Non-GAAP Financial Measures

Delta sometimes uses information ("non-GAAP financial measures") that is derived from the Consolidated Financial Statements, but that is not presented in accordance with accounting principles generally accepted in the U.S. (“GAAP”). Under the U.S. Securities and Exchange Commission rules, non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. The tables below show reconciliations of non-GAAP financial measures used in this presentation to the most directly comparable GAAP financial measures.

Forward Looking Projections. While we are able to reconcile forward looking non-GAAP financial measures related to 2016, we do not reconcile future period measures (i.e., beyond 2016) because mark-to-market ("MTM") adjustments and settlements will not be known until the end of the period and could be significant.

Pre-Tax Income and Net Income, Adjusted

We adjust for the following items to determine pre-tax income and net income, adjusted, for the reasons described below:

MTM adjustments and settlements. MTM adjustments are defined as fair value changes recorded in periods other than the settlement period. Such fair value changes are not necessarily indicative of the actual settlement value of the underlying hedge in the contract settlement period. Settlements represent cash received or paid on hedge contracts settled during the period. These items adjust fuel expense to show the economic impact of hedging, including cash received or paid on hedge contracts during the period. Adjusting for these items allows investors to better understand and analyze our core operational performance in the periods shown.

Restructuring and other. Because of the variability in restructuring and other, the adjustment for this item is helpful to investors to analyze the company's recurring core performance in the periods shown.

Loss on extinguishment of debt. Because of the variability in loss on extinguishment of debt, the exclusion of this item from this measure is helpful to investors to analyze the company's recurring core operational performance in the periods shown.

Release of tax valuation allowance. Because of the uniqueness of the net gain related to the reversal of the tax valuation allowance, the exclusion of this gain allows investors to better understand and analyze the company's core operational performance in the period shown.

Virgin Atlantic MTM adjustments. We record our proportionate share of earnings from our equity investment in Virgin Atlantic in non-operating expense. We adjust for Virgin Atlantic's MTM adjustments to allow investors to better understand and analyze the company's core financial performance in the periods shown.

	(Projected) Year Ended December 31, 2016			Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
(in billions)	Pre-Tax Income	Income Tax	Net Income	Net Income	Net Income	Net Income
GAAP	$ 6.6	$ (2.2)	$ 4.4	$ 4.5	$ 0.7	$ 10.5
Adjusted for:						
MTM adjustments and settlements	(0.5)	0.2	(0.3)	(0.8)	1.5	(0.3)
Restructuring and other	—	—	—	—	0.4	0.4
Loss on extinguishment of debt	—	—	—	—	0.2	—
Release of tax valuation allowance	—	—	—	—	—	(7.9)
Virgin Atlantic MTM adjustments	(0.1)	—	(0.1)	—	—	—
Total adjustments	(0.6)	0.2	(0.4)	(0.8)	2.1	(7.8)
Non-GAAP	$ ~6.0	$ (2.0)	$ 4.0	$ 3.7	$ 2.8	$ 2.7

Operating Margin, Adjusted and Operating Margin, Adjusted, Including Pilot Contract Impact Normalized

We adjust for the following items to determine operating margin, adjusted and operating margin, adjusted, including pilot contract impact normalized for the reasons described below:

MTM adjustments and settlements. MTM adjustments are defined as fair value changes recorded in periods other than the settlement period. Such fair value changes are not necessarily indicative of the actual settlement value of the underlying hedge in the contract settlement period. Settlements represent cash received or paid on hedge contracts settled during the period. These items adjust fuel expense to show the economic impact of hedging, including cash received or paid on hedge contracts during the period. Adjusting for these items allows investors to better understand and analyze our core operational performance in the periods shown.

Restructuring and other. Because of the variability in restructuring and other, the adjustment for this item is helpful to investors to analyze the company's recurring core performance in the periods shown.

Refinery sales. Delta's refinery segment provides jet fuel to the airline segment from its own production and from jet fuel obtained through agreements with third parties. Activities of the refinery segment are primarily for the benefit of the airline. However, from time to time, the refinery sells fuel by-products to third parties. These sales are recorded gross within other revenue and other operating expense. We believe adjusting for refinery sales allows investors to better understand and analyze the impact of fuel cost on our results in the periods shown.

Pilot contract impact. Delta's new pilot contract was ratified on December 1, 2016, and the contract is retroactive to January 1, 2016. As a result, Delta will recognize $475 million in retroactive wages and other benefits in the December quarter. If the contract had been in place on January 1, the margin impact in the fourth quarter would have been as shown below. We believe that adjusting in this way allows investors to better understand and analyze the company's core operational performance as if the agreement was ratified on January 1.

	(Projected) Year Ended December 31, 2016	**Year Ended December 31, 2015**
Operating margin	17.6 %	19.2 %
Adjusted for:		
MTM adjustments and settlements	(1.2)%	(3.2)%
Restructuring and other	— %	0.1 %
Refinery sales	0.1 %	0.1 %
Operating margin, adjusted	16.5 %	16.2 %
Year-over-year change	0.3 pts	

	(Projected) Three Months Ended December 31, 2016	**Three Months Ended December 31, 2015**
Operating margin	10.9 %	18.1 %
Adjusted for:		
MTM adjustments and settlements	(0.2)%	(1.0)%
Refinery sales	0.0 %	—%
Operating margin, adjusted	10.7 %	17.1 %
Pilot contract impact	5.1 %	—%
Operating margin, adjusted, excluding pilot contract impact	15.8 %	17.1 %
Pilot contract impact normalized	(1.0)%	—%
Operating margin, adjusted, including pilot contract impact normalized	14.8 %	17.1 %
Year-over-year change	2.3 pts	

Pre-Tax Margin, Adjusted

We adjust for the following items to determine pre-tax margin, adjusted, for the reasons described below:

MTM adjustments and settlements. MTM adjustments are defined as fair value changes recorded in periods other than the settlement period. Such fair value changes are not necessarily indicative of the actual settlement value of the underlying hedge in the contract settlement period. Settlements represent cash received or paid on hedge contracts settled during the period. These items adjust fuel expense to show the economic impact of hedging, including cash received or paid on hedge contracts during the period. Adjusting for these items allows investors to better understand and analyze our core operational performance in the periods shown.

Restructuring and other. Because of the variability in restructuring and other, the adjustment for this item is helpful to investors to analyze the company's recurring core performance in the periods shown.

Refinery sales. Delta's refinery segment provides jet fuel to the airline segment from its own production and from jet fuel obtained through agreements with third parties. Activities of the refinery segment are primarily for the benefit of the airline. However, from time to time, the refinery sells fuel by-products to third parties. These sales are recorded gross within other revenue and other operating expense. We believe adjusting for refinery sales allows investors to better understand and analyze the impact of fuel cost on our results in the periods shown.

Virgin Atlantic MTM adjustments. We record our proportionate share of earnings from our equity investment in Virgin Atlantic in non-operating expense. We adjust for Virgin Atlantic's MTM adjustments to allow investors to better understand and analyze the company's core financial performance in the periods shown.

	(Projected) Year Ended December 31, 2016	**Year Ended December 31, 2015**
Pre-tax margin	16.7 %	17.6 %
Adjusted for:		
MTM adjustments and settlements	(1.2)%	(3.2)%
Restructuring and other	—%	0.1 %
Refinery sales	0.1 %	0.1 %
Virgin Atlantic MTM adjustments	(0.3)%	(0.1)%
Pre-tax margin, adjusted	15.3 %	14.5 %
Year-over-year change	0.8 pts	

Free Cash Flow and Free Cash Flow Conversion

We present free cash flow because management believes this metric is helpful to investors to evaluate the company's ability to generate cash that is available for use for debt service or general corporate initiatives. Adjustments include:

Hedge deferrals. During the March 2015 quarter, we effectively deferred settlement of a portion of our fuel hedge portfolio by entering into transactions that, excluding market movements from the date of inception, would provide approximately $300 million in cash receipts during the second half of 2015 and require approximately $300 million in cash payments in 2016. During the March 2016 quarter, we further deferred settlement of a portion of our hedge portfolio until 2017 by entering into transactions that, excluding market movements from the date of inception, would provide approximately $300 million in cash receipts during the second half of 2016 and require approximately $300 million in cash payments in 2017. Free cash flow is adjusted to include the impact of these deferral transactions in order to allow investors to better understand the net impact of hedging activities in the periods shown.

Hedge margin. Free cash flow is adjusted for hedge margin as we believe this adjustment removes the impact of current market volatility on our unsettled hedges and allows investors to better understand and analyze the company's core operational performance in the periods shown.

(in billions)	(Projected) Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Net cash provided by operating activities	$ 6.8	$ 7.9	$ 4.9	$ 4.5
Net cash used in investing activities	(2.1)	(4.0)	(2.5)	(2.7)
Adjusted for:				
Hedge deferrals	(0.2)	0.4	—	—
Hedge margin	(0.1)	(0.8)	0.9	—
SkyMiles used pursuant to advance purchase under AMEX agreement	—	—	—	0.3
Net (redemptions)/purchases of short-term investments and other	(1.1)	0.3	0.4	—
Total free cash flow	$ 3.3	$ 3.8	$ 3.7	$ 2.1

Free cash flow conversion	(Projected) Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	
Total free cash flow	$ 3.3	$ 3.8	$ 3.7	$ 2.1	
Net income, adjusted	$ 4.0	$ 3.7	$ 2.8	$ 2.7	
Free cash flow conversion	83%	102%	130%	77%	98% Average

Our free cash flow conversion rate for the period from 2013 to 2016 is 98%. Free cash flow conversion is calculated by dividing total free cash flow by net income, adjusted. Both of these measures are reconciled above.

Non-Fuel Unit Cost or Cost per Available Seat Mile, Including Profit Sharing ("CASM-Ex")

We adjust CASM for the following items to determine CASM-Ex for the reasons described below:

Aircraft fuel and related taxes. The volatility in fuel prices impacts the comparability of year-over-year financial performance. The adjustment for aircraft fuel and related taxes (including our regional carriers) allows investors to better understand and analyze our non-fuel costs and year-over-year financial performance.

Restructuring and other. Because of the variability in restructuring and other, the adjustment for this item is helpful to investors to analyze our recurring core performance in the periods shown.

Other expenses. Other expenses include aircraft maintenance and staffing services we provide to third parties, our vacation wholesale operations and refinery cost of sales to third parties. Because these businesses are not related to the generation of a seat mile, we adjust for the costs related to these sales to provide a more meaningful comparison of the costs of our airline operations to the rest of the airline industry.

Pilot contract impact. Delta's new pilot contract was ratified on December 1, and the contract is retroactive to January 1, 2016. As a result, Delta will recognize $475 million in retroactive wages and other benefits in the December quarter. We believe that adjusting these periods allows investors to better understand and analyze the company's core operational performance on a year-over-year basis.

Base pay rate increase. In the third quarter 2015 we announced a 14.5% increase in base pay rates for eligible merit, ground and flight attendant employees, effective December 1, 2015. We believe that adjusting this period for the base pay increases allows investors to better understand and analyze the company's core operational performance on a year-over-year basis.

	(Projected) Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
CASM (cents)	12.93	13.33	15.92	14.77	14.97
Adjusted for:					
Aircraft fuel and related taxes	(2.36)	(3.07)	(5.64)	(4.92)	(5.31)
Restructuring and other	-	(0.01)	(0.30)	(0.17)	(0.20)
Other expenses	(0.45)	(0.48)	(0.37)	(0.32)	(0.38)
CASM-Ex	10.12	9.77	9.61	9.36	9.08
Year-over-year change	~3.5%	1.8 %	2.7 %	3.0 %	
Labor pressure:					
Pilot contract impact	1.5%				
Base pay rate increase	2.0% - 2.5%				
Total labor pressure	3.5% - 4.0%				
Year-over-year change adjusted for labor pressure	Flat - (0.5)%				

	(Projected) Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Change
CASM (cents)	14.15	13.38	
Adjusted for:			
Aircraft fuel and related taxes	(2.48)	(2.84)	
Other expenses	(0.49)	(0.37)	
CASM-Ex	11.18	10.17	10%
Adjusted for:			
Pilot contract impact	(0.81)	-	
CASM-Ex, adjusted for pilot contract impact	10.37	10.17	2%
Year-over-year pilot contract impact			8 pts

Unhedged Fuel Price per Gallon

The tables below show fuel price per gallon. We then adjust for the impact of hedging on the price per gallon to show our total unhedged fuel price. Removing hedging activity allows investors to better analyze the company's fuel costs in comparison to the industry in the periods shown.

	(Projected) Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Fuel price per gallon	$ 1.48	$ 1.90	$ 3.47	$ 2.99	$ 3.24	$ 3.05
Airline segment fuel hedge gains/(losses) per gallon	(0.07)	(0.23)	(0.58)	0.12	(0.01)	0.11
Unhedged fuel price per gallon	$ 1.41	$ 1.67	$ 2.89	$ 3.11	$ 3.23	$ 3.16

Adjusted Net Debt

Delta uses adjusted total debt, including aircraft rent, in addition to long-term adjusted debt and capital leases, to present estimated financial obligations. Delta reduces adjusted debt by cash, cash equivalents and short-term investments, resulting in adjusted net debt, to present the amount of assets needed to satisfy the debt. Management believes this metric is helpful to investors in assessing the company's overall debt profile.

(in billions)	(Projected) December 31, 2016		December 31, 2013		December 31, 2012		December 31, 2009	
Debt and capital lease obligations	$ 7.3		$ 11.2		$ 12.7		$ 17.2	
Plus: unamortized discount, net and debt issuance costs	0.1		0.5		0.5		1.1	
Adjusted debt and capital lease obligations		$ 7.4		$ 11.7		$ 13.2		$ 18.3
Plus: 7x last twelve months' aircraft rent		2.0		1.5		1.9		3.4
Adjusted total debt		9.4		13.2		15.1		21.7
Less: cash, cash equivalents and short-term investments		(3.1)		(3.8)		(3.4)		(4.7)
Adjusted net debt		$ 6.3		$ 9.4		$ 11.7		$ 17.0

Capital Spending, Adjusted

Delta presents capital spending, adjusted, which includes strategic investments, because management believes incorporating these amounts provides a more meaningful financial measure for investors when comparing capital spending in relation to the industry.

(in billions)		Two Years Ended September 30, 2016
Property and equipment additions	$	6.2
Adjusted for:		
Acquisition of London-Heathrow slots		0.3
Purchase of equity investments		0.5
Capital spending, adjusted	$	7.0
Operating cash flow, GAAP	$	14.6
Capital spending as a percentage of operating cash flow		48%

EBITDAR, Adjusted

Earnings before interest, taxes, depreciation, amortization and aircraft rent ("EBITDAR") has been presented as management believes it is helpful to investors in analyzing the core operational performance of the company. We adjust for the following items to determine EBITDAR, adjusted, for the reasons described below:

MTM adjustments and settlements. MTM adjustments are defined as fair value changes recorded in periods other than the settlement period. Such fair value changes are not necessarily indicative of the actual settlement value of the underlying hedge in the contract settlement period. Settlements represent cash received or paid on hedge contracts settled during the period. These items adjust fuel expense to show the economic impact of hedging, including cash received or paid on hedge contracts during the period. Adjusting for these items allows investors to better understand and analyze our core operational performance in the periods shown.

Restructuring and other. Because of the variability in restructuring and other, the adjustment for this item is helpful to investors to analyze the company's recurring core performance in the periods shown.

Virgin Atlantic MTM adjustments. We record our proportionate share of earnings from our equity investment in Virgin Atlantic in non-operating expense. We adjust for Virgin Atlantic's MTM adjustments to allow investors to better understand and analyze the company's core financial performance in the period shown.

(in millions)	Twelve Months Ended September 30, 2016	Year Ended December 31, 2012	Year Ended December 31, 2009
GAAP Pre-tax income/(loss)	$ 7,217	$ 1,025	$ (1,581)
Other non-operating expense, net	432	1,150	1,257
Depreciation and amortization	1,881	1,565	1,536
Aircraft rent	271	272	480
Adjusted for:			
MTM adjustments and settlements	(530)	(27)	—
Restructuring and other	—	452	407
Virgin Atlantic MTM adjustments	(92)	—	—
EBITDAR, adjusted	$ 9,179	$ 4,437	$ 2,099
Debt	$ 7,565	$ 12,555	$ 17,198
Debt to EBITDAR, adjusted	0.8	2.8	8.2