

September 17, 2004

North America
Consumer
Airlines

Delta Air Lines (DAL - \$4.01) 1-Overweight

Change of Earnings Forecast

CAPACITY, FUEL, HURRICANES WEIGH ON ESTS

Investment conclusion

- Change of earnings forecast; see industry note for details.

EPS (\$) (FY Dec)

	2003		2004		2005		% Change		
	Actual	Old	New	St. Est.	Old	New	St. Est.	2004	2005
1Q	-3.49A	-3.12A	-3.12A	-3.12A	N/A	N/A	-4.25E	11%	N/A
2Q	-1.95A	-2.55A	-2.55A	-2.55A	N/A	N/A	-0.75E	-31%	N/A
3Q	-1.43A	-2.50E	-3.75E	-3.08E	N/A	N/A	0.00E	-162%	N/A
4Q	-1.71A	-2.65E	-4.00E	-3.58E	N/A	N/A	0.00E	-134%	N/A
Year	-8.58A	-10.71E	-13.32E	-12.46E	-8.00E	-9.90E	-5.45E	-55%	26%
P/E			N/A			N/A			

Market Data

Market Cap	0.30B
Shares Outstanding (Mil)	75.00
Float	0.00
Dividend Yield	N/A
Convertible	Yes
52 wk Range	15.47 - 3.33

Financial Summary

Revenue FY04	N/A
Five-Year EPS CAGR	6.00%
Return on Equity	0.00%
Current BVPS	45.43
Debt To Capital	33.18%

Stock Rating:

New: 1-Overweight

Old: 1-Overweight

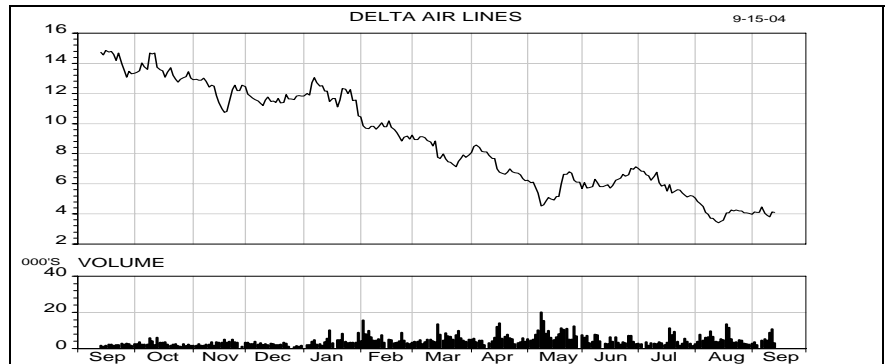
Target:

New: 10.00

Old: 10.00

Sector View: 1-Positive

Stock Overview



VALUATION METHODOLOGY

We have assumed a gradual industry recovery between 2004 and 2006. Using historical trading patterns, and applying a 6.0x EBITDAR multiple to our 2006 estimate and discounting back at 20% for 2 years yields our current target.

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PLEASE SEE ANALYST(S) CERTIFICATION(S) ON PAGE 2 AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 3

Risk Disclosure

Investing in airline stocks is very risky. Airline stocks have historically underperformed broader market averages by significant margins when measured over long periods of time. Our recommendations are based on historical trading patterns and our profit expectations, which are subject to a high degree of risk. Our profit expectations for individual companies hinge on our revenue assumptions, which depend entirely on assumptions we make regarding economic growth, the demand for leisure and business travel, the impact of competition from low-fare carriers, and industry-wide aircraft capacity decisions. Our profit expectations also depend on assumptions we make about the cost of jet fuel (historically a volatile commodity), the impact on revenue and expenses of potential labor disruptions, and the impact of any number of geopolitical events and terrorism risks on the demand for air travel, among other things. The combination of heavy operating and financial leverage along with the volatile nature of the underlying assumptions means that our profit expectations, targets, and ratings are subject to rapid, frequent, and material change.

Analyst Certification:

I, Gary Chase, hereby certify (1) that the views expressed in this research Company Note accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Company Note and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Company Note.

Company Description:

Delta Air Lines is the third largest U.S. airline measured by revenue passenger miles. Its primary hub cities are Atlanta, Cincinnati, Dallas/Ft. Worth and Salt Lake City.

Company Name:	Disclosures	Ticker	Price (09/16)	Rating
Delta Air Lines	F,J,K,M	DAL	4.01	1-Overweight

Other Team Members:

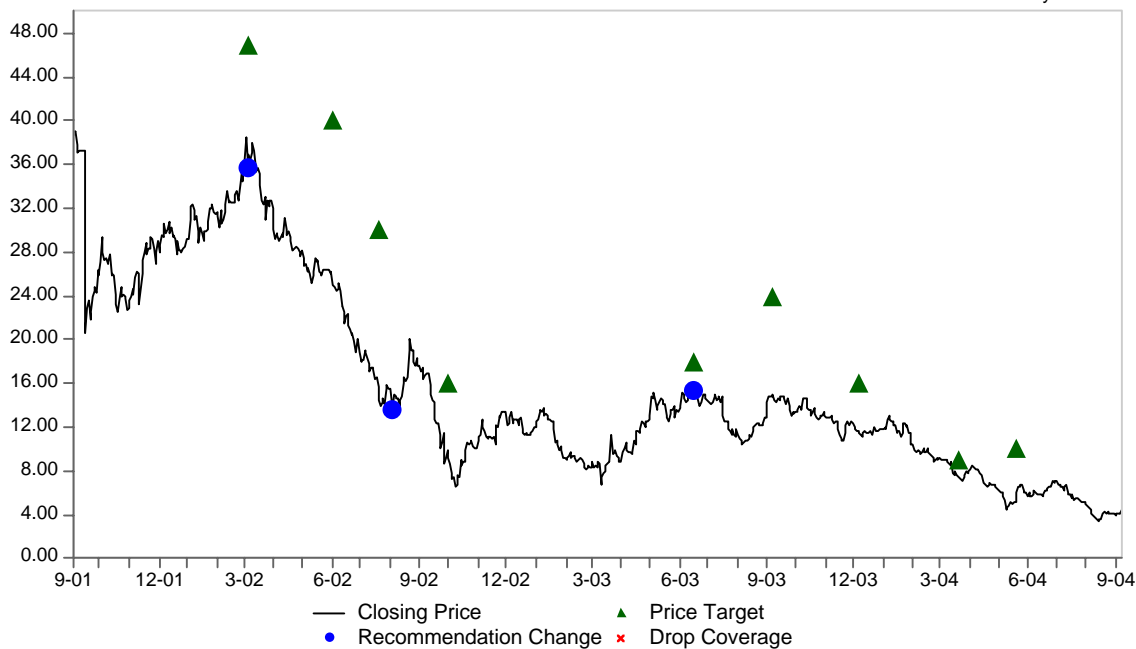
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Important Disclosures

Rating and Price Target Chart: DAL

DELTA AIR LINES

As of 07-Sep-2004
Currency = USD



Source: FactSet

Date	Closing Price	Rating	Price Target
20-May-04	5.99		10.00
22-Mar-04	7.41		9.00
05-Dec-03	11.58		16.00
05-Sep-03	14.89		24.00
17-Jun-03	15.33		18.00
17-Jun-03	15.33	2-Equal weight	

Date	Closing Price	Rating	Price Target
01-Oct-02	9.85		16.00
05-Aug-02	13.60	1-Overweight	
19-Jul-02	15.72		30.00
03-Jun-02	24.93		40.00
05-Mar-02	35.65		47.00
05-Mar-02	35.65	1-Strong Buy	

FOR EXPLANATION OF RATINGS REFER TO THE STOCK RATING KEYS LOCATED ON THE PAGE FOLLOWING THE LAST PRICE CHART

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M - The subject company is or during the last 12 months has been a non-investment banking client (securities related services) of Lehman Brothers Inc.

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Key to Investment Opinions:

Stock Rating

1-Overweight - The stock is expected to outperform the unweighted expected total return of the industry sector over a 12-month investment horizon.

2-Equal weight - The stock is expected to perform in line with the unweighted expected total return of the industry sector over a 12-month investment horizon.

3-Underweight - The stock is expected to underperform the unweighted expected total return of the industry sector over a 12-month investment horizon.

RS-Rating Suspended - The rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Lehman Brothers is acting in an advisory capacity on a merger or strategic transaction involving the company.

Sector View

1-Positive - sector fundamentals/valuations are improving.

2-Neutral - sector fundamentals/valuations are steady, neither improving nor deteriorating.

3-Negative - sector fundamentals/valuations are deteriorating.

Stock Ratings From February 2001 to August 5, 2002 (sector view did not exist):

This is a guide to expected total return (price performance plus dividend) relative to the total return of the stock's local market over the next 12 months.

1-Strong Buy - expected to outperform the market by 15 or more percentage points.

2-Buy - expected to outperform the market by 5-15 percentage points.

3-Market Perform - expected to perform in line with the market, plus or minus 5 percentage points.

4-Market Underperform - expected to underperform the market by 5-15 percentage points.

5-Sell - expected to underperform the market by 15 or more percentage points.

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