

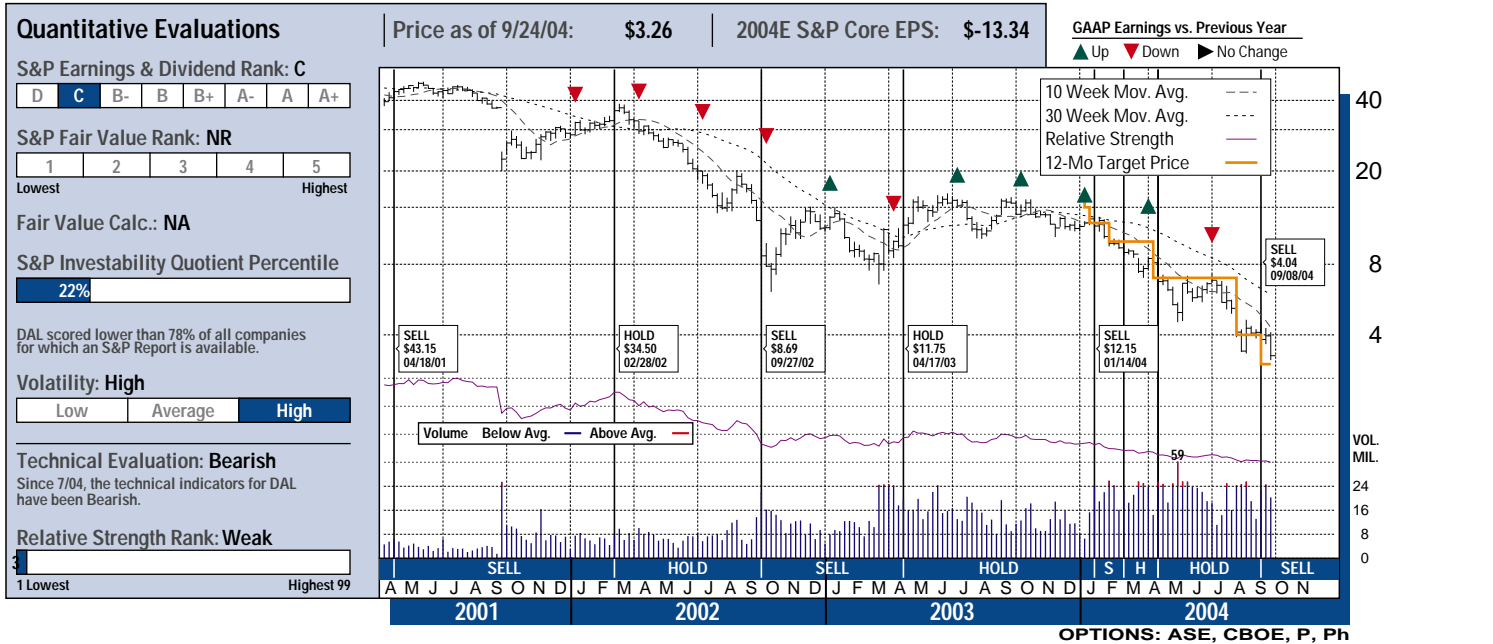
Recommendation: **SELL** ★★☆☆☆
SELL | SELL | HOLD | BUY | BUY

12-Month Target Price: **\$3.00**
(as of September 10, 2004)

DAL has an approximate 0.00% weighting in the S&P 500

Sector: Industrials
Sub-Industry: Airlines
Peer Group: Airlines (U.S.) - Major

Summary: DAL, the third largest U.S. airline, said recently that a bankruptcy was possible if it was not successful in implementing its business transformation plan.



Analyst commentary prepared by Jim Corridore/PMW

Highlights September 10, 2004

- We forecast that 2004 revenues will grow 10% to 12%, on about an 8% to 10% increase in capacity and higher passenger load factors, aided by some pent-up travel demand and demand stimulation from lower fares. We see airfares as likely to remain under pressure due to price competition on transcontinental routes, as well as aggressive growth by discount carriers, whose airfares DAL has been forced to match in many markets.
- DAL has reduced headcount, eliminated base commissions on U.S. travel, and has cut other costs, but it has not been able to reduce its labor costs. We expect margins to narrow somewhat in 2004, as the impact of high labor and pension costs and stubbornly high fuel costs outweighs increased revenues.
- We forecast a loss of \$12.42 a share for 2004, wider than DAL's 2003 loss of \$8.58 (excluding unusual items). On a Standard & Poor's Core Earnings basis, we project a 2004 loss of \$13.34 a share. The company unveiled a new business transformation plan on September 8, 2004. If successful, we think that the plan could go a long way toward improving DAL's competitive position compared to other mainline carriers. However, the plan includes \$1 billion in cost cuts from the pilots union. The company has been seeking these concessions unsuccessfully for some time.

Key Stock Statistics

S&P Core EPS 2005E	-7.07	52-week Range	\$15.14-3.12
S&P Oper. EPS 2004E	-12.42	12 Month P/E	NM
P/E on S&P Oper. EPS 2004E	NM	Beta	2.04
S&P Oper. EPS 2005E	-6.00	Shareholders	22,401
Yield (%)	Nil	Market Cap (B)	\$0.409
Dividend Rate/Share	Nil	Shares Outstanding (M)	125.6

Value of \$10,000 invested five years ago: **\$ 822**

Dividend Data Dividends have been paid since 1949

Amount (\$)	Date Decl.	Ex-Div. Date	Stock of Record	Payment Date
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Investment Rationale/Risk September 10, 2004

- We recently downgraded the shares to avoid, from hold, based on what we see as increased bankruptcy risk. We are concerned that DAL's restructuring may wind up taking place through the Chapter 11 bankruptcy process. On September 8, 2004, the company said that if it did not see results quickly from its new plan, a bankruptcy filing was possible. In addition, the balance sheet has been weakened by increased debt and major asset writedowns over the past two years. We think this will make it difficult for DAL to access capital markets, and some major debt repayments are coming up this year.
- Risks to our recommendation and target price include the possibility that DAL will be able to get the concessions from its employees that it is seeking; and the possibility that if oil prices back off sharply or industry capacity shrinks enough to allow for airfare increases, the profit outlook could be better than we expect.
- Our 12-month target price of \$3 values the stock at an enterprise value to EBITDA multiple of 5X our 2006 EBITDA estimate, below the level of peers and the stock's historical range on this metric, due to what we see as an elevated risk of bankruptcy. We do not expect positive earnings or EBITDA in 2004 or 2005.

Revenues/Earnings Data Fiscal year ending December 31

Revenues (Million \$)						
	2004	2003	2002	2001	2000	1999
1Q	3,292	3,155	3,103	3,842	3,911	3,877
2Q	3,961	3,307	3,474	3,776	4,469	3,713
3Q	—	3,443	3,420	3,398	—	3,960
4Q	—	3,398	3,308	2,863	4,016	4,469
Yr.	—	13,303	13,305	13,879	16,741	15,888
Earnings Per Share (\$)						
	2004	2003	2002	2001	2000	1999
1Q	-3.12	-3.81	-3.25	-1.11	—	2.38
2Q	-15.79	1.40	-1.54	-0.76	—	2.50
3Q	E-3.00	-1.36	-2.67	-2.13	—	1.67
4Q	E-3.75	-2.69	-2.98	-5.98	0.12	3.51
Yr.	E-12.42	-6.40	-10.44	-9.98	7.05	9.90

Next earnings report expected: mid-October Source: S&P, Company Reports
EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Recommendation: **SELL** ★★☆☆☆ 12-Month Target Price: **\$3.00** (as of September 10, 2004)

Business Summary September 10, 2004

Delta Air Lines is the third largest U.S. airline in terms of operating revenues and revenue passenger miles. Its labor force is 82% non-union, but its pilots are unionized. DAL established Delta Express in 1996, in an effort to check inroads by no-frills, start-up carriers. However, in January 2003, the company said it would discontinue Delta Express in favor of a new low-cost operator named Song. Song was launched April 15, 2003. As of March 1, 2004, Song offered 144 daily flights, using 36 Boeing 757 aircraft.

In September 2004, DAL announced a business turnaround plan that the company said would result in annual cash savings of \$5 billion from the level of 2002. Key parts of the plan included eliminating 6,000 to 7,000 jobs over 18 months, closing the Dallas/Ft. Worth hub, and increasing utilization and flights at the Atlanta hub. The company is seeking \$1 billion in annual cost cuts from pilots, and expects to seek other concessions from lessors, lenders and vendors.

DAL derived 82% of its 2003 revenues from U.S. operations. Including regional affiliates, it offers service to 206 U.S. cities in 47 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Short-haul traffic is fed to company hubs by Delta Connection carriers, which include Atlantic Southeast Airlines (100% owned), COMAIR (100%) and SkyWest (13%).

The route system is structured around DAL's Atlanta Worldport. U.S. hubs are in Cincinnati, Dallas/Ft. Worth, and Salt Lake City. JFK serves as DAL's European gateway.

International passenger operations accounted for 18% of 2003 revenues (13% from the Atlantic region, 4% from the Pacific, and 1% from Latin America). DAL

directly serves 48 cities in 32 nations. In June 2000, it launched the SkyTeam alliance with Air France, Korean Air Lines and AeroMexico. Alitalia and CSA Czech Airlines joined SkyTeam in March 2001. With these and other partners, DAL is able to serve 230 cities in 84 countries.

In August 2002, the company entered into a marketing alliance with Continental Airlines and Northwest Airlines; this included mutual codesharing and reciprocal frequent flyer and airport lounge access arrangements. The alliance was approved by the Department of Transportation in March 2003.

In June 2001, DAL ratified a new contract with its pilots, calling for 24% to 34% wage hikes over five years. In February 2003, the pilots' union declined a company request to renegotiate its contract. Talks between DAL and the pilots have been ongoing, but as of September 2004, no concessions had been made by the pilots.

On July 24, 2003, the company said it was discontinuing the payment of common stock dividends. It had paid cash dividends on its common stock continuously since 1949. DAL said it expected to realize a resulting annual cash flow benefit of \$12 million. In June 2003, the company sold its 40% interest in WorldSpan, L.P., which operated a computer reservation system, for \$330 million. In December 2003, DAL sold a portion of its stake in Orbitz, an online travel agency, for \$33 million. As of March 1, 2004, DAL owned 13% of Orbitz.

In 2001, DAL received \$650 million from the federal government through the U.S. Airline Industry Stabilization Act. In 2003, the company received an additional \$398 million under the Emergency Wartime Supplemental Appropriations Act, intended to compensate airlines for costs associated with security and the war in Iraq.

Company Financials Fiscal Year ending December 31

Per Share Data (\$)

(Year Ended December 31)	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Tangible Bk. Val.	NM	NM	12.87	25.14	21.20	25.56	25.05	17.75	10.60	NM
Cash Flow	3.32	-1.13	0.43	16.05	20.61	13.49	11.72	10.37	7.67	8.98
Earnings	-6.40	-10.44	-9.98	7.05	9.90	7.20	6.34	5.65	0.71	2.04
S&P Core Earnings	-6.16	-15.90	-16.74	NA	NA	NA	NA	NA	NA	NA
Dividends	0.05	0.10	0.13	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Payout Ratio	NM	NM	NM	1%	1%	1%	2%	2%	14%	5%
Prices - High	16.05	38.69	52.93	58.31	58.31	72.00	71.81	60.31	43.50	40.62
- Low	6.56	6.10	20.00	39.62	39.62	45.68	40.87	34.62	33.43	25.12
P/E Ratio - High	NM	NM	NM	8	6	10	11	11	61	20
- Low	NM	NM	NM	6	4	6	6	6	47	12

Income Statement Analysis (Million \$)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Revs.	13,303	13,305	13,879	16,741	15,455	14,711	14,138	13,590	12,455	12,194
Oper. Inc.	907	244	800	2,932	3,365	2,831	2,554	2,292	1,926	1,283
Depr.	1,202	1,148	1,283	1,187	1,146	961	861	710	634	622
Int. Exp.	732	646	410	381	305	153	186	207	269	292
Pretax Inc.	-1,189	-2,002	-1,864	1,549	2,283	1,826	1,648	1,415	276	494
Eff. Tax Rate	NM	NM	NM	40.1%	40.0%	39.7%	39.3%	39.6%	43.5%	NM
Net Inc.	-773	-1,272	-1,216	928	1,369	1,101	1,001	854	156	294
S&P Core Earnings	-762	-1,960	-2,062	NA	NA	NA	NA	NA	NA	NA

Balance Sheet & Other Fin. Data (Million \$)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Cash	2,710	2,103	2,210	1,364	1,648	1,647	1,634	1,170	1,652	1,233
Curr. Assets	4,967	3,902	3,567	3,205	3,346	2,672	3,362	2,867	3,282	3,014
Total Assets	26,356	24,720	23,605	21,931	20,566	16,544	14,603	12,741	12,226	12,143
Curr. Liab.	6,624	6,455	6,403	5,245	5,940	5,327	4,577	4,083	3,638	3,441
LT Debt	11,538	10,174	8,347	5,896	4,525	1,952	1,782	1,797	2,175	3,121
Common Equity	-659	893	3,769	5,343	4,873	4,172	3,723	3,007	2,540	1,827
Total Cap.	11,154	11,504	12,836	12,693	10,732	7,415	6,242	4,804	4,715	5,068
Cap. Exp.	744	1,286	2,793	4,060	3,289	2,819	2,291	1,948	936	626
Cash Flow	412	-139	53.0	2,102	2,515	2,051	1,851	1,555	790	916
Curr. Ratio	0.7	0.6	0.6	0.6	0.6	0.5	0.7	0.7	0.9	0.9
% LT Debt of Cap.	103.4	88.4	65.0	46.5	42.2	26.3	28.5	37.4	46.1	61.5
% Net Inc. of Revs.	NM	NM	NM	5.5	8.9	7.5	7.1	6.3	1.3	2.4
% Ret. on Assets	NM	NM	NM	4.4	7.3	7.1	7.3	6.8	12.8	2.4
% Ret. on Equity	NM	NM	NM	17.9	29.4	27.6	30.9	30.5	71.4	17.8

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Office: Hartsfield Atlanta International Airport, Atlanta, GA 30320-6001.
Telephone: 404-715-2600.
Website: <http://www.delta-air.com>
CEO: G. Grinstein.
EVP & CFO: M. J. Palumbo.

EVP: V. B. Escarra.
SVP & Treas: T. Helvie.
Dir: E. H. Budd, G. M. Fisher, C., D. R. Goode, G. Grinstein, P. G. Rosput, J. F. Smith, Jr., J. E. Spero, L. D. Thompson.

Founded: in 1930.
Domicile: Delaware.
Employees: 70,600.
S&P Analyst: Jim Corridore/PMW

Recommendation: **SELL** ★★☆☆☆ 12-Month Target Price: **\$3.00** (as of September 10, 2004)

Sub-Industry Outlook

We believe high oil prices and price wars on trans-continental routes have contributed to weakness in airline stocks. Year to date through September 10, the S&P Airlines Index declined 18.1%, versus a 1.4% rise in the S&P 1500. The impact of these factors, as well as our view of the industry's continued inability to raise prices, has made us more cautious on the overall airline industry, for which we have a neutral investment outlook. Oil prices are near record highs, and many airlines, in our view, have inadequate hedges in place to offset rising jet fuel prices. Recent improvements in passenger demand and efforts to cut costs have us expecting a stronger industry financial performance in 2004 and a return to profitability in 2005, but we are less certain than before as to when a fundamental recovery in earnings throughout the industry will begin. We find the low-cost segment of the industry attractive, as these companies are generally profitable and are growing revenues and gaining market share.

We now expect the top 10 carriers to lose about \$4.0 billion in 2004, versus than the \$4.5 billion they lost in 2003 (which was aided by the receipt of \$2.1 billion in compensation from the Emergency War-time Supplemental Appropriations Act). We expect losses to narrow due to labor cost cuts at many of

the major carriers and increased passenger traffic. However, airfares have remained weak due to aggressive price competition in the transcontinental and other markets, amid aggressive sales by American Airlines, JetBlue, and Southwest Airlines, among others. In addition the rise of a new discount airline, Independence Air (formerly Atlantic Coast Airlines) in United's Washington hub has added to sales in that market.

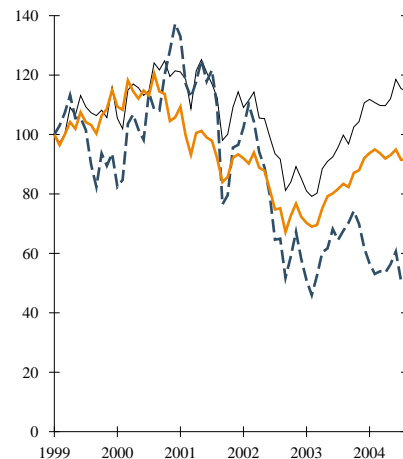
We expect about a 9% rise in revenue passenger miles (RPMs) in 2004, to 650 billion, from 595 billion in 2003. Our 2004 forecast, if achieved, would approach the 658 billion level attained in 2000. We expect modest capacity increases in 2004, after about a 4% cut in 2003.

United filed for bankruptcy in December 2002. US Air filed for bankruptcy in September 2004, for the second time in two years, and could be forced to liquidate if it can't restructure quickly. AMR staved off bankruptcy by gaining concessions from labor groups. Delta recently said it may file for bankruptcy if it does not get cost cuts.

--Jim Corridore

Stock Performance

GICS Sector: Industrials
Sub-Industry: Airlines
Based on S&P 1500 Indexes
Month-end Price Performance as of 08/31/04



Sub-Industry Sector S&P 1500

Note: All Sector & Sub-Industry Information is based on the Global Industry Classification Standard (GICS)

Sub-Industry: Airlines *Peer Group: Airlines (U.S.) - Major

Peer Group	Stock Symbol	Recent Stock Price	P/E Ratio	12-Mo. Trailing EPS	30-day Price Chg(%)	1-year Price Chg.(%)	Beta	Yield (%)	Quality Ranking	Stk. Mkt. Cap. (Mil. \$)	Ret. on Equity (%)	Pretax Margin (%)	LTD to Cap. (%)
Delta Air Lines	DAL	3.26	NM	-23.00	-22%	-76%	NM	Nil	C	409	NM	NM	103.4
AMR Corp.	AMR	7.47	NM	-1.65	-21%	-36%	NA	Nil	C	1,200	NM	NM	99.7
ATA Holdings	ATAH	2.89	NM	-8.56	9%	-66%	NA	Nil	C	34	NM	1.4	130.7
Alaska Air Group	ALK	24.23	NM	-0.73	8%	-14%	1.30	Nil	C	650	2.0	1.2	51.1
America West	AWA	5.33	6	0.94	-23%	-49%	NA	Nil	C	188	55.6	2.6	83.4
Continental Airlines	CAL	8.77	14	0.62	-12%	-49%	NA	Nil	C	583	4.9	2.3	Nil
JetBlue Airways	JBLU	21.87	28	0.77	-16%	-46%	NA	Nil	NR	2,260	19.1	17.6	56.8
Northwest Airlines	NWAC	8.10	NM	-0.06	-18%	-20%	NM	Nil	C	700	NM	2.3	127.5
Southwest Airlines	LUV	13.81	36	0.38	-8%	-23%	0.87	0.1	A	10,912	9.3	11.9	17.1
UAL Corp	UALAQ	1.07	NM	-13.56	0%	4%	NA	Nil	D	124	NM	NM	NA
US Airways Group	UAIRQ	0.71	NM	NA	-62%	-89%	NA	Nil	D	37	NM	NM	93.9

NA-Not Available NM-Not Meaningful NR-Not Rated *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Recommendation: **SELL** ★★☆☆☆ 12-Month Target Price: **\$3.00** (as of September 10, 2004)**S&P Analyst Research Notes and other Company News****September 16, 2004**

Deloitte & Touche LLP reissued Independent Auditors' Report to state that co.'s recurring losses, labor, liquidity issues, increased risk of Ch. 11 filing raise doubt about co.'s ability to continue as going concern.

September 10, 2004

DOWN 0.36 to 3.56... Says it unable to get consent from some of its debtholders that would have given it increased flexibility to restructure debt... S&P reiterates avoid...

September 10, 2004

09:45 am EDT... S&P REITERATES AVOID OPINION ON SHARES OF DELTA AIR LINES (DAL 3.75**): DAL says that it was unable to get consent from some of its debtholders that would have given it increased flexibility to restructure debt. We do not think this is a major issue, but we do believe it makes it a bit harder for DAL to restructure outside the bankruptcy process, increasing the odds that DAL will have to file for Chapter 11 protection. The major issue remains whether or not pilot costs are lowered. We are cutting our 12-month target price to \$3 from \$4, derived by giving DAL a multiple of 5X our '06 EBITDA estimate, below peers based on our view of risks. /J.Corridore

September 8, 2004

DOWN 0.21 to 4.27... Cuts 6,000-7,000 jobs, cutting overhead costs by 15%, cutting pay, benefits.... Says due to deterioration of its financial condition, possible operational disruption, bankruptcy is real possibility.

September 8, 2004

10:21 am EDT... S&P DOWNGRADES SHARES OF DELTA AIR LINES TO AVOID, FROM HOLD (DAL 4.44**): DAL spells out a transformation plan that calls for \$2.3 billion in cost cuts including \$1.0 billion from pilots, cutting 6,000-7,000 jobs, de-peaking the Atlanta hub, and cutting out the Dallas/Ft. Worth hub, among other actions. We applaud these tough choices. However, we regard as more important DAL's statement that bankruptcy is a real possibility if it cannot in the near term resolve pilot early-retirement issues and attain its turnaround goals. We think the likelihood DAL will be able to avoid a Chapter 11 filing has decreased. Our 12-month target price remains \$4. /J.Corridore

September 8, 2004

09:10 am EDT... S&P REITERATES BUY SHARES OF AIRTRAN HOLDINGS (AAI 12.14****): As a result of the two recent hurricanes in Florida, which disrupted AAI's traffic and damaged its facilities, the company now sees a Q3 loss, compared to our \$0.10 EPS forecast. We still see profitability in '04. AAI's costs are among the lowest in the industry, it faces a weakened Delta Airlines (DAL 4.5**) as its major competitor, and it has one of the most defensible route structures, in our view. We are cutting our '04 EPS estimate to \$0.30 from \$0.43, and '05's to \$0.75 from \$0.85. Profitable, and trading below market and peers on a P/E basis, we see AAI as undervalued. /J.Corridore

August 19, 2004

UP 0.31 to 4.38... CEO says airline will need more layoffs, benefits changes, but promised new incentive plan for employees: WSJ.

August 6, 2004

DOWN 0.42 to 4.08... Goldman downgrades to underperform from in-line...

August 6, 2004

11:02 am EDT... DELTA AIR LINES (DAL 4.09) DOWN 0.41, GOLDMAN DOWNGRADES TO UNDERPERFORM FROM IN-LINE... Analyst Glenn Engel tells sales-force DAL's losses continue to mount as yields remain under pressure, fuel prices soar higher, negotiations with pilots appear to stall... Says absent labor concessions, widens \$10.90 '04 loss forecast to \$13.65... Believes probability of DAL bankruptcy filing rising. /BBrodie

August 4, 2004

09:53 am EDT... S&P REITERATES AVOID SHARES OF FLYI, INC. (ACAI 3.59**): Atlantic Coast Airlines has changed its name to FLYI, Inc., which is the name of the the company's website. The stock symbol has changed from ACAI to FLYI. We think the new name will create confusion and that a better choice would have been Independence Air Holdings. Our avoid opinion reflects the large losses FLYI has incurred, which we expect will continue, since it decided to forgo flying for United Air and Delta (DAL 4.7**) and decided to operate as Independence Air. We think FLYI does not have the assets or resources to compete with legacy carriers or other discounters. /J.Corridore

July 21, 2004

UP 0.51 to 5.91... Co.'s pilot union more than doubled its concessions offer, seeking to narrow gap with co. in slow-moving wage cut talks... Package valued at \$655M-\$705M a year: WSJ.

July 20, 2004

DOWN 0.25 to 5.69... JP Morgan downgrades to neutral from overweight... Standard & Poor's Rating Services lowers DAL's corporate credit rating to CCC+ from B-.

July 20, 2004

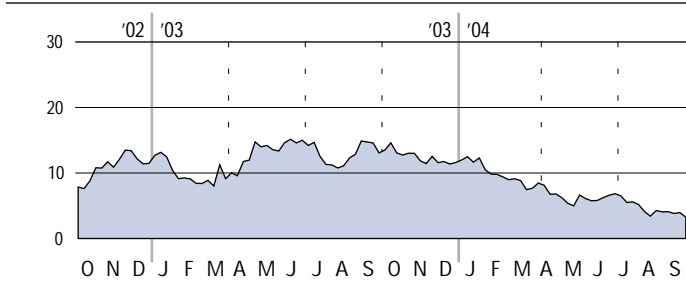
11:45 am EDT... DELTA AIR LINES (DAL 5.48) DOWN 0.46, JP MORGAN DOWNGRADES TO NEUTRAL FROM OVERWEIGHT... Analyst Jamie Baker tells salesforce assuming Chapter 11 equity price in low \$1 range, upside around \$10 level, DAL shares appear to imply a 50/50 bankruptcy probability, based on yesterday's close... Says this is same as his assigned probability... As such, says shares are considered to adequately reflect near term risk/reward profile, and are accordingly rated neutral... Says should shares gyrate to either extreme, or should co.'s expected Chapter 11 probability significantly change, would expect to revisit his thesis. /STrombino

Recommendation: **SELL** ★★☆☆☆ 12-Month Target Price: **\$3.00** (as of September 10, 2004)

Wall Street Consensus

Analysts' Recommendations

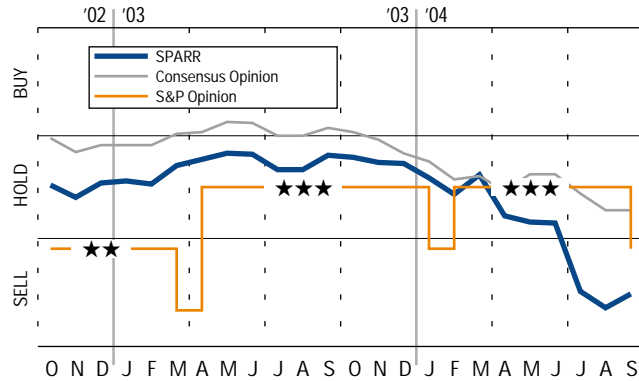
Stock Prices



Analysts' Opinion

	No. of Ratings	% of Total	1 Mo. Prior	3 Mo. Prior
Buy	1	9	1	3
Buy/Hold	2	18	2	2
Hold	4	36	3	3
Weak Hold	1	9	1	2
Sell	2	18	3	2
No Opinion	1	9	1	0
Total	11	100	11	12

Analysts' Opinions



S&P-Adjusted Consensus Opinion: SELL

In order to reduce the bullish tendency of analysts, Standard & Poor's Quantitative Services Group created the S&P Average Relative Ranking, or SPARR. This system assigns a ranking based on a stock's consensus score relative to all issues for which consensus estimates are available.

Companies Offering Coverage

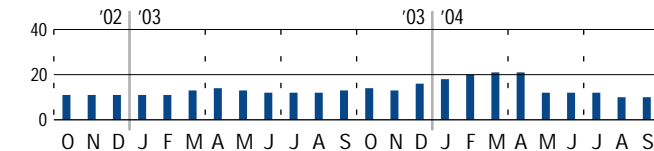
- Standard & Poor's
- Argus Research Corp
- Bear Stearns & Co
- Credit Suisse First Boston
- Goldman Sachs & Co
- JP Morgan Securities
- Merrill Lynch Research
- Morgan Stanley & Company
- Pershing, Division of DLJ Sec.
- Smith Barney
- UBS Warburg

Standard & Poor's STARS (STock Appreciation Ranking System)

- ★★★★★ Buy
- ★★★★☆ Accumulate
- ★★★☆☆ Hold
- ★★☆☆☆ Avoid
- ★☆☆☆☆ Sell

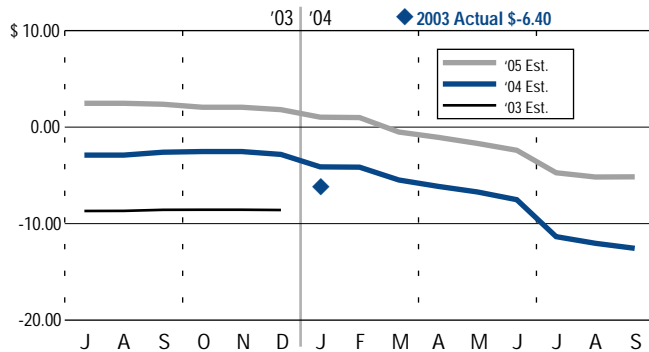
Under our proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future capital appreciation potential versus the expected performance of the S&P 500 index, based on a 12-month time horizon.

Number of Analysts Following Stock



Analysts' Earnings Estimate

Annual Earnings Per Share



Current Analysts' Consensus Estimates

Fiscal years	Avg.	High	Low	S&P Est.	No. of Est.	Est. P/E Ratio	Est. S&P 500 P/E Ratio
2004	-12.56	-10.65	-14.00	-12.42	8	NM	16.6
2005	-5.15	1.00	-10.50	-6.00	10	NM	15.3
3Q'04	-3.40	-2.33	-4.00		9		
3Q'03	-1.36	Actual					

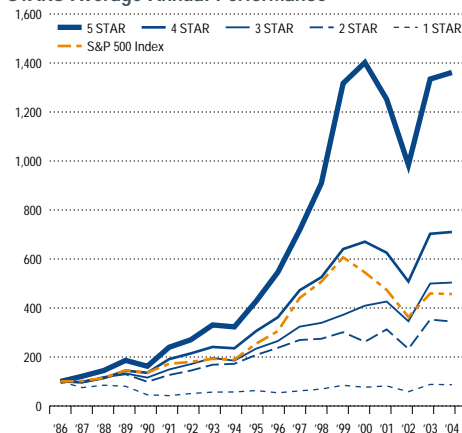
A company's earnings outlook plays a major part in any investment decision. S&P organizes the earnings estimates of over 2,300 Wall Street analysts, and provides you with their consensus of earnings over the next two years. The graph to the left shows you how these estimates have trended over the past 15 months.

Recommendation: **SELL** ★★☆☆☆ 12-Month Target Price: **\$3.00** (as of September 10, 2004)

Glossary

S&P Recommendation - Since January 1, 1987, Standard & Poor's has ranked a universe of common stocks based on a given stock's potential for future performance. Under our proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future capital appreciation potential versus the expected performance of the S&P 500 index, based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance



S&P 12-Month Target Price - The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Quantitative Evaluations - In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Earnings & Dividend (Quality) Rank - S&P's appraisals of the growth and stability of earnings and dividends over the past 10 years for individual companies are indicated by the following quality ranks. Quality Rankings are not intended to predict stock movements.

- A+ Highest
- A High
- A- Above Average
- B+ Average
- NR Not Ranked
- B Lower
- B- Below Average
- C Lowest
- D In Reorganization

S&P Fair Value Rank - Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process.

A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calc. - The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Earnings & Dividend Rankings). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Investability Quotient (IQ) - The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

Standard & Poor's IQ Rationale:
Delta Air Lines

	Raw Score	Max Value
Proprietary S&P Measures	25	115
Technical Indicators	11	40
Liquidity/Volatility Measures	17	20
Quantitative Measures	5	75
IQ Total	58	250

Volatility - Rates the volatility of the stock's price over the past year.

Technical Evaluation - In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank - Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 62 Industries, and 132 Sub-Industries.

S&P Core Earnings - Standard & Poor's Core Earnings is a uniform methodology for calculating operating earnings, and focuses on a company's after-tax earnings generated from its principal businesses. Included in the definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, writedowns of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

Required Disclosures

As of June 30, 2004, S&P research analysts have recommended 35.9% of stocks with Buy rankings, and 52.7% with Hold rankings, and 11.4% with Sell rankings.

All views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

For purposes of this report, 4 & 5 STARS are BUYS, 1 & 2 STARS are SELLS and 3 STARS are HOLDS. The BUY-HOLD-SELL ranking system used in this report is a consolidated version of our proprietary STARS ranking system defined below:

★★★★★ **5-STARS (Buy)** Total return is expected to outperform the total return of the S&P 500 Index by a wide margin, with shares rising in absolute price.

★★★★★ **4-STARS (Accumulate)** Total return is expected to outperform the total return of the S&P 500 Index, with shares rising in absolute price.

★★★★★ **3-STARS (Hold)** Total return is expected to closely approximate that of the total return of the S&P 500 Index, with shares generally rising in price.

★★★★★ **2-STARS (Avoid)** Total return is expected to underperform the total return of the S&P 500 Index, and share price is not anticipated to show a gain.

★★★★★ **1-STAR (Sell)** Total return is expected to underperform the total return of the S&P 500 Index, with shares falling in absolute price.

One or more affiliates of SPIAS received non-investment banking compensation from this company during the past 12 months.

Other Disclosures

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