend (or any other distribution) on its Common Stock (other than in cash out of retained earnings); or

(b) the Company authorizes the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any share of any class of Common Stock or any other rights or warrants (other than rights or warrants referred to in the second paragraph of Section 11.05(d)); or

(c) there is any reclassification of the Common Stock (other than a subdivision or combination of outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation, merger or share exchange to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or transfer or other disposition of all or substantially all of the assets of the Company; or

(d) there is any voluntary or involuntary dissolution, liquidation or winding-up of the Company;

then the Company shall cause to be filed with the Trustee and to be mailed to each Holder at his or her address appearing on the Register maintained for that purpose as promptly as possible but in any event at least 15 days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding-up.

SECTION 11.11 Restriction on Common Stock Issuable Upon Conversion.

(a) Shares of Common Stock to be issued upon conversion of Notes prior to the effectiveness of a Shelf Registration Statement shall be physically delivered in certificated form to the Holders converting such Notes, and the certificate representing such shares of Common
Stock shall bear the Restricted Common Stock Legend unless removed in accordance with Section 11.11(c).

(b) If (i) shares of Common Stock to be issued upon conversion of a Note prior to the effectiveness of a Shelf Registration Statement are to be registered in a name other than that of the Holder of such Note or (ii) shares of Common Stock represented by a certificate bearing the Restricted Common Stock Legend are transferred subsequently by such Holder, then, unless the Shelf Registration Statement has become effective and such shares are being transferred pursuant to the Shelf Registration Statement, the Holder must deliver to the transfer agent for the Common Stock a certificate in substantially the form of Exhibit C as to compliance with the restrictions on transfer applicable to such shares of Common Stock, and neither the transfer agent nor the registrar for the Common Stock shall be required to register any transfer of such Common Stock not so accompanied by a properly completed certificate.

(c) Except in connection with a Shelf Registration Statement, if certificates representing shares of Common Stock are issued upon the registration of transfer, exchange or replacement of any other certificate representing shares of Common Stock bearing the Restricted Common Stock Legend, or if a request is made to remove such Restricted Common Stock Legend from certificates representing shares of Common Stock, the certificates so issued shall bear the Restricted Common Stock Legend, or the Restricted Common Stock Legend shall not be removed, as the case may be, unless there is delivered to the Company such satisfactory evidence, which, in the case of a transfer made pursuant to Rule 144 under the Securities Act, may include an opinion of counsel as may be reasonably required by the Company, that neither the legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such shares of Common Stock are securities that are not "restricted" within the meaning of Rule 144 under the Securities Act. Upon provision to the Company of such reasonably satisfactory evidence, the Company shall cause the transfer agent for the Common Stock to countersign and deliver certificates representing shares of Common Stock that do not bear the legend.

ARTICLE 12

CONVERSION EVENTS

SECTION 12.01 Conversion Upon Satisfaction of Sale Price Condition.

(a) Subject to the provisions of this Article 12 and paragraph 9 of the Note, and subject to and upon compliance with the provisions of this Indenture, and notwithstanding the fact that any other condition to conversion has not been satisfied, the Holder of this Note has the right to convert this Note into shares of Common Stock in any calendar quarter after the quarter ending March 31, 2004 if the closing price of the Common Stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the Conversion Price on such last trading day.
(b) The "closing price" of the Common Stock on any date means the closing price for such Common Stock, as set forth in Section 11.05 above.

SECTION 12.02 Conversion Based on Trading Price of the Notes.

(a) Subject to the provisions of this Article 12 and paragraph 9 of the Note, and subject to and upon compliance with the provisions of this Indenture, and notwithstanding the fact that any other condition to conversion has not been satisfied, the Holder of this Note has the right to convert this Note into shares of Common Stock during the five business day period after any five consecutive trading day period (the "measurement period") in which the "trading price" per $1,000 principal amount of Notes for each day in the measurement period was less than 98% of the closing price (as defined in Section 11.05(g)) of the Common Stock on that day multiplied by the Conversion Rate for such date; provided that a Holder may not convert its Notes (in reliance on this provision) if on any trading day during such measurement period the closing price of the Common Stock was between 100% and 130% of the then current Conversion Price.

(b) The "trading price" of the Notes on any date of determination means the average of the secondary market bid quotations per $1,000 principal amount of Notes obtained by the Trustee for $10,000,000 principal amount of the Notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers selected by the Company; provided that if at least three such bids cannot be obtained, but two such bids are obtained by the Trustee, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by the Trustee, that one bid shall be used. If the Trustee cannot reasonably obtain at least one bid for $10,000,000 principal amount of the Notes from a nationally recognized securities dealer, then the trading price per $1,000 principal amount of Notes will be deemed to be less than 98% of the closing price (as set forth in Section 11.05(g)) of the Common Stock on such determination date multiplied by the Conversion Rate.

(c) In connection with any conversion upon satisfaction of the above trading pricing condition, the Trustee shall have no obligation to determine the trading price of the Notes during the applicable period unless the Company has requested such determination; and the Company shall have no obligation to make such request unless a Holder of Notes provides the Company with reasonable evidence that the trading price per $1,000 principal amount of Notes would be less than 98% of the closing price (as set forth in Section 11.05(g)) of the Common Stock multiplied by the Conversion Rate during the applicable period. At such time, the Company shall instruct the Trustee to determine the trading price of the Notes beginning on the next trading day and on each successive trading day until the trading price per $1,000 principal amount of Notes is greater than or equal to 98% of the closing price (as set forth in Section 11.05(g)) of the Common Stock multiplied by Conversion Rate.

SECTION 12.03 Conversion Upon Notice of Redemption.

Subject to the provisions of this Article 12 and paragraph 9 of the Note, and subject to and upon compliance with the provisions of this Indenture, and notwithstanding the fact that any other condition to conversion has not been satisfied, the Holder of this Note has the right to convert into shares of Common Stock the Notes or a portion thereof which has been called for redemption pursuant to Article 4 above; provided that such Note or a portion thereof is
SECTION 12.04 Conversion Upon Specified Corporate Transactions.

(a) Subject to the provisions of this Article 12 and paragraph 9 of the Note, and subject to and upon compliance with the provisions of this Indenture, and notwithstanding the fact that any other condition to conversion has not been satisfied, the Holder of this Note has the right to convert this Note into shares of Common Stock in the event that the Company (i) issues rights or warrants to all holders of its outstanding shares of Common Stock entitling them to subscribe for or purchase, for a period expiring within 45 days after the date of issuance, shares of Common Stock at a price per share less than the closing price (as defined above) per share of Common Stock on the trading day (as defined in Section 11.05(g)) immediately preceding the date of the issuance; or (ii) distributes to all holders of its outstanding shares of Common Stock any assets or debt securities of the Company, or rights to purchase any securities of the Company, which distribution has a per share value, as determined by the Board of Directors (whose determination shall be conclusive and described in a resolution of the Board of Directors), that exceeds 15% of the closing price (as defined above) per share of Common Stock on the trading day (as defined in Section 11.05(g)) immediately preceding the date of declaration of such distribution. The Company will be required to give notice to the Holders at least 20 business days prior to the ex-dividend date for such distribution, and Notes may be surrendered for conversion at any time thereafter until the earlier of the close of business on the business day immediately prior to the ex-dividend date and the announcement by the Company that such distribution will not take place, even if the Notes are not otherwise convertible at such time. The "ex-dividend date" shall mean the first date upon which the sale of the Common Stock does not automatically transfer the right to receive the relevant distribution from the seller of the Common Stock to its buyer.

(b) Subject to the provisions of this Article 12 and paragraph 9 of the Note, and subject to and upon compliance with the provisions of this Indenture, and notwithstanding the fact that any other condition to conversion has not been satisfied, the Holder of this Note has the right to convert this Note into shares of Common Stock in the event the Company is a party to any consolidation, merger, share exchange or combination or sale, conveyance or other disposition of all or substantially all of the assets of the Company pursuant to which the Common Stock would be converted into cash, securities or other property as set forth in Section 11.06, the Notes may be surrendered for conversion at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until 15 days after the actual effective date of such transaction and, at the effective time of such transaction, the right to convert a Note into Common Stock will be deemed to have changed into a right to convert such Note into the kind and amount of cash, securities or other property of the Company or another person which the Holder would have received if the Holder had converted its Notes immediately prior to the applicable record date for such transaction.
IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed, all as of the date first above written, signifying their agreements contained in this Indenture.

DELT AIR LINES, INC.

By: _______________________________
    Name: __________________________
    Title: ____________________________

THE BANK OF NEW YORK TRUST
COMPANY, N.A.
not in its individual capacity
but solely as Trustee

By: _______________________________
    Name: __________________________
    Title: ____________________________

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EXHIBIT A
(Face of Security)

[Global Securities Legend]

[The following legend shall appear on the face of each Global Security:

THIS CONVERTIBLE SENIOR NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITARY OR A NOMINEE OF THE DEPOSITARY, WHICH MAY BE TREATED BY THE COMPANY, THE TRUSTEE AND ANY AGENT THEREOF AS OWNER AND HOLDER OF THIS CONVERTIBLE SENIOR NOTE FOR ALL PURPOSES.]

[The following legend shall appear on the face of each Global Security for which The Depository Trust Company is to be the Depositary:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY THE AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNLESS AND UNTIL IT IS EXchanged IN WHOLE OR IN PART FOR REGISTERED CONVERTIBLE SENIOR NOTES IN DEFINITIVE REGISTERED FORM IN THE LIMITED CIRCUMSTANCES REFERRED TO IN THE INDENTURE, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR NOMINEE.]

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THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF DELTA AIR LINES, INC. THAT THIS SECURITY MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED PRIOR TO THE LATER OF (X) THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION) OR (Y) THREE MONTHS AFTER SUCH HOLDER CEASES TO BE AN "AFFILIATE" (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT) OF DELTA AIR LINES, INC., OTHER THAN (1) TO DELTA AIR LINES, INC., (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE) UNDER THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF DELTA AIR LINES, INC. THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER OR (2) NOT A U.S. PERSON AND IS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF (OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (k)(2)(i) OF RULE 902 UNDER) REGULATION S UNDER THE SECURITIES ACT. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS SECURITY OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY EXCEPT AS PERMITTED BY THE SECURITIES ACT.
DELTA AIR LINES, INC.
2 7/8% CONVERTIBLE SENIOR NOTE DUE 2024

DELTA AIR LINES, INC. promises to pay to CEDE & CO. or registered assigns, the principal sum of __________________ ($__________) on February 6, 2024, and to pay interest thereon, as provided on the reverse hereof, until the principal and any unpaid and accrued interest is paid or duly provided for.

Interest Payment Dates: February 18 and August 18, commencing August 18, 2004

Regular Record Dates: February 3 and August 3

The provisions on the back of this certificate are incorporated as if set forth on the face hereof.
IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

DELTA AIR LINES, INC.

By: ______________________________
    Name:
    Title:

Certificate of Authentication

This is one of the Convertible Senior Notes described in the within-mentioned Indenture.

THE BANK OF NEW YORK
TRUST COMPANY, N.A.
as Trustee

By: ______________________________
    Authorized Signatory

Dated: ______________________

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1. INTEREST. Delta Air Lines, Inc., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Note at the rate per annum shown above. The Company will pay interest (and Liquidated Damages, if any) semiannually in arrears on February 18 and August 18 of each year, beginning August 18, 2004. Interest on the Notes will accrue from the most recent Interest Payment Date to which interest has been paid or, if no interest has been paid, from February 6, 2004. Interest (and any Liquidated Damages) will be computed on the basis of a 360-day year composed of twelve 30-day months.

2. METHOD OF PAYMENT. The Company will pay interest (and Liquidated Damages, if any) on the Notes (except defaulted interest) to the person in whose name each Note is registered at the close of business on the February 3 or August 3 (each, a "Regular Record Date") immediately preceding the relevant Interest Payment Date (other than with respect to a Note or portion thereof (i) with respect to which a notice of redemption shall have been mailed by the Company in accordance with Section 4.03 of the Indenture, which notice of redemption shall specify a Redemption Date that is after the close of business on a Regular Record Date and prior to the next Interest Payment Date, or (ii) repurchased in connection with a Designated Event on a Designated Event Repurchase Date that is after the close of business on a Regular Record Date and prior to the next Interest Payment Date, in which case accrued interest (and Liquidated Damages, if any) shall be payable (unless such Note or portion thereof is converted) to the Holder of the Note or portion thereof redeemed or repurchased in accordance with the applicable provisions of the Indenture).

The Holder must surrender Notes to a Paying Agent to collect principal payments. The Company will pay the principal and interest (including Liquidated Damages, if any, and Redemption Price, Purchase Price and Designated Event Repurchase Price, as applicable) on the Notes at the office or agency of the Company maintained for such purpose, in money of the United States that at the time of payment is legal tender for payment of public and private debts. Until otherwise designated by the Company, the Company's office or agency maintained for such purpose will be the principal Corporate Trust Office of the Trustee. If the Notes are held in global form, principal and interest (including Liquidated Damages, if any, Redemption Price, Purchase Price and Designated Event Repurchase Price, as applicable) on the Notes shall be paid by wire transfer in immediately available funds in accordance with the written wire transfer instruction supplied by such Holder from time to time to the Trustee and Paying Agent (if different from the Trustee) at least two days prior to the applicable Regular Record Date; provided that any payment to the Depositary or its nominee shall be paid by wire transfer in immediately available funds in accordance with the wire transfer instruction supplied by the Depositary or its nominee from time to time to the Trustee and Paying Agent (if different from Trustee) at least two days prior to the applicable Regular Record Date. With respect to Notes held other than in global form, the Company will make payments by wire transfer of immediately available funds to the account specified by the Holders thereof or, if no such account is specified with respect to a Holder, by mailing a check to the Holder's registered address.
3. PAYING AGENT, REGISTRAR AND CONVERSION AGENT. The Bank of New York Trust Company, N.A. (together with any successor Trustee under the Indenture referred to below, the “Trustee”) will act as Paying Agent, Registrar and Conversion Agent. The Company may change any Paying Agent, Registrar, Conversion Agent or co-registrar without prior notice. Subject to certain limitations in the Indenture, the Company or any of its subsidiaries may act in any such capacity.

4. INDENTURE. The Company issued the Notes under an Indenture, dated as of February 6, 2004 (the "Indenture"), between the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbbb) (the "TIA") as in effect on the date of the Indenture. The Notes are subject to, and qualified by, all such terms, certain of which are summarized hereon, and Holders are referred to the Indenture and the TIA for a statement of such terms. The Notes are senior unsecured obligations of the Company limited as provided in the Indenture to $325,000,000 in aggregate principal amount, unless an election has been made as set forth in Article 2 of the Indenture to increase such aggregate principal amount to an amount not to exceed $390,000,000.

Capitalized terms not defined herein have the same meaning as is given to them in the Indenture.

5. DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. As a condition of transfer, the Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents, and the Company and the Registrar may require a Holder to pay any taxes and fees permitted by the Indenture.

6. PERSONS DEEMED OWNERS. The person in whose name the Notes are registered on the Registrar’s books will be treated as its owner for all purposes.

7. AMENDMENTS AND WAIVERS. Subject to certain exceptions, the Indenture and the Notes may be amended or supplemented with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes), and any existing Default (except a Default or Event of Default in the payment of principal of or interest or Liquidated Damages, if any, on the Notes) may be waived with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes).

Without the consent of any Holder, the Indenture or the Notes may be amended to: (a) cure any ambiguity, defect or inconsistency or make any other changes in the provisions of the Indenture which the Company and the Trustee may deem necessary or desirable, provided that such amendment does not materially and adversely affect the rights of the Holders under the Indenture; (b) evidence the succession of another person to the Company and provide for the assumption by such successor of the covenants and obligations of the Company under the Indenture and the Notes; (c) provide for the conversion rights of Holders in the event of...
consolidation or merger or sale of all or substantially all of the assets of the Company; (d) increase the Conversion Rate; (e) evidence and provide for the acceptance of appointment under the Indenture of a successor Trustee; (f) make any changes that would provide the Holders with any additional rights or benefits or that do not adversely affect the legal rights under the Indenture of any Holder; (g) comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the TIA; or (h) modify the restrictions on, and procedures for, resale and other transfers of the Notes or the shares of Common Stock pursuant to law, regulation or practice relating to the resale or transfer of restricted securities generally.

Without the consent of each Holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder): (a) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver; (b) reduce the principal of or change the fixed maturity of any Note or, except as permitted pursuant to Section 9.01 of the Indenture, alter the redemption or repurchase provisions with respect to the Notes; (c) reduce the rate of, or change the time for payment of, interest, including defaulted interest and Liquidated Damages, if any, and any Redemption Price, Purchase Price or Designated Event Repurchase Price, if applicable, on any Note; (d) waive a Default or Event of Default in the payment of principal or interest or Liquidated Damages, if any, on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes then outstanding and a waiver of the payment default that resulted from such acceleration); (e) make the principal or interest or Liquidated Damages, if any, on any Note payable in money other than as provided for in the Indenture and in the Notes; (f) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders to receive payments of principal of or interest or Liquidated Damages, if any, and any Redemption Price, Purchase Price or Designated Event Repurchase Price, if applicable, on the Notes; (g) waive the payment of any Designated Event Repurchase Price with respect to any Note; (h) reduce the Conversion Rate or, except as permitted by the Indenture (including Section 9.01), modify the provisions of the Indenture relating to conversion of the Notes in a manner adverse to the Holders thereof; or (i) make any changes to the abilities of Holders to enforce their rights under the Indenture or the provisions of clauses (a) through (i) of Section 9.02 of the Indenture.

8. REDEMPTION AND PURCHASE. The Company, at its option, may redeem all or a portion of the Notes on or after February 21, 2009 at a redemption price in cash ("Redemption Price") equal to 100% of the principal amount thereof, plus any accrued and unpaid interest to, but excluding, the Redemption Date. At least 30 days but not more than 60 days before a Redemption Date, the Company shall mail a notice of redemption by first-class mail, postage prepaid, to each Holder of Notes to be redeemed.

Following a Designated Event, the Company shall make a Designated Event Offer to repurchase all Notes then outstanding at a Designated Event Repurchase Price equal to 100% of the principal amount of the Notes, plus any accrued and unpaid interest to, but excluding, the Designated Event Repurchase Date, in accordance with the terms and conditions set forth in the Indenture. To accept the Designated Event Offer, the Holder hereof must comply with the terms thereof, including surrendering this Note with the "Designated Event Repurchase Notice" portion
thereof completed to the Trustee, with a copy to the Paying Agent, at any time on or prior to the Designated Event Offer Termination Date, as provided in the Indenture.

Subject to the terms and conditions of the Indenture, Notes shall be purchased by the Company at the option of the Holder thereof, in whole or in part, at a purchase price in cash (the "Purchase Price") equal to 100% of the principal amount thereof, plus any accrued and unpaid interest to, but excluding, the relevant Purchase Date of February 18, 2009, February 18, 2014 and February 18, 2019, as applicable, upon delivery of a Purchase Notice containing the information set forth in the Indenture, at any time from the opening of business on the date that is at least 20 business days prior to the relevant Purchase Date until the close of business on the fifth business day prior to such Purchase Date.

9. CONVERSION. Subject to the provisions of this paragraph 9, and subject to and upon compliance with the provisions of the Indenture, each $1,000 principal amount of Notes, may be converted, subject to the conditions and during the periods described below, into 73.6106 fully paid and non-assessable shares of Common Stock, as adjusted from time to time as provided in the Indenture (the "Conversion Rate"), upon surrender of the Note to the Company at the office or agency maintained for such purpose (or at such other offices or agencies designated for such purpose by the Company), accompanied by written notice of conversion duly executed (and if the shares of Common Stock to be issued on conversion are to be issued in any name other than that of the registered Holder of this Note, by instruments of transfer, in form satisfactory to the Company, duly executed by the registered Holder or its duly authorized attorney).

In case such surrender shall be made during the period from the close of business on any Regular Record Date immediately preceding any Interest Payment Date to the opening of business on such Interest Payment Date, the Note also shall be accompanied by payment, in funds acceptable to the Company, of an amount equal to the accrued and unpaid interest, if any, otherwise payable on such Interest Payment Date on the principal amount of the Note then being converted; provided, however, that no such payment need be made if (i) there exists at the time of conversion a default in the payment of principal or interest or Liquidated Damages, if applicable, on the Notes (including any principal of or interest payable in connection with a repurchase pursuant to Section 4.08 or Section 4.09 and a redemption pursuant to Section 4.01); or (ii) the Company shall have specified a Redemption Date that is after the Regular Record Date and prior to such Interest Payment Date. Subject to the aforesaid requirement for a payment in the event of conversion during the period from the close of business on any Regular Record Date immediately preceding any Interest Payment Date to the opening of business on such Interest Payment Date, no adjustment shall be made on conversion for interest, if any, accrued and unpaid hereon or for dividends on Common Stock delivered on conversion.

The Conversion Rate will be adjusted for dividends or distributions on Common Stock payable in Common Stock; subdivisions or combinations of Common Stock; distributions to all holders of Common Stock of certain rights or warrants to purchase Common Stock, for a period expiring within 45 days after the date of such distribution, at a price less than the Current Market Price; distributions to all holders of Common Stock of shares of Capital Stock (other than Common Stock) or evidences of the Company's Indebtedness or assets; certain dividends or other distributions consisting exclusively of cash to holders of Common Stock; and certain purchases of the Common Stock pursuant to tender or exchange offers by the Company or any  

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subsidiary of the Company, in each case, in accordance with the terms and conditions set forth in the Indenture. Additionally, the Indenture permits the Company to, from time to time, to the extent permitted by law, increase the Conversion Rate by any amount for any period of at least 20 days, if the Board of Directors has made a determination that such reduction would be in the Company's best interests, which determination shall be conclusive and described in a resolution of the Board of Directors.

The Company shall not issue fractional shares or scrips representing fractions of shares of Common Stock upon any such conversion, but shall make an adjustment therefor in cash based upon the average of the closing price of the Common Stock for the five consecutive trading days immediately preceding the Conversion Date. If more than one Note shall be surrendered for conversion at one time by the same Holder, the number of full shares which shall be issuable upon conversion shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof to the extent permitted hereby) so surrendered for conversion.

A Note in respect of which a Holder has delivered a Purchase Notice or Designated Event Repurchase Notice exercising the option of such Holder to require the Company to purchase such Note may be converted only if such notice of exercise is withdrawn in accordance with the terms of the Indenture.

The Company shall notify the Holders upon determination that Holders are or will be entitled to convert their Notes, or any portion of such principal amount which is $1,000 or an integral multiple thereof, into fully paid and non-assessable shares of Common Stock in accordance with this paragraph 9, by issuing a press release and publishing such determination on the Company's web site.

Conversion Upon Satisfaction of Sale Price Condition. Subject to the provisions of this paragraph 9, and subject to and upon compliance with the provisions of the Indenture, and notwithstanding the fact that any other condition to conversion has not been satisfied, the Holder of this Note has the right to convert this Note into shares of Common Stock in any calendar quarter after the quarter ending March 31, 2004 if the closing price of the Common Stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the Conversion Price on such last trading day. The "Conversion Price" shall be equal to $1,000 divided by the Conversion Rate.

The "closing price" of the Common Stock on any date means the closing price for such Common Stock, as set forth in Section 11.05(g) of the Indenture.

Conversion Based on Trading Price of the Notes. Subject to the provisions of this paragraph 9, and subject to and upon compliance with the provisions of the Indenture, and notwithstanding the fact that any other condition to conversion has not been satisfied, the Holder of this Note has the right to convert this Note into shares of Common Stock during the five business day period after any five consecutive trading day period (the "measurement period") in which the "trading price" per $1,000 principal amount of Notes for each day in the measurement period was less than 98% of the closing price (as defined in Section 11.05(g) of the Indenture) of the Common Stock on that day multiplied by the Conversion Rate for such date; provided that a
Holder may not convert its Notes (in reliance on this provision) if on any trading day during such measurement period the closing price of the Common Stock was between 100% and 130% of the then current Conversion Price of the Notes.

The "trading price" of the Notes on any date of determination means the average of the secondary market bid quotations per $1,000 principal amount of Notes obtained by the Trustee for $10,000,000 principal amount of the Notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers selected by the Company; provided that if at least three such bids cannot be obtained, but two such bids are obtained by the Trustee, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by the Trustee, that one bid shall be used. If the Trustee cannot reasonably obtain at least one bid for $10,000,000 principal amount of the Notes from a nationally recognized securities dealer, then the trading price per $1,000 principal amount of Notes will be deemed to be less than 98% of the closing price (as set forth in Section 11.05(g) of the Indenture) of the Common Stock on such determination date multiplied by the Conversion Rate.

In connection with any conversion upon satisfaction of the above trading pricing condition, the Trustee shall have no obligation to determine the trading price during the applicable period of the Notes unless the Company has requested such determination; and the Company shall have no obligation to make such request unless a Holder of Notes provides the Company with reasonable evidence that the trading price per $1,000 principal amount of Notes would be less than 98% of the closing price (as set forth in Section 11.05(g) of the Indenture) of the Common Stock multiplied by the Conversion Rate during the applicable period. At such time, the Company shall instruct the Trustee to determine the trading price of the Notes beginning on the next trading day and on each successive trading day until the trading price per $1,000 principal amount of Notes is greater than or equal to 98% of the closing price (as set forth in Section 11.05(g) of the Indenture) of the Common Stock multiplied by the Conversion Rate.

Conversion Upon Notice of Redemption. Subject to the provisions of this paragraph 9, and subject to and upon compliance with the provisions of the Indenture, and notwithstanding the fact that any other condition to conversion has not been satisfied, the Holder of this Note has the right to convert into shares of Common Stock the Notes or a portion thereof which has been called for redemption pursuant to Article 4 of the Indenture; provided that such Note or a portion thereof is surrendered for conversion on or prior to the close of business on the Redemption Date in accordance with the terms of the Indenture.

Conversion Upon Specified Corporate Transactions. Subject to the provisions of this paragraph 9, and subject to and upon compliance with the provisions of the Indenture, and notwithstanding the fact that any other condition to conversion has not been satisfied, the Holder of this Note has the right to convert this Note into shares of Common Stock in the event that the Company (i) issues rights or warrants to all holders of its outstanding shares of Common Stock entitling them to subscribe for or purchase, for a period expiring within 45 days after the date of issuance, shares of Common Stock at a price per share less than the closing price (as defined above) per share of Common Stock on the trading day (as defined in Section 11.05(g)) immediately preceding the date of the issuance; or (ii) distributes to all holders of its outstanding shares of Common Stock any assets or debt securities of the Company, or rights to purchase any

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securities of the Company, which distribution has a per share value, as determined by the Board of Directors (whose determination shall be conclusive and described in a resolution of the Board of Directors), that exceeds 15% of the closing price (as defined above) per share of Common Stock on the trading day (as defined in Section 11.05(g)) immediately preceding the date of declaration of such distribution. The Company will be required to give notice to the Holders at least 20 business days prior to the ex-dividend date for such distribution, and Notes may be surrendered for conversion at any time thereafter until the earlier of the close of business on the business day immediately prior to the ex-dividend date and the announcement by the Company that such distribution will not take place, even if the Notes are not otherwise convertible at such time. The "ex-dividend date" shall mean the first date upon which the sale of the Common Stock does not automatically transfer the right to receive the relevant distribution from the seller of the Common Stock to its buyer.

Subject to the provisions of this paragraph 9, and subject to and upon compliance with the provisions of the Indenture, and notwithstanding the fact that any other condition to conversion has not been satisfied, the Holder of this Note has the right to convert this Note into shares of Common Stock in the event the Company is a party to any consolidation, merger, share exchange or combination or sale, conveyance or other disposition of all or substantially all of the assets of the Company pursuant to which the Common Stock would be converted into cash, securities or other property as set forth in Section 11.06 of the Indenture, the Notes may be surrendered for conversion at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until 15 days after the actual effective date of such transaction and, at the effective time of such transaction, the right to convert a Note into Common Stock will be deemed to have changed into a right to convert such Note into the kind and amount of cash, securities or other property of the Company or another person which the Holder would have received if the Holder had converted its Notes immediately prior to the applicable record date for such transaction.

10. DEFAULTS AND REMEDIES. An Event of Default is: (a) a default in payment of the principal on the Notes when due upon redemption, repurchase or otherwise; (b) a default for 30 days in the payment of any installment of interest or Liquidated Damages on the Notes when due (including any interest payable in connection with a repurchase or redemption of the Notes pursuant to the terms of the Indenture); (c) a failure to comply with or observe in any material respect any covenant or agreement of the Company in respect of the Notes as set forth in the Indenture for 60 days after written notice to the Company from the Trustee or to the Company and the Trustee from Holders of at least 25% in aggregate principal amount of the then outstanding Notes; (d) a default in the payment of the Designated Event Repurchase Price in respect of the Notes when the same becomes due; (e) a default in any credit agreement, mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any Restricted Subsidiary (other than any such Indebtedness which is non-recourse to the Company or such Restricted Subsidiary), which default is caused by a failure to pay when due any principal on such Indebtedness at the final stated maturity date of such Indebtedness, which failure continues beyond any applicable grace period, or results in the acceleration of such indebtedness prior to its express maturity, without such acceleration being rescinded or annulled, and, in each case, the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness under which there is a payment default at the final stated maturity thereof or the
maturity of which has been so accelerated, aggregates to $75 million or more and such payment default is not cured or such acceleration is not annulled within 30 days after written notice to the Company by the Trustee or to the Company and the Trustee by Holders of not less than 25% in aggregate principal amount of the Notes then outstanding; and (f) certain events involving bankruptcy, insolvency or reorganization of the Company.

If an Event of Default occurs and is continuing, the Trustee, by written notice to the Company, or the Holders of at least 25% in principal amount of the then outstanding Notes, by written notice to the Company and the Trustee, may declare the unpaid principal of, and accrued and unpaid interest and Liquidated Damages, if any, on all Notes then outstanding to be due and payable immediately, except that in the case of an Event of Default arising from certain events of bankruptcy, insolvency, or reorganization with respect to the Company, all outstanding Notes become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require an indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of at least a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing default (except a default in payment of principal of, or interest or Liquidated Damages, if any, and the Redemption Price, Purchase Price or Designated Event Repurchase Price, if applicable) if it determines that withholding notice is in their interests. The Company must furnish annual compliance certificates to the Trustee in accordance with the terms of the Indenture.

11. TRUSTEE DEALINGS WITH THE COMPANY. Subject to Section 7.10 of the Indenture, the Trustee or any of its Affiliates, in their individual or any other capacities, may make or continue loans to or guaranteed by, accept deposits from and perform services for the Company or its Affiliates and may otherwise deal with the Company or its Affiliates as if it were not Trustee.

12. NO RECOUSE AGAINST OTHERS. No director, officer, employee, stockholder or Affiliate, as such, of the Company shall have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability with respect to each director, officer, employee, stockholder and Affiliate of the Company. The waiver and release are part of the consideration for the Notes.

13. AUTHENTICATION. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

14. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN CO = tenants in common, TEN ENT = tenants by the entireties, JT TEN = joint tenants with right of survivorship and not as tenants in common, CUST = Custodian and U/G/M/A = Uniform Gifts to Minors Act.

15. REGISTRATION RIGHTS AGREEMENT. The Holder of this Note is entitled to the benefits of a Registration Rights Agreement, dated February 6, 2004, between the Company and the Initial Purchaser (the "Registration Rights Agreement").

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In accordance with the terms of the Registration Rights Agreement, during any period in which a Registration Default (as defined in the Registration Rights Agreement) has occurred and is continuing, the Company will pay Liquidated Damages in an amount equal .25% (or 25 basis points) per annum per $1,000 principal amount of notes or $2.50 per annum per 73.6106 shares of Common Stock (subject to adjustment from time to time in the event of a stock split, stock recombination, stock dividend and similar events) constituting Transfer Restricted Securities (as defined in the Registration Rights Agreement), in accordance with the terms of the Registration Rights Agreement.

Liquidated Damages in respect of the Notes, if any, will be payable in cash semiannually, in arrears, on each Interest Payment Date to the person in whose name each Note is registered at the close of business on the Regular Record Date immediately preceding the relevant Interest Payment Date, and will cease to accrue on the date the Registration Default is cured. The above description of certain provisions of the Registration Rights Agreement is qualified by reference to, and is subject in its entirety to, the more complete description thereof contained in the Registration Rights Agreement.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture and the Registration Rights Agreement. Requests may be made to: Delta Air Lines, Inc., P.O. Box 20706, Atlanta, Georgia 30320, Attention: Investor Relations, Department No. 829, Telephone No.: (404) 715-2600.

16. SINKING FUND. The Notes do not have the benefit of any sinking fund obligations.

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To: DELTA AIR LINES, INC.

The undersigned beneficial owner of this Note hereby irrevocably exercises the option to convert this Note, or portion hereof (which is $1,000 or an integral multiple thereof) below designated, into shares of Common Stock of Delta Air Lines, Inc. in accordance with the terms of the Indenture referred to in this Note, and directs that the shares issuable and deliverable upon the conversion, together with any check in payment for fractional shares and Notes representing any unconverted principal amount hereof, be issued and delivered to the beneficial owner hereof unless a different name has been indicated below. If shares or any portion of this Note not converted are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. Any amount required to be paid by the undersigned on account of interest and taxes accompanies this Note.

Dated: _____________________________

Fill in for registration of shares if to be delivered, and Notes if to be issued, other than to and in the name of the beneficial owner (Please Print):

___________________________
(Name)

___________________________
(Street Address)

___________________________
(City, State and Zip Code)

Signature Guarantee:* _____________________________

___________________________
Signature(s)

___________________________
Principal amount to be converted (if less than all):

$___________,000

___________________________
Social Security or other Taxpayer Identification Number

* Signatures must be guaranteed by an eligible Guarantor Institution (banks, brokers, dealers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if shares are to be issued, or Notes are to be delivered, other than to and in the name of the registered Holder(s).
ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to

__________________________________________________________
(Insert assignee's social security or tax I.D. no.)

__________________________________________________________

(Print or type assignee's name, address and zip code)

and irrevocably appoint ___________________________ as agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Your Signature: _______________________________________

(Sign exactly as your name appears on the other side of this Note)

Date:_______________________________

Medallion Signature Guarantee:

[FOR INCLUSION ONLY IF THIS NOTE BEARS A RESTRICTED SECURITIES LEGEND]
In connection with any transfer of any of the Notes evidenced by this certificate that are "restricted securities" (as defined in Rule 144 (or any successor thereto) under the Securities Act), the undersigned confirms that such Notes are being transferred:

CHECK ONE BOX BELOW

(1)  [_] to the Company; or

(2)  [_] pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or

(3)  [_] pursuant to and in compliance with Regulation S under the Securities Act of 1933; or

(4)  [_] pursuant to an exemption from registration under the Securities Act of 1933 provided by Rule 144 thereunder.

Unless one of the boxes is checked, the Registrar will refuse to register any of the Notes evidenced by this certificate in the name of any person other than the registered Holder thereof; provided, however, that if box (3) or (4) is checked, the Trustee may require, prior to registering any such transfer of the Notes, such certifications and other information, and if box (4) is checked such legal opinions, as the Company has reasonably requested in writing, by delivery to the Trustee of a standing letter of instruction, to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933; provided that this paragraph shall not be applicable to any Notes which are not "restricted securities" (as defined in Rule 144 (or any successor thereto) under the Securities Act).

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DESIGNATED EVENT REPURCHASE NOTICE

If you wish to have this Note repurchased by the Company pursuant to Section 4.09 of the Indenture, check the Box: [ ]

If you wish to have a portion of this Note repurchased by the Company pursuant to Section 4.09 of the Indenture, state the amount (in multiples of $1,000):
$____________, 000.

Date:_____________     Your Signature:___________________________
(Sign exactly as your name appears on the other side of this Note)

Medallion Signature Guarantee:__________________________________________

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"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF DELTA AIR LINES, INC. THAT THIS SECURITY MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED PRIOR TO THE LATER OF (X) THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO THE SALES OF THE SECURITY EVIDENCED HEREBY UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION) OR (Y) THREE MONTHS AFTER SUCH HOLDER CEASES TO BE AN "AFFILIATE" (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT) OF DELTA AIR LINES, INC., OTHER THAN (1) TO DELTA AIR LINES, INC., (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE) UNDER THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF DELTA AIR LINES, INC. THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER OR (2) NOT A U.S. PERSON AND IS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF (OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (k)(2)(i) OF RULE 902 UNDER) REGULATION S UNDER THE SECURITIES ACT. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS SECURITY OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY EXCEPT AS PERMITTED BY THE SECURITIES ACT."
FORM OF TRANSFER CERTIFICATE FOR TRANSFER OF RESTRICTED COMMON STOCK

(Transfers pursuant to Section 11.11(b) of the Indenture)

[NAME AND ADDRESS OF COMMON STOCK TRANSFER AGENT]

Re: Delta Air Lines, Inc. 2-7/8% Convertible Senior Notes due 2024 (the "Convertible Senior Notes")

Reference is hereby made to the Indenture dated as of February 6, 2004 (the "Indenture") between Delta Air Lines, Inc. and The Bank of New York Trust Company, N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This letter relates to _________ shares of Common Stock [represented by the accompanying certificate(s) that were] [to be] issued upon conversion of Convertible Senior Notes and which are held in the name of [name of transferor] (the "Transferor") to effect the transfer of such Common Stock.

In connection with the transfer of such shares of Common Stock, the undersigned confirms that such shares of Common Stock are being transferred:

CHECK ONE BOX BELOW

(1) [___] to the Company; or

(2) [___] pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or

(3) [___] pursuant to and in compliance with Regulation S under the Securities Act of 1933; or

(4) [___] pursuant to an exemption from registration under the Securities Act of 1933 provided by Rule 144 thereunder.

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Unless one of the boxes is checked, the transfer agent will refuse to register any of the Common Stock [evidenced by this certificate] [to be issued to] in the name of any person other than the registered Holder thereof; provided, however, that if box (2) or (3) is checked, the transfer agent may require, prior to registering any such transfer of the Common Stock such certifications and other information, and if box (4) is checked such legal opinions, as the Company has reasonably requested in writing, by delivery to the transfer agent of a standing letter of instruction, to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

[Name of Transferor],

By:____________________________ Name:____________________________ Title:____________________________

Dated: C:2
Exhibit 10.9

AMENDMENT AND WAIVER

Amendment and Waiver dated as of November 18, 2003 (this "AMENDMENT AND WAIVER") between Delta Air Lines, Inc., a Delaware corporation (the "COMPANY"), and Leo F. Mullin ("EXECUTIVE").

WHEREAS, Executive serves as Chairman of the Board of Directors of the Company and is employed as Chief Executive Officer of the Company pursuant to the terms of the Employment Agreement dated as of November 29, 2002 filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (the "EMPLOYMENT AGREEMENT") between the Company and Executive;

WHEREAS, on February 28, 2003, Executive consented to a 10% reduction of his Base Salary (as defined in the Employment Agreement), effective March 1, 2003;

WHEREAS, on April 3, 2003, Executive announced that he had voluntarily elected (i) to reduce his Base Salary by an additional 15% from the level that existed immediately prior to March 1, 2003; (ii) to forego and waive his right to an Annual Award (as defined in the Employment Agreement) for fiscal year 2003; (iii) to forego and waive his right to each of the three Renewal Awards under the Employment Agreement; and (iv) to forego and waive his right to the retention award granted to him on January 23, 2002 (the "2002 RETENTION AWARD") under the Company's 2002 Retention Program (the "2002 RETENTION PROGRAM");

WHEREAS, on August 11, 2003, Executive announced that he had voluntarily elected to forego and waive his right under the Excess Benefit Agreement dated as of March 15, 2002 (the "EXCESS BENEFIT AGREEMENT") between the Company and Executive to the Company's third and final contribution to Executive's Employee Grantor Trust (as defined in the Excess Benefit Agreement); and

WHEREAS, the Company and Executive believe it is desirable to memorialize formally each of the matters described in the three immediately preceding "WHEREAS" clauses of this Amendment and Waiver;

NOW, THEREFORE, in consideration of the foregoing, the agreements set forth below and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

SECTION 1. 10% Reduction of Base Salary. Executive hereby affirms and acknowledges that Executive consented to a 10% reduction of his Base Salary, effective March 1, 2003, with such reduction to continue for so long as the Personnel &
Compensation Committee of the Board of Directors of the Company (the "COMMITTEE") determines in its sole discretion.

SECTION 2. Additional 15% Reduction of Base Salary. Executive hereby affirms and acknowledges that, effective April 1, 2003, Executive voluntarily elected to reduce his Base Salary by an additional 15% from the level that existed immediately prior to March 1, 2003, with such reduction to continue until Executive provides the Committee with a written notice that such reduction shall be restored on a prospective basis.

SECTION 3. Waiver of Annual Award. Executive hereby affirms and acknowledges that, effective April 3, 2003, Executive voluntarily elected to forego and waive his right to receive an Annual Award with respect to fiscal year 2003.

SECTION 4. Waiver of Renewal Awards. Executive hereby affirms and acknowledges that, effective April 3, 2003, Executive voluntarily elected to forego and waive his right to each of the three Renewal Awards which are provided under Section 3.06(a), and set forth in Exhibits A, B and C, of the Employment Agreement.

SECTION 5. Waiver of 2002 Retention Award. Executive hereby affirms and acknowledges that, effective April 3, 2003, Executive voluntarily elected to forego and waive his right to his 2002 Retention Award under the 2002 Retention Program.

SECTION 6. Waiver of Funding Contribution. Executive hereby affirms and acknowledges that, effective August 11, 2003, Executive voluntarily elected to forego and waive his right under the Excess Benefit Agreement to the Company's third and final contribution, scheduled to be made in 2004, to Executive's Employee Grantor Trust.

SECTION 7. Effect of Amendment and Waiver. Except as expressly amended or waived as set forth in this Amendment and Waiver, all of the provisions of the Employment Agreement and the Excess Benefit Agreement shall remain in full force and effect without modification or waiver. Notwithstanding the foregoing, (i) nothing contained herein, in the Employment Agreement as modified or waived, or the Excess Benefit Agreement as modified or waived, shall supercede the Waiver dated as of July 24, 2003 (the "GOVERNMENT CONTRACT WAIVER") between the Company and Executive relating to the compensation limits under the Emergency Wartime Supplemental Appropriations Act of 2003 and (ii) the Government Contract Waiver shall remain in full force and effect.

SECTION 8. Governing Law. This Amendment and Waiver shall be governed by and construed in accordance with laws of the State of Georgia without reference to principles of conflict of laws.

SECTION 9. Successors. This Amendment and Waiver shall be binding upon the Company's successors and assigns and Executive's personal and legal
representatives, executors, administrators, successors, heirs, distributes, devisees and legatees.

IN WITNESS WHEREOF, the Company and Executive have executed this Amendment and Waiver.

EXECUTIVE

/s/ Leo F. Mullin
Leo F. Mullin

DELTA AIR LINES, INC.

By: /s/ David R. Goode
Name: David R. Goode
Title: Chairman, Personnel & Compensation Committee
AMENDMENT AND WAIVER

Amendment and Waiver dated as of November 18, 2003 (this "AMENDMENT AND WAIVER") between Delta Air Lines, Inc., a Delaware corporation (the "COMPANY"), and Frederick W. Reid ("EXECUTIVE").

WHEREAS, Executive serves as President and Chief Operating Officer of the Company;

WHEREAS, Executive has previously voluntarily elected to forego and waive his right (i) to an annual incentive award for fiscal year 2003; (ii) to the retention award granted to him on January 23, 2002 (the "2002 RETENTION AWARD") under the Company's 2002 Retention Program (the "2002 RETENTION PROGRAM"); and (iii) under the Excess Benefit Agreement dated as of March 15, 2002 (the "EXCESS BENEFIT AGREEMENT") between the Company and Executive to the Company's third and final contribution to Executive's Employee Grantor Trust (as defined in the Excess Benefit Agreement); and

WHEREAS, the Company and Executive believe it is desirable to memorialize formally each of the matters described in the immediately preceding "WHEREAS" clause of this Amendment and Waiver;

NOW, THEREFORE, in consideration of the foregoing, the agreements set forth below and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

SECTION 1. Waiver of Annual Incentive Award. Executive hereby affirms and acknowledges that Executive voluntarily elected to forego and waive his right to receive an annual incentive award with respect to fiscal year 2003.

SECTION 2. Waiver of 2002 Retention Award. Executive hereby affirms and acknowledges that Executive voluntarily elected to forego and waive his right to his 2002 Retention Award under the 2002 Retention Program.

SECTION 3. Waiver of Funding Contribution. Executive hereby affirms and acknowledges that Executive voluntarily elected to forego and waive his right under the Excess Benefit Agreement to the Company's third and final contribution, scheduled to be made in 2004, to Executive's Employee Grantor Trust.

SECTION 4. Effect of Amendment and Waiver. Except as expressly amended or waived as set forth in this Amendment and Waiver, all of the provisions of the Excess Benefit Agreement shall remain in full force and effect without modification or waiver. Notwithstanding the foregoing, (i) nothing contained herein or in the Excess Benefit Agreement as modified or waived shall supercede the Waiver dated as of July 24, 2003.
(the "GOVERNMENT CONTRACT WAIVER") between the Company and Executive relating to the compensation limits under the Emergency Wartime Supplemental Appropriations Act of 2003 and (ii) the Government Contract Waiver shall remain in full force and effect.

SECTION 5. Governing Law. This Amendment and Waiver shall be governed by and construed in accordance with laws of the State of Georgia without reference to principles of conflict of laws.

SECTION 6. Successors. This Amendment and Waiver shall be binding upon the Company's successors and assigns and Executive's personal and legal representatives, executors, administrators, successors, heirs, distributes, devisees and legatees.

IN WITNESS WHEREOF, the Company and Executive have executed this Amendment and Waiver.

EXECUTIVE

/s/ Frederick W. Reid
Fredrick W. Reid

DELTA AIR LINES, INC.

By: /s/ David R. Goode

Name: David R. Goode
Title: Chairman, Personnel & Compensation Committee
Exhibit 10.19

NON QUALIFIED BENEFIT AGREEMENT

THIS NON QUALIFIED BENEFIT AGREEMENT ("Agreement") by and between DELTA AIR LINES, INC. (hereinafter the "Company") and (hereinafter "Key Employee") is made and entered into as of the 1st day of January, 2004. The provisions hereof shall be effective for death, retirement, or other termination of employment effective on or after the 1st day of January, 2004.

WITNESSETH:

WHEREAS, the Company sponsors for its full time non pilot employees, including Key Employee, the Delta Retirement Plan (the "Retirement Plan") and the Delta Family-Care Disability and Survivorship Plan (the "Disability and Survivorship Plan"), which are broad based tax favored employee benefit plans that provide retirement, survivor, and disability benefits to plan participants and beneficiaries; and

WHEREAS, even though all participants in the Retirement Plan and the Disability and Survivorship Plan generally receive benefits determined under the same compensation based formulas, various sections of the Internal Revenue Code of 1986, as amended (the "Code"), including, but not limited to, Sections 79, 401(a)(4), 401(a)(17), 415, and 505(b) restrict either: (i) compensation that may be taken into account in determining benefits under a qualified pension plan; (ii) benefits that can be paid from a qualified pension plan; (iii) compensation that may be taken into account in determining benefits for participants in a Voluntary Employee Beneficiary Association ("VEBA") described in Section 501(c)(9) of the Code; or (iv) benefits that can be paid from a VEBA (such limitations collectively or individually hereinafter referred to as the "Restrictions"); and

WHEREAS, the Company wishes to make up under non qualified benefit plans and/or this Agreement any reduction in Key Employee's retirement income benefit, disability or survivor benefits under either the Retirement Plan or the Disability and Survivorship Plan which results from the Restrictions, or any other applicable laws, statutes, or regulations which restrict in any way the benefits that can be paid from a VEBA or qualified pension plan; and

WHEREAS, the Company has established the 2002 Delta Excess Benefit Plan and the 2002 Delta Supplemental Excess Benefit Plan (such plans collectively referred to as the "Plans") and entered into this Agreement in order to provide for benefits that cannot be paid from the Retirement Plan and the Disability and Survivorship Plan because of the Restrictions, as well as for other purposes; and

WHEREAS, the Company and Key Employee previously executed an excess benefit agreement dated March 15, 2002 (the "2002 excess benefit agreement") in which the Company
agreed, among other things, to make certain contributions in 2002, 2003 and 2004 to an employee grantor trust established by Key Employee; and

WHEREAS, Key Employee and the Company have agreed that the 2002 excess benefit agreement should be amended and restated in its entirety as this Agreement, and have also agreed that the Company will not make any further contributions to the employee grantor trust established by Key Employee, including the contribution to be made in 2004 under the 2002 excess benefit agreement; and

WHEREAS, in exchange for participation in the Plans and the benefits provided under this Agreement, and on behalf of himself or herself, and his or her beneficiaries and Eligible Family Members, by execution of this Agreement, Key Employee agrees that this Agreement supersedes, terminates and cancels any and all previous excess benefit agreements with the Company he or she may have entered into (except as provided in Section 20);

NOW, THEREFORE, the parties hereby agree as follows:

1. Definitions. Unless specifically defined in this Agreement, or indicated otherwise, capitalized terms used in this Agreement shall have the meaning given those terms in the Retirement Plan or Disability and Survivorship Plan. The following definitions shall apply herein:

Actuarial Equivalent. An amount is the Actuarial Equivalent of any other amount if the actuarial reserve required to provide the same is equal to the actuarial reserve required to provide such other amount. The parties acknowledge that, in selecting appropriate factors to determine actuarial equivalence, the immediate taxability of any amounts paid hereunder as well as the demographics of the covered group must be taken into account; otherwise, Key Employee will not receive the same value over time under this Agreement as he or she would have had had the Restrictions not applied and all amounts payable to Key Employee been paid from a qualified plan. Therefore, it is not appropriate to use an interest rate benchmark or mortality table that does not sufficiently consider these factors. Unlike distributions from qualified plans, which can be tax deferred, amounts paid hereunder are taxable in the year paid; therefore the interest rate should reflect that immediate taxation. An accepted way of recognizing this distinction is to use a post tax interest benchmark. With respect to mortality, the parties acknowledge that the participants in the Plans consist solely of white collar employees and are relatively small in number. In such a case, it is appropriate to use a mortality table which reflects this demographic. Therefore, the factors to use to determine actuarially equivalence under this Agreement shall be: (a) interest: the rate equal to the then current effective yield of the Merrill Lynch AAA Rated Municipal Revenue Bond Index, Merrill Lynch Ticker: URA1 (or the yield of a similar index determined by the Committee), determined as of the date of retirement, termination of employment, or death, as the case may be; provided, however, that if such date falls on a day when the U.S. fixed income markets are closed or is a day on which the index is being rebalanced, determined on the next following business day, in each case with such rate reduced for any applicable state taxes; (b) mortality: the unisex mortality rate using the RP-2000
Mortality Table, with white collar adjustment applied and reflecting mortality improvements using Scale AA projected to the time the Actuarial Equivalent is being determined; and (c) joint and survivor benefit factor: if a benefit is payable in the form of a joint and 50% survivor annuity, use actual marital status and age of Spouse; provided, for this purpose, a Domestic Partner shall be treated as a Spouse. Other factors or assumptions, if any, necessary to determine the Actuarial Equivalent of an amount shall be determined by the Committee in its sole discretion.

Benefit Commencement Date. The day that the retirement income benefit, disability benefit or survivor benefit, as the case may be, commences under the Retirement Plan or Disability and Survivorship Plan with respect to Key Employee or his or her Spouse, Domestic Partner, or Eligible Family Member(s).

Committee. The Personnel & Compensation Committee of the Company's Board of Directors.

Company Approved Annuity Provider. An annuity provider who is, and whose Excess Premium, if any, is approved by the Company in its sole discretion from time to time. In determining whether to approve such provider and the Excess Premium, if any, the Company shall consider, among other things, the rates and discount factors proposed by the provider.

Deemed Earnings. An amount, compounded annually, using an annual interest rate equal to the sum of (a) the prime rate as published in the Wall Street Journal on the date the particular distribution or withdrawal was made from Key Employee's Grantor Trust; and (b) 2%.

Deferred Vested Monthly Supplemental Retirement Income. The Actuarial Equivalent (expressed as a monthly amount and determined at the time Key Employee's employment terminates) of the amount equal to (a) minus (b) where:

(a) equals the monthly amount of Deferred Vested benefits payable under the Retirement Plan which Key Employee would receive if the Restrictions as reflected in the Retirement Plan and the Code were not in effect and Key Employee had elected to begin receiving his or her Deferred Vested benefit at age 52; and

(b) equals the monthly Deferred Vested benefit payable under the Retirement Plan which Key Employee would receive under the Retirement Plan had Key Employee elected to begin receiving his Deferred Vested benefit at age 52 (assuming no changes in the Restrictions between the date of termination and age 52).

If Key Employee has a Spouse or Domestic Partner at the time of termination of employment, Key Employee shall elect at the time of such termination whether to determine the Deferred Vested Monthly Supplemental Retirement Income as an actuarially reduced joint and 50% survivor annuity or as an unreduced single life annuity. This election shall not be binding with respect to amounts to be received by Key Employee under the Retirement Plan.
For purposes of determining benefits under (a) and (b) above, any QDRO will be taken into account, such that the total benefits payable under this Agreement will be deemed to be (but will not exceed) those which would be payable absent the QDRO.

Deferred Vested PRSB Monthly Supplemental Retirement Income. An amount equal to fifty percent (50%) of Key Employee's Deferred Vested Monthly Supplemental Retirement Income, determined as if Key Employee were single at his or her death.

Deferred Vested PRSB Supplemental Lump Sum. The single sum Actuarial Equivalent of the Deferred Vested PRSB Monthly Supplemental Retirement Income determined as of the date of Key Employee's death; provided however, if Key Employee previously established an employee grantor trust pursuant to an agreement between the Company and Key Employee, the Deferred Vested PRSB Supplemental Lump Sum shall be reduced by the Pre Tax Value of Key Employee's Grantor Trust. If Key Employee has a Domestic Partner at death, the Deferred Vested PRSB Supplemental Lump Sum shall be adjusted to reflect the fact that the Domestic Partner is not eligible for pre retirement survivor benefits under the Retirement Plan and that the monthly survivor income from the Disability and Survivorship Plan is payable, if at all, for only up to 10 years following Key Employee's death. The purpose of such adjustment is to make payments to the Domestic Partner equivalent to the payment which would have been made to such Domestic Partner had he or she qualified as a Spouse under the Retirement Plan, taking into account payments to be made from the Disability and Survivorship Plan, the Retirement Plan and this Agreement.

Deferred Vested Supplemental Retirement Income Lump Sum. The single sum Actuarial Equivalent of the Deferred Vested Monthly Supplemental Retirement Income determined as of the date of Key Employee's termination of employment; provided however, if Key Employee previously established an employee grantor trust pursuant to an agreement between the Company and Key Employee, the Deferred Vested Supplemental Retirement Income Lump Sum shall be reduced by the Pre Tax Value of Key Employee's Grantor Trust.

Domestic Partner. The person identified by Key Employee as his or her domestic partner in an Affidavit of Domestic Partner filed with the Company, and who at the time of Key Employee's death, retirement or other termination of employment, as the case may be, continues to meet all requirements for a domestic partner under the Company’s then current domestic partner program. For all purposes of this Agreement, a Domestic Partner shall be treated as a Spouse, or Surviving Spouse, as the case may be, and the term "Spouse" or "Surviving Spouse" as used herein shall include a Domestic Partner. The purpose of this provision is that, taking into account the provisions of, and payments under the Retirement Plan, Disability and Survivorship Plan and this Agreement, the Key Employee and his or her Domestic Partner shall receive the same amounts (but no more) payable, to the greatest extent possible, in the same form and at the same time, and subject to the same reductions as those amounts payable under such plans and this Agreement as if such Domestic Partner had been the legal Spouse of Key Employee for purposes of the Retirement Plan. Provided however, any such payment is not intended to duplicate monthly survivor benefits made under the Disability and Survivorship Plan to such Domestic Partner and no benefit shall be payable under this Agreement that is payable from the...
Disability and Survivorship Plan, taking into account the Restrictions, such that the Domestic Partner would receive greater benefits than would have otherwise been payable had the Domestic Partner been a Spouse.

Excess Premium. The difference between (a) minus (b) where (a) is the amount charged by the Company Approved Annuity Provider for the Post Tax Supplemental Retirement Income Annuity for Key Employee and (b) is an amount equal to the Supplemental Retirement Income Lump Sum, a Deferred Vested Supplemental Retirement Income Lump Sum, a PRSB Supplemental Lump Sum, or the Deferred Vested PRSB Supplemental Lump Sum, whichever is applicable to Key Employee multiplied by one minus the Post Retirement Tax Rate.

Monthly Supplemental Retirement Income. An amount equal to (a) minus (b) where:

(a) equals the monthly amount of the Early, Normal or Deferred Retirement income benefit (whichever is appropriate) payable in the form provided under the Retirement Plan (but ignoring any election of the Level Income Option provided under the Retirement Plan and considering a Domestic Partner as a Spouse) which would be payable to Key Employee beginning on the Benefit Commencement Date if the Restrictions as reflected in the Retirement Plan and the Code were not in effect; and

(b) equals the monthly amount of the Early, Normal or Deferred Retirement income benefit (whichever is appropriate) payable in the form provided under the Retirement Plan (but ignoring any election of the Level Income Option provided under the Retirement Plan), which Key Employee will actually receive under the Retirement Plan beginning on the Benefit Commencement Date.

For purposes of determining benefits under (a) and (b) above, any QDRO will be taken into account, such that the total benefits payable under this Agreement will not exceed those which would be payable absent the QDRO.

Post Retirement Tax Rate. If sixty per cent (60%) of Key Employee's Final Average Earnings at retirement or other termination of employment equals or exceeds $311,950 for 2003 (for each year thereafter, such amount indexed in the same manner as are the federal marginal individual income tax rates), the Post Retirement Tax Rate shall be 40.35%; otherwise the Post Retirement Inclusive Tax Rate shall be 38.47%; provided however, if Key Employee is a resident of a state other than Georgia at the time the Post Retirement Tax Rate is to be determined, then such rate shall be adjusted as appropriate to reflect the difference between the Georgia state income tax rate of 6% and the highest marginal state and local tax rate applicable to residents of the state in which Key Employee resides. The Committee may appropriately revise such tax rates if the applicable federal, state, or local or Medicare tax rates change.

Pre Tax Value of Key Employee's Grantor Trust. An amount, calculated as of the date of payment of the Supplemental Retirement Income Lump Sum, equal to (a) divided by (b) where:
(a) equals the actual balance in Key Employee's Employee Grantor Trust established between the Company and Key Employee as of such payment date; and

(b) equals 1 minus the applicable Post Retirement Tax Rate for Key Employee.

For this purpose, the balance in Key Employee's Employee Grantor Trust shall be the actual amount in such trust; provided however, if the amount in the trust is reduced as the result of payment under a QDRO, or if Key Employee has at any time made a withdrawal or received a distribution from such trust other than a Tax Distribution Withdrawal, or a Special Distribution pursuant to Section 2.4 of Key Employee's Grantor Trust Agreement (a "Special Distribution"), then the balance in Key Employee's Employee Grantor Trust shall be deemed to be the sum of (x) the actual amount in such trust, (y) the amount of any withdrawal from such trust, other than a Tax Distribution Withdrawal or a Special Distribution, and (z) all Deemed Earnings with respect to any particular distribution or withdrawal other than a Tax Distribution Withdrawal or Special Distribution. In the event of a Tax Distribution Withdrawal, a Special Distribution or the reduction of the Trust Balance (as defined in Key Employee's Grantor Trust Agreement) as the result of payment of any Trustee fees, the balance in Key Employee's Grantor Trust shall in no event be deemed to include the amount of such distributions or payment.

PRSB Monthly Supplemental Retirement Income. An amount equal to (a) minus (b) where:

(a) equals the monthly amount of the Surviving Spouse Benefit payable under the Retirement Plan which the Spouse or Domestic Partner would receive if the Restrictions as reflected in the Retirement Plan and the Code were not in effect and as if a Domestic Partner were treated as a Spouse; and

(b) equals the monthly amount of Surviving Spouse Benefit the Spouse or Domestic Partner will actually receive under the Retirement Plan.

PRSB Supplemental Lump Sum. The single sum Actuarial Equivalent of the PRSB Monthly Supplemental Retirement Income determined as of the date of Key Employee's death; provided however, if Key Employee previously established an employee grantor trust pursuant to an agreement between the Company and Key Employee, the PRSB Supplemental Lump Sum shall be reduced by the Pre Tax Value of Key Employee's Grantor Trust. If Key Employee has a Domestic Partner at death, the PRSB Supplemental Lump Sum shall be adjusted to reflect the fact that the Domestic Partner is not eligible for pre retirement survivor benefits under the Retirement Plan and that the monthly survivor income from the Disability and Survivorship Plan is payable, if at all, for only up to 10 years following Key Employee's death. The purpose of such adjustment is to make payments to the Domestic Partner equivalent to the payment which would have been made to such Domestic Partner had he or she qualified as a Spouse under the Retirement Plan, taking into account payments to be made from the Disability and Survivorship Plan, the Retirement Plan and this Agreement.

QDRO. A Qualified Domestic Relations Order.

Supplemental Retirement Income Lump Sum. The single sum Actuarial Equivalent of Key Employee's Monthly Supplemental Retirement Income determined as of his or her retirement date and considering a Domestic Partner as a Spouse. Provided however, if Key Employee will receive his or her Retirement Plan benefit in the form of a joint and 50% survivor benefit, the Supplemental Retirement Income Lump Sum shall also include the value of that part of the survivor benefit that cannot be paid from the Retirement Plan because of the Restrictions. In addition, if Key Employee previously established an employee grantor trust pursuant to an agreement between the Company and Key Employee, the Supplemental Retirement Income Lump Sum shall be reduced by the Pre Tax Value of Key Employee's Grantor Trust.

Tax Distribution Withdrawal. A distribution or withdrawal from Key Employee's Grantor Trust made for purposes of paying applicable taxes resulting from either contributions to such Trust or earnings on such contributions.

2. Certain ERISA Requirements Not Applicable. The parties acknowledge that this Agreement is unfunded and that Key Employee's participation in this Agreement and the 2002 Delta Supplemental Excess Benefit Plan is exempt from certain provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") including, but not limited to, parts 2, 3 and 4 of Subtitle B of Title 1 of ERISA, and subject to limited reporting and disclosure requirements of part 1 of Subtitle B of Title 1 of ERISA. The parties further acknowledge that the 2002 Delta Excess Benefit Plan is an "excess benefit plan" as defined in section 3(36) of ERISA; and is unfunded and therefore not subject to any provision of ERISA.

3. No Additional Contributions to Employee Grantor Trust. The parties acknowledge that no additional contributions will be made by the Company to the ________ Grantor Trust, specifically including any contribution scheduled to be made in 2004 pursuant to the 2002 excess benefit agreement between Company and Key Employee. In exchange for the benefits provided under this Agreement, Key Employee specifically waives any right that he or she may have had under Section 10 of the 2002 excess benefit agreement to any contributions to such Trust to be made in 2004.

4. Incorporation of the Retirement Plan and the Disability and Survivorship Plan. The terms of the Retirement Plan and the Disability and Survivorship Plan (both as in effect on January 1, 2004) are hereby incorporated into this Agreement by reference, except that changes in those plans which reduce benefits (other than changes as may be required by law and the reduction or elimination of the right, if any, to receive post retirement benefit increases from the Retirement Plan solely as the result of increases in the qualified plan payment limit under Section 415(b) of the Code, whether such increases are the result of cost of living adjustments or
statutory change) shall be incorporated as to Key Employee only if advance notice of such proposed reduction is given to the Key Employee and the Key Employee agrees to an amendment of this Agreement to incorporate the benefit reduction. The incorporation of the Retirement Plan and the Disability and Survivorship Plan is not intended to affect the right of Key Employee or his or her surviving Spouse or Domestic Partner to receive a Deferred Vested Supplemental Retirement Income Lump Sum or a Deferred Vested PRSB Supplemental Lump Sum, as the case may be, or to modify any provision of this Agreement, and the benefits provided hereunder shall be governed only by the provisions hereof and the Plans.

5. Retirement Benefits

(a) If Key Employee retires on his Early, Normal or Deferred Retirement Date, the Company agrees to pay Key Employee his or her Supplemental Retirement Income Lump Sum no later than thirty (30) days after (i) such retirement date, or (ii) if later, the date Key Employee elects to begin receiving his retirement benefit under the Retirement Plan.

(b) If Key Employee terminates employment for any reason other than death at any time prior to his Early, Normal, or Deferred Retirement Date, the Company agrees to pay to Key Employee his or her Deferred Vested Supplemental Retirement Income Lump Sum no later than thirty (30) days after such termination date.

(c) If Key Employee dies after age 52, but before retirement or other termination of employment, and has a Spouse who is eligible for a Surviving Spouse Benefit under the Retirement Plan or a Domestic Partner, the Company shall pay to such Spouse or Domestic Partner the PRSB Supplemental Lump Sum no later than thirty (30) days after Key Employee's death.

(d) If Key Employee dies while employed, but prior to his or her 52nd birthday, and has a Spouse who is eligible for a Surviving Spouse Benefit under the Retirement Plan or a Domestic Partner, the Company shall pay to such Spouse or Domestic Partner the Deferred Vested PRSB Supplemental Lump Sum no later than thirty (30) days after Key Employee's death.

(e) If within 30 days of receipt of a Supplemental Retirement Income Lump Sum, a Deferred Vested Supplemental Retirement Income Lump Sum, a PRSB Supplemental Lump Sum, or a Deferred Vested PRSB Supplemental Lump Sum, as the case may be, Key Employee (or if applicable, his or her Surviving Spouse or Domestic Partner) advises the Company in writing of his or her decision to purchase an immediately payable Post Tax Supplemental Retirement Income Annuity from a Company Approved Annuity Provider, upon proof of payment of the
amount of the applicable lump sum to such Company Approved Annuity Provider, the Company shall pay such Company Approved Annuity Provider the Excess Premium. Key Employee shall be responsible for all taxes incurred by Key Employee as the result of the Company's payment of the Excess Premium. Key Employee agrees that the Company shall have no fiduciary or any other duty to Key Employee in selecting the Company Approved Annuity Provider. Company shall in no event be responsible or liable to Key Employee or any other person for any failure of the Company Approved Annuity Provider to pay to Key Employee or his or her Spouse or Domestic Partner any amount due under any Post Tax Supplemental Retirement Income Annuity for any reason, including insolvency of the Company Approved Annuity Provider.

6. Supplemental Disability Income. Subject to Section 10, the Company agrees to pay Key Employee at the time set forth below a supplemental monthly disability income ("Supplemental Disability Income") equal to (a) minus (b), where

(a) equals the monthly short term disability benefit which the Key Employee would receive under the Disability and Survivorship Plan beginning on the Benefit Commencement Date as if the Restrictions were not in effect; and

(b) equals the monthly short term disability benefit payable to Key Employee from the Disability and Survivorship Plan beginning on the Benefit Commencement Date taking the Restrictions into account.

The amount of Supplemental Disability Income paid under this Agreement will be adjusted as permitted under the Plan and if the amount in (b) above increases or decreases as a result of a change in the Restrictions.

7. Supplemental Monthly Survivor Income. Subject to Section 10, the Company agrees to pay to Eligible Family Member(s) (as defined in the Disability and Survivorship Plan) of Key Employee at Key Employee's death a supplemental monthly survivor income ("Supplemental Survivor Income") equal to

(a) minus (b), where

(a) equals the monthly survivor benefit which the Eligible Family Member(s) of Key Employee would receive under the Disability and Survivorship Plan beginning on the Benefit Commencement Date (as defined below) as if the Restrictions were not in effect; and

(b) equals the monthly survivor benefit payable to Eligible Family Member(s) of Key Employee under the terms of the Disability and Survivorship Plan beginning on the Benefit Commencement Date taking the Restrictions into account.
The amount of Supplemental Survivor Income paid under this Agreement will be adjusted as permitted under the Plan and the Code to account for, inter alia, changes in the number of Eligible Family Members.

If Key Employee's death occurs prior to retirement, the amount of any Supplemental Survivor Income payment will be reduced each month by the PRSB Monthly Supplemental Income or the Deferred Vested PRSB Monthly Supplemental Income, as applicable, as of the date of payment. If Key Employee's death occurs after retirement, the Supplemental Monthly Survivor Income will be reduced by 50% of the Monthly Supplemental Retirement Income.

8. Cessation of Benefits. Subject to Section 5 the Company shall commence payment of retirement benefits under this Agreement as of the Benefit Commencement Date under the Retirement Plan and payment of the Supplemental Disability or Survivor Income as of the Benefit Commencement Date under the Disability and Survivorship Plan.

Supplemental Disability Income will cease if the full benefit due under the Disability and Survivorship Plan is paid from that plan or when the Key Employee is no longer eligible for short term disability benefits under that plan.

Supplemental Survivor Income will cease if the full benefit due under the Disability and Survivorship Plan is paid from that plan or when there are no remaining Eligible Family Member(s) under that plan. All benefits payable hereunder may cease pursuant to Section 10 at any time.

9. Supplemental Lump Sum Death Benefit. Subject to Section 10, the Company agrees to pay to the named beneficiary (as designated by Key Employee for the Basic Life Benefit under the Disability and Survivorship Plan) of Key Employee at Key Employee's death following retirement, a supplemental lump sum death benefit in the amount necessary to provide a total lump sum death benefit of $50,000 when combined with the Basic Life Benefit actually provided by the Disability and Survivorship Plan.

10. Covenant Not to Compete. Unless waived by the Committee under circumstances the Committee deems appropriate in its sole discretion, if Key Employee terminates active employment with the Company prior to his or her Normal Retirement Date and within two years of such termination directly or indirectly provides management or executive services (whether as a consultant, advisor, officer or director) to any entity who is in direct and substantial competition with the air transportation business of the Company or any of its subsidiaries, then Key Employee shall within thirty days of such employment repay the Company in cash an amount equal to the Supplemental Retirement Income Lump Sum or the Deferred Vested Supplemental Retirement Income Lump Sum, as the case may be. For this purpose, the amount of the Supplemental Retirement Income Lump Sum and the Deferred Vested Supplemental Retirement Income Lump Sum shall be determined before any reduction for the balance in any Grantor Trust established by Key Employee.

Because of the broad and extensive scope of the Company's air transportation business, the restrictions contained in this provision are intended to extend to management or executive
services which are directly related to the provision of air transportation services into, within or from the United States, as no smaller geographical restriction will adequately protect the legitimate business interest of the Company.

Key Employee acknowledges and agrees that the above provision is both fair and reasonable with respect to both parties to this Agreement and not in the nature of a penalty.

11. Funding of Benefit. Subject to the reductions to Key Employee's benefits described in this Agreement of amounts, if any, in Key Employee's Employee Grantor Trust, the benefits provided by this Agreement shall be paid, to the extent they become due, from the Company's general assets or by such other means as the Company deems advisable. To the extent Key Employee acquires the right to receive payments from the Company under this Agreement, such right shall be no greater than that of a general creditor of the Company. In the event that the Company in its sole discretion establishes a reserve or bookkeeping account for the benefits payable under this Agreement, the Key Employee shall have no proprietary or security interest in any such reserve or account.

12. Nonassignability of Benefits. No benefit payable under this Agreement may be assigned, transferred, encumbered or subjected to legal process for the payment of any claim against Key Employee, his or her Spouse, Domestic Partner, Eligible Family Member, or beneficiary.

13. No Right to Continued Employment. Nothing in this Agreement shall be deemed to give Key Employee the right to be retained in the service of the Company or to deny the Company any right it may have to discharge Key Employee at any time, subject to the Company's obligation to provide benefits and amounts as may be required hereunder.

14. Arbitration. The parties acknowledge that any claims or controversy arising out of this Agreement are subject to arbitration in accordance with the Plans.

15 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia without regard to its conflict of laws rules.

16. Successors and Assigns. This Agreement shall be binding upon the successors and assigns of the parties hereto.

17. Amendment. This writing, including any terms or documents incorporated herein by reference, supersedes and cancels any previous excess benefit agreement between Key Employee and the Company. This Agreement may not be modified orally, but only by writing signed by the parties hereto.

18. Notice. All notices, requests, demands and other communications under this Agreement, shall be in writing and shall be delivered personally (including by courier) or mailed by certified mail, return receipt requested. Refusal to acknowledge receipt of such notice shall constitute receipt of such notice upon the date it is returned to the sender. Any notice under this Agreement shall be sent, as the case may be, to Key Employee, his or her Spouse, Domestic
Partner, Eligible Family Member or beneficiary at the last known address of such person as reflected in the Company's records. Notice to the Company or the Committee shall be sent to:

Delta Air Lines, Inc.
Law Department
1030 Delta Boulevard
Atlanta, Georgia 30320 Attention: Senior Vice President - General Counsel

19. Waiver of Certain Increases in Restrictions. In exchange for the right to receive the Supplemental Retirement Income Lump Sum or the Deferred Vested Supplemental Retirement Income Lump Sum, as the case may be, Key Employee, on behalf of himself or herself, and his or her Spouse or Domestic Partner, hereby waives any and all rights, if any, to any increase in benefits following the later of January 1, 2004 or Key Employee's retirement that would otherwise be payable from the Retirement Plan as the result of any changes in the limits contained in Section 415(b) of the Code, which section contains limits on the benefits that can be paid from tax-qualified defined benefit plans, whether such increases occur as the result of cost-of-living adjustments or statutory changes. Key Employee acknowledges that unless such rights, if any, are waived, he or she will be overpaid and receive a windfall from the Retirement Plan since the Supplemental Retirement Income Lump Sum and the Deferred Vested Supplemental Retirement Income Lump Sum will be determined based on the Section 415(b) limits in effect at the time of payment of the Supplemental Retirement Income Lump Sum or the Deferred Vested Supplemental Retirement Income Lump Sum, without any allowance for increase in such limits.

Section 12 hereof notwithstanding, if for any reason this waiver is held to be invalid, Key Employee agrees to pay to the Company an amount equal to any such increase in benefits under the Retirement Plan to recover this overpayment.

20. Disqualified Payment. To the extent that Key Employee is determined by the Committee to be an "Executive Officer" under the agreement between the Company and the United States of America dated May 6, 2003 (the Government Contract”) entered into pursuant to the Emergency Wartime Supplemental Appropriations Act of 2003, this Agreement shall be effective with respect to any payment under Section 5 provided hereunder only if, after giving affect to this Agreement, such payment would qualify, as determined by the Committee, as a payment made pursuant to "preexisting contracts governing retirement" included in the definition of "Excluded Compensation" under the Government Contract to the extent that the provisions of the Government Contract are then applicable. In the event that pursuant to the preceding sentence this Agreement shall not be effective with respect to any payment hereunder, then with respect to such payment, (but only with respect to such payment), this Agreement shall be void ab initio, and the terms of the Excess Benefit Agreement dated March 15, 2002 shall apply with respect to such payment.
IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the date(s) shown below.

DELA AIR LINES, INC.

By: ____________________________
    Leo F. Mullin
    Chairman of the Board and
    Chief Executive Officer

Date:______________________________ KEY EMPLOYEE

Date: ______________________________

- 13 -
FIRST AMENDMENT TO 2002 RETENTION PROGRAM

First Amendment (this "AMENDMENT") to the Delta Air Lines, Inc. 2002 Retention Program dated as of July 24, 2003 by and between Delta Air Lines, Inc., a Delaware corporation ("DELTA"), and __________ ("EXECUTIVE").

WHEREAS, on January 23, 2002, the Personnel & Compensation Committee (the "COMMITTEE") of Delta's Board of Directors adopted the 2002 Retention Program (the "RETENTION PROGRAM");

WHEREAS, on January 23, 2002, the Committee granted Executive a retention award opportunity (a "RETENTION AWARD") subject to the terms of the Retention Program; and

WHEREAS, Delta and Executive have determined that it is in the best interest of Delta and Executive to amend the terms of the Retention Program as it relates to Executive as set forth herein;

NOW, THEREFORE, in consideration of the foregoing, the agreements set forth below and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

SECTION 1. Definitions; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Retention Program has the meaning assigned to such term in the Retention Program. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference contained in the Retention Program shall, as it relates to Executive after this Amendment becomes effective, refer to the Retention Program as amended hereby.

SECTION 2. Amendment to Section 4 of the Retention Program. Section 4 of the Retention Program is hereby amended in its entirety to read as follows:

4. General Rules Regarding Vesting and Payment of Retention Awards

   Subject to the terms of the Program:

   a. Vesting and Payment of First Installment. 33.3% of a participant's Retention Award shall vest on April 2, 2004 and be paid in cash within 30 days thereafter if the participant is continuously employed by Delta from January 1, 2002 through and including April 2, 2004.
b. Vesting and Payment of Second Installment. 33.3% of a participant's Retention Award shall vest on April 2, 2005 and be paid in cash within 30 days thereafter if the participant is continuously employed by Delta from January 1, 2002 through and including April 2, 2005.

c. Vesting and Payment of Third Installment. The balance of a participant's Retention Award shall vest on April 2, 2006 and be paid in cash within 30 days thereafter if the participant is continuously employed by Delta from January 1, 2002 through and including April 2, 2006.

SECTION 3. Amendment to Section 5 of the Retention Program. Section 5 of the Retention Program is hereby amended in its entirety to read as follows:

5. Special Rules Regarding Vesting and Payment of Retention Awards

The General Rules Regarding the Vesting and Payment of Retention Awards in Section 4 of the Program are subject to the following terms:

a. Termination of Employment On or Before April 2, 2004 Because of Disability or Death. If a participant's employment with Delta terminates on or before April 2, 2004 due to Disability (as defined in the Delta 2000 Performance Compensation Plan) or death, a pro rata portion of the participant's Retention Award shall vest on the date of such termination of employment and be paid in cash within 30 days thereafter. The pro rata portion of the participant's Retention Award which shall vest under this Section 5(a) will be determined by multiplying the Retention Award by a fraction, (i) the numerator of which is the number of full and partial months (rounded to two decimal places) the participant was continuously employed by Delta during the period beginning on January 1, 2002 and ending on the date of such termination of employment; and (ii) the denominator of which is 27, provided, however, that in no event shall such fraction be greater than 1.

b. Termination of Employment During the Period Beginning April 3, 2004 and Ending April 2, 2006 Because of Disability or Death. If a participant's employment with Delta terminates during the period beginning April 3, 2004 and ending April 2, 2006 due to Disability or death, any unvested portion of the participant's Retention Award shall vest on the date of such termination of employment and be paid in cash within 30 days thereafter.

c. Termination of Employment for Reasons Other Than Disability or Death. Except to the extent otherwise determined by the Committee, if a participant's employment with Delta terminates on or before April 2, 2006 for any reason other than Disability or death, any
unvested portion of the participant's Retention Award shall immediately lapse and be forfeited at the time of such termination of employment. Any vested portion of the participant’s Retention Award which has not been paid as of such termination of employment shall be paid in accordance with the terms of the Program.

d. Change in Control On or Before April 2, 2004. If, on or before April 2, 2004, there is a Change in Control (as defined in the Delta 2000 Performance Compensation Plan) while a participant is employed by Delta, a pro rata portion of the participant's Retention Award shall vest on the date of the Change in Control and be paid in cash within 30 days thereafter. The pro rata portion of the participant's Retention Award which shall vest under this Section 5(d) will be determined by multiplying the Retention Award by a fraction, (i) the numerator of which is the number of full and partial months (rounded to two decimal places) the participant was continuously employed by Delta during the period beginning on January 1, 2002 and ending on the date of the Change in Control; and (ii) the denominator of which is 27, provided, however, that in no event shall such fraction be greater than 1.

e. Change in Control During Period Beginning April 3, 2004 and Ending April 2, 2006. If, during the period beginning April 3, 2004 and ending April 2, 2006, there is a Change in Control while a participant is employed by Delta, any unvested portion of the participant's Retention Award shall vest on the date of the Change in Control and be paid in cash within 30 days thereafter.

f. Discharge of Liabilities. The payment to a participant of amounts due under Section 5(d) or Section 5(e) of the Program shall discharge all liabilities of Delta to the participant (i) under the Program; and (ii) only with respect to the Program, under any executive retention protection agreement or employment agreement between Delta and the participant.

SECTION 4. Amendment to Section 10 of the Retention Program. Section 10 of the Retention Program is hereby amended in its entirety to read as follows:

10. Waiver of Retention Award in Connection With the Emergency Wartime Supplemental Appropriations Act of 2003

Notwithstanding anything in the Program to the contrary, in the event the Committee shall determine in its reasonable discretion that making any payment to which a participant may be otherwise entitled under the Program would cause Delta to violate its agreement to limit "Total Cash Compensation" to "Executive Officers" (each as defined under the agreement between Delta and the United States of America dated May 6, 2003 (the "Government Contract") entered into pursuant to
the Emergency Wartime Supplemental Appropriations Act of 2003) under Paragraph 4.1 of the Government Contract, such participant shall not be entitled to such payment and, instead, the Committee shall reduce such payment (in whole or in part) by an amount, determined by the Committee in its reasonable discretion, such that Delta shall not be in such violation. Further, in the event the Committee determines in its reasonable discretion that any previously made payment to a participant under the Program would cause Delta to violate Paragraph 4.1 of the Government Contract (such payment, an "Excess Payment"), upon notification from the Committee, such participant shall promptly repay such Excess Payment to Delta. Delta shall have the right to set-off any Excess Amount against any obligation to make a payment or honor a commitment to a participant.

SECTION 5. Waiver of Delta's Negative Discretion in Connection with Long-Term Performance Award. In consideration for the amendments to the Retention Program as set forth herein, provided that Executive's employment with Delta continues through December 31, 2003, Delta hereby waives the Committee's right pursuant to Section 6 of Executive's Performance-Based Restricted Stock Agreement dated January 25, 2001 to reduce the amount of Executive's performance award payable in calendar year 2004 thereunder.

SECTION 6. Effectiveness. This Amendment shall be effective as of the date first above written.

SECTION 7. Effect of Amendment. Except as amended or waived hereby, all of the provisions of the Retention Program shall remain in full force and effect without modification or waiver.

SECTION 8. Entire Agreement. This Amendment constitutes the entire agreement between Delta and Executive with respect to the subject matter hereof, and supersedes any other prior agreement, written or oral, between the parties with respect thereto. This Amendment may only be amended by written instrument signed by both Delta and Executive.

SECTION 9. Governing Law. This Amendment and all determinations made and actions taken hereunder shall be governed by the internal substantive laws, and not the choice of law rules, of the State of Georgia, and construed accordingly, to the extent not superseded by applicable federal law.

SECTION 10. Successors. This Amendment shall be binding upon Executive's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.
IN WITNESS WHEREOF, Delta and Executive have executed this Amendment.

EXECUTIVE

Delta Air Lines, Inc.

By: ____________________________

Name: [David Goode]

Title: [Chairman, Personnel & Compensation Committee]
EXHIBIT 12

DELTA AIR LINES, INC.
STATEMENT REGARDING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(In millions, except ratios)

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<td>100</td>
</tr>
<tr>
<td>Interest capitalized</td>
<td>(12)</td>
<td>(15)</td>
<td>(32)</td>
<td>(45)</td>
<td>(48)</td>
</tr>
<tr>
<td><strong>Earnings (loss) as adjusted</strong></td>
<td>$ 277</td>
<td>$(678)</td>
<td>$(610)</td>
<td>$ 2,556</td>
<td>$ 2,946</td>
</tr>
<tr>
<td><strong>Fixed charges:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>$ 744</td>
<td>$ 660</td>
<td>$ 531</td>
<td>$ 426</td>
<td>$ 250</td>
</tr>
<tr>
<td>Amortization of debt costs</td>
<td>25</td>
<td>19</td>
<td>12</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Preference security dividend</td>
<td>25</td>
<td>24</td>
<td>22</td>
<td>22</td>
<td>20</td>
</tr>
<tr>
<td>Portion of rental expense representative of the interest factor</td>
<td>654</td>
<td>637</td>
<td>639</td>
<td>630</td>
<td>550</td>
</tr>
<tr>
<td><strong>Total fixed charges</strong></td>
<td>$ 1,448</td>
<td>$ 1,340</td>
<td>$ 1,204</td>
<td>$ 1,079</td>
<td>$ 831</td>
</tr>
<tr>
<td><strong>Ratio of earnings to fixed charges</strong></td>
<td>0.19</td>
<td>(0.51)</td>
<td>(0.51)</td>
<td>2.37</td>
<td>3.55</td>
</tr>
</tbody>
</table>

(1) Fixed charges exceeded our adjusted earnings (loss) by $1.2 billion, $2.0 billion and $1.8 billion for the years ended December 31, 2003, 2002 and 2001 respectively.
<table>
<thead>
<tr>
<th>NAME OF SUBSIDIARY</th>
<th>JURISDICTION OF INCORPORATION OR ORGANIZATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aero Assurance Ltd.</td>
<td>Vermont</td>
</tr>
<tr>
<td>ASA Holdings, Inc.</td>
<td>Georgia</td>
</tr>
<tr>
<td>Atlantic Southeast Airlines, Inc.</td>
<td>Georgia</td>
</tr>
<tr>
<td>Comair Acquisition, Inc.</td>
<td>Delaware</td>
</tr>
<tr>
<td>Comair Capital Markets, Inc.</td>
<td>Delaware</td>
</tr>
<tr>
<td>Comair Holdings, LLC</td>
<td>Delaware</td>
</tr>
<tr>
<td>Comair Hub Operations Center, Inc.</td>
<td>Delaware</td>
</tr>
<tr>
<td>Comair, Inc.</td>
<td>Ohio</td>
</tr>
<tr>
<td>Comair Services, Inc.</td>
<td>Kentucky</td>
</tr>
<tr>
<td>Crown Rooms, Inc.</td>
<td>Nevada</td>
</tr>
<tr>
<td>Crown Rooms of Texas, Inc.</td>
<td>Texas</td>
</tr>
<tr>
<td>DAL Aircraft Trading, Inc.</td>
<td>Delaware</td>
</tr>
<tr>
<td>DAL Funding, LLC</td>
<td>Delaware</td>
</tr>
<tr>
<td>DAL Global Services, LLC</td>
<td>Delaware</td>
</tr>
<tr>
<td>DAL Moscow, Inc.</td>
<td>Delaware</td>
</tr>
<tr>
<td>DAL Receivables, LLC</td>
<td>Delaware</td>
</tr>
<tr>
<td>DASH Management, Inc.</td>
<td>Delaware</td>
</tr>
<tr>
<td>Delta AirElite Business Jets, Inc.</td>
<td>Kentucky</td>
</tr>
<tr>
<td>Delta Air Lines, Inc. and Pan American World Airways, Inc. - Unterstutzungskasse GMBH</td>
<td>Germany</td>
</tr>
</tbody>
</table>
None of Delta's subsidiaries do business under any names other than their corporate names, with the following exceptions:

DAL Global Services, LLC conducts business as DAL Global Services, Inc. in the following states: Alabama, Alaska, Arizona, Arkansas, California, Washington, D.C., Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Michigan, Montana, Nebraska, Nevada, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah and Virginia.
DAL Global Services, LLC conducts business as Delta Air Lines Global Services, Inc. in the state of Indiana.


Comair Holdings, LLC conducts business as Comair Holdings, Inc. in the state of Kentucky.
INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 2-94541, 333-65218 and 333-108176 on Form S-3, in Registration Statements No. 333-106952 and 333-112835 on Form S-4 and in Registration Statements No. 33-65391, 333-16471, 333-92291, 333-46904, 333-48718, 33-30454, 333-49553 and 333-73856 on Form S-8 of Delta Air Lines, Inc. of our report dated March 12, 2004, relating to the consolidated financial statements of Delta Air Lines, Inc. as of and for the years ended December 31, 2003 and 2002 (which report expresses an unqualified opinion and includes explanatory paragraphs relating to (1) the Company's change in its method of accounting for goodwill and other intangible assets, effective January 1, 2002, to conform with Statement of Financial Accounting Standards No. 142 and (2) the application of procedures relating to certain revised disclosures in Notes 5, 9, 16 and 21 related to the 2001 consolidated financial statements that were audited by other auditors who have ceased operations and for which we have expressed no opinion or other form of assurance other than with respect to such disclosures), appearing in this Annual Report on Form 10-K of Delta Air Lines, Inc. for the year ended December 31, 2003.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
March 12, 2004
I hereby constitute and appoint Gerald Grinstein, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2003, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 17, 2004.

/s/ Edward H. Budd
------------------------
Director
Delta Air Lines, Inc.
POWER OF ATTORNEY

I hereby constitute and appoint Gerald Grinstein and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2003, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 17, 2004.

/s/ M. Michele Burns
-----------------------------------
M. Michele Burns
Executive Vice President and
Chief Financial Officer
Delta Air Lines, Inc.
POWER OF ATTORNEY

I hereby constitute and appoint Gerald Grinstein, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2003, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 17, 2004.

/s/ George M.C. Fisher
------------------------
Director
Delta Air Lines, Inc.
I hereby constitute and appoint Gerald Grinstein, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2003, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 17, 2004.

/s/ David R. Goode

_________________________
Director

Delta Air Lines, Inc.
I hereby constitute and appoint Gerald Grinstein, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2003, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 17, 2004.

/s/ James M. Kilts
______________________________
Director
Delta Air Lines, Inc.
I hereby constitute and appoint Gerald Grinstein, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2003, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 17, 2004.

/s/ Leo F. Mullin
----------------------------
Director
Delta Air Lines, Inc.
POWER OF ATTORNEY

I hereby constitute and appoint Gerald Grinstein, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2003, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 17, 2004.

/s/ John F. Smith, Jr.
__________________________
Director
Delta Air Lines, Inc.
POWER OF ATTORNEY

I hereby constitute and appoint Gerald Grinstein, Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2003, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 17, 2004.

/s/ Joan E. Spero
-----------------------------
Director
Delta Air Lines, Inc.
I hereby constitute and appoint Gerald Grinstein, M. Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2003, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 17, 2004.

/s/ Larry D. Thompson
--------------------------------------
Director
Delta Air Lines, Inc.
POWER OF ATTORNEY

I hereby constitute and appoint Gerald Grinstein, Michele Burns and Edward H. Bastian, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2003, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand as of February 17, 2004.

/s/ Andrew J. Young
----------------------------
Director
Delta Air Lines, Inc.
I, Gerald Grinstein, certify that:

1. I have reviewed this annual report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2003;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Delta as of, and for, the periods presented in this report;

4. Delta's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for Delta and have:
   
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Delta, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of Delta's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in Delta's internal control over financial reporting that occurred during Delta's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, Delta's internal control over financial reporting; and

5. Delta's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Delta's auditors and the Audit Committee of Delta's Board of Directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Delta's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Delta's internal control over financial reporting.

Date: March 12, 2004

/s/ Gerald Grinstein

Gerald Grinstein
Chief Executive Officer
I, M. Michele Burns, certify that:

1. I have reviewed this annual report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended December 31, 2003;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Delta as of, and for, the periods presented in this report;

4. Delta's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for Delta and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Delta, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of Delta's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in Delta's internal control over financial reporting that occurred during Delta's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, Delta's internal control over financial reporting; and

5. Delta's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Delta's auditors and the Audit Committee of Delta's Board of Directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Delta's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Delta's internal control over financial reporting.

Date: March 12, 2004

/s/ M. Michele Burns
-----------------------------------------------
M. Michele Burns
Executive Vice President and
Chief Financial Officer
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certifications set forth below are hereby submitted to the Securities and Exchange Commission pursuant to, and solely for the purpose of complying with, Section 1350 of Chapter 63 of Title 18 of the United States Code in connection with the filing on the date hereof with the Securities and Exchange Commission of the Annual Report on Form 10-K of Delta Air Lines, Inc. (“Delta”) for the fiscal year ended December 31, 2003 (the “Report”).

Each of the undersigned, the Chief Executive Officer, and the Executive Vice President and Chief Financial Officer, respectively, of Delta, hereby certifies that, as of the end of the period covered by the Report:

1. Such Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Delta.

Date: March 12, 2004

/s/ Gerald Grinstein
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Gerald Grinstein
Chief Executive Officer

/s/ M. Michele Burns
-------------------------------
M. Michele Burns
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Delta and will be retained by Delta and furnished to the Securities and Exchange Commission or its staff upon request.