

# NewsPoint

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A service of Delta Corporate Communications

*As leaders, you are at the forefront of employee communications, and NewsPoint's mission is to support that role. It will help you stay on point with Delta messages. Whenever possible, please share this information with employees in face-to-face conversations.*

## **Delta Pilots Ratify Contract to Deliver \$1 Billion in Annual Cost Savings; Transformation efforts continue to progress**

Today, Delta pilots ratified a new contract to deliver \$1 billion in long-term, annual savings to the company. Many of the key provisions in the contract are scheduled to take effect December 1, 2004. The savings will be realized through a combination of changes to wages, pension and other benefits, and work rules. In a memo to Delta pilots, CEO Jerry Grinstein said, "Your contributions, coupled with the financial benefits realized from Delta people throughout the company, other stakeholders, and our own operational improvements, represent a Herculean effort to control our own destiny – a feat that is often attempted but seldom attained in our industry."

Delta's combined restructuring efforts are intended to deliver \$5 billion in annual financial benefits, an amount the company has calculated it needs to have the opportunity to achieve long-term viability, by 2006 (as compared to its 2002 base year). Through its previously announced Profit Improvement Initiative (PII), Delta is on track to deliver \$2.3 billion of the \$5 billion annual target by the end of 2004.

### **Transformation plan headed in right direction**

"Delta's achievement so far is a testament to the independent spirit, dedication and grit of the people who work here," said Grinstein. Progress is well under way with Delta's transformation:

- ⇒ Delta's savings initiatives are on track to deliver approximately \$2.3 billion in financial benefits by the end of this year as compared to our base year, 2002. Without compromising the company's high standards of safety, operational excellence and customer service, Delta will be unrelenting in its efforts to cut costs and to find ways to do more with less at every level of the company.
- ⇒ Delta is preparing to implement the largest single-day schedule transformation in the company's history. By January 31, 2005, more than 51 percent of the Delta network will be restructured, creating new opportunities for increased efficiency, better operational performance, and improved aircraft utilization. Reinforced by additional improvements to Delta's product and services, network, and fleet, to be carried out immediately and over the next 34 months, the company's comprehensive plan is designed to take it to the competition and win.
- ⇒ Delta's efforts to grow are focused and determined. The company cannot shrink its way to profitability. Delta can achieve sustained growth only when it is able to generate the necessary positive cash flow. Based on the transformation changes the company is making to aircraft utilization and operational procedures, Delta is expanding its international flying and fighting for the China route. Delta is strategically adding destinations and flights from its strengthened hubs and focus cities to better take advantage of seasonal travel and changing customer travel patterns. Also, Delta is investing in only the technologies and products customers value as the company updates its cabins and reinvigorates its brand.

"Still, even with significant financial benefits in place, we unfortunately remain in turbulent times. That is why we are continuing to move ahead aggressively and decisively with our transformation plan," said Grinstein. "Let me assure you that I and the entire leadership team take the responsibility entrusted to us very seriously. We will ensure that the contributions and hard work from Delta people are not squandered but instead are maximized to achieve their full and most powerful potential."

## Key Points to Share with Employees

- Today, Delta pilots ratified a new contract to deliver \$1 billion in long-term, annual savings to the company.
- Delta's combined restructuring efforts are intended to deliver \$5 billion in annual financial benefits, an amount the company has calculated it needs to have the opportunity to achieve long-term viability, by 2006 (as compared to its 2002 base year).
- CEO Jerry Grinstein has said that our intent is to "do it once and do it right." But the hard truth is that the precariousness of our financial situation, exacerbated by high fuel costs and low yields, and the continuing changes in our industry mean that there can be no guarantees.
- However, Delta's achievement so far is a testament to the independent spirit, dedication and grit of the people who work here. Our transformation process is under way and we have already taken some significant steps.
- Based on our determined and collective efforts, we now have a platform in place that we hope will result in long-term viability and a plan to tangibly recognize the significant contribution Delta's people are making to their company's future success.
- Our Employee Reward Program -- a combination of equity, profit sharing and performance incentives -- will be a meaningful component of this airline's on-going relationship with Delta people throughout the company.
- Long-term viability, and a program that delivers an up side when a company has recovered and times are better, provide the best basis for stable and rewarding careers.
- Still, even with significant financial benefits in place, we unfortunately remain in turbulent times. That is why we are continuing to move ahead aggressively and decisively with our transformation plan. We will continue to focus on our ACES, Delta's four principles of transformation:

### *Delta's Four ACES: Our Transformation Principles*

- **A**chieve viability
- **C**reate customer-focused culture
- **E**xcel at operational performance
- **S**ustain profitable growth

## Q&A

### **Q1. Now that the pilot agreement is ratified, does it mean that Delta can avoid bankruptcy?**

A1. Not necessarily. Even with this significant contribution to our restructuring initiative, there is no guarantee that we can avoid filing for Chapter 11 protection. A number of factors, including Delta's liquidity needs, might affect our ability to avoid bankruptcy. The precariousness of our financial situation, exacerbated by high fuel costs and low yields, and the continuing changes in our industry means there can be no guarantees.

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