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DELTA AIR LINES INC /DE/
Form 8-K
January 14, 2004

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

FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 14, 2004

DELTA AIR LINES, INC.

(Exact name of registrant as specified in its charter)

Delaware	1-5424	58-0218548
-----	-----	-----
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

P.O. Box 20706, Atlanta, Georgia 30320-6001

(Address of principal executive offices)

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

Not Applicable

(Former name or former address, if changed since last report)

ITEM 9. REGULATION FD DISCLOSURE AND
ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Financial Results for the Quarter and Year Ended December 31, 2003

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Delta Air Lines, Inc. (Delta) today issued a press release reporting financial results for the quarter and full year ended December 31, 2003. The press release is furnished as Attachment A. Delta also will be providing supplemental data for the December 2003 quarter to certain analysts. The supplemental data is furnished as Attachment B. The information furnished in this Form 8-K shall not be deemed incorporated by reference into any other filing with the Securities and Exchange Commission.

SIGNATURE

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

DELTA AIR LINES, INC.

BY: /s/ Edward H. Bastian

Edward H. Bastian
Senior Vice President - Finance and
Controller

Date: January 14, 2004

ATTACHMENT A

FOR IMMEDIATE DISTRIBUTION

CONTACT:	Corporate Communications	Investor Relations
	404-715-2554	404-715-6679

DELTA AIR LINES REPORTS FOURTH QUARTER AND FULL YEAR 2003 RESULTS

ATLANTA, Jan. 14, 2004 -- Delta Air Lines (NYSE: DAL) today reported results for the quarter and full year ending Dec. 31, 2003, and other significant news. The key points are, Delta:

- REPORTS A FOURTH QUARTER NET LOSS OF \$327 MILLION, OR \$2.69 LOSS PER COMMON SHARE. FULL YEAR 2003 NET LOSS IS \$773 MILLION, OR \$6.40 LOSS PER SHARE.

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- EXCLUDING THE UNUSUAL ITEMS DESCRIBED BELOW, REPORTS A FOURTH QUARTER NET LOSS OF \$207 MILLION, OR \$1.71 LOSS PER COMMON SHARE. EXCLUDING UNUSUAL ITEMS, FULL YEAR 2003 NET LOSS IS \$1.0 BILLION, OR \$8.58 LOSS PER SHARE.
- ENDS QUARTER WITH \$2.9 BILLION IN CASH, OF WHICH \$2.7 BILLION IS UNRESTRICTED CASH.
- AS CHALLENGES CONTINUE INTO 2004, REAFFIRMS ITS FOCUS ON COST CONTAINMENT AND IMPROVING CUSTOMER SERVICE.

Delta Air Lines reported a net loss of \$327 million and a loss per share of \$2.69 for the December 2003 quarter. In the December 2002 quarter, Delta reported a net loss of \$363 million and a loss per share of \$2.98. For the full year 2003, Delta reported a net loss of \$773 million and a loss per share of \$6.40. This is compared to a net loss of \$1.3 billion and \$10.44 loss per share for the full year 2002.

Excluding the unusual items described below, the December 2003 quarter net loss and loss per share were \$207 million and \$1.71, respectively, compared to a net loss of \$230 million and loss per share of \$1.90 in the December 2002 quarter(1). The First Call mean estimate for the December 2003 quarter was a loss per share of \$1.66, excluding unusual items, with estimates ranging between a loss per share of \$1.58 and \$1.85. Excluding the unusual items described below, the full year 2003 net loss was \$1.0 billion and loss per share was \$8.58 compared to a net loss of \$958 million and loss per share of \$7.89 for calendar year 2002(1).

"While in line with our expectations, today's financial results are disappointing, especially given the expected performance of the other air carriers," said Gerald Grinstein, Delta's chief executive officer. "2003 was a year full of significant financial challenges for Delta. While we have made progress in addressing these challenges, Delta still faces many hurdles in 2004. Accordingly, we have begun a complete strategic reassessment of our business to ensure we are competitive in the rapidly changing industry environment. Delta must continue toward its goal of maximizing the use of its resources and creating business efficiencies across the company. We will continue to focus on our priorities to reduce costs, improve customer service and work with Delta people to find solutions to our challenges."

EARNINGS PERFORMANCE

Fourth quarter operating revenues increased 2.7 percent and passenger unit revenues increased 4.6 percent, compared to the December 2002 quarter. The load factor for the December 2003 quarter was 72.7 percent, a 1.5 point increase as compared to the December 2002 quarter. System capacity was down 1.8 percent and mainline capacity was down 4.8 percent from the prior year. Detailed traffic, capacity, load factor, yield and unit revenue information is provided in Table 1 below.

Operating expenses for the December 2003 quarter increased 2.6 percent and unit costs increased 4.5 percent from the December 2002 quarter. Excluding unusual items, unit costs increased 2.3 percent and fuel price neutralized unit costs(2) increased 0.8 percent.

Delta's profit improvement initiatives achieved approximately \$1.2 billion in gross cost savings and revenue benefits for the full year 2003. Netted against related cost pressures, the amount achieved is approximately \$700 million. Much of the cost savings is attributable to productivity gains

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resulting from the additional use of technology and the hard work of Delta's employees.

"Delta had significant cost pressures in 2003, but thanks to our profit improvement initiatives and the efforts of Delta people, we were able to mitigate the pressures," said M. Michele Burns, Delta's executive vice president and chief financial officer. "We know that there is much more work to be done and we are committed to continuing our progress."

In the December 2003 quarter, Delta's fuel hedging program reduced costs by \$21 million, pretax. Delta hedged 46 percent of its jet fuel requirements in the quarter at an average price of \$0.76 per gallon, excluding fuel taxes. Delta's total fuel price for the December 2003 quarter was \$0.85 per gallon. Guidance on fuel hedging, capacity, unit costs and other items is provided in Table 2 below.

LIQUIDITY AND FINANCING TRANSACTIONS

At Dec. 31, 2003, Delta had \$2.9 billion in cash, of which \$2.7 billion was unrestricted. For the December 2003 quarter, Delta had positive cash flow from operations of \$82 million and non-fleet capital expenditures of \$125 million, resulting in a cash burn for the quarter.

During the December 2003 quarter, Delta received cash proceeds of approximately \$45 million from the sale of certain equity investments in Orbitz and Hotwire. These transactions resulted in a net gain of \$21 million, net of tax, in Delta's Consolidated Statements of Operations. Subsequent to the sale, Delta has a 13 percent equity stake in Orbitz.

As announced in November, Delta recorded a non-cash charge to equity related to its pension plans during the December 2003 quarter(3). This charge of \$1.1 billion, net of tax, impacted Delta's balance sheet, but did not affect the results of operations for the December 2003 quarter. The actual amount was greater than previously estimated due to the impact of changes to actuarial assumptions caused by updated demographic data. The charge does not impact Delta's current cash funding obligations to its pension plans. Delta's pension plans meet all funding requirements and Delta intends to continue to fund its pension plans as required by law.

As previously announced in October 2003, Delta entered into a definitive agreement to sell to a third party 11 Boeing 737-800 aircraft immediately after those aircraft are delivered to Delta by the manufacturer in 2005. This transaction is expected to reduce Delta's capital expenditures by

approximately \$500 million through 2005. As a result of this transaction, Delta recognized a \$26 million charge, net of tax, in the December 2003 quarter. Also as previously announced, Delta intends to defer until 2008 the delivery of eight additional B737-800 aircraft, which were also scheduled for delivery in 2005. The deferrals are expected to further reduce Delta's capital expenditures through 2005 by approximately \$360 million.

EXPLANATION OF UNUSUAL ITEMS

December 2003 Quarter

In the December 2003 quarter, Delta recorded, net of tax, (1) a \$134 million settlement charge related to the pilots' defined benefit pension plan; (2) a \$26 million charge associated with the planned sale of 11 B737-800 aircraft; (3) a \$21 million net gain related to the sale of certain equity investments in Orbitz and Hotwire; (4) a \$14 million reduction to operating

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expenses resulting from revised estimates of remaining costs associated with Delta's 2002 workforce reduction programs; and (5) a \$5 million gain related to derivative and hedging activities accounted for under Statement of Financial Accounting Standard (SFAS) No. 133. The attached Consolidated Statement of Operations for the December 2003 quarter shows Delta's net loss as reported under GAAP, as well as net loss excluding these items. Delta believes this information is helpful to investors to evaluate recurring operational performance because (1) the unusual items are not representative of core operations; and (2) the SFAS No. 133 gain reflects volatility in earnings driven by changes in the market, which are beyond the company's control.

December 2002 Quarter

In the December 2002 quarter, Delta recorded charges related to (1) the severance and related costs associated with Delta's 2002 workforce reduction programs; (2) the repurchase of a portion of outstanding ESOP Notes; (3) the impairment of Embraer 120 aircraft and related spare parts; (4) the cost to defer the delivery of certain Boeing aircraft; (5) the closure of certain leased facilities; (6) the temporary carrying costs of surplus pilots and grounded aircraft; and (7) derivative and hedging activities accounted for under SFAS No. 133. Additionally, during the same period, Delta recorded reductions to operating expenses resulting from (1) Delta's decision to return to service nine B-737 leased aircraft previously removed from service; and (2) revised estimates of remaining costs associated with prior year restructuring activities. These items totaled a net charge of \$133 million, net of tax. In addition to the net loss as reported under GAAP, Delta also discloses net loss excluding these items because it believes this information is helpful to investors to evaluate recurring operational performance. For further information, please see Note 1 to the attached Consolidated Statements of Operations.

OTHER MATTERS

Attached to this earnings release are Delta's Consolidated Statements of Operations for the three and 12 months ended Dec. 31, 2003, and 2002; a statistical summary for those periods; selected balance sheet data as of Dec. 31, 2003, and Dec. 31, 2002; and a reconciliation of certain non-GAAP to GAAP financial measures.

Delta will host a Webcast to discuss its quarterly earnings today, Jan. 14, at 10:00 a.m. Eastern Time. The Webcast is available via the Internet at www.delta.com/inside/investors/index.jsp.

Delta Air Lines, the world's second largest airline in terms of passengers carried and the leading U.S. carrier across the Atlantic, offers 7,318 flights each day to 487 destinations in 82 countries on Delta, Song, Delta Shuttle, Delta Connection and Delta's worldwide partners. Delta is a founding member of SkyTeam, a global airline alliance that provides customers with extensive worldwide destinations, flights and services. For more information, please visit delta.com.

DECEMBER 2003 QUARTER TRAFFIC, CAPACITY, LOAD FACTOR, YIELD AND UNIT REVENUE VS. DECEMBER 2002 QUARTER

Table 1

Year-over-Year Change

North America	Atlantic	Latin America	Pacific
-----	-----	-----	-----

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Traffic	1.1%	(4.1%)	(0.9%)	9.1%
Capacity	0.8%	(10.7%)	(16.3%)	2.1%
Load Factor	0.2 pts.	5.5 pts.	10.8 pts.	5.2 pts.
Yield	0.9%	10.7%	5.5%	(11.0%)
Revenue per Available Seat Mile	1.1%	18.9%	24.9%	(4.9%)

2004 GUIDANCE

Delta estimates its funding obligation for its defined benefit pension plans in 2004 will be approximately \$450 million(4).

Delta expects to have capital expenditures of approximately \$1.2 billion in 2004. This includes approximately \$600 million for aircraft, \$300 million for aircraft modifications and inventory, and \$300 million for non-fleet related expenditures.

The following table includes certain projected information for the periods presented.

Table 2 -----	Q1 2004	Q2 2004
Percent of projected aircraft fuel requirements hedged	52%	33%
Average aircraft fuel hedge price per gallon (excluding fuel tax)	80.1 (cent)	75.2 (cent)
Capacity	Up 2 to 4% year-over-year	Up 15 to 17% year-over-year (5)
Unit costs, excluding unusual items(6)	Down approximately 2% year-over-year	-----
Fuel price neutralized unit costs, excluding unusual items (6), (7) (vs. prior year unit costs, excluding unusual items)	Down approximately 2% year-over-year	-----

ENDNOTES

(1) Note 1 to the attached Consolidated Statements of Operations shows a reconciliation of Delta's net loss reported under Generally Accepted Accounting Principles in the United States (GAAP) to the net loss excluding unusual items, as well as reconciliations of other financial measures including and excluding unusual items.

(2) "Fuel price neutralized unit costs" means the amount of operating cost incurred per available seat mile during a reporting period, adjusting the

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average fuel price per gallon for that period to equal the average fuel price per gallon for the corresponding period in the prior year.

(3) This additional minimum pension liability charge to equity was recorded in accordance with SFAS No. 87, "Employers' Accounting for Pensions."

(4) Estimates of Delta's future funding obligations under its defined benefit pension plans are based on various assumptions, including the actual market performance of the plan assets, future 30-year U.S. Treasury bond yields and regulatory requirements.

(5) A significant portion of the planned second quarter 2004 year-over-year capacity increase results from the restoration of capacity that was reduced in the second quarter of 2003 due to the war in Iraq.

(6) Delta is unable to reconcile this financial measure to unit costs under GAAP for the periods presented because Delta cannot project specific unusual items that may occur in the periods presented. Please see Note 1 to the Consolidated Statements of Operations for GAAP and non-GAAP unit costs for 2003.

(7) Average aircraft fuel price per gallon was \$0.87 for the three months ended March 31, 2003 and \$0.82 for the year ended December 31, 2003.

Statements in this news release that are not historical facts, including statements regarding Delta's beliefs, expectations, intentions, strategies or projections, may be "forward-looking statements" within the meaning of section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from the beliefs, expectations, intentions, strategies and projections reflected in or suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, the effects of terrorist attacks, military conflicts, the state of the domestic and international economy, the demand for air travel, the availability and cost of aircraft fuel, competitive factors in the airline industry, the outcome of negotiations on collective bargaining agreements and other labor issues and the results achieved through the profit improvement initiatives or other means. Additional information concerning risks and uncertainties that could cause differences between actual results and forward-looking statements is contained in Delta's Securities and Exchange Commission filings, including its Form 10-K for the year ended December 31, 2002 and Post-effective Amendment No. 3 to its Registration Statement on Form S-3 filed with the Commission on January 8, 2004. Caution should be taken not to place undue reliance on Delta's forward-looking statements, which represent Delta's views only as of January 14, 2004, and which Delta has no current intention to update.

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DELTA AIR LINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited; in millions, except share and per share data)

Three Months Ended
December 31,

Percent

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	2003	2002	Change
Operating Revenues:			
Passenger	\$ 3,142	\$ 3,061	2.6%
Cargo	124	126	(1.6%)
Other, net	132	121	9.1%
Total operating revenues	3,398	3,308	2.7%
Operating Expenses:			
Salaries and related costs	1,552	1,546	0.4%
Aircraft fuel	510	475	7.4%
Depreciation and amortization	307	287	7.0%
Contracted services	227	243	(6.6%)
Landing fees and other rents	214	207	3.4%
Aircraft maintenance materials and outside repairs	165	163	1.2%
Aircraft rent	183	177	3.4%
Other selling expenses	112	113	(0.9%)
Passenger commissions	54	54	--
Passenger service	83	85	(2.4%)
Restructuring, asset writedowns, pension settlements and related items, net	232	151	53.6%
Other	125	169	(26.0%)
Total operating expenses	3,764	3,670	2.6%
Operating Loss	(366)	(362)	(1.1%)
Other Income (Expense):			
Interest expense	(191)	(165)	(15.8%)
Interest income	10	7	42.9%
Gain from sale of investments	37	--	--
Gain (loss) on extinguishment of debt	--	(42)	--
Fair value adjustments of SFAS 133 derivatives	7	(6)	216.7%
Miscellaneous expense, net	(9)	(18)	50.0%
Total other income (expense)	(146)	(224)	34.8%
Loss Before Income Taxes	(512)	(586)	12.6%
Income Tax Benefit	185	223	(17.0%)
Net Loss	(327)	(363)	9.9%
Preferred Stock Dividends	(5)	(4)	(25.0%)
Net Loss Available			
To Common Shareowners	\$ (332)	\$ (367)	9.5%
Basic And Diluted Loss Per Share			
Per Share	\$ (2.69)	\$ (2.98)	9.7%
Net Loss Excluding Unusual Items (Note 1)			
Basic and Diluted Loss Per Share Excluding Unusual Items (Note 1)	\$ (1.71)	\$ (1.90)	10.0%
Operating Margin	(10.8%)	(10.9%)	0.1 pts.
Weighted Average Shares Used In Basic and Diluted Loss Per Share Computation (in thousands)			
	123,474	123,358	--

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DELTA AIR LINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited; in millions, except share and per share data)

	Twelve Months Ended December 31,		Percent Change
	2003	2002	
Operating Revenues:			
Passenger	\$ 12,323	\$ 12,321	--
Cargo	464	458	1.3%
Other, net	516	526	(1.9)%
Total operating revenues	13,303	13,305	--
Operating Expenses:			
Salaries and related costs	6,342	6,165	2.9%
Aircraft fuel	1,938	1,683	15.2%
Depreciation and amortization	1,202	1,148	4.7%
Contracted services	886	1,003	(11.7)%
Landing fees and other rents	858	834	2.9%
Aircraft maintenance materials and outside repairs	630	711	(11.4)%
Aircraft rent	727	709	2.5%
Other selling expenses	479	539	(11.1)%
Passenger commissions	211	322	(34.5)%
Passenger service	325	372	(12.6)%
Restructuring, asset writedowns, pension settlements and related items, net	268	439	(39.0)%
Appropriations Act reimbursements	(398)	--	--
Stabilization Act compensation	--	(34)	--
Other	621	723	(14.1)%
Total operating expenses	14,089	14,614	(3.6)%
Operating Loss	(786)	(1,309)	40.0%
Other Income (Expense):			
Interest expense	(732)	(646)	(13.3)%
Interest income	36	36	--
Gain (loss) from sale of investments	321	(3)	10800.0%
Gain (loss) on extinguishment of debt	--	(42)	--
Fair value adjustments of SFAS 133 derivatives	(9)	(39)	76.9%
Misc. (expense) income, net	(19)	1	(2000.0)%
Total other income (expense)	(403)	(693)	41.8%
Loss Before Income Taxes	(1,189)	(2,002)	40.6%
Income Tax Benefit	416	730	(43.0)%
Net Loss	(773)	(1,272)	39.2%
Preferred Stock Dividends	(17)	(15)	(13.3)%
Net Loss Available			
To Common Shareowners	\$ (790)	\$ (1,287)	38.6%
Basic and Diluted Loss			
Per Share	\$ (6.40)	\$ (10.44)	38.7%
Net Loss Excluding			
Unusual Items (Note 1)	\$ (1,042)	\$ (958)	(8.8)%
Basic and Diluted Loss Per Share			

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Excluding Unusual Items (Note 1)	\$ (8.58)	\$ (7.89)	(8.7)%
Operating Margin	(5.9)%	(9.8)%	3.9 pts.
Weighted Average Shares Used in Basic and Diluted Loss Per Share Computation (in thousands)	123,397	123,283	--

DELTA AIR LINES, INC.
STATISTICAL SUMMARY
(unaudited)

	Three Months Ended December 31,		Percent Change
	2003	2002	
Revenue Psgr Miles (millions)	25,180	25,116	0.3%
Available Seat Miles (millions)	34,636	35,280	(1.8%)
Passenger Mile Yield (cents)	12.48	12.18	2.5%
Operating Revenue Per Available Seat Mile (cents)	9.81	9.38	4.6%
Passenger Revenue Per Available Seat Mile (cents)	9.07	8.67	4.6%
Operating Cost per Available Seat Mile (cents)	10.87	10.40	4.5%
Operating Cost per Available Seat Mile - Excluding (cents) (Note 1)	10.20	9.97	2.3%
Fuel Price Neutralized Operating Cost per Available Seat Mile (cents) (Note 1)	10.72	10.40(1)	3.1%
Fuel Price Neutralized Operating Cost per Available Seat Mile - Excluding (cents) (Note 1)	10.05	9.97(2)	0.8%
Passenger Load Factor (percent)	72.70	71.19	1.51 pts.
Breakeven Passenger Load Factor (percent)	81.16	79.62	1.54 pts.
Breakeven Passenger Load Factor - Excluding (percent) (Note 1)	75.79	76.10	(0.31)pts.
Psgrs Enplaned (thousands)	26,514	27,290	(2.8%)
Revenue Ton Miles (millions)	2,897	2,909	(0.4%)
Cargo Ton Miles (millions)	380	397	(4.3%)
Cargo Ton Mile Yield (cents)	32.85	31.55	4.1%
Fuel Gallons Consumed (millions)	602	625	(3.7%)
Average Price Per Fuel Gallon, net of hedging gains (cents)	84.65	76.03	11.3%
Number of Aircraft in Fleet, End of Period	833	831	0.2%

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Full-Time Equivalent Employees, End of Period	70,600	75,100	(6.0%)
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- (1) This amount represents operating cost per available seat mile. It is presented for comparative purposes.
- (2) This amount represents operating cost per available seat mile - excluding. It is presented for comparative purposes.

DELTA AIR LINES, INC.
STATISTICAL SUMMARY
(unaudited)

Twelve Months Ended
December 31,

	2003	2002	Percent Change
Revenue Psgr Miles (millions)	98,674	102,029	(3.3)%
Available Seat Miles (millions)	134,383	141,719	(5.2)%
Passenger Mile Yield (cents)	12.49	12.08	3.4%
Operating Revenue Per Available Seat Mile (cents)	9.90	9.39	5.4%
Passenger Revenue Per Available Seat Mile (cents)	9.17	8.69	5.5%
Operating Cost per Available Seat Mile (cents)	10.48	10.31	1.6%
Operating Cost per Available Seat Mile - Excluding (cents) (Note 1)	10.58	10.03	5.5%
Fuel Price Neutralized Operating Cost per Available Seat Mile (cents) (Note 1)	10.22	10.31 (1)	(0.9)%
Fuel Price Neutralized Operating Cost per Available Seat Mile - Excluding (cents) (Note 1)	10.31	10.03 (2)	2.8%
Passenger Load Factor (percent)	73.43	71.99	1.44 pts.
Breakeven Passenger Load Factor (percent)	78.11	79.64	(1.53) pts.
Breakeven Passenger Load Factor - Excluding (percent) (Note 1)	78.84	77.27	1.57 pts.
Psgrs Enplaned (thousands)	104,452	107,048	(2.4)%
Revenue Ton Miles (millions)	11,271	11,698	(3.7)%
Cargo Ton Miles (millions)	1,404	1,495	(6.1)%
Cargo Ton Mile Yield (cents)	33.08	30.62	8.0%
Fuel Gallons Consumed (millions)	2,370	2,514	(5.7)%
Average Price Per Fuel Gallon, net of hedging gains (cents)	81.78	66.94	22.2%

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Number of Aircraft in Fleet, End of Period	833	831	0.2%
Full-Time Equivalent Employees, End of Period	70,600	75,100	(6.0)%

(1) This amount represents operating cost per available seat mile. It is presented for comparative purposes.

(2) This amount represents operating cost per available seat mile - excluding. It is presented for comparative purposes.

SELECTED BALANCE SHEET DATA:

	December 31, 2003 (unaudited)	December 31, 2002
(in millions)		
Cash and cash equivalents	\$ 2,710	\$ 1,969
Restricted cash	236	134
Total assets	26,461	24,720
Total debt, including current maturities	12,476	10,740
Capital lease obligations, current and long-term	94	127
Total shareowners' (deficit)equity	(862)	893

Note 1: The following tables show reconciliations of certain financial measures adjusted for the items shown below.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2003	2002	2003	2002
(in millions)				
Net loss	\$ (327)	\$ (363)	\$ (773)	\$ (1,272)
Unusual items, net of tax:				
Restructuring, asset writedowns, pension settlements and related items, net(1)(2)	146	95	173	277
Fair value adjustments of SFAS 133 derivatives	(5)	4	6	25
Gain from sale of investments, net(3)	(21)	--	(197)	--
Gain(loss) on extinguishment of debt(4)(5)	--	26	--	26
Appropriations Act reimbursements	--	--	(251)	--
Stabilization Act compensation	--	--	--	(22)
Other	--	8	--	8
Total unusual items, net of tax	120	133	(269)	314
Net loss excluding unusual items	\$ (207)	\$ (230)	\$ (1,042)	\$ (958)

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Basic and diluted loss per share	\$ (2.69)	\$ (2.98)	\$ (6.40)	\$ (10.44)
Unusual items, net of tax:				
Restructuring, asset writedowns, pension settlements and related items, net(1)(2)	1.18	0.78	1.40	2.25
Fair value adjustments of SFAS 133 derivatives	(0.03)	0.03	0.05	0.20
Gain from sale of investments, net(3)	(0.17)	--	(1.59)	--
Gain(loss) on extinguishment of debt(4)(5)	--	0.21	(0.01)	0.21
Appropriations Act reimbursements	--	--	(2.03)	--
Stabilization Act compensation	--	--	--	(0.17)
Other	--	0.06	--	0.06
Total unusual items, net of tax	0.98	1.08	(2.18)	2.55
Basic and diluted loss per share excluding unusual items	\$ (1.71)	\$ (1.90)	\$ (8.58)	\$ (7.89)

Note 1 (continued)

	Three Months Ended December 31,		Twelve Months Ended December 30,	
	2003	2002	2003	2002
(in millions)				
Operating expenses	\$3,764	\$3,670	\$14,089	\$14,614
Unusual items:				
Restructuring, asset writedowns, pension settlements and related items, net(1)(2)	(232)	(151)	(275)	(439)
Appropriations Act reimbursements	--	--	398	--
Stabilization Act compensation	--	--	--	34
Rounding	--	--	(1)	--
Total unusual items	(232)	(151)	122	(405)
Operating expenses excluding unusual items	\$3,532	\$3,519	\$14,211	\$14,209
Unit costs	10.87 (cent)	10.40 (cent)	10.48 (cent)	10.31 (cent)
Unusual items:				
Restructuring, asset writedowns, pension settlements and related items, net(1)(2)	(0.67)	(0.43)	(0.20)	(0.31)
Appropriations Act reimbursements	--	--	0.30	--
Stabilization Act compensation	--	--	--	0.03
Total unusual items	(0.67)	(0.43)	0.10	(0.28)
Unit costs excluding unusual items	10.20 (cent)	9.97 (cent)	10.58 (cent)	10.03 (cent)
Breakeven load factor	81.16%	79.62%	78.11%	79.64%
Unusual items:				
Restructuring, asset writedowns, pension settlements and related items, net(1)(2)	(5.37)	(3.52)	(1.64)	(2.57)
Appropriations Act reimbursements	--	--	2.37	--
Stabilization Act compensation	--	--	--	0.20

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Total unusual items	(5.37)	(3.52)	0.73	(2.37)
Breakeven load factor excluding unusual items	75.79%	76.10%	78.84%	77.27%

Note 1 (continued)

	Three Months Ended December 31, 2003	Twelve Months Ended December 31, 2003
(in millions, except where noted)		
Fuel price neutralized unit costs(6) (8):		
Operating expenses	\$ 3,764	\$ 14,089
Less fuel expense	(510)	(1,938)
Plus current year fuel gallons x prior year fuel price(7) (9)	458	1,587
Fuel price neutralized operating expenses ASMs	3,712 34,636	13,738 134,383
Fuel price neutralized unit costs(cents) vs. corresponding prior period unit costs(cents)	10.72 10.40	10.22 10.31
Change	3.1%	(0.9%)
(in cents, except where noted)		
Fuel price neutralized unit costs - excluding:		
Fuel price neutralized unit costs	10.72	10.22
Items excluded:		
Restructuring, asset writedowns, pension settlements and related items, net(1) (2)	(0.67)	(0.20)
Appropriations Act reimbursements	--	0.30
Rounding	--	(0.01)
Fuel price neutralized unit costs - excluding vs. corresponding prior period unit costs - excluding	10.05 9.97	10.31 10.03
Change	0.8%	2.8%

	Three Months Ended December 31, 2003
(in millions)	
Cash used in investing activities	\$ (64)
Less:	
Proceeds from the sale of Orbitz and Hotwire	(45)
Flight equipment additions less aircraft parts and modifications	(11)
Boston airport terminal project reimbursements in excess of expense	(5)
Non-fleet capital expenditures	\$ (125)

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(1)The three months ended December 31, 2003, includes (1)the settlement charge related to the pilots' defined benefit pension plan; (2)the charge related to the planned sale of 11 B-737-800 aircraft; and (3)the reduction of operating expenses based on revised estimates of remaining costs related to Delta's 2002 workforce reduction programs.

The twelve months ended December 31, 2003, includes these items in addition to the charge for the cost of pension and postretirement obligations related to Delta's 2002 workforce reduction programs.

(2)The three months ended December 31, 2002, includes (1)the charge for severance and related costs associated with Delta's 2002 workforce reduction programs; (2)the charge resulting from the impairment for EMB-120 aircraft and related spare parts; (3)the cost to defer the delivery of certain Boeing aircraft; (4)the temporary carrying costs of surplus pilots and grounded aircraft; (5) the charge related to the closure of certain leased facilities;

and (6)the reduction of operating expenses resulting from Delta's decision to return to service nine B-737 leased aircraft previously removed from service and revised estimates of remaining costs associated with prior year restructuring activities.

The twelve months ended December 31, 2002, includes these items in addition to (1)the writedown of certain MD-11 and B-727-200 aircraft and MD-11 spare parts; (2)the temporary carrying costs of surplus pilots and grounded aircraft for the full year 2002; and (3) reductions of operating expenses for the full year 2002 resulting from revised estimates of prior year restructuring activities.

(3)The three months ended December 31, 2003, includes the net gain from the sale of Delta's equity investments in Orbitz and Hotwire.

The twelve months ended December 31, 2003, includes these items in addition to the gain from the sale of our equity investment in Worldspan, LLP.

(4)The twelve months ended December 31, 2003, includes the loss resulting from Delta's repurchase of a portion of outstanding ESOP Notes offset by the gain related to the completion of our debt exchange.

(5)The three and twelve months ended December 31, 2002, includes the loss resulting from Delta's repurchase of a portion of outstanding ESOP Notes.

(6)Operating cost per available seat mile (ASM), adjusting average fuel price per gallon for the period to equal the average fuel price per gallon for the corresponding period in the prior year.

(7)603 million gallons x 76.03 cents/gallon for the three months ended Dec. 31, 2003.

(8)We believe this non-GAAP financial measure assists investors in understanding the impact of changes in fuel costs on our operations.

(9)2,370 million gallons x 66.94 cents/gallon for the twelve months ended Dec. 31, 2003.

January 14, 2004

Dear Investors and Analysts,

To make more efficient use of the time allocated for this morning's conference call, we are providing detailed variance information on our operating and non-operating expenses to assist you in analyzing Delta's December 2003 quarterly results. This information is intended to supplement that provided in the conference call (scheduled for 10:00 a.m. ET today) and in the earnings release. Please see Note 1 to the Consolidated Statements of Operations for a reconciliation of certain financial measures including and excluding unusual items. December quarter revenue performance will be discussed in the conference call.

Please feel free to call me at 404-715-6679 if you have any questions. Thank you for your continued support of Delta Air Lines.

Gail Grimmett

SUPPLEMENTAL DECEMBER 2003 QUARTER DATA

DECEMBER 2003 QUARTER VS. DECEMBER 2002 QUARTER

- Total operating expenses for the quarter increased 3% to \$3.8 billion. Operating expenses, excluding unusual items, remained flat at \$3.5 billion on a 1.8% decrease in capacity.
- Excluding unusual items, Delta's total unit cost increased 2.3% to 10.20 cents from 9.97 cents and fuel price neutralized unit costs increased 0.8% to 10.05 cents from 9.97 cents.
- Salaries and related costs remained flat. Increased pension expense, growth at ASA and Comair, and contractual increases for pilots were offset by Mainline headcount reductions.
- Aircraft fuel expense increased 7% due to an increase in fuel prices, offset by capacity reductions. Delta's average fuel price per gallon, net of hedging gains, increased 11% to 84.65 cents from 76.03 cents.
- Depreciation and amortization increased 7% due to regional jet aircraft purchases and amortization of completed technology projects.
- Contracted services expense decreased 7% due to the impact of the profit improvement initiatives.
- Landing fees and other rents increased 3% due primarily to growth at ASA and Comair.
- Aircraft maintenance materials and outside repairs increased 1% primarily due to the timing of certain vendor credits, offset by decreased material volume.
- Aircraft rent expense increased 3% due to B-737 aircraft returned to service during 2003.
- Other selling expenses decreased 1% due primarily to lower booking fees resulting from decreased capacity, partially offset by increased

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advertising costs for Song.

- Passenger service expense decreased 2% due primarily to capacity reductions and other cost savings initiatives.
- Other expenses decreased 26% primarily due to lower insurance and communication costs, and the impact of profit improvement initiatives across the company.
- Interest expense increased 16% primarily as a result of higher levels of debt outstanding.
- Interest income increased 43%, or \$3 million, due primarily to interest income received on our Worldspan, LLP note receivable.
- Miscellaneous expense, net improved 50%, or \$9 million, primarily due to the 2002 write-off of our investment in Cordiem.

OTHER ITEMS

Aircraft Fleet

Our aircraft fleet, orders, options and rolling options at December 31, 2003 are summarized in the following table. Options have scheduled delivery slots. Rolling options replace options and are assigned delivery slots as options expire or are exercised.

CURRENT FLEET						
AIRCRAFT TYPE	OWNED	LEASED	TOTAL	ORDERS	OPTIONS	ROLLING OPTION
B-737-200	6	46	52	--	--	--
B-737-300	--	26	26	--	--	--
B-737-800	71	--	71	61 (1)	60	226
B-757-200	77	44	121	--	20	37
B-767-200	15	--	15	--	--	--
B-767-300	4	24	28	--	--	--
B-767-300ER	51	8	59	--	10	8
B-767-400	21	--	21	--	24	--
B-777-200	8	--	8	5	20	9
MD-11	8	5	13	--	--	--
MD-88	63	57	120	--	--	--
MD-90	16	--	16	--	--	--
ATR-72	4	15	19	--	--	--
CRJ-100/200	105	124	229	--	171	--
CRJ-700	35	--	35	23	152	--
Total	484	349	833	89	457	280

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(1) Includes 11 B-737-800 aircraft to be sold by Delta to a third party under a definitive agreement entered into in October 2003.