PARTICIPANTS

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Edward H. Bastian – Chief Executive Officer, Delta Air Lines, Inc.
Glen W. Hauenstein – President, Delta Air Lines, Inc.
Winnie Smith – Director of Investor Relations, Delta Air Lines, Inc.
Wayne Gilbert West – Senior Executive Vice President & Chief Operating Officer, Delta Air Lines, Inc.
Joanne D. Smith – Chief Human Resources Officer & Executive VP, Delta Air Lines, Inc.
Paul A. Jacobson – Chief Financial Officer & Executive Vice President, Delta Air Lines, Inc.
Herbert Nicolas – Local Coordinator, Marine Toys for Tots Foundation
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Other Participants

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MANAGEMENT DISCUSSION SECTION

Jill Greer, Vice President, Investor Relations

Good morning, everybody. I'm Jill Greer, Delta's Vice President of Investor Relations. It's my pleasure to welcome you to our tenth annual Investor Day, and our sixth here in this beautiful location at 583 Park Avenue. We have a busy day. And so, I'm going to move quickly through some housekeeping items to keep us on time. [indiscernible] (00:20) if nothing else, wants us to run a good operation and first flight out at D0. I'm not going to be the one that keeps that one off today.

Our presentation was filed just a little while ago, on an 8-K. It's available on the main Investor Relations page at ir.delta.com. For everybody here in the room, there's a copy of the presentation in front of you. If you didn't get a copy, just raise your hand, and someone in our IR team can get you one. For our agenda today, [audio gap] (00:45) I'm not sure how to move these things [audio gap] (00:50). Our CEO, Ed Bastian will kick it off. To be followed by our President, Glen Hauenstein, and then we'll do a lengthy Q&A, with Ed and Glen.

After a short break, we'll have presentations by our Chief Operating Officer, Gil West; our Chief Human Resources Officer, Joanne Smith; and our Chief Financial Officer, Paul Jacobson. We'll then do a second Q&A with our entire executive team. And after that Q&A, we'll head downstairs for an informal lunch with our executives.

Around the room today, you see we have a great product showcase, including the industry-leading business class product that will be available when our A350 goes into the fleet next year, and we have great uniformed employees wearing our Zac Posen-designed uniforms. You'll have a chance to look at it during the break and before lunch, so please take a look, I promise you, it's not going to disappoint you.

And now for the really, really exciting stuff. I do get to remind everybody that our presentation today contains forward-looking statements that represent our beliefs or expectations about future events. All forward-looking statements involve risks and uncertainties that can cause the actual results to differ materially from the forward-looking statements. Some of the factors that may cause such differences are described in Delta's SEC filing.

We'll also discuss non-GAAP financial measures. All results exclude special items unless otherwise noted. And you can find the reconciliation of our non-GAAP measures in the back of your presentation book and also on the Investor Relations page on delta.com.

And before I hand this stage over to Ed, I do want to take just a minute to thank my IR team, Winnie, Elizabeth, Jason and Farah who again have done just an amazing job in putting this day together, you all never cease to amaze me at what you can do [audio gap] (2:30) getting this day done it is an incredible honor to get to work alongside of you all every day. [audio gap] (2:38)

So now with that, I just wanted to hand this [audio gap] (2:42-2:48)

Edward H. Bastian, Chief Executive Officer

Well, good morning everybody [audio gap] (3:01) out there. Good morning, I know you're investors and finance people, but you can smile, that's good. It's all good, good time of the year. Thank you for being here. Hello to everybody on the web. Good to talk to you as well. I know we've got a large web audience this morning as well. And, Jill, I want to thank you and your team and Winnie and Jason and Farah and Elizabeth and – 10 years [audio gap] (3:27-3:33) okay. I want to thank you for what you're doing because 10 years, we've come a long way in the10 years. I think everyone to acknowledge, many of us have been along the 10 year journey here and just kind of seeing where we're at today, it's pretty cool. So thank you for what you're doing to make us the most investable airline in this space.

Before I get started in my presentation, I thought it'd be good to give a good recap on 2016. 2016 has been an eventful year for us, it's been, I think, a fabulous – in fact, it's been record breaking, by all measures. It's record breaking, financially; record breaking, operationally; record breaking from a customer standpoint; and certainly from an employee standpoint as well.

We're going to end the year at a $6 billion profit for 2016, the best in Delta's history. The operating margin – and the second year in a row in fact that we've been around that $6 billion mark. We're going to end the year with an operating margin of 16.5% on the year, that's up 30 basis points from 2015, and by our best estimates, we'll be the only major airline that will have increased margins this year in 2016 over 2015.

So I know a number of you are out there tracking when the Delta margin gap story is going to be closed by some of our competitors, you need to update your models because it's growing, not shrinking. And our goal in 2017 is the keep it growing, keep that margin growing versus the competitive set.

Pre-tax margin, we expect to come in at about 15.3%, which is up 80 basis points. We expect to generate free cash flow in the $3.5 billion range and shareholder returns of a little over $3 billion for 2016, as well. So really, really strong year, financially. From an operational standpoint, Gil West and the team are killing it, all time records. We're up to – as of today 234 days of perfect mainline completion worldwide.

Never been done before. Last year, we broke all kinds of records with 150 days, so we're already – we're going to end the year almost a 100 days better than last year's performance. And the thing that I'm amazed by, if you took all our large competitors combined, that's four times the number of perfect completion date of all of them combined this year in 2016. So it's really fabulous.

And one of the big improvements we've had operationally is we extended that not only within the mainline carrier but also to Delta Connection. Last year, Delta Connection had 11 perfect completion factor days, which I think they were the only Connection carrier of any of the carriers that had perfect completion days, we had 11 last year. This year we already have over 90. And if you think about it from a total, total system perspective all Delta, all Delta Connection, almost 6,000 flights a day, we've had 80 days this year of perfect completion on everything we fly of every type of metal worldwide. So it's really, really fabulous.

And as a result, our A14 rates are at all time records. We're going to end the year at about 87%, A14 our A0 which is a number that we're going to increasingly be trying to hold, not just us but the industry accountable too, in terms of perfect arrival rate, not just perfect completion rate. Our A0 this year is at 75% and we're going to look to grow it.

Our domestic NPS score, Net Promoter Score. This is what I believe to be the most important metric out there from a customer standpoint, is our Net Promoter Score. It's a very simple metric. It's do you prefer us or not, and obviously if you prefer and make airline – Delta your airline of choice, you're going to have preference when you buy your tickets and when you book your flights and your pricing is going to be a little bit better and we're going to get a premium from our preference. That is also at an all time record high.

For Delta, we're at 40% Net Promoter Score positive, best-in-class amongst our big airline hub carrier competitive set, substantial improvement, and Gil will show that in the charts over the last few years. We ended the – since this last month, the month of November with a 44% Net Promoter Score and rising. So it's doing really well. Very, very excited on the performance side, because that's – the theme of this conference this morning is going to be about durability and sustainability of our financial performance, which is – which – the foundation of which is the durability and sustainability of our operational performance and our employee scores.

Employee morale is outstanding. All-time record highs in employee engagement, our positive employee engagement scores, that the survey we just took was 89%. 89% of our worldwide employees, 80,000 strong, are positively engaged, have a strong positive opinion of management, of the focus of the company, they understand the role they're playing, off the charts from candidly almost any customer service company much less than airline.

We also – 2016 was a year of our labor reset, we're pleased to have our pilot deal done. We've got that behind us. I know we have some members of the ALPA team in the room today, I'm not sure where you are. Doug and our team is here somewhere. But we do have a very, very good working relationship with all of our employees including our pilots, so we're glad we've got that done as well as the labor reset with the rest of our employees as well.

We announced a 6% increase that's going to go into effect next April. That is our labor reset. And we now are at a point for the next number of years, where we should normally see just normalized labor rates and escalation in line with inflationary pressures. So that's behind us and I think for the next several years, you have confidence in terms of where that's going to be for Delta.

And I'm also pleased to say that the leadership succession I thought went very well this year. Glen, and Gil, and Paul, and Joanne, and Steve, the entire leadership team, Ned Walker's back on the team, pleased to see him, Peter Carter, went very, very well. It's been a couple of year process in getting the team ready to take the reins, and move forward. And we had a couple of small bumps along the way. Richard left me with a couple of challenges. We had the technology outage, which is on us, and we got through that okay, but it's a very powerful team that's worked together for a lot of years and has risen, and the morale has – of the employees have kind of all come together around the new team, and as a result you saw we set all kinds of records in 2016.

And while 2016 has been a strong year, there is certainly headwinds that we see heading into 2017, and we see that as we close out the year because labor rates are rising, they're escalating, fuel prices are rising. And that cost growth is outpacing what we've been able to do in unit revenues. So we'll spend a lot of time today talking about unit revenues in our view. I'm sure one of the number one questions on your mind is to, when are we are going to get to positive and how positive is positive, and when is it going to come. And we'll talk as best as we can about that and Glen will address that, not just on a system-wide basis, but a regional basis as well. But you can already see that cost escalation starting to overtake our unit revenue performance in the Q4 results.

For Q4 2016, the exit rate for the quarter that we're in now, we expect, on a normalized basis, to have an operating margin of 15%. Now that 15% number is – has the pilot contract in there for the normal for that three-month period, it doesn't have is – the GAAP reporting will have the full cost of the full year in the Q4 results, but if you were just to normalize and take the out of quarter stuff out, we generated – we're going to generate a 15% operating margin in Q4. That's down 200 basis points from the prior year. That's still substantially better than our competitors will post in Q4, but it's down nonetheless and that's why we're talking about 2017 as being a transition year to get the unit revenues back on a positive trend line in line with the labor cost escalation and to protect the margins that we've all worked so hard in this business to build. We're focused on sustaining them and growing them, not shrinking them.

Our RASM is also – closed the year strong. We have seen a post selection bump and that's been good and we anticipate the quarter RASM to come in at down 3%. If you remember, our guide for the quarter was down 3% to 5% and we're coming in at the better end of that range. November was down, I believe 1% and December is coming in slightly worse than that, but not much and it should be a strong end to the year on the unit revenue side and Glen will talk about what that portends for 2017.

So good year all the way around in 2016 and our goal now is to make certain in 2017 that we sustain the momentum we have financially, operationally, and with our people. So you can see here, these are the four themes that we're going to enter 2017 on. The first and we're going to continue to run America's best run airline. And we can continue to raise the bar. And while we've set all kinds of records for ourselves in 2016 by no means it doesn't mean that we're done. We have tremendous amount of ideas. We have technology investments we're making. We have operational investments we're making.

As I said, the A14 scores are fantastic, but we're the only industry that measures on time by being 14 minutes late. Why do we do that? [indiscernible] (13:28) On time should be in on-time. And by the way we have found the highest correlation to Net Promoter Score, which, again, I think is the best metric you have to measure true revenue performance in the business is when you're perfectly on time. And so we're going to continue to look to shrink that gap. And 75% on time is going to improve again next year, and we're going to continue to raise the bar on that, trying to get it closer to what our A14 rates are, which really should be A0.

We're making considerable main cabin investments, the company over the last few years has heavily invested in improving its business cabin performance and its high value customers and we have. We have the best sales team. Steve Sear here leading our global sales efforts, invested heavily in the product and in servicing those accounts.

We're pleased again this year to have won the Business Travel News Survey, is the best – America's Best Business Airline six years in a row and once again we swept all 10 categories, so strong lead there. But we've got to continue to think about the entire cabin, not just the business cabin, and we're experimenting because we see things to continue to improve our performance in the main cabin, our Net Promoter Scores, our pricing and the like.

With the rollout here starting this month of new branded snacks throughout our cabin, we are done with the Delta, little blue and red peanut bags and pretzel bags, we couldn't figure out how to squeeze any fewer pretzels into those bags, so when it got down to only one or two, we figured it's time to come with different path. But we're going branded snacks, and the scores have been phenomenal. The customer reception has been very positive. You'll like the change when you get onboard. We're investing in them, but I think the customers are going to appreciate that, it's going to improve our revenues as a result.

We're also experimenting here and bringing food back to the main cabin on our transcon. I think the [indiscernible] (15:30) we're not going back to the old days, where there's food on all flights but I think the pendulum has swung too far in terms of eliminating food and we're bringing food bag in select markets, and we can see the significant customer improvement scores or satisfaction scores, again building to improve revenues for us over time.

Wi-Fi. We need Wi-Fi that works. We've made good progress this year. My goal is to make sure the Wi-Fi that's in the sky is – works just as well as the Wi-Fi when you walk down the street. And there's no reason it shouldn't, and it has to have full accessibility and everyone should be able to be on it. And we'll need to find affordable price points for people to be on it as well. So spending a lot of time with Gogo on their new 2Ku bandwidth. By the end of 2017, we expect the majority of the Delta mainline fleet will have 2Ku satellite technology, which will make air speed as fast as ground speed and full accessibility across the plane, I mean, not trying to restrict the bandwidth onboard.

The RFID rollout, with the baggage tags. We now know where your bags are. We always knew where your bags are, we just kind of misplaced them from time to time, but we always knew we had them somewhere. You'll be able to see where they are as well as we will in the future and you could be able to track it on the app and that's going to take our mishandled bag rates down that are already record-setting to even better – better rates of performance going forward.

The investments we're making in the airports across the system, starting right here at LaGuardia, in Atlanta, in Seattle, in Salt Lake, in LA. Big investments going on; $10 billion of investments over the next five years in our airport experience and working closely with all of our municipalities up here in New York, spending a lot of time with Governor Cuomo and the Port Authority, we're going to get LaGuardia rebuilt. We're going to have a great new airport in LA that we're going to be moving into next spring. It'll take time. There'll be a lot of – pardon our dust as we go through the construction, but we're going to be taking on Terminal 2 and Terminal 3 at LA.

Today, we're completely out of space and we're landlocked and we have no ability to grow in LA and this is going to allow us to get significantly improved space that connect and connect to the TIBT facility with international carriers that today we can't connect to, that we will be able to connect to, starting next year, a lot of good things to happen. DCI, we're going to continue to make improvements. In Sky Clubs, if you haven't seen the newest Sky Clubs, particularly down in Atlanta and out in Seattle, we just opened one in Raleigh, they're game changers.

Something we've learned a lot from Virgin, and our relationship with Virgin as the improvements that we've made in the club experience and we're rolling those out on a continual basis throughout the Delta system.

And finally, DCI is going to continue to raise – all of which are geared to continue to raising our NPS out to even higher levels. Secondly, we're going to continue to invest and work closely with our leading partnerships around the world. International expansion is the way of the future and it's a bumpy road and it's not always straight up and it's volatile and you've got currencies going on and you've got political matters, but we've always valued our long-term partnerships with our partner carriers, through Sky Team or companies that we've invested and we spend an enormous amount of our time with them and building for the future.

The U.S. marketplace is largely a mature space in this market. We're going to post top-line growth over time, it's got to come internationally and it's got to – it's going to come from those partner carriers. It's not only a much more cost effective and cost efficient way to grow; it's also going to be much more sustainable because you've got real brands and real partners on the ground that are selling Delta as well as selling our – their local carriers.

Europe, I think, is a prime example. When you think about what we have in Europe, our transatlantic joint venture, a $10 billion JV that we have together with Air France, KLM and Alitalia, plus when you add on the top of that the Virgin relationship. And we've got hubs in London, in Paris, in Amsterdam, in Rome. And while we all know that the transatlantic has a lot of capacity in supply has exceeded demand and we'll probably do that again in 2017. We still have been able to sustain a 15% all-in margin in that flying across the transatlantic, it's just fabulous. And that's the power and the beauty of those partner arrangements, there's no way we can do it without the strength of the partnerships we have there.

In Asia, we're going to talk a little bit about that today. We've got an evolving landscape of partnerships. Tokyo is a split airport now and Haneda is opening. And we're going to be continuing to move over time to Haneda. And what's that's going to mean for us is going to be increasingly important – importance of our partnerships in China, with China Eastern and China Southern, as well as our partnership with Korean in trying to build a great Northern Asian hub in Seoul and it's a high-class airline and I know we've had our challenges over the years with Korean. But I'm optimistic in 2017, we're going to – we've had some breakthroughs; we're going to continue to have breakthroughs in that relationship and that where we're going to continue to migrate a lot of our hub flying. Coupled with the investments we're working with the Chinese carriers, and that restructuring is working well.

And then finally, in Latin – the Latin markets, we're looking forward to getting our Aeromexico investment closed here hopefully soon. You're all aware of the challenges we've had around ATI and the remedies and we're not going to comment on the report that came out last night in terms of the final order and we're still looking at that and going through the details. It's still premature, the comment as to what – where that will place us, but we're committed to Aeromexico and we're going to make that investment in Aeromexico and we're going to be a strong partner to them. And when you think about Aeromexico, the demographics of that marketplace, 125 million people, largest city in North America, in Mexico City, an underserved market, an opportunity to bring some of the Delta technology and best practices to Mexico and an opportunity for Delta to learn about best practices in social media and a young demographic base in Mexico City. And I'm really excited about the opportunity we have with Aeromexico. We've got good restructuring with Brazil and with GOL – actually, Bill Carroll, our International CFO here, he's worked hard on the GOL restructuring and good to say they're in good place now and looking forward, Brazil seems like it has stabilized and starting to build back some strength.

So the Latin markets will continue as we build the airline of the Americas from North America here right down through Argentina with our relationship with Aerolíneas. It's going to be a, I think of any of the world regions, it's going to be the opportunity for the greatest amount of growth over the next five years, closest to home here right in the Latin market. So leading partnerships throughout the world, big theme for us in 2017 and will continue.

Sustainable margins, returns and cash flows. You're going to hear that theme from Paul throughout his presentation. Our goal here is to ensure that you walk away from today understanding that how

– this business is not only more durable and sustainable, it's something that you can count on for some time. We're all struck and Paul will show this slide one more time that on a P/E basis that we trade at a 50% discount to the S&P Industrials despite the fact that our results put us in the top-tier performance-wise across almost all financial metrics with the S&P Industrials.

So obviously, someone doesn't believe this is sustainable. And that's the opportunity for us to improve our margins to get the re-rating that we think as an industry, it's time, pleased to see the recent performance in the stock, but we need to continue to demonstrate that. And 2017 will be another proof point of that as we go through this transition year. We are going to see, I think in 2017, our margins contract just a bit. Cost growth has escalated across the industry at a much faster pace than unit revenue performance, but unit revenues are starting to show some uptick. For the first quarter of the year, we're planning on flat unit revenues. Acknowledged, we are the world's worst predictors at unit revenues, as Sam Buttrick reminds me continuously, but we're going to get better at it over time and we see it. I tell Sam, it's coming, it's coming; it's just about there.

And we do see it in the numbers for the first quarter and Glen's going to talk about that. But we need to build that unit revenue growth above the cost growth obviously to sustain the margin performance. I think in 2017, it's going to mean a slight amount of contraction, I'm thinking somewhere in the 100 basis points to 200 basis points for Delta. I still think that will be better than you'll see across many of our major competitors, but our goal is to – is for the long term that 17% to 19% margin goal we put out there this spring, that's still our plan and that's still our goal and we're still striving for it. I'm still confident over time that we'll achieve that.

One of the ways that we're going to continue to prove the durability of the model is by the operational integrity of the airline of what we're running. Customers want to be on Delta and customers are flying Delta and providing us that sustainable unit revenue premium for 2016. System wide, we had a unit revenue premium of 109%, relatively consistent with what we've seen despite the pricing challenges of 2016. And our anticipation is we're going to grow that premium over time. And the durability of the model is going to be – it's going to be our proof point.

And then finally, investment grade rating. We are pleased to have the one – one more time, our investment grade back from the Street; we got two ratings this year of investment grade and we're very proud of that. And we're going to make sure we do our best to hold on to that and continue to improve upon that. So you're going to see our leverage continue to come down. We've got a $6 billion net debt currently. Our plan is to bring that down to a $4 billion net debt level over the next few years. We're funding the pensions. We had this past year $1.2 billion of pension funding that we put in the plan. That, again in 2017 continued improvement in the pension funding.

As interest rates are finally on the rise, it's going to close that pension funding gap and it's going to make that net liability reduced. But that's the real way that we can secure our financial future, is by making sure that we're very mindful of our debt levels, that we're not masters to someone else on the debt side and that's going to give us opportunities as we look forward to react when others may not have that same flexibility.

So I thought I'd spent just a couple minutes on what I anticipate three of your questions are. We talk to you all year long and we hear you and we've had this ongoing dialogue. I thought it would be good if I just gave you my thoughts on the three questions that to me are somewhat top of mind. First of all, the importance of unit revenue growth. There should be no one in the room that, by the end of today, where you don't think Delta appreciates just how important unit revenue improvement is. It is our number one financial priority. We've said it many times over the last couple of years. I trust that you believe us. And while we have not been very good prognosticators of when it's going to show up, don't misconstrue that for a lack of focus. We're very focused on it and we think it's about here.

And given the challenging pricing environment that we faced in 2016, as yields were pressured by low fuel and stronger dollar and things start to turn in 2017 certainly on the cost side, we need to get the unit revenues moving in a positive direction. One of the ways we're going to do that is we're capping our capacity growth at 1% in 2017 and we're going to maintain that discipline until we get our margins back where they need to be. So, you can expect to see us stay within that modest growth rate of 1%. It puts some pressure on costs. Well, probably my estimate is, we're probably geared to operate if we wanted to at probably a plus three, maybe even a plus four if we really stretch the system in terms of asset utilization, but we're not going to do that.

We're going to get the unit revenues where they need to be. We're willing to sustain a little bit of cost pressure and Paul will take you through that. But we're going to get the unit revenue improvement back and Glen and the team are doing a fabulous job. Branded fares, customer segmentation, our international expansions. We've got a lot of technology that we're deploying, coupled with the disciplined supply base. I'm confident 2017 is going to be a good year of unit revenue improvement.

The sustainability of performance. 2017 will be a transition year, as we get our unit revenues kind of back in line with the cost escalation that we've seen. This would be the first year in 2017 that we've seen cost escalation at the rate we've seen in quite a number of years. And it will test the durability of the business model. So the importance of maintaining the strong brand that we have, with best-in-class performance on the customer side, highly engaged employees, keeping the morale strong, keeping our unit revenue premiums in place, and being very disciplined about our capital investment.

For years, at Delta, we had a very simple model. For every dollar of cash we make, we take half of it and we put it back in the business and we take the other half and we improve our capital structure, whether it's debt pay down or shareholder returns. And we're continuing with that theme again in 2017. It ensures that we continue to grow at a measured pace, at a disciplined pace, in terms of improving what we do. At the same time, our balance sheet and our financial security has continued to be enhanced over time and that's going to – it will continue to allow us to provide solid profit and free cash flows throughout the cycle.

And the third, our ability to achieve our long-term targets. Late this spring, we indicated that our long-term targets, operating margin target is 17% to 19%. We hit the low end of that range in 2016, we're 16.5%, just outside the low end of that range. 2017, we will not be in that range. We will be below that, it's my estimate by, as I say, maybe 100 basis points to 200 basis points.

That said, we're still committed to that range. One of the things that when we made that estimate, we thought the unit revenue recovery was going to come sooner than it has. It's been difficult this year and we thought that at mid-year, we were going to be seeing unit revenue improvements. We did not see it in 2016. So it's kind of put us back a little bit and fuel prices have risen faster than we thought at the time, but that doesn't change our long-term outlook. Our long-term outlook is this business should be in the high teens in terms of operating margin performance.

I think 2017, as we get through some contraction of margins and we start to get that unit revenue base improving, I think it will be a very good setup for 2018 and 2019 and that's where this team is focused. We're focused on the long term, we're not just focused on the short term.

So in summary, I think 2016 was a really good year. And despite the fact that we had the weakest pricing environment in memory in 2016, despite the fact that we had fuel prices rise from $25 where they hit the low in January to $55, where they are today, despite the fact that we had the high double-digit rises in labor costs across all of our workgroups, we were still able to achieve a $6 billion pre-tax profit in 2016, comparable to what we had in 2015 and given what we've accomplished in 2016, it gives me confidence that again in 2017, we'll be, once again, in that $6 billion range. Slight bit of margin contraction, but there's going to be some operational improvements in other areas. Our non-op is going to continue to get better, we're going to keep kind of a measured pace on disciplined capacity that's going to allow unit revenues to improve and our revenues to improve over the course of the next year.

So the team's very excited about the year that we just closed. And I'm personally even more excited about the year we're ready to embark on in 2017 and that's going to set the stage for our conversation today.

So Glen, I'm going to invite you up as our President, first time taking on Investor Day as the President. Glen has done a fabulous job and we're proud of him with what he's done as he stepped up to his new leadership role in Delta. He's the best in the business and I think we all look forward to hearing what you're going to say. Glen?

Glen W. Hauenstein, President

So, good morning, everyone, and thank you again for coming. It's been quite an interesting year, particularly on the revenue side of the equation. As you all know, and as we've heard from almost everybody in this room, that getting to positive unit revenue is one of the big objectives that we have in terms of our shareholders, what they want to see from us. And we are very, very focused on that. I'd like to go back through 2016 maybe and start with where we've been this year and how we progressed through the year.

2016 was really a year of very strong demand. We had very strong leisure demand throughout the year, and we had relatively strong business demand throughout the year. What we were missing through most of the year, and still today missing some of, is business yield. So what we would see, and I think we've talked to many of you in this room individually, was when we looked out two, three, four months, we had a very positive RASM in the future months, but as we headed into the month, our RASM became negative. So we came – we were sitting out plus 2, plus 3, plus 4 points, and we were sitting out 90 days in front of a [audio gap] (33:47).

We always knew that when it flipped, and that was the good news, because if you are sitting on bookings that are far out that are quite negative, it's very hard to reverse that trend, and this is probably why we were too optimistic that it would turn, but we knew that when it would turn, it could turn relatively quickly, because all you were missing was the yield component of business travel. Consumers were travelling, consumers were paying you more; business was traveling, but they were paying you less.

Interesting, as we got into the fall, it was quite an interesting October, because September was relatively good, we remained optimistic, and of course, as Ed pointed out, Sam Buttrick would say we're the worst revenue forecasters ever. But remember, a lot of our revenue comes inside of 30 days, so we were always hopeful that we could get those business yields to turn. October became a relatively disappointing month, as we posted a negative 6.5%. And we were still missing yields in the business component.

The election came and something really strange happened. The election came and almost instantly – almost to the week after the Election Day, it seemed like there was an incredible amount of pent-up demand in the system. And business yields, which have been trending down 7% to 8%, were now trending down in the low single-digits. And given that we had a positive revenue momentum, we were able to really, I think, turn the corner in November, going from a minus 6.5% in October to a minus 1% in November.

Ed alluded to the fact that in December, we will post likely a minus 1.5%, but I would remind everybody that December and January should be viewed together because of how the holiday shift. And when you think about the calendar, we believe that 2 points of what was in last year's

December will move into January, so that January will be better, December will be 2 points worse. So, if you add those 2 points that shifted on the calendar into January, December on a day-for-day basis would actually be the first positive month in 24 months.

We're pretty excited about that, because it has been a long journey and I want to call out all of the people who work on the revenue side of the equation at Delta, and that's really 80,000 people who work on the revenue side of the equation, because the revenue side is also every flight, every day the product we produce, and people wanting to continue to fly with us. And other carriers may be focused on the customers that fly once a year or the customers that fly you, but they fly multiple years; even the ones that fly once a year, fly every year. And so, we really believe that people wanting to buy your product is at the core of Delta's success.

On top of that, I'd like to call out our teams, our network team, our sales and marketing team, our pricing and revenue management team, they have really worked hard over the past 24 months to get us back on track to a positive revenue momentum. And while it's – as I said, it's very difficult to predict the future, given the volatility inside of 30 days that we see, everything now is on a positive trajectory.

So, as you come into work every day, inside the month we're building. We're building significantly inside the month. And looking out, all of our months are book positive, positive unit revenues in all the future months and inside the book – inside the months for November and December, the last two months, we've booked positively inside the month, so that portends well. While we don't have a crystal ball and we don't know what's in front of us all the time, we do see the trends and the trends are all quite positive, and we do believe that January we will post a positive unit revenue.

Ed has also promised us that if we have three positive unit revenue months in a row, we won't have to report monthly anymore, and I think that our team is very motivated – very motivated to get there, so that we can go to a quarterly reporting structure. So we don't have to explain if the day move from October to November or from November to October and it may get a much cleaner reporting for everybody and really highlight the trends.

A little bit around the world tour of how we see the world shaping up here. Domestic, domestic has been a challenge through most of 2016. It is turning positive. It is turning positive relatively quickly, and we do have a very strong bias for that. As we head into the first quarter, I think, we're very, very pleased with the results we've been getting domestically of late.

In Latin America, Latin America has been led by a turnaround in Brazil. Brazil current and future months are all showing strong double-digit increases in unit revenues, and that has really boosted up the Latin America performance that's been offsetting some weakness with overcapacity setting in Central America. Mexico has remained strong, as has the Caribbean, so we see a very positive over the last few months and, as you might know, Latin was the first to turn positive for the company back in the third quarter.

The Pacific remains a challenge for us. The Pacific, we have a lot of things going on in the Pacific, not the least of which is the opening of Haneda. And as you know, just seven or eight years ago, 100% of the flights that Delta flew to Asia stopped in Tokyo. Today, less than 50% of those flights stop in Tokyo, and every year we continue to decrease and deemphasize the importance of our Tokyo hub.

That being said, this fall Haneda opened, and so the opening of Haneda forced us to split our Tokyo operations between the two major airports in Tokyo. Long term, we believe that Haneda will be the preferred airport. We were lucky enough to receive two of the frequencies, so now we fly from Los Angeles and from Minneapolis to Haneda.

And hopefully between now and 2020, with a further bilateral relaxation that we anticipate before the Olympics in 2020, we will be able to refocus all of our Tokyo operations into Haneda Airport, and that would be a very positive development for us. Having said that, splitting your operations between two airports is never a good thing and spooling up in the markets in the winter is never a good thing. So the Pacific is going to see some very negative numbers here over the next few months. We do believe by the time we get to the summer that that too will turn positive for us, as we spool Haneda and that seasonal demand returns. As you know, winter is not the seasonal peak for the Pacific and there is quite a bit of capacity in the Pacific region.

In the Transatlantic, Ed alluded to this earlier, we had had very, very difficult circumstances both from the geopolitical standpoint, with several terrorist events, including the attacks in Paris, which as you know is a hub for Delta. We have Brexit, we had overcapacity, and we had the ULCC entry. My personal opinion is the ULCC entry is probably the least impactful to the Atlantic in the short run, maybe in the long run it could be the most impactful, but it really was the least impactful to the short run profitability of the company. But currency exchange rates, demand sets, all played into a very challenging environment for the Transatlantic.

We believe that the Transatlantic is going to have another very solid year, but the manifestation of the overcapacity and the lower demand set will be more acute in the winter months. And we believe, as we get to the summer with the new exchange rates, that U.S. point-of-sale demand will overcome the lack of European point-of-sale that's being driven by the currency changes that occurred through the year, but particularly in the post-election period.

So, a challenging environment, it remains challenging, but we do think we're going to have another very solid year of performance. We are changing the way we fly in the Transatlantic, really more emphasizing our European hub partners and more emphasizing the seasonal nature of the Transatlantic and trying to capitalize on the very, very strong demand that occurs every summer, North America point-of-sale, and then taper down our capacity offering in the winter to more core assets and more hub flying.

The biggest secret at Delta, I think, is that we do have a product that continues to improve and is becoming more and more appreciated by our customers every year. And this is a long journey and this is a belief you have to have. You can't have this in one day or one month. This is something you have to continue to focus on week after week, day after day, month after month, and you really have to believe in it. You have to believe that producing a better product ultimately produces better revenues.

Many, many years ago, we said when we went through our first generation of Net Promoter Scores and the pitch that marketing gave to us is, in the long run that higher Net Promoter Scores are the most highly correlated to higher revenue production and higher profits. And I think as an executive team, we all sat around and we thought about it and we thought about it, we thought about it. But we became believers and we became believers and that belief you cannot turn it around in one day, one week, one year, one month, but you can do it day in, day out; year in, year out.

And if you look over the long term, we have come from a Net Promoter Score of 19% up into the Net Promoter Score of 40%, so doubling our Net Promoter Score over the last 10 years. And we believe it is no – there is a high correlation between people enjoying flying Delta and our ability to attract better revenue, because really even though we do believe we have the best of network, we have the best of pricing, we have the best of revenue management, we have the best of marketing, we have all these best of sales, if people don't want to fly you, that's problematic, because you can have the best of all of that and the wrong demand set – if you have the wrong demand set, it will never manifest itself in profitability, and so I think we've been able to manage both in an incredible way.

As Ed pointed out earlier, we're not stopping. Our commitment to our customers, our commitment to our employees, our commitment to our shareholders continues as we look to further strengthen the brand. One of the things, I think, we are most proud about is over the last 10 years, not only have we changed Delta in the view of our – in the minds of our customers from maybe and also ran or similar to United or American or other carriers in the U.S., to one that we believe is viewed as superior to them in the eyes of the customers. But we've also been able to translate that into investments back into our people and products. And we're not stopping here, as we have some really great new products coming to market in 2017 and beyond. In 2017, we'll be introducing our all-suite products and the A350 to the Pacific.

The Pacific has been one of our more challenged Net Promoter Score areas. Not only do we do it domestically, but we do it by region, and we know that we have a long way to go to be world-class in the Pacific. And so you see here today some demonstrations of some of the product enhancements that are coming. I would encourage you, if you have the time to put on the virtual reality glasses and check out the virtual tour of the new A350, which will include two things, I'm going to get to in just a second the segmentation slide, but the new all-suite product with much more personal space, we really think is going to be world-class business leader in the Trans-Pacific.

Here, closer to home in New York, we're starting our new LaGuardia project. You probably noticed all that road work that's going on, and it's really going to be something spectacular for our customers. Ed alluded to the fact that we have $10 billion of facility enhancements coming, fortunately mostly funded by our municipalities that we serve, but really a different Delta experience.

And Ed has challenged the team to come up with not only are we building these great new buildings, but how do we want those customer flows and those processes to work in these new buildings, how do we want the gate of the future to look like. I know Gil is working very hard on things like self-boarding, things that are really going to change, even – and make Delta even more appreciated in the eyes of our customers.

We're also excited in 2018 to be the launch customer in North America – or in the U.S., not North America, for the C Series. This is a great piece of equipment that will fly to mainline and allow us to continue a very important part of our transformation plan. Our transformation plan not only includes the footprint of Delta where we serve, but it includes how we serve it. And if you look, we had been the most aggressive carrier in retiring 50-seat airplanes. We are down to approximately 150-seat airplanes, and that will continue to taper down over the next several years.

But we will continue to reduce our reliance as a carrier on our regional partners and our regional partners are doing fantastically, but our customers prefer to be on mainline equipment, and so we're continuing that margin. We're able to do that, because these are more efficient airplanes. And Paul will talk in his section about how our fleet transformation is really going to drive, not only customer appreciation, but fleet efficiency, and we're very excited about that. Replacing MD88s, a great airplane, the workhorse of our domestic short-haul fleet for many, many years, but it's coming to the end of its useful life and we will be working hard to finish the replacement of those by the year 2020.

Ed talked about our new Sky Clubs, another part, and I think you get the sense that Delta working together and the sum total of its pieces are what creates this revenue premium, and we're very excited about learning from our friends at Virgin about making Sky Clubs a reason to fly Delta. And we had this catharsis a couple of years ago, where we said, hey, we've got all these clubs, but they're really not a reason to fly Delta. You fly Delta a lot, so I joined the clubs, and we thought Virgin has got this. Virgin's got this done in stage. Virgin has a club that is a reason to fly Virgin and wouldn't it be very, very cool if we could go down that path. And again, this is not a one day, one week, one year path because the install base is pretty large, but we have made great, great progress here and I'm pleased to report to you today, Virgin's Net Promoter Score is, we're within now 5 points of their club network, and our goal is to get to be industry leading in this space too, and really have those clubs be something unique and distinct.

We opened our first spa inside of a club in Seattle, just about a month ago. The next club is scheduled to open here, I believe, in the next month at JFK. And of course, you can choose to use the spa and pay, but you could also use a spa and pay with SkyMiles, which we're going to get to in a few minutes. But controlling your travel journey on Delta and using your miles as a form of payment to control your own experience is really one of the central themes we have of continuing to bring that program alive and make it more relevant to our customers.

Segmentation has been a key to our strategy for several years and I'm proud to say, I think we were one of the innovators here in recognizing that customers have different needs and that we needed to provide different products. And this is a really, really key element because I think, if you think in the minds of our consumers, what is Delta known for? We're known for our operational reliability. We're known for our great friendly staff. We're known for our technology. But we also should be known for segmentation here. And as you're making the decision path and one of the great opportunities we think is stop thinking like airlines and start thinking like customers, right. Why do customers choose airlines? They choose airlines because they see them as reliable, because they see them as friendly, they see them as people they want to associate with, but they also want to buy different products. And here, we are able now to segment out all the way from the bottom and I'm going to start with basic economy. Basic economy is really designed for people whose primary needs are low fares, and we don't always have the lowest fare available, but sometimes we do. Sometimes our fares are comparable with Spirit or other carriers.

And when customers are making that selection, and this is really the key to the Delta thesis, is when customers are making that selection, and flights are similar or fares are similar and I don't even think they need to be exactly the same, but similar. We believe that our basic economy product will stack up better than our competitors for all the reasons I just mentioned. We're reliable airline, an airline you can track your bags on, an airline that gets you there on time with friendly staff and great technology and an airline that has your back if something goes wrong.

And as you go up in that ladder, you can see that whether its basic economy and you're just more price driven or whether you want really what we consider to be industry leading all-suite flat bed products with five star dining in our Delta One first class, Delta One business class. We want to be able to offer you best-in-class whatever your travelling needs are, and this has been our approach. I think we've led the industry in getting here. I know United's announced some features and some products that they'll be bringing to market over the next few weeks and months and I know American's also announced that they're going into that, but we think we are in the early innings of this kind of customer segmentation and that this will deliver significant shareholder value over the next three to five years.

As you know, we led the industry in Basic Economy and introducing Basic Economy, but we're not even ubiquitous within the U.S. yet. So, we have about 25,000 markets in the United States where we have a 38% of the markets today have Basic Economy. Our sell upgrades from Basic Economy are still running between 50% and 60%. So, that means when customers are presented with the option of buying just on price and it's pointed out to them what these products have, how many of them choose opt out and buy the next highest product or higher products in the ladder.

We're still under 50% of the domestic U.S. markets. We've been rolling this out year after year, after year, and you can see the history of this from zero in 2014, 2% 2015, 38% 2016. By 2017, we will have ubiquity in the domestic U.S. market. So, Basic Economy will be offered in every U.S. market. And that should be somewhere around the first half of the year and then we continue to grow. If you think about Comfort+, which is our coach plus product that really has only been for sale since last May. We haven't even lapsed the first year of sales on that class and we except to grow sales in that category by between $200 million to $300 million between 2017 and 2016. So, you see the order of magnitude of being able to continue to invest and harvest these individual classes.

Improved distribution, the other issue for us is that all of our classes of service are not yet available in every distribution network. We're working very hard to make sure that we get more and more distribution to show these classes. And then last but not least, continuing to build our skills in revenue management. This is an ever-evolving part of the business that we think continues to drive huge upside revenue opportunity over the medium term as we really understand what consumers want to buy from us more and more. I would say that we are great at playing the airline revenue game, but we are not yet great at playing the consumer revenue game. We know how we price versus American, how we price versus United, we know how we price versus Southwest, but we don't know really what consumers want to buy from us, and where we can test the limits on pricing premiums. You really can't get $500 more, but could you get $5 more, could you get $7 more, and continue to amass that kind of data, so we can put that into our decision equation and see where our revenues are truly optimized.

Again, back to the consumer facing issues. We are really working on bringing our SkyMiles program to life here and we've changed the way you accrue miles, knowing you could change the way you burn miles, giving you more and more options, whether or not it's I want, I'm on my anniversary, and I want to have the best champagne and a club experience with my wife or spouse, going on vacation. I think, this is just a very interesting opportunity to continue to be more customer focused and provide people what they want.

And we're piloting this year, using miles for fees, right, using your mileage for Wi-Fi, pet fees, unaccompanied minor. Why do we charge people? So, people who fly us all year round on business, and then they take their family to Hawaii, and they want to stay an extra day and we charge them those $150 change fees, we want them to be able to pay with their miles. We want you to be able to have this to be a living currency to allow you the flexibility, to allow you to do what you want to do, when you want to do it.

We've partnered with American Express, for many years and this is one of the strongest partnerships we have in the world. It's really one that we cherish. We cherish our relationship with them. They are great partners. And we have been driving to new heights with this program. Last year was – this year will be our biggest acquisition year in the history of the company and next year we expect that we will drive an additional $300 million of value through that partnership on the co-brand card, and other products and services that we offer in conjunction with American Express.

We have the best airline partners in the world. We strongly believe that and we have the world very, very well-covered. If you think about the coverage that we present, we have 99% of the cities that Americans travel to internationally covered online single stop. So it's really an incredible network coverage and that includes all kinds of partnerships in all regions of the world.

As Ed alluded to earlier, one of our big focuses for 2017 is to really leverage the power of the Incheon Hub. Korean Air has one of the best, if not the best developed hubs with the best facilities and they're moving into new terminals and facilities there that will really allow us to have world-class connectivity. As Ed said, we've had issues with Korean and finding the balance of where we get value that both carriers get value but I think we are very, very close to announcing some very exciting announcements with Korean and Delta becoming much closer in the future.

China Eastern in our Shanghai hub, what a great partner, China Southern. So, if you think about Asia, you think about the top five cities, the top five cities account for 70% of the traffic to and from Asia, 70% of the business. And we have them very well covered with our partners.

Virgin Australia, the second carrier in Australia, and a new joint venture down there, great partnership, really evolving into a world-class partnership with them and taking an incredible position in the U.S. to Australia market. Air France-KLM Alitalia, our longest partners our greater partners. This is a 10-plus-billion-dollar every year, 50% margin joint venture, the most well-established, and one that we are really gravitating more and more to is. Europe becomes more and more challenged, it becomes advantageous for both carriers, all carriers involved in this joint venture to rely on each of their core strengths.

We are clearly doing that with them. And then Virgin Atlantic, the partnership there we had no position really to speak of in Heathrow and so, within one year ago from almost zero all the way to the number two position in the U.S. Heathrow market was really incredible too.

GOL, as Ed said, this is a carrier that's had very challenged years, and we have worked so closely with them. Our teams have been really coordinated, and I think we're in a very good position as Brazil starts to turn around in 2017 and beyond, and as that economy starts to grow again, I think we're going to have a great partnership there and we're going to have a lot of more exciting opportunities to continue to grow with GOL.

Aeromexico, we just – we're working on closing that for you. Ed mentioned today, we have a new DOT order. We're going to be reviewing that and we'll be getting to close that here very shortly. And then WestJet kind of filling out our Americas strategy, because the one thing you realize is, as important as it is to have all of the major cities across the globe covered, most of the travel occurs closer to home. If you think about your own travel, you don't travel to Asia that much. You probably, if you do, once or twice a year, you'd travel to Europe, maybe a few times more if you're a heavy traveler, but most of your travel is domestic and in North America and in the Americas. So, really creating a great long-term sustainable and viable carrier – group of carriers inside the Americas to meet your travel needs. We do believe we have a long-term sustainable network advantage and it starts with our people, it starts with the 80,000 people at Delta who every day produce what we believe is the industry leading product.

Are we where we want to be yet? No, that's the exciting part. The exciting part is we know we have a lot of opportunity to get better. We have to continue our journey and have to continue to believe that Americans deserves at least one great airline and we want to be it. Continue to invest in our products and services, bringing new and innovative things to control your travel experiences and be relevant to you no matter what you need from us. Continue to work on better customer segmentation, continue to extend the lead, continue to innovate on the products and services that we offer and listen to our customers.

I think all of this ties back to listening to our customers and providing them what they tell us they want, not what we think they want, which I think is something that the U.S. airline industry has not really done quite very well over the last 20 years.

And then leveraging those leading partnerships across the world, we are a U.S. carrier, but that doesn't mean we can't be relevant in Australia, that doesn't mean we can't be relevant in Brazil, that doesn't mean we can't be relevant in China. And the way we get there is through leveraging those partnerships that we have across the world and we have the world's best partners and continuing to work together with them and leverage that so that the Delta brand is not only known as the best U.S. brand, but that we have the best partners in the world and we leverage them to bring you the best global network.

So with that, I'd like to thank you all and I believe that I am going to go into a Q&A session and stand right here, so I'm not going very far.

Winnie Smith, Director of Investor Relations, Delta Air Lines, Inc.

Thank you, Glen. We're going to now move to 10 minutes to 15 minutes of Q&A, excuse me, 45 minutes of Q&A. If you could please raise your hand and we'll walk around with a mic for you. And then introduce yourself and who you represent for the benefit of the people on the webcast that would be great.

QUESTION AND ANSWER SECTION

<A – Ed Bastian – Delta Air Lines, Inc.>: Great.

<A – Winnie Smith – Delta Air Lines, Inc.>: And we'll start with Rajeev.

<Q – Rajeev Lalwani – Morgan Stanley & Co. LLC>: Thanks. Hey, Rajeev Lalwani with Morgan Stanley. First question for you, you talked about 2017 being a transition year just like – lot of the trends moving in the right direction. What is it that you're looking for beyond 2017, that's getting you excited? And then Glen a quick one for you, as it relates to better close-in strength that you're seeing, what's the one thing that's driving it post election, is it supply, demand behavior, what is it?

<A – Ed Bastian – Delta Air Lines, Inc.>: Your first question on what gets me excited beyond 2017. I see the momentum we're continuing to build in the business. In 2017, while there may be a slight amount of margin contraction, still going to be a very strong year. And where our target, my goal is to still keep the profits in that $6 billion plus or minus range that we have with 2015 and 2016 and hopefully in 2017, as we continue to prove sustainability. I think it's more important that we continue to maintain that level of sustainability and durability than the constant push to try to get better by 5%, 10%, 15% because there is concern as to how sustainable your constant growth is particularly, when that growth has been enabled by low fuel prices that people don't think are sustainable.

So that's what gets me excited about 2017. And then assuming we can accomplish that, and I'm optimistic we can, I think you're going to see us start to move back up into that 17%-type margin range and hopefully higher in 2018 and beyond, because the unit revenues that we're planning to improve in 2017 and beyond, remember if you think about the last couple of years, all we need to get is our revenues back, our pricing back to where it was a few years ago. It's dropped such a large amount. So that's recoverable in my view, and I think the consumer wants to buy Delta, and wants to invest in Delta, and we're not expecting to get an outsized share of wallet that we haven't gotten in the past. So that's what gives me some room for optimism that we're going to be able to get those long-term margins achieved.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: So for the second part of the question, which was where do we see the strength in it. We see it pretty much across the board, and it was a very interesting period. You think you've seen everything in this business, but almost right after the election, it's almost like the country breathed a sigh of relief and putting off trips. Whether there was anxiety around the election or what it was, but there seemed to be a significant amount of pent up demand. So volumes and close-in volumes have been very strong. Business volumes have been very strong and leisure demand has always been there. So you put that missing component in – it isn't necessarily that we even have the yields back to where we think they should be or could be. They're on a positive trend, but the business travel volumes have picked up significantly post election.

<A – Ed Bastian – Delta Air Lines, Inc.>: Mike? Mike? Savi, okay. Sorry, Mike. I tried. [indiscernible] (01:06:23).

<Q – Savi Syth – Raymond James & Associates, Inc.>: I can change my name to Mike. Savi Syth from Raymond James. Just – [indiscernible] (01:06:31) question for you on the branded fares. I know that 2019 target's now $2.7 billion. I think it was before $2.4 billion in [audio gap] [01:06:46] I'm wondering is that seeing things that get you more excited about the opportunity or is that just kind of seeing additional items [audio gap] (01:06:49) that trajectory? And a second part to that is as you see your competitors doing similar things in the segmentation area, does that enhance the opportunity or does that diminish what you can do?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: So I'm going to take the second part first, because I think that when you think about what we were offering in the marketplace when we were the only carrier doing this, the only one of the major carriers doing this, our product was actually uncompetitive with theirs. So, if we were offering Basic Economy on an Atlanta to Dallas or an Atlanta to Newark flight and our competitors were offering the same fare as not Basic Economy, we actually had a competitive disadvantage, right? We were not producing best-in-class for that fare.

And so as they adapt that, and that's really the reason we hadn't rolled it out to ubiquity because we were careful to only use it where we needed to use it, and as you continue to make that ubiquitous because your competitive set is now moving in that direction, we believe that's a significant advantage moving forward for us, because we did have at many of those markets where it was uncompetitive and people were choosing us because they wanted to fly Delta and they wanted that fare not because it was the best-in-class. And I think as we get over the next three, six, nine months or into next year, it we will be best-in-class, which is where we had wanted to position us to begin with, so it's good for us I would think.

<Q – Savi Syth – Raymond James & Associates, Inc.>: First part.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: On the first part as I think that we believe that we are seeing trends with consumers that further segmentation is possible. Now, we haven't announced everything yet, we haven't announced some of the changes that we think are coming, but we have them in the pipeline and we think that – what we see is that we are clearly on to something that people want to buy different products and services. We have clearly not optimized it yet, because we've only been doing it for a couple of years. While we see trends that we'd say, hey, if we could refine this further, don't want to make the transactions too complicated, because that's always the flipside of that. But things like flexibility on fares, and how you would introduce that, I think there are things that we have coming down the pipe that we've now identified as the next ground.

<A – Ed Bastian – Delta Air Lines, Inc.>: I think Glen and the team have done a great job of giving consumers what they want to buy rather than what they're forced to buy, and that choice brings a tremendous amount of benefit and we're still scratching the surface on a lot of that.

Now, Mike, sorry. Make it a good question at least.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Well, how about – maybe I'll try to ask two. Ed, you were trying to provide what the margin was for the [audio gap] [01:09:39] realized that that's been one of the most PRASM or RASM challenge [audio gap] [01:09:42]. From a profitability standpoint, it's been very healthy at a 15% margin, how does that – like when we look at the other regions, specifically in Latin, my sense is maybe [audio gap] (01:09:54) lose money this year, may be Latin is profitable, can you just give us a better feel maybe even just ranges on for the profitability or lack there of over those two geographies?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Yeah, the transatlantic region is our most profitable regions. The Pacific, this year, I think we'll make money, I don't think we'll make a lot of money, would be low single-digit margins. We've made money every year in the Pacific, and one of the challenges in the Pacific is when the yen starts to fall and as the yen has – I just saw this morning its closing in on ¥120, instead of the annual low from where it started and then kind of strengthened and then fell. That's going to be a pinch point on us, but it just is all of the more reason for us to improve the connectivity through our partner network through Seoul, through Shanghai. And the Latin region is doing quite well. That stays straight in the middle, it's kind of in a double-digit, low-double-digit type of performance.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Thanks, very helpful. And then just back to, you talked about branded snacks, I know that's kind of a small thing, but maybe there's sort of a bigger question here. You talked about how this maybe was a potential revenue opportunity. I sort of think about your company, you carry 180 million people a year, call it of an upper socioeconomic demographic. The opportunity for product placement, I mean are we at the point where maybe these brands are...

<A – Ed Bastian – Delta Air Lines, Inc.>: Absolutely.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: ...[indiscernible] (01:11:18), I mean so maybe it's not just a revenue opportunity...

<A – Ed Bastian – Delta Air Lines, Inc.>: Yes.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: ...but also cost savings?

<A – Ed Bastian – Delta Air Lines, Inc.>: Well, you're spot on Mike and as usual. And that's exactly – you gave my speech to our team. As we talked about the cost to invest in branded snacks, there's a start-up cost to getting it out there. But the opportunity, what do consumer product companies pay for shelf placement like that, I mean they pay enormous amount of all.

So that's our opportunity, and Gil, and the team, and supply chain are working with our supply base. And I think you'll find from my standpoint, not only the opportunity to improve the quality but the price point should be – it should be a relatively modest price for us to get that opportunity to our customers.

<Q>: I had a question [audio gap] (01:12:18) related to partnerships, could you talk a little bit more about sort of best practices translating those from Delta to your partners, what's the receptivity on their part, and what's the ability to execute, and sort of the timing on that? Thanks.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: I didn't hear the first part.

<A – Ed Bastian – Delta Air Lines, Inc.>: [indiscernible] (01:12:38) is how we share best practices with our transatlantic partners.

<Q>: All of your international...

<A – Ed Bastian – Delta Air Lines, Inc.>: Or any of our partners?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Sure. And we setup an international group this year as part of our leadership transition. Steve Sear is Head of International now; Bill Carroll, who was our Controller is now our CFO (sic) [CFO of international], and responsible for those international partnership relationships with the intended purpose to do exactly what you said, not only to manage the commercial relationships, but also to provide sharing in both directions, what we can pass on in terms of technology.

We just – a perfect illustration, we just turned on last month, AIR4. AIR4 is our technology platform where we've now embedded Virgin Atlantic into the Delta passenger servicing systems, and we manage the guts of Virgin Atlantic's technology platform in Atlanta on Delta. And the value of that is not – is not as much a cost play, but there were certainly cost benefits, and scale to Virgin Atlantic. It allows from a customer standpoint, to be an elimination of seams. Biggest challenge we face with partnerships in this industry is everyone's on a different technology pace. And partners, and it's very hard to stay connected and stay current, and keep our customers out of the middle of the seams, and kind of make certain that we're addressing all of our customers in the same manner.

So that's a big deal and the technology team did an awesome job going live. You didn't hear anything about it, which is always good news when you have cutovers. But we had a full scale cut of Virgin Atlantic. We're going to be doing more of that, as in the future I think there will be opportunities, but we also want to learn at Delta from them. One of the things – I'm on the board of Aeromexico. I always get very interested in – one of my big themes in my new role here is that I want Delta to be seen as the airline of choice for next generation, for the millennials, they're really the now generation.

And you go to a company like Aeromexico, they're already there. It's a very young demographic. There is the technology and the innovation and the digital enhancement that they're providing there, they're well ahead of us and there's things we can learn. So we try to facilitate those sharing and the learning. A lot of it's embedded structurally, with technology and more we can do there, but commercially, operationally, we see lots of big purchasing and procurement opportunities on the fleet side you go across the board, so many more things that we haven't traditionally done well in this industry. I think this is opening up more and more levers for the future.

<Q – Jamie Baker – JPMorgan Securities LLC>: Hey, good morning. It's Jamie Baker with JPMorgan. In these past events, Richard spoke from time-to-time about how management would huddle and just spend hours and hours and hours trying to reach its vision as to whether you should spend as little as a million dollars. And I'm trying to frame that against what's happened with labor cost as of late and you talked about cost certainty going forward, and I get that certainly in terms of the pilot contracts. But in terms of the non-pilot, I mean, we had a very significant double-digit raise, I guess, about a year and a half ago. We had the recent 6%. I mean, when we think – I mean, what's the analysis that underpinned those seemingly generous – or bouts of generosity that you might have been experiencing?

<A – Ed Bastian – Delta Air Lines, Inc.>: On the non-pilot side?

<Q – Jamie Baker – JPMorgan Securities LLC>: Yeah.

<A – Ed Bastian – Delta Air Lines, Inc.>: Listen, our goal is to have our employee rates to be top-tier within the competitor set, and the very best if we can, and that's what drove. We were behind in a few categories and we wanted to bring our employees to the top-tier rate structure, as well as the top-tier profit sharing plan and we're going to continue to maintain that. And while we've had some bouts, as you say, of recent escalation, Delta has done a pretty good job of keeping up with that over the last few years. So you're not seeing nearly as much labor escalation at Delta as you've seen at other carriers, because we've been keeping certainly our non-pilot groups much more current on rates, so it's a market-based determination.

<Q – Jamie Baker – JPMorgan Securities LLC>: So we shouldn't be looking for any more non-pilot acceleration considering that the labor cycle is pretty [indiscernible] (1:17:05)?

<A – Ed Bastian – Delta Air Lines, Inc.>: No, I think – as I said, I think we've gone through our labor reset and there was significant moves on rates across the board in the last 12 months, as you know, on other properties, and this just gets us back in line to where we want to be. And I think for the next several years now that labor is largely where you can project it.

<Q – Jamie Baker – JPMorgan Securities LLC>: Thank you. And second question to Glen. So it used to be that consumers would choose the type of air travel based on what their particular needs were. If your boss was sending you, maybe you had two or three carriers of choice. You're bringing the kid home from school, you've got ticket towards different airlines. You're travelling with your significant other, you've got a third tranche of carriers, and I get it Delta can now satisfy, you've got a product, you've got a price point.

How long do you think it is until consumers really understand that message that you're like Amazon. You can go there for big ticket items, you can go there for, I wouldn't say toilet paper, because Basic Economy is better than that. But that it's one stop shopping and you don't have to choose different airlines based on the type of product, and then a very, very quick follow-up to that one.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Sure. That's clearly the goal, to be seen as best-in-class for whatever your travel needs would be, and it's an evolution. These are relatively new revelations we've had. We probably should have had them years and years and years ago. We probably should have figured out years and years ago that we should not have given best seats on the airplane to the people who booked the lowest fares first. Probably should have realized that we should have rewarded based on dollar spent, not on mileage, and it's been an evolution. It's been an evolution for us to learn more about what customer needs, wants and what drives them.

And then for customers to assimilate that and to start processing it, it takes time, as Amazon didn't get to where they were in one year, and neither are we. It's a multi-year process and continuing to go down this path and continuing to try and offer customers more what they want to buy. And I honestly believe there's very – for the first time ever – listen, we have great competitors in this business. We have lots of competitors, but the competition is as much within ourselves. We do what we do better and continue to lead the industry and to make sure that customers are seeing value more than really what American is doing or really what other competitors are doing.

<Q – Jamie Baker – JPMorgan Securities LLC>: And just a clarification, on page 12 you show the five pricing tiers, the flight that leaves at 8:35, arrives at 3:35 and I assume that is inbound off the West Coast. Are these prices just illustrative, that there is only $100 difference between Basic Economy, Main Cabit, and Delta Comfort?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Illustrative, but not -

<Q – Jamie Baker – JPMorgan Securities LLC>: Directionally.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Directionally...

<Q – Jamie Baker – JPMorgan Securities LLC>: Yeah.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: ...you don't want big increments. And I think one of the things that the – when you look at things that we've done poorly in the past is, we run through our inventory buckets and everything $79, and then it's $800. This is not kind of a continuum that makes sense. The customers, then they get frustrated, because they say, hey, it was $79 last week, I came back to look at it this week and it was $800. We lose credibility in that and what we want to do is establish credibility in terms of having more reasonable prices that customers can relate to.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Good morning. Dan McKenzie here from [audio gap] (1:20:46). Thanks again [audio gap] (1:20:48) for the content, each year it gets a little harder to pick apart the business plan. I do have a couple of questions. Number one, I guess the 1% growth, I'm just wondering if you can help break it out domestic versus international. And then within the domestic, are there areas of – you mentioned Los Angeles is an area of focus of growth. Does it come – is it subsidized elsewhere in the system?

<A – Ed Bastian – Delta Air Lines, Inc.>: Domestic is going to be up 2%, international is going to be down 1%. So, that's the – those are the components of the 1% system growth in 2017. And the growth, yes, in 2017 we'll see is obviously leveraging the big markets where we've made some scale investments that we're continuing to mature and harvest improvements. LA being a perfect example of that, some in Seattle, some in New York, some of the big markets.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: And then just going back to your thought that margins might be down 100 to 200 basis points relative to this year, we have seen some recent acceleration in consumer confidence. What were sort of the macro [audio gap] (1:21:56) that you used to come up with that forecasting, with respect to oil, with respect to GDP make a consensus outlook?

<A – Ed Bastian – Delta Air Lines, Inc.>: Yeah. So, we – in terms of costs, our labor costs we know are – we had general inflationary costs. Paul is going to talk about cost structure when he comes up. Fuel, we use the forward curve, where we're at today and add a small margin of premium cost on top of that to give a little bit of cushion on the fuel, but not a lot, so largely market-driven. And then it gets to pacing of unit revenue improvement. And we – for the first quarter, which is about all the visibility we have right now. Crystal balls aren't as good as many people think they are. We see a flat unit revenue, very achievable, hopefully better, but certainly flat and we don't want to get ahead of ourselves too far in the forecast, and then it's starting to build over the course of the year.

But the costs already here, so we're at 200 basis point contraction in the fourth quarter on a normalized basis throw out the opt out period pilot cost just the normalized quarter cost for the new pilot contract. And so that every quarter it goes on, hopefully that margin contraction starts to shrink. First quarter will be tight, because fuel prices were at their very lowest and the market price fuel, as I say, hit $25 in January. So you're going to see a big fuel good guy prior year that we're going to be lapping. That's going to be tough in the first quarter. But then as you get into the second and third quarters, that margin contraction starts to get smaller, and then hopefully by the end of the year start to get back in positive territory. Thanks.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: One final very quick one. Glen, as I look at the schedules in the summer of 2017, in Zone 1 China, I am seeing flat growth across the entire industry. I suspect normal demand is mid-to-high single-digit. So, wondering if you can just share what percent of revenue China represents for Delta, if you think about that.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: China is about 5% to 6% [audio gap] (1:24:08-1:24:13)

<Q – Joe DeNardi – Stifel, Nicolaus & Co., Inc.>: Thanks. Joe DeNardi at Stifel. Glen, thanks for the disclosures around SkyMiles revenue. Wonder if you could just talk about the profitability of that revenue stream. I understand there are couple of different components that [audio gap] (1:24:26-1:24:31) so, can you just talk about of that $3 billion, what the margin is on that? Or just what component of that is [audio gap] (1:24:41-1:24:44)?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: There are so many components of it [audio gap] (1:24:47-1:24:47) SkyMiles entry into the Clubs, the fees into the Clubs, to the acquisition, marketing awards and – but, I think we're better off not disclosing the aggregate of that, but just to say these are some of the highest margin things that we produce in the industry. And we are very, very pleased with that. And it continues to become higher margins. So, as we've structured the deal with American Express, every year that we're go through the deal, the margins for Delta go higher and higher and we've been able to layer on top of that some really, really successful acquisition. Here is a call-out to our SkyMiles team today, who has really gone above and beyond to achieve far beyond what we thought our expectations for acquisitions could be just a few years ago. And I think when you think of the strength of the Delta brand, you think about how many people we're able to acquire into our proprietary network, one of the key signs of that would be acquisitions of the Frequent Flyer base and acquisitions into the SkyMiles, the Credit Card, and both of those were record numbers last year. So, looking forward to those continuing to be some of the big lift in our margin [audio gap] (1:25:59-1:26:00) as we look beyond 2017.

<Q – Joe DeNardi – Stifel, Nicolaus & Co., Inc.>: Is it fair to say that between that revenue stream and [audio gap] (1:26:06-1:26:07) revenue stream [audio gap] (1:26:08) that may account for 10% to 12% of total revenues, but much, much higher percentage [audio gap] (1:26:15)...

<A – Glen Hauenstein – Delta Air Lines, Inc.>: I would guess...

<A – Ed Bastian – Delta Air Lines, Inc.>: Yes, it is fair to say, yes.

<Q – Joe DeNardi – Stifel, Nicolaus & Co., Inc.>: And I would say it's probably over 50% of your earnings over EBIT, would you disagree with that?

<A – Ed Bastian – Delta Air Lines, Inc.>: I don't know that we've done the math on that, Joe, but I'd say it's a high – there is a high margin content there, yes.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: And that's really our...

<A – Ed Bastian – Delta Air Lines, Inc.>: It all depends on how you want to cost it.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Why we've been focusing on those products and services because they do have the highest margins.

<Q – Duane Pfennigwerth – Evercore Group LLC>: Hey, thanks, Duane Pfennigwerth, Evercore ISI. The question is, Glen, I wondered if you could share your views on [audio gap] (1:26:48) purchase requirements? Do you think they're still relevant today [audio gap] (1:26:55) some of your competitors are overplaying the importance of segmentation [audio gap] (1:27:00) get that corporate yield [audio gap] (1:27:02-1:27:04) back?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Well, I'm going to answer a question you didn't ask, and which is always dangerous, is [audio gap] (1:27:12-1:27:14) this past year was a real disappointment in terms of our ability to fence business customers. I think as we look into 2017, not – as Ed says, we can't see beyond really – we don't have very good visibility beyond, let's say, 120 days. And clearly we have very little visibility to business because that's not been booked yet, that always comes in at the last part of the booking sector.

But what would make me very optimistic is the industry really rebated an incredible amount of value back to customers who are historically the least price-sensitive and it seems like that those trends are starting to reverse out. How we got there and whether it's segmentation or how we get there, whether it's additional segmentation through fair inventory or advanced purchases or whether or not as a reduction in capacity rate, I couldn't tell you how we're going to get there. But I do think that APs and stay requirements will play a big role – as big a role as they ever had, right, because they're very, very important for us deciding was that travel for purpose business or was it for travel pleasure.

<Q – Duane Pfennigwerth – Evercore Group LLC>: Thanks. And then I wonder if you could expand on the comment you made about consumer pricing versus airline pricing and the requirement for data. What sorts of data you're referring to [audio gap] (1:28:35-1:28:38).

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Well, historical data, believe it or not, until a couple years ago, we didn't even phrase our historical fare band. So, we didn't know what we had charged in the market a year ago. We even know, well, how much of that – we knew what inventory class we had sold, but we couldn't track it back to the actual fare that was in the marketplace at the time.

So, being probably a little bit more technical than you wanted to be, but in a particular inventory, I'd say why, we knew how many people we sold and why on that flight, but we didn't know what fare they paid. And so, tying that in and then being able to real-time tie that back to [audio gap] (1:29:19-1:29:20) if that moves up, is that margin accretive or does it become margin dilutive? And those systems don't even exist, they don't exist at Delta, I don't believe they exist at in any carrier that we're building [audio gap] (1:29:35).

<Q – Hunter Keay – Wolfe Research LLC>: Hi. It's Hunter Keay, Wolfe Research. Two questions for you, one of which I acknowledge you might find a little bit irritating. But I'm anticipating, I'm anticipating the question myself. So, when you talk about the $6 billion of pre-tax income and the 2% domestic capacity growth next year, can you talk about how you're thinking about rounding? Is that like 5.5% to 6.4% for profits and for the 2% domestic ASM growth, is that a cap 2% or is that like 1.5% to 2.4% or something [audio gap] (1:30:06) how are you thinking about...

<A – Ed Bastian – Delta Air Lines, Inc.>: You way over-think of this. If I was that good, I wouldn't be doing this.

<Q – Hunter Keay – Wolfe Research LLC>: Okay. Then...

<A – Ed Bastian – Delta Air Lines, Inc.>: $6 billion is our – is my personal goal for this company to try to make sure we don't lose ground on profits. Now, that might be a tad inconsistent with the 100 basis points to 200 basis points of margin contraction in there, but we're going to be in the – we're going to round to $6 billion hopefully on the positive side, not the negative side of that.

<Q – Hunter Keay – Wolfe Research LLC>: Yeah.

<A – Ed Bastian – Delta Air Lines, Inc.>: ...and, yeah, the 2%, we're not going above 2%.

<Q – Hunter Keay – Wolfe Research LLC>: Okay. That's great. Thank you. And then this is a question, I don't know if it's for Glen or Ed, but on Slide 15, you talked about Amex and you talked about – we think of them as a Credit Card Partner, but you included that you want to leverage your relations with them as a travel agency as well, which I think is interesting. So, is there an ability to work with them more directly within the confines of [ph] both (1:30:53) full content agreement that you have right now. And longer term, is there an ability to maybe eliminate some of the middlemen that are involved with the relationship as Amex travel agency? [audio gap] (1:31:05) 5 years-10 years down the road to improve not only the cost structure and how you work with Amex, but also the revenue [audio gap] (1:30:12)?

<A – Ed Bastian – Delta Air Lines, Inc.>: Yeah. I'll take that. Amex is our largest travel provider in terms of agency, got a great relationship with them on the agency front. And their incentive both from the loyalty program and the credit card as well as on the agency side, it makes a – makes a very nice relationship with Delta. I'm not going to speculate on what that means for the future in terms of other agencies and the like, but we have a very close-knit relationship, I'll leave it at that.

<Q – David Vernon – Sanford C. Bernstein & Co. LLC>: Hi, good morning, David Vernon with Bernstein. Just wondering if you could talk a little bit about what your demand expectations are for next year, against that 2% capacity growth. I guess what I'm trying to really understand is how much of the bullishness on PRASM you're expecting is about scarcity of supply versus execution of your marketing plans and branded fares and things of that nature?

<A – Ed Bastian – Delta Air Lines, Inc.>: You're talking about in the domestic side in terms of demand...

<Q – David Vernon – Sanford C. Bernstein & Co. LLC>: Overall on the domestic side.

<A – Ed Bastian – Delta Air Lines, Inc.>: Demand expectations, listen, yeah, we're seeing a real surge of improvement in the domestic economy and the growth expectations here and we factor some of that in. I think it's early to call where growth is. But certainly, we anticipate economic growth well in excess of that – not well in excess, but certainly in excess of that 2% on capacity.

And the branded fare initiatives, the Amex relationship, all the things that Glen talked about that we can provide some marketing initiatives behind is stuff that's going to put us above and beyond on the revenue front.

<Q – David Vernon – Sanford C. Bernstein & Co. LLC>: Do you feel pretty good about if the market does grow at say 3% to 4%, staying at that 2% capacity level and [indiscernible] (1:32:57).

<A – Ed Bastian – Delta Air Lines, Inc.>: As I said, we're going to keep our capacity in check until we get our margins back to where they need to be, which is towards that 17%, 18%, 19% margin target. [audio gap] (1:33:09-1:33:18)

<Q – Adam Hackel – Imperial Capital LLC>: Hi. Adam Hackel from Imperial. Just wanted to ask a quick question about your distribution strategies going back to segmentation. One of your peers made the commentary that they actually kind of wanted to limit the [audio gap] (1:33:31) perhaps, could be offered [audio gap] (1:33:36) open to everybody [indiscernible] (1:33:40) for example, you end up actually commoditizing your [ph] stock. (1:33:42) So, just curious, any thoughts about that and [audio gap] (1:33:44) [indiscernible] (1:33:46) or...

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Sure. I think distribution – more products distributed through more channels are better for airlines. So, I think when you think about where we were a few years ago and headed down the path of commoditization, where OTAs were producing one fare for each carrier, it really wasn't apple to oranges, was it? Because what you would wind up paying on Spirit was very different than what you would wind up paying on Delta when you were through with your transaction, not just the purchase price that was in the window.

And so, the more transparency we can bring to what the actual fare is providing, I think the better it is for everybody to see what it is that they are purchasing because a fare is no longer a fare, it's a product. And I think what you've seen is that distributors have not – some of them have been on the forefront of that, some of them are playing catch-up, and trying to now figure out, well, how will you actually display these. But the more accuracy we can get in what you're actually buying, I think the better it is for everybody because the last thing you want as an industry is you don't want to disappoint your consumers, you don't want to frustrate them. So, the more we make travel transparent, the more we show customers what they're buying, I think the better off we're going to be.

<Q – Kevin Crissey – Citigroup Global Markets, Inc. (Broker)>: Hi, Kevin Crissey from Citi. Glen, maybe you could talk about
the opportunity in the packaging space if you have opportunity to sell more there, you talked about the higher ancillary revenue and the value added there? I always think of packaging as high margin [audio gap] (1:35:38)?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Yeah. I think that's – we have so many opportunities, that's the exciting part. And it's a matter of prioritizing them, and getting to where in the – where do we see them in terms of their value to us in the medium term because we do have values. We have values in – when you think about the monetization of the eyeballs that come to the save, when you think about the complete transaction, when you think about vacations, it's really not that there isn't more opportunity and there is not more margin, it's a matter of prioritizing your technology spend and make sure you're getting the higher value stuff earlier in the process. And we are 100% all the – margins in there, margins in and other parts of the site development, but it's really just for us is when do you get to it. And as long as we continue to find higher margin stuff, it's actually easier to produce. We're going to focus there. But that's clearly on our list and that's the great part about this company, it's got very long list of how to drive value and when you have as many great customers as we do, there is a lot you can do with it.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Good morning. Thanks for the follow up. I just wanted to circle back on free cash flow because you guys have laid out the financial targets, one of which has been this expectation of $4.5 billion to $5.5 billion of free cash flow going into 2017 the actual free cash flow, maybe this is for Paul's presentation, but does that financial goal still stand as you look ahead and you triangulate pre-tax profit target or should we perhaps ratchet down cash flow expectation?

<A – Ed Bastian – Delta Air Lines, Inc.>: For 2017?

<Q>: Yeah. And just also longer-term?

<A – Ed Bastian – Delta Air Lines, Inc.>: Longer-term, I wouldn't ratchet it down. In the short-term, yeah, I'd say, if our margins are going to contract a couple of hundred basis points, free cash flow is going to be down a bit from where it was in 2016, but not materially. And I do – we have no – if our margin goal is still in that 17%, 18%, and 19% range, that lines up to a free cash flow in the $4.5 billion, $5 billion target that we have. Those are consistent. We're not extending incremental dollars on CapEx that are going to deal with that. We're keeping our CapEx high to pretty close to kind of half of our operating cash flow.

<A – Jill Greer – Delta Air Lines, Inc.>: ...[audio gap] (1:38:13) I think our last question [audio gap] (1:38:14)

<Q – Helane Becker – Cowen and Company, LLC>: Thanks, team. It's Helane Becker from Cowen. So, Ed and Glen, last year, maybe in May, you guys talked a little bit about competing with the Middle East carriers, we haven't really heard. Could you talk about that? And Ed especially since you've taken over, I feel like Delta, maybe the industry in general, has been somewhat reticent to talk about or maybe not as visible talking about it. So with the new administration and so on, can you just bring us up to date on how you're competing with them and maybe it's just the product that you're talking about today, but maybe just update us on that.

<A – Ed Bastian – Delta Air Lines, Inc.>: Sure, Helane. Well, the change in leadership at Delta doesn't – that means no signal with respect to the strong conviction that we are facing Middle Eastern carriers that are violating the law, they're violating trade agreements and they're dumping a tremendous amount of capacity in markets and losing a tremendous amount of money which you're finally starting to hear them acknowledge somewhat in the – over the last number of months in terms of their diminished outlook for what you can tell because most of them are not very transparent in terms of their financial results as they are.

We've worked closely with the current administration, the Obama administration and Secretary Kerry I know has been engaged on the topic. They – given the fact that consultations are and have occurred and are incurring over the course of the current year, we thought it was smart not to inflame. The consultations that are occurring, so we're letting the administration and giving them some time, the current one to address the topic. They've not made the progress that we thought they would make at this point and I'm very encouraged by our new President-Elect's platform and his campaign to enforce American trade agreements and to bring back American jobs. And if there is one thing that I'm worried about long term in terms of the financial security of this industry and it's not just Delta, it's the airline industry as a whole, is the threat of the Middle Eastern carriers because when you see their order books, when you see how many planes that are already losing money and they're going to continue to dump capacity, it's going to be a threat to all of our international business. You don't have to look too much further and see what's happened in Europe, in terms of the European carriers and we know they have longer term aspirations into America.

So, with the new – the new administration taking office, our opportunity in the future to talk to our new Transportation Secretary Elaine Chao we're very excited to work with. I think it will be – this will be – this should be Topic A on the list for the new administration. The work's been done, the investigation has occurred. We've got all the details – the positioning is there. We don't think there is – we should be the poster child for this current – the new administration coming in terms of an opportunity to enforce America's trade – we're not competing against airlines, we're competing against governments and that's just not fair.

<Q – Helane Becker – Cowen and Company, LLC>: Maybe just a follow up to that. Pre-clearance is another issue for the industry. And I guess the next one is going to be Stockholm I think in 2018 or 2019. Does pre-clearance change with a change in administration and our focus on Visa waiver and so on or are we still going to move towards improving like the Visa program with China, the 10-year program that makes it easy for you to travel between countries and so on, is that going to be a separate issue or not an issue? Thanks.

<A – Ed Bastian – Delta Air Lines, Inc.>: Helane, your question is how does the Visa immigration changes impact what [audio gap] (1:42:15) we can't hear you.

<Q – Helane Becker – Cowen and Company, LLC>: Oh, sorry. Using preclearance...

<A – Ed Bastian – Delta Air Lines, Inc.>: Yeah.

<Q – Helane Becker – Cowen and Company, LLC>: ...and doing customs and immigration outside the United States versus in the U.S.?

<A – Ed Bastian – Delta Air Lines, Inc.>: I don't think the international pre-clearance facilities are causing a significant impact on our business mix.

Jill Greer, Vice President, Investor Relations

Okay, thanks. Ed and Glen, we're going to take a short break till 10:30 and we hope you'll use this opportunity to check out our product showcases on the sides of the floor. Thanks.

Edward H. Bastian, Chief Executive Officer

Thank you, too.

[Video Presentation] (1:42:58-1:58:03)

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Ladies and gentlemen, we ask at this time that you please take your seats. Our program is about to resume. Once again, we ask that you please take your seats as our program is about to resume. Thank you.

[Break] (01:58:17-01:59:45)

Jill Greer, Vice President, Investor Relations

We will keep the on-time machine rolling along and I will introduce to our stage our Chief Operating Officer, Gil West.

Wayne Gilbert West, Senior Executive Vice President & Chief Operating Officer

All right. Well, good morning. Thank you guys for being here with us today and making the time. I'm going to talk a bit about our operational and customer experience performance trajectories, and before I get into that while some of them are still in the room, I want to give a big shout out to Delta's frontline team. A number of folks are here today from our frontline team. They're the best in the business. Hats off you to guys. They are solely focused on running the best airline in history and we're really all truly blessed to be a part of the Delta family and their team.

So with that, can we flip the chart? I don't know where the – sorry, somebody may have took the chart. On the chair – thanks, Paul. There you go. All right. Okay. Well, Paul accuses me of being a number's guy. So we're going to start with some numbers. And we measure a lot of things at Delta. We've got a culture that we really get what we measure, right? And the three big measures [ph] is success for us (02:01:10) on an operational standpoint, our completion factor, on-time performance and baggage. I mean, that really is operationally the three metrics that we're not solely focused on, but those are the three best success measures that we have. And I'm happy to say though if you look at the metrics we're on top of the charts on all three of those by a fairly significant margin.

Talk a little bit about each of these for a second, completion factor – and I'll just point out that despite some pretty challenging headwinds, like an IT outage, like hurricanes, no lights earlier this year, thunderstorms back to the snow ice season again, we're number one still by a large margin. So we've been number one 11 out of the last 12 months. The exception was the IT outage month. And we're between a [ph] half point and a full point (02:02:05) ahead of our competitors here. And if you look at the data, you say, half point, full point, what difference does it make. But if you think about the volume of customers that we all have, it's a big multiplier, right? So that half point to a full point, if you think about it, it's between 1 million and 2 million customers on each of the other carriers that are having a cancellation that they wouldn't have if they chose Delta. So it's a big differentiator.

On time performance, I think Ed did a great job earlier talking about that. We really look at A0, zero minutes late. DOT reports an important 14 minutes late though and that's kind of the clearing house. The chart that we've got here would look the same in terms of rankings. But we're still focused on A0. As a connecting carrier, it's extremely important to get there zero minutes late, because you can connect passengers and bags. If you're off that by a little bit, you start to misconnect, right? So we're focused on that really hard. Again, 10 of the last 12 months number one by the 10 point lead in the space, relative to our competitors, again, big multiplier. That's between 10 million and 20 million customers arrive late for each of the other carriers. So on time is really important for us.

Baggage, I would describe baggage as we're kind of in a different league on baggage. In fact, we're almost two times better than competitors. Baggage seems like it should be easy, but it's actually really complex when you start to connect. And it's all about process, technology, the right infrastructure investments. So the momentum is really strong on baggage and you'll see that continue into next year.

Bottom of this chart really just illustrates the long-term trends. And if you look, strong double-digit improvement in every metric, multi-year trends. And we got years of consistency, but more importantly, we're competing against ourselves on a lot of these metrics. So we'll drive hard to set a record. And then, towards in 2017 as an example, we raised the bar again. So we're really driven to set another record every year, every year, in every metric. So it's that real spirit of continuous improvement.

The other thing I would point out on the longer term trends, if you look at our competitors' numbers and overlay those on those trends, it's about a four or five-year lag relative to where we're at, right? And just know we're not stopping. We're driving forward continuous improvement as well.

So I think we got the view now. Perfection is the right metric for performance and we started looking at perfect completion days, 100% completion days a few years ago and it's really been even a next level barometer for us to shift our focus. And what was, if you go back six years ago, unheard of literally for us or anybody in the industry, today for us, it's the expectation. I can tell you I mean, if we don't run a 100% day and this includes weather and everything. By the way, we're upset about it, right? We're looking for ways to get better and better and better. Year-to-date, system-wide, this is domestic and international mainline. Through November, we were at 222 days. As Ed mentioned, we're up to 234 days now. As of yesterday, another 100% [ph] day, knock on wood (02:05:41). So the trends are really good.

Domestically we [ph] can compare ourselves through (02:05:46) DOT. So you can see that in the middle chart there. This is data through the end of October. It's just come out. But we had through the end of October, ironically, 222 days of perfect completion factor domestically. And you can see as that compares with the other carriers. It's about a little over four times more than the other carriers combined.

We've also put Delta Connection on here just as a reference point. I'll talk about them in a minute. But that level of performance is also elevated for the same reasons we've seen on mainline. And through the same period, October, all our carriers – and everyone has got to have a perfect day to count this as 100%, all six carriers, we had 78 days of perfect completion factor, which is almost two times the rest of the mainline carriers combined.

The far right chart really shows the big driver here for us, and it's maintenance cancellation. So over that period of time, we've seen a 98% reduction in maintenance cancellations. The team has done a really, really good job and I'll talk about them in a minute. So we continue to invest in our core business, very targeted investments, but it's high leverage [ph] for us on the op standpoint, ground ops (02:07:01) lot of different things going on. Just to highlight a couple though. RFID tags and bag tags, as you know, we're printing, certainly takes our baggage performance to a different level. That level of information is really invaluable from a process standpoint of how we run our business. There's also productivity savings associated with it, but even the customer interface of that where you know when your bags have been loaded, it didn't make it. We're already in the service recovery mode. So that technology really enables a number of different things for us.

Irregular operations. On a normal day, normal weather, the numbers were off the charts for us. They're 100% completion. Our on-time performance is in the mid [ph] 90s (02:07:48), right? And it has taken us a number of years to get to that point. But where the biggest opportunity for us remains [ph] is during irregular (02:07:58) operations, snowstorms, de-icing events, thunderstorms. And like we're not victims here. We can control what we view, what the industry has traditionally viewed as uncontrollable things.

We really proportion ourselves to find ways to perform better during those conditions. So de-icing it is an example. We've invested in infrastructure, like additional de-icing capacity pads, de-icing equipment, state-of-the-art, single operator, joystick control, one operator, much more efficient, but even more importantly, being able to get on and off the aircraft much quicker with a lot more precision, right? That enables us to drive additional throughput during de-icing. That allows us to avoid cancellations that we would have otherwise had. Far extreme of that example in Atlanta, we build a de-ice pad two years ago, used it early this year. We hope we never get to use it, but beginning of this year we used it in a big ice event, [ph] stayed (02:09:02) over 100 cancels in one day of that de-ice pad. So these are investments that are high leverage when we use them.

The next one here is also thunderstorms, right? We're really exposed to that during the summer and in Atlanta, in particular, but a lot of other hubs. And we've been pioneering technology in our own Atlanta hub that we're in the process now of scaling, and that [ph] in typical thunderstorm ramp (02:09:27) shutdown, everything parks. I'm sure you've all been on a flight where you're just stopped waiting for a gate, waiting for it to clear so you can get into the gate. So we've worked and deployed technology in Atlanta. It's in a half of our concourse, one of our concourse is, where the pilots were able to bring the aircraft in and put it at a gate without having anybody on the ramp, right? It's kind of a stoplight. So it's laser driven, so they can come in. Plus we've got jet bridges on those gates that are automatically deployed. So one button goes up to a self driving jet bridge, if you look at it that way, go in, deploy, get on the aircraft, and then we can move people off the aircraft, right, versus just standstill for the operation so we can keep the operation moving.

So we're in the process of starting to scale that. Mobile, big driver for us on the ground. Technology in general is. I just mentioned on the technology front, early this year we stood up a development center and partnership on campus with Georgia Tech, great to have them in our backyard from a technical standpoint, but we're on campus using their expertise, both students as well as professors who really identify high leverage technology that we can deploy, but more importantly, test it, pilot it and help us to simulate it back into the airline, right?

And we're seeing that come through. So this is a powerful leverage point for us, TSA as well. Again, we view that as part of our experience. That is our ownership, whether it's TSA or customs. And we got really close relationship with the TSA, as an example. We've just received an award from them on that partnership. Well, we deployed and prior to summer we had a whole action list, plan [ph] of things to go after to a short wait time (02:11:17).

Part of that was deploying the first innovation line in Atlanta. And this is a process – as you're going through TSA in today's world, you're following somebody. So they can get the cell phone out or whatever, they alarm, everything stops, right? You're behind them, everything gridlocks. This world, everything is in parallel. So no matter what somebody is doing in front of you, you're loading this item, your bag alarms or their bag alarms, you can keep flowing and right. So it's literally one of those lanes, innovation lane, doubles the capacity of what the current system is.

So we worked closely with the manufacturer who is in the UK on this, deployed the first one. As we saw the effectiveness, we went out, placed some orders ourselves. So we'll get reimbursed through the authorities on this, but we led that, primed the pump from a capital standpoint, we're in the process of deploying those at our hubs before summer.

TechOps, to talk about them just for a minute, I mean they are the best in the business. I don't think anybody can manage the complexity we've got at Delta and drive the top-of-the-charts reliability at the lowest unit cost. It's really amazing to see what they've been able to accomplish. Technology investment is a big part of that, new technology, new generation, right, equipment, engines.

Last year, we announced a engine shop partnership with Rolls Royce. We're in the process as well as – Pratt & Whitney we'll be doing the same, we're building the first new airline engine shop in over 20 years, all right, in the industry. Ironically, the last one that was built 20 years ago has just been shut down by one of our competitors, all right. So for us TechOps is a major enabler of our fleet strategy, so we continue to invest there.

Line maintenance capacity is a big part of that. Data, we're really big on big data, all parts of the operation, TechOps in particular. We've got just thousands of data points streaming off our aircraft every second, right. We're instrumenting our older aircraft with different technology to enable more and more and more data. What that's been able to do then is we kind of pioneered the use of that data, so we're very proactive with it. We can predict things that are going to happen before they happen, take action. So, we prevent an aircraft from breaking, is really the concept here.

Now, that works certainly on the reliability side, but it also works on the cost side, because we're very surgical about what we're doing to repair aircraft. The logistics on the ground behind the scenes in our technical operations, the industrial processes are world class. We've got teams of industrial engineers, that that adds a lot of value.

The other thing I would mention in the TechOps space is we've really tried to vertically integrate our supply chain where it makes sense. TechOps tends to be a material-driven business. So, a lot of levers on the material front, I know you've seen in the past where we have bought aircraft for parts, right, and we've leveraged that. We've stood up a sub that's in the material trading business. They're in the market, they're buying used aircraft, they're using those assets to leverage cost.

But we also had commercialized the sale of our surplus material. So, we've worked back to sell material back into the marketplace that we don't have needs for, for our own short-term use. Delta Flight Products is another sub we've recently stood up. This is an interior engineering and manufacturing business for us. We do a lot of interior mod. We like to fly our aircraft for a few decades when we buy one. That means two or three interior mods during the lifecycle. We've always got modifications going on.

This group is capable of doing those designs as well as the manufacturing of a lot of those parts. So, value in terms of cost, capital deployment there, but also better control of our product. We're not at the mercy of a third party for this. We've got design, right, better teamwork with our marketing group so that we're really focused on what we're trying to achieve. The other part of it then is on the manufacturing side and as an example, we'll supply a lot of our new interiors on the C Series aircraft from Bombardier as part of this. So maintenance, repair, overhaul for third-party airlines, big business for us as well.

So TechOps, great space; flight crews, pilots, flight attendants best in the business. We're really fortunate with the team that we have. Main focus there, crew systems; again, during our regular operations, understanding where our crews are, how to reschedule and book hotels, rest periods, all those things.

We're investing in the processes, in the systems there. We'll continue to invest in the processes and the technology around managing that better. Mobile is also a key piece for us in that space.

Delta Connection, I could probably tell for hours about Delta Connection. For the sake of time, just a couple of key points here.

First of all, Delta Connection is Delta, right, you guys fly us, I hope. You use our Delta Connection products, so you don't make a distinction is it Delta or Delta Connection. It's all Delta, right? So that has been our focus for the last four years or five years. The internal initiatives, same except to elevate our Delta Connection performance where it's on par with our mainline performance, operationally as well as customer experience.

I would say the big leverage points here, the needles have all spun in the right direction, the ops performance and the customer service experience is almost on par in every respect to mainline. Still work to do but the needles have been going in the right direction.

Now, we've really accomplished that through leveraging Delta. Big pieces on the ops side has been mechanical reliability, I've talked a lot about the mainline, but we also use those same people, those same resources to move the needle in our regional space.

We've aggregated some of our talent to focus on nothing but regional performance, so we do the reliability analysis, we're looking at the data off their aircraft, we're designing modifications, we're designing maintenance program changes, we're liaisoning with the OEMs technically. So we're driving fixes that one carrier – any individual carrier, doesn't have the skills or expertise or really the leverage with the OEMs to drive these kind of things. So, it also enables us to see best practices across our carriers. So, we know who's doing it right, who's not, so that we drive that kind of across everybody, cross-pollination of best practices so it elevates everybody's performance.

So a lot of work in this space, and we're seeing the needles move, you can see it on the maintenance cancellations, right, a few years, 85% reduction in maintenance cancellation, 100% days, as Ed mentioned [ph] in his slide, a few days old (2:18:20), we were 93 days, we're up to 96 days now, perfect days, all carriers.

The other piece I'll mention here is we own one of the six carriers we use, Endeavor; really their performance is definitely as good as mainline performance, and what they've been able to achieve then, we also use that to cross-pollinate with our other carriers.

Last but certainly not least, customer experience piece. So our view internally is the foundation is operational excellence, we work hard on driving that, but it really enables us to overlay on top of the operational performance great customer experience. Internally, we call that the Delta Difference. I'll just say our people are the key to this, right. We're obsessed with data, we survey everybody to death, yourselves included probably. That feedback we cut it just behind the scenes every way you could imagine.

So we know what we do pretty well, but we also more importantly know what we don't do well. So, that really are the levers that we're focused on, how do we go after those, where do we make our investments, it really is a targeted approach here, rather than a shotgun approach. As Ed mentioned earlier, record-level performance, you can see the multi-year trends, Net Promoter Score is our main metric here. We've got a lot of other leading metrics but that Net Promoter Score, which is really the raving fans of Delta, if you will, on the surveys. And we've effectively doubled that score over the last number of years.

So – but we're not stopping there. The investments are numerous, so we've get enough time to go after all those, but the survey data is important because again that really guides us, what we do. Customer experience culture is how I would describe it and it starts from the hiring process, Joanne will come up and talk about that in a minute, I think. But the hiring process that we do, the people we select, thankfully we're in a position to be very selective there. But then also the training that they get, the goals, the metrics, the incentives that they get, the feedback that they get from your surveys, all those things continue to build and kind of shape what we're trying to achieve.

Service recovery, big part of what we do, normal day, it's all good. But when something bad goes wrong, make or break deal for us, lots of investment in both process, technology on how we handle events, whether it's baggage, flight cancels, misconnections. And this is – I mean it's always target-rich environment. But we continue to measure that.

And really the best measure of that, again, is our Net Promoter Score. When something goes wrong, how do our customers score us, 1 to 5 point scale. And again on a net promoter basis, we move to actually into positive Net Promoter Scores. So when we have something happen, we misplace a bag, more people score us a 5 than they do 1, 2 or 3, right. So, those are metrics that we're working hard to move.

Mobile has been a big part of that, you see it I hope, both dotcom and apps. We continue to investment in that from an experience standpoint. On the products side, Glen did a great job talking about a number of those things. Just to hit on a couple, free content on our in-flight entertainment has been a part of that, in economy; Wi-Fi, right, we've got – we've led the industry and continue to lead the industry on Wi-Fi. We were really the first carrier to have it on our fleet completed.

International, we led the deployment domestically, we've pivoting to high-speed satellite Wi-Fi, what we've partnered with Gogo on 2Ku. This is really home network speed, streaming video speeds, we've got more than dozen aircraft modified now. So the speed is there. From a schedule standpoint, we're pulling that forward. We've got folks embedded at Gogo helping with the logistics, the engineering certification, the deployment.

So we're driving really hard domestically to have that deployed by the end of the year, cost of fleet. Big stretch goal, but the team really organized around making that happen. By the way it will work below 10,000 feet, so ground-to-ground. Also that user experience part of it, we're more and more trying to streamline that, especially if you've got a user account. So it's seamless like a home network. Sky Clubs, Glen touched on. I really think it's a destination now, right, I mean this is – it's really a different experience on the Sky Club.

Food, Ed touched on it, the snacks hopefully you get some of those over there where we've gone from peanuts, pretzels, Biscoffs to four branded snacks. We will keep Biscoffs, we know there is an emotional attachment some of you and our customers with Biscoff. But also on hot meals, transcons, longer flights, those investments is really paying off and we'll continue to invest prudently in improving that experience. Interior modifications, I mentioned, we continue with those programs. The airport investments at our hubs. Some of those new terminals.

Again, great, great experiences as those deploy. Thankfully, lots of recognition industry-wide. I'll just [indiscernible] (2:23:36) the most important one, because I imagine I don't want steal Joanne's thunder, but it's the people piece of this is what's I think really important for our model, because we do have a model that from an internal standpoint, it's about you know our employees, right, employee focus and if we take care of our employees, our employees take care of our customers, our customers in turn will pay a premium to fly Delta. We've seen it the prior charts, and that in turn will take care of our shareholders. So the greatest awards we see are the ones Best Places to Work, right. So we're proud of that one, and we'll continue to raise the bar, operationally, and the customer experience. So, thank you, guys.

Joanne D. Smith, Chief Human Resources Officer & Executive VP

Well, good morning. I'm just going to say what Gil said, that's my presentation, it really is, it's about – you've heard it from Ed and Gil and Glen, but the people and importantly the culture at Delta is driving our success. And it is a key competitive advantage, so I just want to stand a few minutes talking a little bit more about our culture and how we are absolutely intentional about how we invest in it, how we care for it, and sustain it for the long term.

So, our culture feels our success. Gil ended with this, it's balanced investment approach. For 90 years, Delta has believed that it's our employees, and the care that they gave our customers that is the start of this virtuous circle. And when we do care for our employees and they care for our customers, customers pay a premium. Our investors are happy, they invest back into the business and the cycle continues.

As, I think, it was asked about our pay increases for next year, we have led the industry in performance, and our employees expect industry leading pay, and we are happy with a very robust profit sharing plan. When the company does well and produces the results that it has, our employees are the highest paid by work group against our global competitors. And that is the commitment that we've made. Ed talked about top tier. But we are industry leading in financial. On the profit sharing program, by work group, that is also industry leading. So, we're proud of our employees. We are grateful for the work they did, and we're happy to continue to lead the industry on those investments.

These are investments that are producing the sustainability, the margins. Like I said, 90 years ago, it is C. E. Woolman, our Founder said, we care for our employees. I love Ed's – if anybody heard that interview when Ed first became CEO, and the interviewer on marketplace said, what is your job description in five words. And Ed said, to care for our employees. He said it just so quickly, and it was five words. And so, we have incorporated the care for our employees in our flight plan, and we'll continue to do it. But beyond the investments we've made in compensation, we are very strategic as well about the investments we make in other ways, it's beyond the paycheck.

So, I'm going to talk about four things that we do that I think we do best at celebrating our employees, and then connecting with them. We have numerous engagement events that the senior leadership team attends. One of them is called Velvet, it's our employee meeting. We started out last year. We've done it for 10 years and they're voluntary attendance. We plan to do eight this year, so that was in our plan, we had to add four more, because – four more, so we did 12, because there are sellouts.

There is pent-up demand for Velvet events. 8,400 frontline employees attended this year. We will have them again next year. Another cool thing that we did though this year is invite all of our international partners to one of our Velvet events. So, we have an international focus, where our partners from Virgin and China Eastern and China Southern and GOL and Aeromexico attended the events as well. So, it allows us to kind of get connected with our partners.

So, we will continue to look for ways to celebrate and connect with our employees. I will tell you one other event before moving to technology. Last month is our Chairman's Club celebration, and we peer-to-peer recognize our 100 best employees every year with an event that's just fabulous. It's the most and highly anticipated event of the year. Ed gave away on this – apart from all the awards or the rewards that they get, just in general, the event itself is lovely. Ed announced that, at the end of the evening, that this group of 100 employees will fly to Toulouse to take delivery of the first A350, and that's not new that we take delivery of the aircraft, but that one is going to be a momentous occasion.

And I'll tell you that the care that the leadership team takes of our employees, it's kind of how we're going to get them back on a delivery flight. Gil figured out a way to get make sure that that aircraft is certified, so that the employees get to fly home on the very first delivery as well. So, that is something that we're going to be looking forward to next year.

We're investing in technology. We're re-platforming our entire HR information system to make the tools for employees easier to use, make our leaders better management tools to manage their teams more efficiently. But, also give our employees the same kind of mobile access to doing business with Delta that our customers have. So, excited about that, making Delta easier place to do business with for our employees.

Development and inclusion is another area of investment that we're making, especially in frontline leaders, leaders for the first time. So, we have created a program called The C.E. Emerging Leaders program, and it's intentional about developing our leaders for the future, our leaders for the next generation of employees, and increasing the diversity of leadership as well.

And then, finally, investments in care and wellness, we have a – as you might know, United Healthcare is our administrator. And I want to share a fun fact, a few years ago, we started investing in a culture of wellness, and really in taking care is not just the right thing to do, but also it's a way to kind of have a more productive workforce, a healthier workforce. So, against United Healthcare's book of business, they have told us that the rate of disease onset is 36% lower at Delta. And they attribute that actually to the wellness programs that we have implemented over the number of years.

But beyond just your physical wellness, we are also very intentional about emotional and financial wellness. We're launching a new program next year called Momentum onUp. And it's really helping employees manage their finances, it's a free service to an employee, but not just a plan for retirement, but their everyday – how to manage finances in everyday life.

And then, we have a number of ways, we care for our employees. One big way is the Delta Cares & Scholarship Fund. Millions of dollars invested by employees, for employees, everyone of the senior leaders here, and all of the leadership team invest in this or contributes to it. And this is to help employees in times of unexpected crisis, or in any personal emergencies. And so, we give out millions of dollars a year in financial assistance and in scholarship to help our employees. It's one of our favorite areas that we invest in, and we invest in many. But [indiscernible] (2:32:14) charities, we're supporting our communities, hundreds of them.

If you look at what is the Delta differentiator, it's our culture. Rules of the Road define our most important values, our most important behaviors, but we give back to our communities. Servant leadership is not just about serving our customers well and serving our employees well, it's also about serving our communities.

In addition to the 1% that we, Ed announced earlier this year, and giving back to our communities, we give back in other ways, donating blood to American Red Cross. We're actually the third largest blood donor to American Red Cross in the country. And the few companies that beat have about three times as number of employees that we do. So, on a per capita-pint, our employees are really giving a lot of blood.

So many other things, BCRF, American Cancer Society, where we raise a millions of dollars to these really well-deserved organizations to end cancer. This is a picture of TechOps, hundreds of bikes built for Toys for Tots. In addition, we donate money. The list goes on and on. Gil mentioned about hiring for that. We do hire for the servant leadership culture. We are very selective in who we hire, but we also are very careful about how we continue to pass it on to the next generation. They are the key differentiators.

And we measure it, we don't just talk about it, we measure it. Ed said that 89%, mentioned earlier, that this is our score this year on our employee satisfaction survey. 89% of our employees that are positively engaged in the brand, are happy with Delta as a place to work, and that's a number that's been going up. And we'll continue to measure this satisfaction, but it's not just us.

Gil mentioned the some new awards that we received. We're very happy that, last week, we received three really important awards. One of them was the second year of Glassdoor's Best Places to Work. And as you may know that Glassdoor is kind of an open source. It's not an award that we apply to. It is award that just is given to us, based on the feedback it gets from our employees.

We also get – it's not on here, but an award called the [ph] Candy Award (2:34:44), as we hire a lot of people, but we get lot more applications. So, this year, we'll take about 600,000 applications for about 6,000 positions at Delta. We received an award for the applicants that are not successful in getting that job. So, there is a company that actually surveys the not-successful candidates and because of the experience that they have, we actually won an award for that.

Two other awards we won last week, Fortune's earlier The Great Place to Work, became a Certified Great Place to Work, but then last week, we won Best Places to Work for Diversity, and also Best Places to Work in LGBT Equality by the Corporate Equality Index, we received a perfect score on that. So, really proud of our accomplishments that always set us a differentiator and Delta's people are the drive to do more. It's that result orientation, servant leadership, and continuous improvement, it's in our DNA.

So, I want to leave you with that message is that, when you have a team of 80,000 employees, all going in the same direction, all really working hard to earn our customers business every day, you can count on that team to continue to produce industry-leading results.

So with that, and to talk more about our financial industry-leading results, Paul Jacobson.

Paul A. Jacobson, Chief Financial Officer & Executive Vice President

Thanks, Joanne, and thank you everybody for being here today. And if you've heard one common thread from all of these presentations, it's really been about Delta people and the Delta family. And I want to take a moment just to, again, recognize the IR Team. Thanks to each and many of you in this room. They were recognized as the best IR Team in the business, and that doesn't come without fantastic leadership. So, Jill, I'm not sure where you are, thank you for everything that you do for the IR Team, and thank you for your leadership and proud of you and the entire team.

We also have many others here, from the Treasury Department, Ken, Andy, Barbara, Kevin and from other areas of Finance, Shawn, Brian, Vishant, and Charith. We really couldn't do this without each and every one of you. And as evidenced by the fact that the stock is up 3%, the materials are fantastic, the previous speakers are good, and if it goes down from here, it's only my fault in the delivery and not yours.

You've heard a lot about differentiation in all of the presentations today. The reality is anyone can pursue differentiation. That's not a novel concept. It's worked across industries. Many have de-commoditized, and nothing is different here. But what is different is we've done it while expanding our cost advantage, improving our balance sheet, improving our returns on capital, and really, really maturing the business. That's innovation and that's what's different than the way it's been done before and what we've seen and what's new in this industry.

So, as we think about going forward, many of the key things that you've heard me speak about are still in play. When we differentiate ourselves in our customers' eyes, we also have to focus on differentiating ourselves in our shareholders' eyes as well. While continuing to invest in our people and the customer experience, we've managed to drive productivity in the business that historically hadn't been there.

Sale advantage, consolidation, Delta people, the culture, we're just doing it differently, and that's what's fundamentally different about this business. We continue to expect non-fuel unit cost growth to be 2% over the long term, and we'll talk a little bit about 2017, but nothing was changed on that goal, and we continue to believe that it's very achievable and have many, many opportunities still ahead of us and a lot of runway to go.

We've got to stay focused on capital efficient investments. We've scaled our CapEx as we've scaled up in our cash from operations and continue to drive cash flow, and ultimately free cash flow efficiency in the business, differentiating ourselves from the industry, and certainly differentiating ourselves from the past in the history. And we've deployed that in a balanced fashion. Nobody can argue that there aren't opportunities in the short term to overemphasize debt paydown or overemphasize share buyback.

But the long term, best way to go that we're proving time and again is to be balanced in our approach, invest in the future, invest in our balance sheet, and create that solid foundation, and return cash to shareholders in a continuous and consistent manner. All that begins with our cost performance.

And we have got a tremendous team across the business, running just about every business unit, as the best most efficient business unit in the industry. We set out almost five years ago on the heels of a couple of years of cost inflation, while we were deliberately investing in the operation to turn the performance and the operational performance around. But we knew we had to address costs, so as we sat here four years ago, we committed that we were going to deliver non-fuel CASM on a consistent basis over the long term of less than 2%.

And we've done just that. From 2013 through 2017, our non-fuel CASM, including profit sharing's been about 2.5 points, was just about over 0.5 point of that being due to the profit sharing and the tremendous growth that we've seen in our pre-tax earnings.

For 2017, we expect our costs to be in the 2% to 3% range. Cost pressures are weighted obviously towards the first half of the year because we've got the, as Ed mentioned, the lumpiness of the pilot contracts and the way the accounting recognize it, but we can expect on a run rate basis to be in that 2% to 3% range for 2017. Ultimately, that's driven by conservative capacity growth, and we don't want to solve CASM with capacity. We want to focus on running the business for the long term.

So as we've outlined in our goals over the last several years, we believe over the long term we can keep cost inflation below 2%, assuming about a 2% growth rate. And you see that here, that consistent result, when you average that with the lower capacity growth that we see this year. That's going to come on the backs of $1.5 billion of productivity. While that sounds like a big number, it's not inconsistent with what we've been driving year-in and year-out in the business.

We've probably averaged about $1.2 billion to $1.3 billion in cost productivity each and every year. And as the team just completed the budget process, I'm pleased to report that we've got a lot of this identified. It's not easy. And in fact, it gets a little bit harder year-in and year-out, but the team has shown time and again our ability to drive efficiencies out of the business in a way that our customers and our employees don't see it.

We've been doing that while only enhancing the product for our customers and enhancing the work experience for our employees. That's another way that the business model was different than we've been there before. The foundation of that cost performance is our upgauging. And as we've talked about before, we've been upgauging about 4% or 5% since 2013. We still have a lot of runway to go.

Based on the current delivery stream and the fleet plan, we've got another 5% of upgauging to go between now and 2018, as we continue to take delivery of the 737s and the A321s. We retired the 50-seat airplanes. We're on our way to 100 as we've talked about. And we began and commit to replacing the MD-88s. Gauge and the narrow-body space creates ultimate efficiencies and with the power of our hubs, we're able to turn that efficiency into better profitability and better margin performance.

But gauge isn't always the answer in every single market. In fact, when you look across many of the wide-body – or many of the international markets and the wide-body economics, you're looking for trip costs and you're looking for seat costs and you're looking for product improvement. As Glen talked about, we'll take delivery of the A350-900 alongside the A330neos that we'll be taking. We're going to drive significant efficiencies in seat cost across the Pacific, while enhancing the customer experience and dramatically reducing our overall costs compared to the 747, really kind of a finance person's dream when you can enhance customer service while also lowering cost and driving more efficiency in the business.

I can't say enough about what Gil's team across the board and what the Delta family have done for cost efficiencies and operational efficiencies. The reality is across the board whether it's in airport customer service, in-flight, flight ops or technical operations staff, every measure we can measure, every performance metric that we can drive performance to is being tracked and is being managed, and we're exceeding our goals each and every year.

It comes with a lot of investment and we've made that investment. We've largely absorbed that through the efficiencies of the business, the things like adding line maintenance stations, going out and figuring out where do we need to put additional resources to drive more efficiency into the business because things happen. Sometimes things break and we've got to be there and we've got to be there in a swift, efficient fashion in order to minimize that impact on our customer, and the team's done a fantastic job.

Crew scheduling systems. At the end of the day, we know weather is going to be bad sometimes. Customers understand that. What customers don't understand when after hours of delay, they still don't have a crew and they can't get there. We've invested in technology and crew scheduling efficiencies in order to notify and position our crews more efficiently, to produce and minimize those delays going forward, including when the system has to get re-routed because of the weather or because of maintenance.

Again, focused investment in the customer and enhancing the employee experience. Gil talked a little bit about RFID. RFID is another great example. Customers love it. Customers love being able to eliminate the uncertainty of the baggage experience. And when you can hold in your hand and know exactly where your baggage is at all time, it releases anxiety and it improves the experience for the flight.

But also for us, it drives $20 million approximately in annual savings from reduced mishandled bags, from reduced claims, and just better overall management of the baggage system. As we all know, clean factories run better. They run more efficiently and they run at lower cost. That's precisely what we're doing across the operation and across the global network. We've decreased taxi times by 2.5% over the last two years, drives fuel efficiency but more importantly drives on-time performance, which makes the factory run cleaner.

But if you ask me one thing that I'm most proud of it's what our maintenance team has done across the board because if you look at our maintenance costs against all of our peer sets, we couldn't be prouder of what our maintenance team does. Whether it's through innovation, productivity, just doing things smarter and more efficiently, we're able to drive a significant amount of advantage in maintenance cost per block hour for our fleet. All the while, many of our competitors are enjoying a bigger and longer running maintenance honeymoon from their new fleets and the capital that they've deployed in that.

Yet, we're still, as you can see, widening the lead and widening the gap. So as we continue to drive and re-fleet the business in a disciplined fashion, we're going to continue to see improvement in our maintenance costs as well and hopefully widening that gap into the future.

As I mentioned clean factories run better. We estimate that our operational performance that Gil talked about that he is so proud of and by all means should be, paves us over $100 million a year in frictional costs. It is a frictional cost of crude being out of position, of flights being delayed, of re-accommodating customers, of mishandling bags. Over a $100 million more efficiently, because in 2016 we cancelled over 5,000 fewer flights than we did in 2010.

And in 2016, over 200,000 flights arrived on time, more than what we saw in 2010, clearly driving efficiencies in our factory and allowing us to produce our units at a much, much lower cost going forward. That's increasingly important, as we see rising fuel costs. We all knew it was coming. We all expect it be coming. It appears that it's here, although you can never take anything for granted and we don't know what's going to happen. So we're preparing the airline for higher fuel costs, as we've been talking about for several months.

The number one mitigation that we can do for fuel exposure is to simply burn less fuel, whether it's through the operational efficiencies, the upgauging efficiencies or just overall fleet enhancements. We've been taking down a consistent 1.5% reduction in our fuel burn per ASM. That's our commitment in our sustainability report and it's our commitment to the IATA standards, and we're going to continue to drive towards those results and we expect to be able to achieve them, as we continue to drive more efficiency in the fleet, because the new aircraft are 20% and 25% more fuel-efficient. Not that we're going out and buying airplanes for fuel efficiency, but through the need to replace our fleet and refresh our fleet in a capital disciplined manner, we're able to drive further efficiencies through the business.

So as we look ahead into 2017, market fuel prices are projected to increase about 30% or add about $1.2 billion in incremental fuel cost to the operation. That headwind is going to be greatest in the first quarter. If you recall, the first quarter of 2016 is where we dropped below $30 a barrel and we've been on a steady trajectory since then. The first quarter is going to be the toughest comp and we'll have an outsized impact on our margins in 2017. But we continue to run the business and drive in order to be able to recapture that added costs.

Again, for the second year in a row, we have no open fuel positions from our previously-closed hedges. We have about $300 million of previously disclosed hedge losses that will amortize throughout the year, pretty evenly, but that largely is behind us. We haven't entered into a new hedging since the third quarter of 2014, and we have no plans to do so in the immediate future. But what we are focused on is doing everything we can commercially and through our ownership in the refinery, to drive a sustainable competitive advantage in the way we buy fuel.

We get a lot of questions about the refinery and make no mistake, the refining business is cyclical. Perhaps the only thing in our career that may have been more cyclical than the airline industry is the refinery business. But all we've been able to do, since acquiring that refinery, is build a consistent and we believe sustainable competitive advantage in the way that we buy fuel throughout the system. It provided us with the logistical expertise and even playing field in every negotiation that we have throughout the world.

And while we expect the refinery to post a small profit in 2017, the core foundation is found in the chart that you see in the bottom of page 33. What that chart shows you is the unhedged price of fuel across the industry and how we compare. And you can see, in 2012 and before, we were consistent. Everybody pretty much paid the same amount per gallon of fuel across the system. Some people had tax advantages, so some people had geography advantages, but it all pretty much evened out.

Since purchasing that refinery, you've seen a steady dose of outperformance from Delta. Now the amount of this outperformance varies based on the profitability of the refinery. It peaked in 2015 when we had a $290 million profit at the refinery. But if you look at even though years where we lost money in the refinery in 2013 and again we expect about a $100 million loss in 2016 for the refinery, we're still consistently driving an advantage to our competitors even with that refinery loss.

And we feel good about that, because at the end of the day those refining profits are going to be cyclical. And if we can continue to drive that advantage consistently, we know in the long term this is a great hedge for Delta against what the refining industry might do. If supply gets constricted in the Northeast, as it was about to be in 2012 when we bought it, we have an incredible well-positioned hedge that finances itself through the advantages that we can get in the operation.

The key that you've heard today, in fact I was joking with Glen, that if you look at the agenda, Glen and I have a sustainability and durability sandwich in this presentation. But the overall key to what we have to do to prove difference from our history and from the industry is to drive sustainability.

Ed talked a lot about the long journey. This is a long journey. We've made a lot of progress, but we still have a lot of work to do and we're committed to doing that over the long term, but we're committed to doing it in a balanced way. We're not going to starve the business. In fact, we've been reinvesting in the business at an increasing rate, as we've driven efficiencies in our cash flow. It will allow for the replacement about 30% of Delta's mainline fleet, achieve our near-term needs in the aging fleet, particularly the MD88.

We're making strategic investments to the network to really drive diversification in our revenue base and to enhance our global network in the most capital efficient way that we can, and it provides for continued investment in technology. There is one thing that was reinforced in August is, we're every bit a technology company as we are an airline. No that wasn't valuation argument, but it's the reality of what we are. We're dependent on technology and our customers demand technology in our business. We have to continue to invest in that to enhance the customer experience and drive efficiencies in the business.

We're not done strengthening the balance sheet. We do know that the business is cyclical and we have to be prepared for that. As we talked about before, our goal is to weather any storm that may come before us, and to do it in a way where we can consistently return cash and generate cash for our shareholders and our owners. That progress has been recognized with upgrades from Moody's and Fitch and we're thankful for that, and also want to welcome Betsy here from S&P. We're thankful for that one day too, can't let that go.

With that balance sheet progress that we're making and these goals, are aligning up to allow us to continue to make those investments up until the time we expect to become a cash tax payer, and it will shift that burden into cash taxes when we make that transition having achieved our long-term goals, while still allowing us to continue to invest in the business and to continue to be disciplined about the way we return cash to shareholders.

We expect to return at least 70% of our free cash flow over the next few years, as we talked about. We've now repurchased over $7 billion – returned more than $7 billion and repurchased 17% of the outstanding shares of the company. Probably most impressive though is, we've done that while also paying down about $5 billion of debt and funding our pension over that same timeframe.

Our plans going forward are to increase the dividend. We believe that is a valuable tool. We've got a good track record of doing it, and we're committed to continuing to drive the importance of the dividend in the overall valuation argument for Delta. But it starts with our disciplined investment strategy.

When you look at our targets, we've outlined pretty clearly that our CapEx is targeted to not exceed 50% of operating cash flow. That number has gone up in successive years since we began this process early in this decade, but has gone up in a responsible way as we've continued to drive the efficiencies in our business and continued to drive cash flow. When you look at how we compare to not only our competitors, but also the high-quality industrial transport average, we're not starving the business.

A lot of this efficiency is driven by the fact that we're outperforming any one of these competitors that you've put in the pool over the last couple of years in cash from operations, and that's being used to fund the business, meeting the commitments and meeting the needs of the company to invest in the future. So whether it's fleet, technology or strategic investments, we're going to continue to position the business for the future because that's going to be the key for sustainability. This isn't a short-term play where we can starve the business in an effort to make cash flow better, we need to continue to drive that innovation and product improvement in the business going forward.

We also have a pension obligation that we've got to meet, and there's no change in this strategy. We continue to believe that it's right for us to put $1.2 billion into the pension plan through 2020. That will get us to a target at about 80% funded status, assuming interest rates don't change. But as we've seen since the election, interest rates have gone up by about 50 to 75 basis points over that time period. Each 50 basis points represents about $1.3 billion improvement in that balance sheet liability in that unfunded liability.

So as you think about where we are with our low debt balance and with our pension status, we are uniquely positioned within the S&P 500. The benefit from an increase in interest rates, as you look at our cash flow performance and what that increase in interest rates will do for our pension liability going forward. We're also building inherent flexibility into the business, because our minimum required contribution has gone from about $800 million a year when we started this progress down to less than $500 million a year. We don't want to, but if we have a shock to the business, there is embedded flexibility in there that we can continue to realize. But for the time being, we are absolutely committed to funding this obligation and continuing to meet the needs of our retirees.

We've also paid down a significant amount of debt, really proud of the treasury team and really the entire company for setting its sights on this goal. When we originally set out on this in 2009, we had $17 billion of debt and $1.3 billion a year in cash interest expense for the business. That was a big drain on profitability. It was a big drain on the resources of the company. And I'm proud to say that we paid down almost $11 billion since that time, and we're continuing to drive efficiencies. If you look at our debt-to-EBITDAR, we've taken it down almost 100%. And actually, our debt-to-EBITDAR trends favorably against what you'd see in a similar ratio among those high quality industrial transports that we speak of with a ratio that's about half of what we see against those competitors and against that industrial set that we like to compare ourselves to.

We're currently targeting $4 billion of adjusted net debt by 2020. We've slowed the pace down, as we talked about. The opportunities for interest savings are not quite as prevalent as they were, say, seven years ago when we started this, but it's still an opportunity for us to drive that, and we're continuing to improve our credit worthiness through that.

We've done it while providing consistent commitment to shareholder returns. We've been steadily increasing our dividend, our run rate at $0.81 a share is up to $615 million a year, significantly improved and very, very proud of this number from when we started in 2013 when we became the first U.S. airline to pay what we called at the time the first meaningful dividend in the business and not a check the box dividend. The growth in that dividend shows the commitment of the management team and the Board of Directors for driving value in that dividend and consistency in the return of capital back to shareholders.

Our share repurchases, as we said in May, we expect to complete our $5 billion authorization by mid 2017, but we're doing in a way that allows us to still pay down debt. That's what makes us unique in this business and what makes us sustainable we believe for the longer term rather than just a short-term play on the valuation.

And ultimately that comes down to durability. We've talked about this before and I don't want to come up and talk about valuation, but as I said to somebody during the break, at the end of the day, if you stop asking me about RASM, I'll stop talking about valuation. But at the end of the day, those two are inextricably linked, aren't they?

Our job here is to provide that durability and that confidence in the business and in our ability to price through cost increases and pass those through to our customers. And there's probably not a better measure to look at in terms of how efficiently are we driving the business than free cash flow conversion, how much of our net income are we actually converting to free cash flow. And you can see, over the last couple of years, we've done that at a rate that's nearly double to high quality industrial transports. Now, admittedly, some of that is due to tax and where we sit with our net operating losses. But we're converting at this rate while also contributing more than $1 billion to our pension plan, which we know isn't there for the long term. We're at an intermediate stage in that.

So we believe that the free cash flow conversion ability of the airline and ultimately how that translates into shareholder returns per share is something that we can sustain over the long term, even if it's not at the current rate, it's something that we can sustain that's meaningful and comparable and long term for what we can do, and all the while we've been returning this capital while paying down debt, let's not forget that.

In closing, we've come a long way, but we are not done. You heard about our operational advantage, our customer value proposition and how it continues to grow. Many talk about how they are pursuing Delta and going to catch us. We're not going to stand still. We still have a lot of opportunities ahead of us. Our international investments and joint ventures are unique value drivers for Delta, that complete our global network in a much, much more capital efficient way and drive higher return on invested capital through those partnerships and the quality of those relationships that we have.

We're entering a new phase with AMEX and SkyMiles, as Glen articulated, as this currency creates unique and powerful opportunities to expand our earnings and our margins going forward. We have a lot of fleet renewal ahead of us in a disciplined way that's not going to over-consume cash, but it's going to afford us further improvement in our cost efficiencies and Gil is never going to be satisfied with an operation if he has 365 completion – 100% completion factor days, he is going to be praying for a Leap Year so that he can beat that goal, and that's true throughout the entire culture.

So, the mission of this leadership team and the mission of the Delta family continues to be to drive superior, consistent return for our owners for years to come. We thank you for that support. We thank you for your attendance here.

Now, I'd like to invite Ed, Glen, and Joanne back up to the stage for another brief Q&A. Thank you.

QUESTION AND ANSWER SECTION

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Thank you. It's Mike Linenberg here with Deutsche Bank. Two questions for Paul. Number one, I think the last that you – with respect to – being a cash taxpayer, assuming that there is no change in tax code, are you still on track to pay cash taxes in 2018 and do you have a sense of what your cash tax rate will be, how close are you think to your marginal tax rate?

<A – Paul Jacobson – Delta Air Lines, Inc.>: Sure. Thanks for that question, Mike. As we talked about last year, our expectation was that we would become a partial taxpayer in 2018 and really a full taxpayer in 2019. That's actually probably slid back a little bit. If there is a cynical benefit to lower RASM is that our NOLs are going to last a little bit longer. Not the right way to do that, but we certainly expect that we'll pay slightly less taxes in 2018 than we thought last year because of where 2016 sat and still become a full taxpayer in 2019, of course, assuming no change in the tax realm.

From a cash tax rate, we talked about before the two biggest drivers between book differences and tax differences are depreciation. We are in a big re-fleeting cycle, as we've talked about. And for tax purposes, those airplanes depreciate over eight years versus the 25 years that they do for book. So, that's a sizable advantage that reduces our tax burden in the short term, as well as 100% deductibility of our pension contributions. So, we're contributing at a rate of $1 billion over pension expense.

So, all of that distills to where we think for the foreseeable future, again absent any change in tax law, then our cash tax rate would be in that 20% to 25% range, consistent with what we talked about last year.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Great. And just the second question on hedging. You indicated that you at this point have no plans to engage into future fuel hedges. And I'm just curious maybe what's driving that. Is it just looking at where the curve is, the cost of hedging, or the fact that maybe your two largest competitors I don't think are going to engage in hedging either. I mean, is that part of the calculus here, if you could just elaborate on this?

<A – Paul Jacobson – Delta Air Lines, Inc.>: Well, I think that's part of it, Mike. Certainly, we've talked about transforming the way we think about hedging in our cash flow performance and our balance sheet affords us the ability to take a little bit more risk than we could before and certainly maybe even our competitors from that standpoint. But if you look ahead to 2017, I talked about we have $300 million of tax hedge losses that we have to absorb. And I think we've got to be able to demonstrate our ability to pass through higher cost before we go start voluntarily adding additional cost to that fuel line. So, I think we'll continue to look at it. But based on where prices have moved, based on the way the current book is and where option premiums are, we don't really see any incentive to do that at this point in the future.

<Q – Jamie Baker – JPMorgan Securities LLC>: Hey, guys. Jamie Baker with JPMorgan. Paul, the targets that you laid out today in terms of strategic investments, cash flow for next year and what have you, does that envision winning or losing the Avianca bid?

<A – Paul Jacobson – Delta Air Lines, Inc.>: We're not going to comment on Avianca, whether we're in it, I know it's been reported.

<Q – Jamie Baker – JPMorgan Securities LLC>: Well, let me ask...

<A – Paul Jacobson – Delta Air Lines, Inc.>: If Ed wants to talk about that in any detail at all.

<Q – Jamie Baker – JPMorgan Securities LLC>: Well, let me ask...

<A – Paul Jacobson – Delta Air Lines, Inc.>: I suspect that that was going to be his answer.

<Q – Jamie Baker – JPMorgan Securities LLC>: In three of the past five years, you have made strategic investments in other airlines, so it seems slightly more likely than not that we should have something in our numbers for that. And I'm wondering if the projection that you gave today envision any sort of strategic investment given that Delta has been prone to do that of late.

<A – Ed Bastian – Delta Air Lines, Inc.>: You want me to take that, Paul?

<A – Paul Jacobson – Delta Air Lines, Inc.>: Sure.

<A – Ed Bastian – Delta Air Lines, Inc.>: Jamie, in the long range plan that we give each spring, we always include a component of our CapEx and it's a flexibility for opportunities, not necessarily acquisition, but opportunistic investment. So, we'll – that we always have something there, embedded in there, yes.

<Q – Jamie Baker – JPMorgan Securities LLC>: So there's something going in there?

<A – Ed Bastian – Delta Air Lines, Inc.>: Yeah.

<Q – Jamie Baker – JPMorgan Securities LLC>: Okay. That's helpful. And my second question, actually I was going to ask Gil, but for whomever would like to take it. Any commentary on pilot retirements coming up, the pilot shortage as a gating factor on the industry capacity growth and everybody is talking about shifts in the regulatory environment given the Trump administration. Any industry appetite to roll back to 1,500 hour rule, which in my opinion probably would lead to capacity increases and lower RASM?

<A – Ed Bastian – Delta Air Lines, Inc.>: We, as all the majors, are going to be facing increasing retirements in the next five years. At the current time, we're I think somewhere in that 500 to 700 retirement number where we'll stay probably for the next year or two and then it starts to creep up close to 1,000 pilot retirements by the end of the decade on an annual basis. Today, we've got 13,000 pilots, to put that into context. Yeah, I'm not going to comment on the 1,500 hour rule. There's various viewpoints out there, we're not actively engaged on that topic.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Hey, good morning, guys. Dan McKenzie with Buckingham. A couple of questions for Paul. Number one, are you managing the balance sheet to a specific credit rating? Is the goal a AAA rating or is minus sufficient? The reason why I ask that is because at some point, aircraft financing I would imagine will be part of the pool of capital you could return to shareholders. So, I was just wondering if you can provide some more perspective around that as we look ahead, not just this next year, but as – we got investors now that are actually looking longer term, one to three years, if you can kind of give some perspective around that. And then I just have a follow-up question as well.

<A – Paul Jacobson – Delta Air Lines, Inc.>: Sure. I think we've been pretty consistent, Dan, and the way we thought about it, which is we want a balance sheet that can consistently produce investment-grade metrics. We've never targeted a rating simply because we know the history of this business and we know the cyclicality of the business and we've got to create a balance sheet that provides that foundation for the business, not as a means to create future value by levering up, but more in the vein of long-term sustainability and durability. So no matter what may come our way, we can continue to drive and continue to invest and provide the shareholder returns on a consistent long-term basis, not as a means to fuel financial engineering project.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Got it. Aircraft financing as part of the pool of capital returned to shareholders over time.

<A – Paul Jacobson – Delta Air Lines, Inc.>: Well, I mean, ultimately, again, we've talked about getting to a $4 billion net adjusted debt goal over the long-term. We have a lot of debt maturing between now and 2020 to help us do that. Eventually, you come to a time where you are not going to pay down debt and there is refinancing. Aircraft financing can be a part of that, the unsecured markets can be a part of that. And what we want to do is to create the ultimate flexibility to have the largest number of alternatives available for us because the historical model is in times of need.

The airline industry issues equity, securities and convertibles and dilutes the shareholders at the worst possible time. So the longer we can recreate a foundational balance sheet to provide many, many more alternatives to get us through those storms, the stronger we're going to be and the more reliable we're going to be in the context of a long-term high quality investment.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Second question, as we think about return of capital over the longer-term, one to three years, dividends today $615 million in the context of $4 billion in free cash flow. Do you think about that buyback, dividend dynamic, where should we think about that dividend growth projection as we look forward, say, three years?

<A – Paul Jacobson – Delta Air Lines, Inc.>: Well, we always talk about our long-term plans that are long-term meeting in the spring, this year it will be no different. I think there is a general sentiment that we all see a lot of value in the dividend, and I'm not going to comment on where we might take that over the next few years. We have time to make those decisions, but I think the common thread is we do see value in that and we're going to continue to see value in that.

<A – Ed Bastian – Delta Air Lines, Inc.>: And we're going to keep increasing it, until we get to the S&P 500 target in terms of the average range for an S&P Industrial. And then at that point, we can reconsider how much more we want to go. But, we want to get it up into that 2% to 2.5% range.

<Q – Joe DeNardi – Stifel, Nicolaus & Co., Inc.>: Paul, just a quick question on the CASM-Ex, is the pilot contract fully captured this year? And then there is no visible impact on CASM-Ex next year or part of the 2% to 3% of the pilot for the next year?

<A – Paul Jacobson – Delta Air Lines, Inc.>: The full amount of the initial raise and the retro is captured this year. There is another adjustment that takes effect January 1. And we've announced across the board pay raises for our non-pilot group as well. So, those are all baked into to that two to three projection going forward.

<Q – Savi Syth – Raymond James & Associates, Inc.>: Thank you. A few questions. The first one is – and maybe this is for Joanne. A big part of cost productivity has to come from having a direct relationship with your employees. Is there – and I mean, I know we've had runs on maybe that relationship not being maintained. Are you doing anything today that's different to make sure that you continue to have that direct relationship?

<A – Joanne Smith – Delta Air Lines, Inc.>: It's foundational to Delta's value is to have a direct open relationship with our employees. And so, we're not doing anything different than we always had, which is just making sure that they are highly engaged. And we're supporting our employees, and in turn [ph] this is what the companies are (3:16:18), nothing different.

<Q – Savi Syth – Raymond James & Associates, Inc.>: Second question is for Paul, I've noticed that the ROIC is not discussed in today's presentation, is that something for the May event, or we should read into anything of that?

<A – Paul Jacobson – Delta Air Lines, Inc.>: No. Don't read anything into that. We typically look at return on invested capital over the long term. But if you look at our results from 2016, we continue to drive performance in ROIC, it's a core component of the leadership team's compensation, package, and certainly one of the things that we're driving towards. It wasn't particularly different than what we've talked about. But as we think about that over the long-term and certainly as we get into the next iteration of the three year and five year plan, taxes become a bigger component of that and it will shift and we will spend a little bit more time talking about that in the May materials.

<A – Joanne Smith – Delta Air Lines, Inc.>: For now, that old metric is 20% to 25%, but that is still...

<A – Paul Jacobson – Delta Air Lines, Inc.>: Absolutely, still intact.

<A – Jill Greer – Delta Air Lines, Inc.>: We've got time for one more question.

<Q – Duane Pfennigwerth – Evercore Group LLC>: Hey, thanks. Duane Pfennigwerth, Evercore ISI. Did I miss it? Did you guide CapEx for 2017-2018?

<A – Paul Jacobson – Delta Air Lines, Inc.>: We didn't give a specific number on 2017 or 2018, we said it will be about 50% of operating cash.

<Q – Duane Pfennigwerth – Evercore Group LLC>: Okay. Do you care to put a finer point on it, relative to maybe 2016?

<A – Ed Bastian – Delta Air Lines, Inc.>: I think it would be pretty consistent with 2016.

<A – Paul Jacobson – Delta Air Lines, Inc.>: It's in line with the guidance we've given, Duane.

<A – Ed Bastian – Delta Air Lines, Inc.>: Yeah. Pretty consistent.

Jill Greer, Vice President, Investor Relations

That's going to wrap the Q&A session and we are going to have one final closing item. I'm going to ask Ed to stay on the stage and for all of our frequent flyers, we're going to play a video that will be familiar to all of you.

So, if we can play our video.

[Video presentation] (03:18:11-03:19:15)

Edward H. Bastian, Chief Executive Officer

You've all heard Joanne talk about our culture and the importance of our culture in giving back to the people we serve, and including the community and our customers. We're going to do something little different today, and you're all going to be part of it. So, as you know, we traditionally provide gifts and raffle things after lunch. We are not going to do that this year, instead we are going to make a contribution on your behalf of $25,000 to the Marine Toys for Tots and it will be in lieu of that and absolutely.

And it's going to be devoted to making Christmas a little brighter for the children right here in the New York City area. We have a great partnership with Toys for Tots. We've now eclipsed $625,000 this year in contributions for Toys for Tots in all cities over the U.S. including $100,000 for National

Literacy Program that Toys for Tots runs. We give more than just money to the Toys for Tots. This past week, at Delta TechOps, they assembled in Atlanta more than 800 bikes that were donated and assembled by our aviation maintenance techs, and Toys for Tots will be distributing those bikes over the coming days.

So to that point, I'm pleased to welcome to the stage, Staff Sergeant Herbert Nicholas from New York Toys for Tots.

Herbert Nicolas, Local Coordinator, Marine Toys for Tots Foundation

Thank you.

Edward H. Bastian, Chief Executive Officer

And I'm also pleased, we've got a very special guest here today, Lieutenant General Pete Osman, who is the President and CEO of Marine Toys for Tots. Welcome, Pete.

Pete Osman, President and Chief Executive Officer, Marine Toys for Tots Foundation

Thank you. Thank you, very much. Thank you.

Edward H. Bastian, Chief Executive Officer

Okay, come on up here. And we admire what you do for our community and for our children and your commitment to the cause, and we're pleased to partner with you. And we're going to contribute, provide you this check and Lieutenant General, we'll give you an opportunity to say a few words.

Pete Osman, President and Chief Executive Officer, Marine Toys for Tots Foundation

Mr. Bastian, thank you, obviously very, very much. I've got to admit the Staff Sergeant is the one who does the heavy lifting here in New York City. The Staff Sergeant right here is coordinating the entire Toys for Tots campaign in the New York City area. He is doing a great job. He deserves a hand of applause. Believe me, he can use that $25,000 and the $625,000 that Mr. Bastian mentioned, believe me across the country, we'll really make sure that that money is well used.

All I can say is on behalf of the Marine Corps, my Board of Directors, thank you. But more importantly, there are millions of less fortunate children in this country that are going to experience the joy of Christmas and receive a message of hope that would ordinarily not be there were it not for your generosity in making this kind of thing happen. So, thank you very, very much on your behalf.

Thank you, sir.

Edward H. Bastian, Chief Executive Officer

Yes, thank you gentleman. We are going to have, or we were going to have a couple of the Marine's come and police the Q&A session – for you just if in case anyone got out of line today, but it's been a great morning. Thank you for your attention. Thank you for the opportunity to hear and engage with us on the plan for 2017. We are proud of our accomplishments. We know 2017 as we say is a transition year for Delta, but we are very focused on the long-term and building that durability and sustainability that's going to make all the difference for you. Over time as investors, we work for you and we appreciate your sponsorship and your patience with us and your support.

So, thank you. We are going to have lunch. Downstairs, I guess, Jill?

Jill Greer, Vice President, Investor Relations

Downstairs.

Edward H. Bastian, Chief Executive Officer

Downstairs as always and we will all stay and enjoy your lunch. So thank you again.