

— PARTICIPANTS

Corporate Participants

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Edward H. Bastian – President & Director, Delta Air Lines, Inc.
Paul A. Jacobson – Chief Financial Officer & Executive Vice President, Delta Air Lines, Inc.
Gary L. Chase – Senior Vice President – Financial Planning and Analysis, Investor Relations and Corporate Planning, Delta Air Lines, Inc.
Glen W. Hauenstein – Executive Vice President and Chief Revenue Officer, Delta Air Lines, Inc.
Kevin Shinkle – Chief Communications Officer & SVP, Delta Air Lines, Inc.

Other Participants

Michael Linenberg – Analyst, Deutsche Bank Securities, Inc.
Julie Yates Stewart – Analyst, Credit Suisse Securities (USA) LLC (Broker)
Rajeev Lalwani – Analyst, Morgan Stanley & Co. LLC
Jamie N. Baker – Analyst, JPMorgan Securities LLC
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— MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Delta Air Lines December Quarter Financial Results Conference. My name is Kelly Ann and I'll be your coordinator. At this time, all participants are in a listen-only mode until we conduct a question-and-answer session following today's presentation. [Operator Instructions] As a reminder, today's call is being recorded.

At this time, I'd like to turn the conference over to Ms. Jill Sullivan Greer, Vice President of Investor Relations. Please go ahead, ma'am.

Jill Sullivan Greer, Vice President – Investor Relations, Delta Air Lines

Good morning, everyone, and thanks for joining us for our December Quarter Call. Joining us in Atlanta today are Richard Anderson, our CEO; Ed Bastian; our President; and Paul Jacobson. We have the rest of our leadership team here in the room for a Q&A session. Richard will open the call, Ed will then address our financial and revenue performance, and Paul will conclude with a review of our cost performance and cash flow.

To get in as many questions as possible during the Q&A, please limit yourself to one question and a brief follow-up. Today's discussion contains forward-looking statements that represent our beliefs or expectations about future events. All forward-looking statements involve risks and uncertainties that could 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 filings. We'll also discuss

non-GAAP financial measures. All results exclude special items unless otherwise noted. And you can find a reconciliation of our non-GAAP measures on the Investor Relations page at ir.delta.com.

And with that, I'll turn the call over to our Richard.

Richard H. Anderson, Chief Executive Officer & Director

Thank you, Jill. Good morning, everyone. This morning, Delta reported a \$1.45 billion pre-tax profit and delivered earnings per share of \$1.18 for the fourth quarter of 2015. This result marks a 42% improvement year-on-year, and was in line with consensus expectations. For the full-year, we generated a \$5.9 billion pre-tax profit, an increase of 29% over 2014. We grew our top line by 1% and realized substantial fuel savings, which allowed us to expand operating margins by over 3 points to 16.2%.

Our return on invested capital was 28.3% for 2015. We generated \$3.8 billion of free cash flow and returned \$2.6 billion of that back to our owners this year. Our 2015 financial performance ranks Delta among the top 10% of S&P Industrials. We are poised to continue outperforming as low fuel prices will allow us to produce further earnings and margin expansion in 2016 in the face of a strong dollar and some global economic uncertainty.

I want to thank the entire Delta team for all their hard work that contributed to another record year in 2015; for their efforts, we accrued \$1.5 billion in profit sharing for the full-year 2015. We are looking forward to our largest profit-sharing payout in our history on Valentine's Day 2016. Our people are the primary reason Delta is the top-performing airline in the world, and we are thankful for their commitment to our company.

Our foundation at Delta is quite strong. Similar to other high-quality industrial companies, our focus is to drive value for our owners through top line growth, margin expansion, double-digit EPS growth and prudent deployment of our strong cash generation. As we highlighted at Investor Day last month, we have built a durable business model that can deliver strong results throughout the economic cycle. We continue to run the best operation by a wide margin of all the airlines in the world with a full-year completion factor of 99.6% and an on-time rate of 85.9%.

We had 161 100% mainline completion factor days in 2015, which significantly outpaces American United and Southwest, even if you combine their operations for the last several years. That operational excellence along with the investments we made in products and services drove increases in our customer satisfaction with year-to-date domestic Net Promoter Score increasing more than 4 points to 38% compared to 2014.

The 4Q results show again that high levels of customer satisfaction are widening our revenue lead relative to the industry. We are consistently generating 108% of industry average revenues across our system and north of 114% in the domestic entity. Through our capacity actions and commercial initiatives, we offset nearly \$700 million of currency pressure this year and held our top line revenues intact year-on-year. This performance allowed us to capture more than 75% of the fuel savings in 2015, which drove strong margin improvements. We expect to improve upon this great performance in 2016.

The scale and scope of our network allow us to focus on regions of strength, adjust capacity in regions that are economically challenged and move our capital assets to markets with strong returns. As we continue to globalize our network through our uniquely Delta joint ventures and equity investments, we will further enhance the flexibility and durability of our business, which will allow us to continue to drive strong revenue margin and cash flow growth for our owners over the long term.

Our focus on our long-term goals is unwavering. We will continue to reinvest in the business at an appropriate level to sustain long-term growth that disciplined reinvestment has delivered high levels of returns to our owners. The substantial free cash flow we are generating allows us to continue to de-risk the balance sheet. Our adjusted net debt declined \$600 million to \$6.7 billion in 2015, which is more than \$10 billion lower than when we started almost a decade ago, and we think an investment-grade rating will occur in 2016.

At the same time, we are accelerating capital returns to our shareholders and repurchased 7% of our market cap in 2015. Including the dividend, this is the equivalent of 70% of our free cash flow going back to our owners, well above our 50% long-term target. We remain strongly committed to exceeding our long-term commitments to our owners. You'll recall from our Investor Day, our long-term goal is to sustain operating margins of 14% to 16%; to have EPS growth year-on-year at 15%; to maintain a return on invested capital of 20% to 25%; to generate at least \$7 billion to \$8 billion of operating cash flow, and at least \$4 billion to \$5 billion of free cash flow; and to reach \$4 billion in adjusted net debt by 2020.

We expect to significantly exceed these goals in 2016. We have a significant opportunity in 2016, as the decline in fuel prices will provide us with a \$3 billion tailwind in 2016 at current levels. Low fuel prices do put some pressure on our unit revenues, which we saw throughout 2015. It is important for us to produce unit revenue improvements and we are committed to doing so in 2016. However, our capacity discipline and service excellence are contributing to unit revenue out-performance for Delta relative to the industry. We expect to grow capacity between 0% and 2% in 2016, an appropriate level of growth to balance capital investment with supply and demand and ensure the momentum in our business continues. Strong non-fuel cost discipline is critical to our long-term success.

In 2015, we kept our non-fuel costs flat. Since the merger, we have grown non-fuel costs at a rate of less than 2% on an annual basis, while investing significantly in our people, customers, operation, fleet and product. We are on track to meet or exceed the targets we laid out for you last May at our Investor Day of growing annual EPS greater than 15% and achieving returns on capital in excess of 20% and generating free cash flow in the range of \$4 billion to \$5 billion in 2016. We have consistently achieved our long-term goals. We will continue to do so regardless of the direction of fuel prices.

Our first quarter 2016 performance will break all records, as we expect an operating margin of 18% to 20% in what is seasonally Delta's lower margin quarter. As we lay out the framework for 2016 and beyond, we see big opportunities ahead for our business. The key message of our Investor Day last month was that we are a high-quality industrial company built to deliver consistent and sustainable returns through the cycle. We believe executing on this commitment should result in a premium valuation that is in line with our peers who produce financial results similar to Delta.

With that, I'll turn the call over to Ed and Paul to go through the details of the quarter. Thank you.

Edward H. Bastian, President & Director

Thanks, Richard. Good morning, everyone. Thanks for joining us today.

For the December quarter, our pre-tax income increased 42% year-over-year to \$1.45 billion. We expanded our operating margin more than 4.5 points to 17.1%. We're able to drive a significant improvement in our margins because we remain disciplined and strategic about our growth, which allowed us to capture more than 75% of the savings from lower fuel prices. For the quarter, we saw a five-point improvement in domestic margins, while international margins improved by four points.

Thanks to our Delta employees for their contributions to another strong quarter, performance that drove a profit-sharing accrual of nearly \$400 million, bringing full-year total to \$1.5 billion. 2015 was another record year on all fronts, and we look forward to rewarding the Delta team for driving industry-leading operational and financial results on February the 12th. We have the best employees in the industry, driving superior performance, which allows us to pay industry-leading total compensation.

Our revenues declined two points for the quarter versus the prior year, driven by a \$160 million headwind from foreign exchange, which means we're able to successfully push most of the fuel savings to the bottom line. Corporate demand remains solid, with volume growth of 3%. Domestic continues to be strong, particularly, in the transcon and West Coast markets. Corporate Travel Buyers (sic) [Corporate Travel Buyer Resources] (11:06) recently named Delta the leading airline for the fifth consecutive year, rating us number one in the Business Travel News Annual Airline Survey. This is the first time BTN voters, who manage tens of billions of dollars in annual travel spend, have selected the same airline for five years in a row.

We continue to invest in our ability to up-sell on delta.com, which is driving our ancillary revenue growth. We have strong momentum with our plan to make our products available to all Delta customers with the recent introduction of Delta Comfort+ as a fare product, and our first mover branded fares launch with Expedia.

Sales of Comfort+ increased nearly 60% to \$125 million in the quarter, and we see significant opportunity ahead now that we have started selling the product as a separate fare class. First-class upsell increased 20%, driven by a 6-point paid load factor improvement. Our agreement with American Express produced over \$100 million in incremental value again this quarter, and more than \$400 million in incremental value for the year.

For the December quarter, our passenger unit revenues declined 1.6%, as our winter capacity actions and holiday demands drained offset foreign currency and domestic yield headwinds. This result was better than our initial guide due to stronger demand than we had anticipated during the peak holiday season. Domestic unit revenues declined approximately 1 point, as the yield environment remains competitive, similar to what we have been experiencing for most of the year.

Overall, the domestic business is performing well. We remain focused on expanding service in the higher margin areas within our networks, such as New York, Seattle and Los Angeles, which is also contributing to our RASM premium to our competitors. Atlanta also performed well, with domestic RASM outpacing the system average, despite competitive capacity growth in our largest hub. Our international business continues to face headwinds from foreign exchange and lower fuel surcharges, and we are seeing the benefits of the capacity reductions we have made in our performance.

The Transatlantic entity saw unit revenues decline 4 points, entirely driven by FX and surcharges. The Paris attacks caused a 0.5 point reduction in our Atlantic RASM in the quarter, roughly \$10 million impact.

Core European market demand held up reasonably well in the quarter, and the capacity actions we had implemented in Africa, the Middle East and Russia helped results. Our joint ventures with Air France, KLM and Virgin Atlantic continue to see margin expansion despite currency pressures and increased competitive capacity. In Latin America, our unit revenues were down 7 points due to currency, primarily in Brazil. Our capacity growth in the region was flat, and we are focusing growth on bright spots like Mexico and the Caribbean, while reducing capacity in challenging markets like Brazil.

During the quarter, we announced our intent to increase our stake in Aeromexico to up to 49%. We expect to close that transaction during the June quarter. This investment will bring the companies

closer and allow us to participate in the financial improvements the Aeromexico team can deliver going forward, in addition to the benefits we realized from our commercial partners.

In the Pacific, unit revenues declined 3%, a solid improvement from where we were trending earlier in the year helped by our significant network restructuring. Currency and fuel surcharges were at 13-point drag on unit revenue in the quarter. Pacific profitability improved again with margins up by 3 points this quarter.

Now turning to the first quarter of 2016, we'll continue to leverage those opportunities with the greatest profit potential in our network, while adjusting capacity in challenging regions. We currently expect capacity growth of 2% to 3% for the first quarter and 0% to 2% for the full-year. Remember that our first quarter capacity includes 1-point of growth from leap day. We're planning for roughly 4% to 5% growth in the domestic region in the first quarter and 1% to 3% growth for the full-year in line with how we see demand and economic growth in the U.S.

Domestic growth will come predominantly from higher gauge and targeting those markets where our past investments are allowing us to drive revenue and margin improvements. Our margin accretive up-gauging actions will continue, as we'll take out an additional 40 50-seaters in 2016, while adding seats to 23% of our narrow-body fleet.

International capacity will decline 2% to 3% this quarter, as the large reductions we made during the fourth quarter in places like Japan, Brazil, Russia and the Middle East remain in place. For the year, we expect our international capacity to be flat to down 2 points.

Domestically, the demand environment remains solid, although we continue to see yield pressure during the off-peak parts of the quarter primarily in January and early February. This trend is consistent with what we have seen in the domestic entity over the last six months.

Internationally, we expect the currency headwinds we've experienced in the December quarter to persist at similar levels in the March quarter, but begin to improve thereafter. In addition, we have seen further surcharge reductions through Q4 as fuel prices move lower.

Broader Europe continues to see an impact following the events in Paris in November and we have slowed our capacity growth into the region. We expect this will be roughly a 0.5 point headwind for system unit revenue for the quarter.

In the Pacific, we expect to see good improvement in profitability again in 2016, as we reallocate additional capacity from Japan to growth markets, primarily China, the important pillar of our Pacific and overall company long-term strategy. We'll also benefit from down-gauging efforts in the Pacific and will retire the nine remaining 747s in our fleet by the end of next year.

We expect overall system unit revenues to decline 2.5% to 4.5% for the March quarter, which includes a 1.5-point headwind from currency. We expect the off-peak periods of January and February to be more challenging than March when we'll benefit from Easter and spring break. We expect unit revenue trends to stabilize this summer. While lower fuel prices have resulted in RASM declines for longer than we initially expected, we are getting significantly larger cost savings from fuel that are driving strong margin and cash flow improvements. And as a result, we expect a record first quarter with an operating margin of 18% to 20%, roughly 10-point improvement from the prior first quarter.

Now I'll turn the call over to Paul to go through details on costs and cash flow.

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

Thank you, Ed. Good morning, everybody; appreciate you joining us today.

I'll start by highlighting another strong cost performance by the Delta team this quarter. Lower fuel prices and strong cost controls contributed to roughly \$570 million decline in total operating expenses despite nearly \$120 million in higher profit sharing. Non-operating expenses declined by \$9 million even with the \$75 million loss associated with the write-off of our remaining Venezuelan currency exposure, which was included in our results.

Non-fuel CASM increased 1.9% on flat capacity, including about 1 point of pressure from the pay raises we implemented in early December. That was offset by a little more than 1 point due to the currency benefits on the expense lines.

As we have said previously, we have built a good foundation for cost productivity and we will continue to benefit from several of our ongoing initiatives, including up-gauging for several more years. Modifications on 20% of the fleet, as Ed mentioned, are in the early innings, including on the 757s, the A320s, the A319s and the CRJ-700s.

You should remember that in conjunction with the December 1st wage increase for most of our employees, we made a change to our profit-sharing plan, which affects our CASM due to the geography shift. Giving the timing of those increases in 2015, our core cost growth will be more weighted towards the front half of 2016. We expect non-fuel CASM, including profit-sharing, to increase roughly 5% for the first quarter, with approximately half of that growth driven by year-over-year profit-sharing.

For the fourth quarter, our total fuel expense declined by over \$700 million, driven by lower market fuel prices, which was net of \$340 million in hedge losses, including early settlements. Our all-in fuel price was \$1.85 per gallon, down 30% from the prior year. The refinery contributed \$8 million this quarter versus \$105 million in the same period in 2014. The decline was primarily driven by considerably lower distillate cracks, which are of a substantial benefit to the airline, but a headwind for the refinery.

We currently expect our March quarter fuel expense to be \$1.5 billion lower year-over-year, due to the significantly lower hedge losses and the continued decline in market fuel prices. For the full-year, we expect our fuel expense will be \$3 billion lower than 2015, and we are forecasting an all-in first quarter fuel price of \$1.20 to \$1.25 based on last week's prices. As a result of the uncertainty in the markets, we have closed out our hedge book and have full participation to further downward movements in 2016. For the full-year, we expect our hedge losses to be in the \$100 million to \$200 million range per quarter throughout the year.

Moving on to cash flow, we're using our strong cash generation to appropriately balance the investments we're making in the business for the long term, while also de-risking the balance sheet. Also, we're increasing our returns to our shareholders. This quarter, we generated \$1.4 billion of operating cash flow, just over \$1 billion of which we reinvested into the business, including 6 slot pairs at London's Heathrow Airport, as well as aircraft acquisitions and continued fleet modifications.

For the first quarter, we expect capital spending to again be roughly \$1 billion. For the full-year, we expect our core CapEx to be approximately \$3 billion, with a little bit higher in the first half of the year primarily due to the timing of aircraft spend. During the quarter, we returned \$530 million to shareholders and expect to return a similar level of cash to our owners during the first quarter.

For 2015 full-year, we returned \$2.6 billion, which equates to approximately 7% of our market cap. \$360 million was paid in the form of dividends, with the remaining \$2.2 billion returned through

repurchases. Specifically, we bought back a total of 48 million shares of our stock at an average price of \$45.50.

Adjusted net debt at the end of December was \$6.7 billion. Debt reduction was the biggest driver of \$35 million in lower interest expense for the quarter relative to last year and \$170 million below 2014 levels for the full-year.

Additionally, our pension liability declined by \$1.3 billion as a result of a 50-basis-point increase in the discount rate. We remain committed to behaving as a high-value, cash-return-focused, investment-grade company going forward, and we are optimistic that an investment grade rating is in sight this year.

In closing, I'd like to echo Richard and Ed's comments and thank the entire Delta team for another record 2015. These results don't come easy. They come through hard work and we look forward to celebrating with them next month. Thank you. Jill?

Jill Sullivan Greer, Vice President – Investor Relations, Delta Air Lines

Kelly Ann, that's going to wrap up our prepared remarks, and we're ready for the Q&A, if you could give the instructions to the queue.

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] We'll hear first today from Michael Linenberg with Deutsche Bank.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Hey. Good morning, everybody. Two questions here. Just if I go back a month, the guidance for the other revs looked like it was coming in about \$1.5 billion. The print was closer to \$1.4 billion. Is there anything in there that we should be aware of? Maybe why it came in a little bit lighter?

<A – Richard Anderson – Delta Air Lines, Inc.>: Go ahead, Gary.

<A – Gary Chase – Delta Air Lines, Inc.>: Mike, it's Gary.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Hey, Gary.

<A – Gary Chase – Delta Air Lines, Inc.>: There's rounding in there. And the big driver of difference forecast to forecast would be third party refinery sales. There is no margin in there. So there's no conclusion to be drawn from it.

<A – Jill Greer – Delta Air Lines>: And there was an offsetting benefit in the ancillary [ph] expense (24:16) guide as well, Mike.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Okay; great. Thanks. Thanks, Gary; thanks, Jill. And then, just a second question. We'd had to deal with these PRASM headwinds as it relates to fuel surcharges, and I think at the last time I looked at the U.S./Japan market, it looked like we were moving toward the lower band as it relates to fuel surcharges. Given this further decline in fuel, it would seem that in many of the fares we must be getting close to a zero fuel surcharge in the fare. Is that right? Is this fuel surcharge issue -- is this -- if fuel prices stay where they are, are we going to even be dealing with this three months to six months out?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Mike, it's Glen. We are adjusting based on the fuel. And, of course, in Japan, it is a formulaic. Sometimes we are -- in the past, we've been able to roll those surcharges into the base fares as they changed, but I'm not predicting what the future is, nor do we want to comment on how we think that will roll out in the future.

<Q – Mike Linenberg – Deutsche Bank Securities, Inc.>: Okay. Fair enough. Thank you.

Operator: We'll hear next from Julie Yates with Credit Suisse.

<Q – Julie Yates – Credit Suisse Securities (USA) LLC (Broker)>: Good morning.

<A – Richard Anderson – Delta Air Lines, Inc.>: Hi, Julie.

<Q – Julie Yates – Credit Suisse Securities (USA) LLC (Broker)>: As you reiterated, the unit revenue trend should stabilize by this summer, but with crude down another 25% or so since your Investor Day, how should we think about the goal to return to flat deposit of PRASM by summer? We saw this push-out last year when crude took another leg down from when you initially gave that goal. Does the most recent collapse in crude impair your confidence at all on the timing of that trajectory?

<A – Ed Bastian – Delta Air Lines, Inc.>: Hi, Julie. Yes, it certainly puts additional pressure on getting to a positive RASM result. And we made those comments this morning based on where the [ph] forwards (26:06) sit today. But, clearly, if crude were to fall another 15%, 20% as some people are calling for over the next few months, that will put incremental pressure. These are goods trades.

And we're happy about crude continuing to fall. But we want to make sure our investor base understands that we appreciate the importance of getting the positive RASM and we're certainly doing through the network actions, pricing actions, what we can to get the revenue line above the waterline.

<Q – Julie Yates – Credit Suisse Securities (USA) LLC (Broker)>: Makes sense. Thank you. And then, Paul, one for you, perhaps. Just on the CASM-Ex guide for Q1. The 5% took some by surprise. I appreciate the dynamics on profit sharing and the two raises for the non-union employees. But, perhaps, you can walk us through just how the trajectory should look as the year progresses to get you to that guidance of sub-2%.

<A – Paul Jacobson – Delta Air Lines, Inc.>: Good morning, Julie. Thanks for the question. Clearly, you highlighted the biggest drivers in the first quarter, and as I mentioned in the prepared remarks, the core CASM is weighted more towards the front half of the year as a result of the fact we're lapping those two increases in the first quarter. So we're going to continue to manage it. We feel good about it as we head into and through 2016.

<Q – Julie Yates – Credit Suisse Securities (USA) LLC (Broker)>: Okay. Can you give us the CASM-Ex number for Q1 excluding profit-sharing as you've expressed it in the past.

<A – Paul Jacobson – Delta Air Lines, Inc.>: Yeah. We said it was about half. Half of the 5% was due to a core, half was due to profit-sharing.

<Q – Julie Yates – Credit Suisse Securities (USA) LLC (Broker)>: Okay. Great. Thanks, guys.

Operator: From Morgan Stanley, we'll hear from Rajeev Lalwani.

<Q – Rajeev Lalwani – Morgan Stanley & Co. LLC>: Hi. Thanks for the questions. Just in terms of thinking about capital allocation for the rest of the year, I mean, it seems like PRASM is moving in the right direction, fuel is coming down. I guess, where does the incremental cash flow go? And then, kind of, related to that, it seems like you're not increasing buybacks for the quarter year-over-year, if I heard you correctly. So just some color there would be great.

<A – Richard Anderson – Delta Air Lines, Inc.>: Yeah. This is Richard. We have a bias to holding our core CapEx at around the \$3 billion number. And the reason why is, that is really the optimum number that we can execute on in a given 12-month period and have a high confidence of delivering the benefits on the timeline we lay out. So that really is the linchpin to our capital allocation strategy.

We do believe that we're going to have substantially better operating cash flows, because low fuel prices is very good for our business overall. We have a bias toward applying that to share buyback. So I think it's reasonable to expect, just as we said in our prepared remarks, that in 2015, we hit nearly 70% of returning our cash to our owners. And I would expect that – we would expect that given the performance that we're on pace to achieve that our share buyback number will be materially higher in 2016 than it was in 2015.

Now also understand that we're going to close the Aeromexico transaction expected to close in the first half of the year, which will drive about \$800 million of cash. But that will have a quick and immediate return, just as our investment in Virgin did. So core CapEx at \$3 billion. We have the Aeromexico investment coming, but longer term, our bias is to put the money in share buyback.

<Q – Rajeev Lalwani – Morgan Stanley & Co. LLC>: Great. And then, just on the topic of fuel, I think maybe, Ed, you made the comment before of retaining 50% to 75% or so of the savings. Can you just talk about what data points we should look for to see where that, in fact, shakes out? What pushes you above it or below it? And specific items we should look for throughout the year?

<A – Ed Bastian – Delta Air Lines, Inc.>: Hi. Your question is in relation to how we're doing with recapturing the full savings?

<Q – Rajeev Lalwani – Morgan Stanley & Co. LLC>: Yeah. I mean, just throughout the year, what should we look for to, say, at the end of the year, Delta was able to keep 75% of it, or 100% of it? Or should we focus on capacity or surcharges? [ph] What are you (30:42) looking at?

<A – Ed Bastian – Delta Air Lines, Inc.>: Well, for us, it was really simple in Q4. Our capacity was roughly flat. Our revenues were down about 2 points, but that was almost entirely due to the FX impacts on international. So by definition, we drove all the recovery of savings to fuel to the bottom line or certainly the vast majority of it. As fuel continues to decline, that continues to put some incremental pressure on it, but the pricing environment, where we stand today, is allowing us to do that, because we're taking some pretty aggressive network actions to accommodate.

<Q – Rajeev Lalwani – Morgan Stanley & Co. LLC>: Great. Thank you.

<A – Richard Anderson – Delta Air Lines, Inc.>: Maybe one other way to think about this is, if you look at full-year 2015 results, and we expect to be able to repeat this at least this performance in 2016. In 2015, our operating revenues were up 1%. So top line was up 1%. Our fuel expenses were down 20%, and our EPS was up 38%. We took a lot of that to the bottom line. I mean, it's pretty remarkable that our top line went up 1% in 2015. And we were able to take 20%, which was \$2.2 [ph] billion (32:07) and this was after fuel hedge losses. We took \$2.286 [ph] billion (32:12) lower fuel and produced a 38% improvement in EPS.

<Q – Rajeev Lalwani – Morgan Stanley & Co. LLC>: Great. Thank you, gentlemen.

Operator: We'll go next to Jamie Baker with JPMorgan.

<Q – Jamie Baker – JPMorgan Securities LLC>: Hey, good morning, everybody. Question for Paul. You gave a lower Q1 up margin guide at Investor Day, but there wasn't a lot of clarity as to what assumptions you were baking in at that time. Other than fuel coming down, were there any other revisions to your forecast? Specifically, incrementally, better or worse on the revenue outlook?

<A – Ed Bastian – Delta Air Lines, Inc.>: Hi, Jamie. This is Ed.

<Q – Jamie Baker – JPMorgan Securities LLC>: Hi, Ed.

<A – Ed Bastian – Delta Air Lines, Inc.>: Yeah, we did. As you know, we closed December revenues with a little stronger momentum than we were anticipating in the guide. And we see that continuing into the first quarter. So it's a combination of lower fuel and marginally improved revenue.

<Q – Jamie Baker – JPMorgan Securities LLC>: Okay. Second question. Operations related. The general rule of thumb that I've used, at least, for the industry, is that it takes about four months between deciding to adjust one's capacity and actually beginning to fly the new schedule. And I'm wondering, obviously, the booking curve is going to influence this, but in the case of Delta, have you gotten any more adept at making substantive schedule revisions in even less time? Or is four months, give or take, still a reasonable assumption to use?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Jamie, it's Glen.

<Q – Jamie Baker – JPMorgan Securities LLC>: Hi, Glen.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: I think it depends on the circumstance. In the case of the Paris attacks, we started making substantial changes to Brussels and Paris capacity within a week or so. And so I think it really depends on the severity and whether or not we believe that we would generate cash by flying it or not generating. We're able to park the airplanes at any point in time. And so if you're looking at – I don't think it's ever been four months. I think it's probably three months at the outside, for just a general slight bias up or down. But on specific actions relating to big changes in demand, I think, we can do that pretty much real-time.

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

<A – Richard Anderson – Delta Air Lines, Inc.>: Yeah. This is Richard. Let me give a case in point, which is the pilot shortage at the regionals. The pilot shortage at the regionals, we adjust that weekly. And bottom line is, you can do a pretty dramatic schedule change in 30 days.

<Q – Jamie Baker – JPMorgan Securities LLC>: Okay. That's helpful. We're obviously taking a lot of recessionary-type questions these days. So it's good to be able to know the speed with which you could potentially, but hopefully, won't have to react. So thank you very much, gentleman. Take care.

<A – Richard Anderson – Delta Air Lines, Inc.>: You too.

Operator: We will hear next from Duane Pfennigwerth with Evercore ISI.

<Q – Duane Pfennigwerth – Evercore ISI>: Hey, thanks. Just to follow up on Jamie's question. I wonder if you could just tell us a little bit specifically about what your business is telling you about the U.S. economy. Obviously, there's a lot of fear out there from folks that look at other sectors in transports. But, as you measure it, what is your business telling you about the health of the U.S. economy today versus maybe 30 days, 60 days, 90 days ago?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Hey, Duane. We're pretty optimistic relative to what you read on CNBC, or The Wall Street Journal, or some of the pundits out there that are predicting the future. We are booked ahead in terms of load factor for each of the months: for February, March April, and really out into early summer. In case of early summer, it's a little early to call that, but we see demand as very strong. And I think one of the issues that we've talked to our investors about is this dividend – or that the American consumer has gotten from lower fuel, whether or not it's heating their home, or whether or not it's filling up their car with gas, and where they're reinvesting that, and they seem to be willing to reinvest that into airline purchases, but at slightly lower fares.

And those lower fares are being generated by lower price of fuel. But core demand strength seems very strong in terms of the corporate, and core demand strength in terms of leisure seems strong as well, as far as we can see in the next 30 days, 60 days, 90 days.

<Q – Duane Pfennigwerth – Evercore ISI>: Thanks, Glen, for that.

<A – Ed Bastian – Delta Air Lines, Inc.>: Hey, Duane, this is Ed. Let me add to that, because we also see, as I said in the remarks, continued strength in corporate demand. Our corporate demand in the fourth quarter was up 3% across the board. Obviously, internationally, it was down a bit in Europe, given some of the effects of the Paris attacks. But broadly speaking, our corporates continue to tell us that they expect growth in 2016 over 2015 levels.

So I think this really gets down to a question of the volumes are there. We flew the Christmas season and the Thanksgiving season with some of the strongest load factors in our history. And people translate that into what it means when revenue – there's certainly pricing pressure out there from the fact that fuel prices are half of what they were a year ago. But our yields, on average, were

down about 4% in the quarter. So most of that fall into the bottom line, and our business looks pretty healthy.

<Q – Duane Pfennigwerth – Evercore ISI>: Thanks for that detail. And then, just on a follow-up here. The language about core CapEx of \$3 billion, I just want to check, does that mean excluding strategic acquisitions like Aeromexico? Or what would be the difference between core and non-core CapEx? And thanks for taking the questions.

<A – Richard Anderson – Delta Air Lines, Inc.>: That's right.

<A – Paul Jacobson – Delta Air Lines, Inc.>: That's it.

<A – Richard Anderson – Delta Air Lines, Inc.>: That's it.

<Q – Duane Pfennigwerth – Evercore ISI>: Thank you.

Operator: And from Bank of America, Andrew Didora.

<Q – Andrew Didora – Bank of America>: Hi. Good morning, everyone. I guess, kind of, a follow-up to an earlier question. When you initially gave 2016 capacity guidance of up 2% and fuel was obviously higher than it is today. And I know you've often said that you do run your business based on a much higher oil price. But if today's level were to hold for the better part of this year, do you think your thoughts on capacity would change at all?

<A – Ed Bastian – Delta Air Lines, Inc.>: It's the guide we gave you.

<Q – Andrew Didora – Bank of America>: Okay. Fair enough. And then, just when I think about your growth here domestically, what are some of the key markets that you're looking to add in as opposed to maybe some of the weaker markets you're looking to move capacity around a bit?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Andrew, hi. It's Glen. I think there's really three things we're concentrating on. One is the continuing up-gauge of the airline, which we have a lot of great and, I think, innovative programs in place. Whether or not it's the densification that Paul talked about, or whether it's the continued retiring of the 50-seat airplanes and up-gauging the airline more to be a mainline airline. So we have that as a couple of points. And actually, the fleet count remains flat. So when you ask about the commitment and really Jamie asked before what the lower boundary was and we have plenty of space on the lower boundary.

What we really plan for is the upper boundary in terms of how many airplanes do we have coming in and how many pilots that we hire, that's really what determines, and why we can say with confidence 0% to 2%, because that's really running our factories efficiently as we could. We can always step back from that if the economic conditions changed.

But the investments for this year are really in filling out the things we started before, continuing to get Kennedy to its full 250 departures a day. We think at 250 departures a day, since connectivity is exponential, that we will really see some aggressive improvements in returns in Kennedy as well as Seattle, which more and more is relying not only on the Seattle local traffic, but on the connectivity that we're generating through Seattle at this point from the entire Pacific Northwest. So really those are two key linchpins along with up-gauging and making our existing hubs more efficient.

<Q – Andrew Didora – Bank of America>: That's great. Thank you very much.

Operator: We'll move on to Savi Syth with Raymond James.

<Q – Savi Syth – Raymond James & Associates, Inc.>: Hey. Good morning. Just a couple of questions. The first is just a follow-up on the corporate demand standpoint. I know the shift of volume made sense. It was up about 5%, I think, in the prior quarter; 3% this quarter. Is that a function of just tougher comps? Is it kind of the slowing growth there? Or how would you kind of read this somewhat slowdown in the year-over-year growth?

<A – Ed Bastian – Delta Air Lines, Inc.>: Savi, this is Ed. It's really a function that we put less capacity out. So the overall rate of improvement continues at the same level.

<Q – Savi Syth – Raymond James & Associates, Inc.>: That makes sense. And then, just a follow-up on the fuel hedge side. I know it's been the kind of right decision to not hedge here, and kind of given your outlook is kind of lower, maybe that's the right thing. But how do you – any kind of latest thoughts on hedging and maybe what prices, if you do hedge today, are you even able to hedge?

<A – Paul Jacobson – Delta Air Lines, Inc.>: Good morning, Savi. It's Paul. I would say that what we announced today is really a function of the continued uncertainty and volatility that are in the markets today. We think there will continue to be opportunities out there. We're still committed to hedging over the longer term, but feel this is the right time to just kind of sit on the sidelines and wait it out.

<Q – Savi Syth – Raymond James & Associates, Inc.>: And if you were to hedge, Paul, what kind of prices are you able to hedge?

<A – Richard Anderson – Delta Air Lines, Inc.>: Very low.

<Q – Savi Syth – Raymond James & Associates, Inc.>: Okay. All right. Thank you very much.

<A – Jill Greer – Delta Air Lines>: And, Kelly Ann, we're going to have time for one more question from the analysts.

Operator: And that will come from Buckingham Research, Dan McKenzie.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Hi. Good morning; thanks, guys, for squeezing me in here. Two questions tied to the commercial initiatives. I guess, the first here, with respect to the branded fare initiative, what percent of the domestic routes are ultimately going to be touched by this once we get to full speed at 2018? And then, more importantly, how big is the revenue tailwind from curtailing the revenue dilution from business travelers that otherwise might be buying down? Is it worth a half a percentage point to domestic PRASM? One percentage point? Any color would be helpful.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Let me answer the first question first. The first question is, we intend to have all four fare products on all markets by 2018. So that was the easy one.

The second one is about the dilution of revenue for basic economy from customers that are in the corporate world and what upside that might have. And I would say that is an indirect benefit and we think that's in the several hundred million dollar a year range based on our trial of where we are today.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Okay. Very good. Secondly, at the Investor Day, you guys cited fleet initiatives, of course, as a key commercial initiative driving margin expansion. I'm just wondering: holding fuel constant, how much of the margin improvement came from RJ restructuring in 2015? And is the expectation that that trajectory would be similar in 2016?

<A – Richard Anderson – Delta Air Lines, Inc.>: Candidly, all the numbers we have on this table in front of me, we actually don't track that number per se. I think what you have to look at is what the value is that we receive from up-gauging. And that's really reflected in our operating margin.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Okay. Thanks for the time, guys.

<A – Jill Greer – Delta Air Lines>: And that's going to conclude the analyst portion of the call. I am now going to turn the call over to Kevin Shinkle, our Chief Communications Officer for the media portion of the call.

<A – Kevin Shinkle – Delta Air Lines, Inc.>: Thanks, Jill. Welcome to the media portion of the call. We'll have about 10 minutes for questions. Please limit yourself to one question and one follow-up and Kelly Ann, can you please provide the instructions again on how to register for a question?

Operator: Of course. [Operator Instructions] We'll hear first from Jon Ostrower with Wall Street Journal.

<Q – Jon Ostrower – The Wall Street Journal>: Hi. Good morning, gentlemen. Just a question on the announcement from Frontier earlier this month, I'm curious from the perspective from where you guys sit on adding a 42 new routes into their network, and whether or not that represents any kind of destabilizing force for the U.S. domestic market, and more broadly, and whether or not – how you see that competitive challenge facing up overall capacity discipline?

<A – Richard Anderson – Delta Air Lines, Inc.>: It's our policy to not comment about our future actions with respect to competitive dynamics in the marketplace.

<Q – Jon Ostrower – The Wall Street Journal>: Can you add – do you believe that the action could represent a force that ultimately strengthens Delta's position? Or do you see that more as a path toward destabilization or give us any kind of color to that move just from the competitive dynamics?

<A – Richard Anderson – Delta Air Lines, Inc.>: We have a policy of not commenting upon the future competitive dynamics in the marketplace.

<Q – Jon Ostrower – The Wall Street Journal>: Thank you.

<A – Richard Anderson – Delta Air Lines, Inc.>: You're welcome.

Operator: We'll move next to Jeffrey Dastin with Thomson Reuters.

<Q – Jeffrey Dastin – Reuters News Agency>: Thank you very much for taking the call. Would you mind saying your thoughts on Bombardier CSeries and whether Delta is considering a purchase of the aircraft?

<A – Richard Anderson – Delta Air Lines, Inc.>: They brought the CSeries to Atlanta right before Christmas and we met with Fred Cromer, the President of Bombardier, and it's a pretty impressive airplane. The geared turbofan is really the first big innovation since the Boeing 787 revolutionized the composite structure for the body – the fuselage of the airplane. So we actually think that at the right price, it is quite a competitive airplane, particularly given the engine technology. So, we are taking a very serious look at it.

<Q – Jeffrey Dastin – Reuters News Agency>: Thank you very much.

Operator: And from Flightglobal, Edward Russell.

<Q – Edward Russell – Flightglobal>: Hi. Yes, I was wondering if you could elaborate on your plans for LAX, regarding a move to terminals 2 and terminals 3 there. Are you planning any kind of renovations? Rebuilding the terminals? Yeah, if you could elaborate, please.

<A – Ed Bastian – Delta Air Lines, Inc.>: Hi. This is Ed. As Richard mentioned on a call a week ago, we have entered into a non-binding MOU with LAWA and the board. And at this point in time, we're working with the board on hopefully turning that into a binding intent over the next number of months. And we're not really at liberty to comment beyond that.

<Q – Edward Russell – Flightglobal>: Okay. Could you at least give an idea of a timeline or when such a move could take place, if you do decide to – does happen?

<A – Ed Bastian – Delta Air Lines, Inc.>: We're not at liberty to comment. It's really up to the Commissioner's and the Mayor's office, and we appreciate the support we're seeing, but there's a long ways to go yet.

<Q – Edward Russell – Flightglobal>: Thank you.

Operator: And we'll go to the Philadelphia Inquirer's Linda Loyd.

<Q – Linda Loyd – Philadelphia Inquirer & Daily News>: Thanks for taking my call. Could you help me understand why the Trainer Refinery posted an \$8 million profit for the quarter, when on the October earnings call, you expected a \$30 million fourth quarter profit and a full-year profit of \$230 million? Thank you.

<A – Paul Jacobson – Delta Air Lines, Inc.>: Hi, Linda. This is Paul Jacobson. Primarily, it's related to the crack spread environment that we see. Distillate cracks are down, which is very, very good for the airline, since we are a substantial consumer of jet fuel. But the refinery is actually doing a fantastic job in terms of reliability and operational performance. So we're very pleased with the results.

<A – Richard Anderson – Delta Air Lines, Inc.>: This is Richard. If I could just add something to that, we're really proud to own the Trainer Refinery. It's a great group of professional people that operate that refinery. And if you look at the industry data, it is now the top-performing refinery in Pad 1 in the Northeastern U.S. So it's a core and critical strategic asset for Delta.

<Q – Linda Loyd – Philadelphia Inquirer & Daily News>: Thank you. What was the full-year profit for the refinery?

<A – Paul Jacobson – Delta Air Lines, Inc.>: Just under \$300 million.

<A – Richard Anderson – Delta Air Lines, Inc.>: And we paid \$150 million for them.

<Q – Linda Loyd – Philadelphia Inquirer & Daily News>: So, financially, it's working out fine, right?

<A – Richard Anderson – Delta Air Lines, Inc.>: Spectacular.

<Q – Linda Loyd – Philadelphia Inquirer & Daily News>: Thank you. Thank you for answering my questions.

Kevin Shinkle, Chief Communications Officer & SVP

Okay, thank you. With that, we'll conclude our earnings conference call. Thanks to everyone for listening.

Operator: Again, that will conclude today's Delta Air Lines conference. Thank you all for joining us.

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