



Internal Memorandum

Date: September 8, 2004
To: All Delta Employees
From: Jerry Grinstein, Chief Executive Officer
Subject: Transforming Delta

Today we launched the Delta Solution, a new strategic plan for how we intend to transform Delta and create the right airline for a new era. The Delta Solution is a top-to-bottom overhaul that leverages our unique strengths so we can reach two crucial goals: achieve a viable cost structure and improve customers' travel experience. Accomplishing both goals simultaneously will require more than \$5 billion in annual cash savings by the end of 2006. This total will include \$2.3 billion in Profit Improvement Initiatives savings since the program began in 2002 as well as \$1 billion in pilot savings, a significant expansion of PII, and contributions from other stakeholders such as lessors, lenders, and vendors.

As part of our commitment to "do it once and do it right," we're taking a comprehensive, 360 degree approach and applying an aggressive timeline. More than 51% of Delta's network will be restructured by January 31, 2005, the largest single-day schedule transformation in our history. We'll also be making improvements to products and services, network and fleet, operational efficiencies and productivity immediately and over the next 36 months. Key initiatives include:

- Updating and upgrading customer products and services, including cabins and online functionality, and maintaining two-class service;
- Re-designing Atlanta's hub operation to add flights for greater customer choice and reliability while simultaneously reducing congestion;
- Discontinuing Delta's Dallas/Ft. Worth hub operation and re-deploying those assets to grow hub operations in Atlanta, Cincinnati and Salt Lake City;
- Adding 31 nonstop flights and 19 new destinations from key focus cities;
- Growing Song initially by 12 aircraft;
- Reducing fleet complexity by at least four fleet types in four years and increasing overall fleet utilization and efficiency;

The changes we are undertaking as part of Delta's transformation are necessary for viability and they will contribute to our company's survival and future success. Unfortunately, Delta's transformation will also require more sacrifice from everyone within the company. While not all details have been finalized yet, these will include:

- *Elimination of 6,000-7,000 jobs over the next 18 months.* We regret the need to reduce jobs at any time and we will try to minimize the impact through normal attrition and retirement. When tough, difficult decisions must be made, Delta is committed to treating those affected with the dignity and respect they deserve.

- *Reductions in benefits.* Specific details regarding benefit changes have not yet been finalized. Additional information will be provided as part of the open enrollment process at the end of this month.
- *Reductions in pay.* The amount of reductions that will be required by Delta people throughout the company, including management, will be announced by the end of this month, to become effective at a later date.

An important principle of the Delta Solution is that sacrifices necessary for our company's recovery be mutually and fairly shared, and that employees will benefit in any recovery. At a time when Delta people are already putting forth enormous effort, you are being called upon to work harder and more efficiently for less. But as Delta embarks on multiple groundbreaking initiatives that cannot fail if our airline is to succeed, your commitment to flawless execution has never been more crucial. I am frequently asked by Delta people who care deeply about this company what they personally can do to make a difference. In fact, you hold the key to our company's ability to succeed. Because so much depends on you, Delta is adamant that everyone have the opportunity to share in any success their contributions help make possible. We will be making further announcements about the employee rewards program by the end of the year.

Delta's plan for how we can work together to create a simplified, more efficient airline that always begins by looking at the world from the customer's point of view is now launched. Obviously, we continue to face many challenges. As the company has stated that as a result of the rapid deterioration of its financial condition due to low yields, high fuel prices, its uncompetitive labor costs, and its high debt burden, coupled with a possible operational disruption from anticipated pilot early retirements, bankruptcy is a real possibility. We are working to avoid that, but if the pilot early retirement issue is not resolved before the end of the month, or if all of the pieces don't come together in the near term, we will have to restructure through the courts.

While there are no guarantees that Delta will be able to complete our transformation outside of court supervision, I can promise you that we will always work to do what is fair and right, both for our customers and for you and other Delta employees. Working together, we can create a stronger, better company.

Jerry Grinstein
