

## **Non-GAAP Financial Measures**

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

*Forward Looking Projections.* Delta is unable to reconcile certain forward-looking projections to GAAP as the nature or amount of special items cannot be estimated at this time.

**Pre-Tax Income and Net Income, adjusted for special items**

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

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

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

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

*Loss on extinguishment of debt.* We adjusted for loss on extinguishment of debt in 2014 to assist investors with their analysis of the company's core financial performance.

*Income tax.* Pre-tax income is adjusted for the income tax effect of special items. We believe this adjustment allows investors to better understand and analyze the company's core financial performance in the periods shown.

| (in millions, except per share data) | Three Months Ended<br>September 30, 2015 |               |               | Net Income<br>Per Diluted Share          |
|--------------------------------------|--|---------------|---------------|--|
|                                      | Pre-Tax<br>Income                        | Income<br>Tax | Net<br>Income | Three Months Ended<br>September 30, 2015 |
| GAAP                                 | \$ 2,072                                 | \$ (757)      | \$ 1,315      | \$ 1.65                                  |
| Adjusted for:                        |  |               |               |  |
| MTM adjustments and settlements      | 99                                       | (38)          | 61            |  |
| Virgin Atlantic MTM adjustments      | 13                                       | (5)           | 8             |  |
| Total adjustments                    | 112                                      | (43)          | 69            | 0.09                                     |
| Non-GAAP                             | \$ 2,184                                 | \$ (800)      | \$ 1,384      | \$ 1.74                                  |

| (in millions, except per share data) | Three Months Ended<br>September 30, 2014 |               |               | Net Income<br>Per Diluted Share          |
|--------------------------------------|--|---------------|---------------|--|
|                                      | Pre-Tax<br>Income                        | Income<br>Tax | Net<br>Income | Three Months Ended<br>September 30, 2014 |
| GAAP                                 | \$ 579                                   | \$ (222)      | \$ 357        | \$ 0.42                                  |
| Adjusted for:                        |  |               |               |  |
| MTM adjustments and settlements      | 347                                      | (132)         | 215           |  |
| Restructuring and other              | 570                                      | (215)         | 355           |  |
| Loss on extinguishment of debt       | 134                                      | (51)          | 83            |  |
| Virgin Atlantic MTM adjustments      | 7  | (3)           | 4             |  |
| Total adjustments                    | 1,058                                    | (401)         | 657           | 0.78                                     |
| Non-GAAP                             | \$ 1,637                                 | \$ (623)      | \$ 1,014      | \$ 1.20                                  |

**Operating Margin, adjusted**

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We adjust for the following items to determine operating margin, adjusted for the reasons described below:

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

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

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

|                                   | <b>Three Months Ended</b> |              |
|-----------------------------------|---------------------------|--------------|
|                                   | <b>September 30,</b>      |              |
|                                   | <b>2015</b>               | <b>2014</b>  |
| Operating margin                  | 19.9%                     | 7.5%         |
| Adjusted for:                     |                           |              |
| MTM adjustments and settlements   | 0.9%                      | 3.1%         |
| Restructuring and other           | -                         | 5.1%         |
| Refinery sales                    | 0.2%                      | 0.1%         |
| <b>Operating margin, adjusted</b> | <b>21.0%</b>              | <b>15.8%</b> |

## Operating Cash Flow, adjusted

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We present adjusted operating cash flow because management believes adjusting for these amounts provides a more meaningful measure for investors. Adjustments include:

*Hedge deferrals.* During the March 2015 quarter, we effectively deferred settlement of a portion of our hedge portfolio until 2016 by entering into fuel derivative transactions that, excluding market movements from the date of the transactions, would provide approximately \$150 million in cash receipts during the September 2015 quarter and \$150 million in cash receipts for the December 2015 quarter. Additionally, these transactions will require approximately \$300 million in cash payments in 2016 (excluding market movements from the date of the transactions). By effectively deferring settlement of a portion of the original derivative transactions, the restructured hedge portfolio provides additional time for the fuel market to stabilize while adding some hedge protection in 2016. Operating cash flow is adjusted to include these deferral transactions in order to allow investors to better understand the net impact of hedging activities in the period shown.

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

| (in billions)                                       | <b>Three Months Ended</b> |     |
|---|---------------------------|-----|
|   | <b>September 30, 2015</b> |     |
| Net cash provided by operating activities (GAAP)    | \$                        | 2.1 |
| Adjustments:  |                           |     |
| Hedge deferrals                                     |                           | 0.1 |
| Hedge margin  |                           | 0.2 |
| Net cash provided by operating activities, adjusted | \$                        | 2.4 |

## Free Cash Flow

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

*Hedge deferrals.* During the March 2015 quarter, we effectively deferred settlement of a portion of our hedge portfolio until 2016 by entering into fuel derivative transactions that, excluding market movements from the date of the transactions, would provide approximately \$150 million in cash receipts during the September 2015 quarter and \$150 million in cash receipts for the December 2015 quarter. Additionally, these transactions will require approximately \$300 million in cash payments in 2016 (excluding market movements from the date of the transactions). By effectively deferring settlement of a portion of the original derivative transactions, the restructured hedge portfolio provides additional time for the fuel market to stabilize while adding some hedge protection in 2016. Free cash flow is adjusted to include these deferral transactions in order to allow investors to better understand the net impact of hedging activities in the period shown.

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

| (in billions)                             | Three Months Ended<br>September 30, 2015 |       |
|---|--|-------|
| Net cash provided by operating activities | \$                                       | 2.1   |
| Net cash used in investing activities     |  | (1.0) |
| Adjustments:                              |  |       |
| Hedge deferrals                           |  | 0.1   |
| Hedge margin                              |  | 0.2   |
| Total free cash flow                      | \$                                       | 1.4   |

## Return on Invested Capital

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Delta presents return on invested capital as management believes this metric is helpful to investors in assessing the company's ability to generate returns using its invested capital and as a measure against the industry. Return on invested capital is adjusted total operating income divided by average invested capital.

| (in billions, except % of return) | <b>Last Twelve Months Ended<br/>September 30, 2015</b> |             |
|-----------------------------------|--|-------------|
| Adjusted book value of equity     | \$   | 17.6        |
| Average adjusted net debt         |  | 7.1         |
| Average invested capital          | <u>\$</u>  | <u>24.7</u> |
| Adjusted total operating income   | \$   | 6.5         |
| Return on invested capital        |  | 26.3%       |

**Adjusted Net Debt**

Delta uses adjusted total debt, including aircraft rent, in addition to long-term adjusted debt and capital leases, to present estimated financial obligations. Delta reduces adjusted debt by cash, cash equivalents and short-term investments, and hedge margin receivable, resulting in adjusted net debt, to present the amount of assets needed to satisfy the debt. Management believes this metric is helpful to investors in assessing the company's overall debt profile. Management has reduced adjusted debt by the amount of hedge margin receivable, which reflects cash posted to counterparties, as we believe this removes the impact of current market volatility on our unsettled hedges and is a better representation of the continued progress we have made on our debt initiatives.

| (in billions)  | September 30, 2015 | September 30, 2014 | June 30, 2013 | December 31, 2009 |
|--|--------------------|--------------------|---------------|-------------------|
| Debt and capital lease obligations   | \$ 8.8             | \$ 10.1            | \$ 12.2       | \$ 17.2           |
| Plus: unamortized discount, net from purchase accounting and fresh start reporting | -                  | 0.2                | 0.4           | 1.1               |
| Less: debt assumed in connection with Pinnacle acquisition                         | -                  | -                  | (0.2)         | -                 |
| Adjusted debt and capital lease obligations  | \$ 8.8             | \$ 10.3            | \$ 12.4       | \$ 18.3           |
| Plus: 7x last twelve months' aircraft rent   | 1.8                | 1.5                | 1.7           | 3.4               |
| Adjusted total debt  | 10.6               | 11.8               | 14.1          | 21.7              |
| Less: cash, cash equivalents and short-term investments                            | (3.8)              | (4.4)              | (3.9)         | (4.7)             |
| Less: hedge margin receivable  | (0.4)              | -                  | -             | -                 |
| Adjusted net debt  | \$ 6.4             | \$ 7.4             | \$ 10.2       | \$ 17.0           |

**Non-Fuel Unit Cost or Cost per Available Seat Mile ("CASM-Ex")**

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

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

*Profit sharing.* We adjust for profit sharing because this adjustment allows investors to better understand and analyze our recurring cost performance and provides a more meaningful comparison of our core operating costs to the airline industry.

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

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

**Consolidated CASM-Ex:**

|                                 | Three Months Ended |                    | Nine Months Ended  |                    |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                 | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| CASM (cents)                    | 13.07              | 15.69              | 13.32              | 15.24              |
| Adjusted for:                   |                    |                    |                    |                    |
| Aircraft fuel and related taxes | (3.05)             | (5.22)             | (3.14)             | (4.99)             |
| Profit sharing                  | (0.83)             | (0.58)             | (0.59)             | (0.45)             |
| Restructuring and other         | -                  | (0.86)             | (0.02)             | (0.36)             |
| Other expenses                  | (0.45)             | (0.37)             | (0.50)             | (0.34)             |
| CASM-Ex                         | 8.74               | 8.66               | 9.07               | 9.10               |
| Year-over-year change           | 0.9%               |                    |                    |                    |

**Mainline CASM-Ex:**

|                                 | Three Months Ended |                    | Nine Months Ended  |                    |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                 | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| Mainline CASM (cents)           | 12.68              | 14.90              | 12.80              | 14.34              |
| Adjusted for:                   |                    |                    |                    |                    |
| Aircraft fuel and related taxes | (2.97)             | (5.00)             | (3.03)             | (4.72)             |
| Profit Sharing                  | (0.92)             | (0.65)             | (0.66)             | (0.51)             |
| Restructuring and other         | -                  | (0.85)             | -                  | (0.32)             |
| Other expenses                  | (0.44)             | (0.36)             | (0.50)             | (0.33)             |
| Mainline CASM-Ex                | 8.35               | 8.04               | 8.61               | 8.46               |



**Fuel expense, adjusted and Average fuel price per gallon, adjusted**

The tables below show the components of fuel expense, including the impact of the refinery segment and hedging on fuel expense and average price per gallon. We then adjust for MTM adjustments and settlements for the reason described below:

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

**Consolidated:**

| (in millions, except per gallon data) | Three Months Ended<br>September 30, |          |
|---------------------------------------|-------------------------------------|----------|
|                                       | 2015                                | 2014     |
| Fuel purchase cost                    | \$ 1,833                            | \$ 3,179 |
| Airline segment fuel hedge losses     | 349                                 | 284      |
| Refinery segment impact               | (106)                               | (19)     |
| Total fuel expense                    | \$ 2,076                            | \$ 3,444 |
| MTM adjustments and settlements       | (99)                                | (347)    |
| Total fuel expense, adjusted          | \$ 1,977                            | \$ 3,097 |

| Average Price Per Gallon<br>Three Months Ended<br>September 30, |         |
|---|---------|
| 2015  | 2014    |
| \$ 1.67   | \$ 2.98 |
| 0.32  | 0.27    |
| (0.10)  | (0.02)  |
| \$ 1.89   | \$ 3.23 |
| (0.09)  | (0.33)  |
| \$ 1.80   | \$ 2.90 |

| (in millions, except per gallon data) | Nine Months Ended<br>September 30, |          |
|---------------------------------------|------------------------------------|----------|
|                                       | 2015                               | 2014     |
| Fuel purchase cost                    | \$ 5,519                           | \$ 8,956 |
| Airline segment fuel hedge losses     | 690                                | 112      |
| Refinery segment impact               | (282)                              | 9        |
| Total fuel expense                    | \$ 5,927                           | \$ 9,077 |
| MTM adjustments and settlements       | 1,210                              | (380)    |
| Total fuel expense, adjusted          | \$ 7,137                           | \$ 8,697 |

| Average Price Per Gallon<br>Nine Months Ended<br>September 30, |         |
|--|---------|
| 2015   | 2014    |
| \$ 1.81  | \$ 3.04 |
| 0.23   | 0.04    |
| (0.09)   | -       |
| \$ 1.95  | \$ 3.08 |
| 0.40   | (0.13)  |
| \$ 2.35  | \$ 2.95 |

**Mainline:**

|   | Three Months Ended<br>September 30, |         |
|---|-------------------------------------|---------|
|   | 2015                                | 2014    |
| Mainline average price per gallon           | \$ 1.93                             | \$ 3.25 |
| MTM adjustments and settlements             | (0.11)                              | (0.38)  |
| Mainline average price per gallon, adjusted | \$ 1.82                             | \$ 2.87 |

| Nine Months Ended<br>September 30, |         |
|------------------------------------|---------|
| 2015                               | 2014    |
| \$ 1.97                            | \$ 3.07 |
| 0.47                               | (0.15)  |
| \$ 2.44                            | \$ 2.92 |

**Non-Fuel Unit Cost or Cost per Available Seat Mile ("CASM-Ex")**

We present our CASM results for the year ended December 2008 on a "combined basis" which means the company combined the financial results of Delta and Northwest as if the merger had occurred prior to the beginning of the applicable period. We believe presenting this information on a combined basis provides a more meaningful basis for comparing Delta's long-term cost performance. We adjust CASM for the following items to determine CASM-Ex for the reasons described below:

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

*Profit sharing.* We adjust for profit sharing because this adjustment allows investors to better understand and analyze our recurring cost performance and provides a more meaningful comparison of our core operating costs to the airline industry.

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

*Restructuring and merger-related items and impairment of goodwill and other assets.* The adjustment for restructuring and merger-related items and impairment of goodwill and other assets allows investors to more directly compare the company's recurring core cost performance since the merger of Delta and Northwest.

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

**Consolidated CASM-Ex:**

|   | <b>Last Twelve Months Ended</b> | <b>Combined</b>                         |
|---|---------------------------------|---|
|   | <b>September 30, 2015</b>       | <b>Year Ended<br/>December 31, 2008</b> |
| CASM (cents)                            | 14.43                           | 19.40                                   |
| Adjusted for:                           |                                 |   |
| Aircraft fuel and related taxes         | (4.20)                          | (5.56)                                  |
| Profit sharing                          | (0.56)                          | -                                       |
| Restructuring and other                 | (0.04)                          | -                                       |
| Restructuring and merger-related items  | -                               | (0.59)                                  |
| Impairment of goodwill and other assets | -                               | (4.79)                                  |
| Other expenses                          | (0.50)                          | (0.48)                                  |
| CASM-Ex                                 | <u>9.13</u>                     | <u>7.98</u>                             |
| Compound Annual Growth Rate             | 1.9%                            |   |

## Operating Expense, adjusted

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We adjust for the following items to determine operating expense, adjusted for the reasons described below:

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

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

| (in millions)                   | Three Months Ended |           |
|---------------------------------|--------------------|-----------|
|                                 | September 30,      |           |
|                                 | 2015               | 2014      |
| Operating expense               | \$ 8,894           | \$ 10,343 |
| Adjusted for:                   |                    |           |
| MTM adjustments and settlements | (99)               | (347)     |
| Restructuring and other         | -                  | (570)     |
| Operating expense, adjusted     | \$ 8,795           | \$ 9,426  |

**Capital Expenditures, net**

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Delta presents net capital expenditures, which includes strategic investments, because management believes adjusting for these amounts provides a more meaningful financial measure for investors. This metric is adjusted for reimbursements related to build-to-suit leased facilities and other because management believes investors should be informed that these reimbursements for build-to-suit leased facilities effectively reduce net cash provided by operating activities and related capital expenditures.

| (in millions)   | <b>Three Months Ended<br/>September 30, 2015</b> |              |
|---|--|--------------|
| Property and equipment additions                                    | \$   | 562          |
| Investment in China Eastern   |  | 450          |
| Investment in GOL   |  | 50           |
| Reimbursements related to build-to-suit leased facilities and other |  | (23)         |
| Capital expenditures, net   | <u>\$</u>  | <u>1,039</u> |