PARTICIPANTS

Corporate Participants

Jill Greer – Vice President - Investor Relations, Delta Air Lines, Inc.
Edward H. Bastian – President & Director, Delta Air Lines, Inc.
Glen W. Hauenstein – Executive Vice President-Commercial and Chief Revenue Officer, Delta Air Lines, Inc.
Paul A. Jacobson – Chief Financial Officer & Executive Vice President, Delta Air Lines, Inc.
Wayne Gilbert West – Chief Operating Officer & Senior Executive Vice President, Delta Air Lines, Inc.
Kevin Shinkle – Chief Communications Officer & SVP, Delta Air Lines, Inc.
Peter W. Carter – Chief Legal Officer & Executive Vice President, Delta Air Lines, Inc.

Other Participants

Duane Pfennigwerth – Analyst, Evercore ISI
Savanthi N. Syth – Analyst, Raymond James & Associates, Inc.
Helane Becker – Analyst, Cowen and Company, LLC
Joseph DeNardi – Analyst, Stifel, Nicolaus & Co., Inc.
Jamie N. Baker – Analyst, JPMorgan Securities LLC
Hunter K. Keay – Analyst, Wolfe Research LLC
Darryl Genovesi – Analyst, UBS Securities LLC
Dan J. McKenzie – Analyst, The Buckingham Research Group, Inc.
Jack Atkins – Analyst, Stephens, Inc.
Rajeev Lalwani – Analyst, Morgan Stanley & Co. LLC
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Jeffrey Dastin – Journalist, Thomson Reuters Corp.
Edward Russell – Flightglobal, Aviation, transportation and financial reporter and columnist

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, welcome to the Delta Air Lines March quarter 2016 financial results conference. My name is Kelly Ann and I'll be your coordinator for today. 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.

I would now like to turn the conference over to Ms. Jill Sullivan Greer, Vice President of Investor Relations. Please go ahead, Jill.

Jill Greer, Vice President – Investor Relations

Thanks, Kelly Ann. Good morning, everyone, and thanks for joining us for our March quarter call. Joining us from Atlanta today are Ed Bastian, our incoming CEO; Glen Hauenstein, our incoming

President; and Paul Jacobson, our CFO. We also have the entire leadership team with us in the room for Q&A. Ed will open the call, Glen will then address our revenue performance and Paul will follow and discuss 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. You can find the reconciliation of our non-GAAP measures on the Investor Relations page at ir.delta.com.

And with that, I'll turn it over to Ed.

Edward H. Bastian, President & Director

Thanks, Jill. Good morning, and thanks to everyone for joining us. This morning we reported a $1.56 billion pre-tax profit, our 12th consecutive record quarterly result as the business continues to benefit from low fuel prices and solid demand. We held our top line roughly flat and realized substantial fuel savings, which allowed us to expand operating margins by nearly 10 points to 18.5% and generate $1.4 billion in operating cash flows. These are nothing short of outstanding results in what is typically our seasonally weakest quarter of the year, where we also saw additional pressure from the tragic events that occurred in Brussels in late March.

Operationally, we again led the global industry with a 99.4% completion factor and an on time arrival rate of 86.5%. We had 49 perfect mainline completion days and six additional days where the only canceled flights in our network were to Brussels. It's now more rare to have a day with a cancellation than not on our mainline product. We also had eight days of no cancellations across the entire Delta system, both mainline and regional carriers, what we call brand perfect days, and we are focusing more and more on the system level performance and working hard to improve on this basis.

With these results, the Delta team proved yet again they are the very best in the industry. I'm proud to announce we accrued $272 million in profit sharing this quarter on top of the $23 million in shared rewards they earned. I want to thank the Delta team for a terrific quarter. It's an honor to be able to lead this great company and serve all of you.

I'd like to take a moment to thank Richard for his leadership and vision in transforming Delta. Richard has been a great partner and mentor for me for the past decade, and while he'll be enjoying a well earned retirement, he will always be a trusted friend and adviser and we will all benefit from this leadership as the Executive Chairman of our board.

Our strategy is working and our team is fully in place. We've got Gil West, our Chief Operating Officer who leads the best team of operators in the industry. Glen Hauenstein, our new President, has led our network in revenue transformation over the last decade. Steve Sear has taken us to five consecutive business travel news victories as head of our sales organization. Paul, Joanne, Peter, Kevin -- the list goes on. Our bench is deep and we're going to keep building on our momentum.

While we continue to post record profits, we are very aware that fuel prices remain volatile, and have increased nearly 60% from the lows earlier this year. For this reason, we are determined to get our business back on the path to positive unit revenues because this is how we ensure that the margins and cash flows that we are producing are sustainable through good times and bad. Glen will be describing our actions along this course.

As we look ahead at Delta, we have tremendous momentum in the business. While lower for longer fuel prices have added some painful uncertainty to our timeline on getting back to unit revenue growth, they are also driving roughly $3 billion of fuel savings this year, and we are committed to pushing as much of that fuel savings to the bottom line as possible. We estimate that we retained 50% of fuel savings in the first quarter on an ex-hedge basis. On a net hedge basis our fuel savings retention was 75%. We're using the cash flow generated by these record earnings to invest in long-term profitable growth opportunities for the business, improving the balance sheet by paying down debt and funding the pension and continuing to return cash to owners. As we've done for the past several years, we plan to update you on our long-term plan and capital deployment strategy at our upcoming spring analyst meeting which will be held this year on May 16.

I've been asked many times over the last couple of months as I take over as CEO as to what my priorities will be as we look to the future. Our goal, as a team, will be to continue to invest in the initiatives that are producing a durable, sustainable and industry leading foundation at Delta. First, our top priority is running a safe, reliable and customer focused operation. This is at the very core of what we do, and is producing meaningful improvements in customer satisfaction. It also translates into our industry leading RASM premium and a more efficient cost structure, both of which contribute to more sustainable margins over the long-term.

Second is enhancing our brand premium. We said before that our product is not a commodity. In order to earn a premium price from customers, we need to produce a premium product, and a brand that drives loyalty. That starts with thoughtful service and reliable operations, but also includes consistent innovation across the entire travel experience. Third, you'll see us continue on the path towards globalization. Whether through initiatives like headquartering our TransAtlantic operations in Amsterdam or through our equity stakes in Virgin Atlantic, China Eastern, Aeromexico and Gol, we see the international marketplace as the source of long-term profitable growth opportunities. Our goal is to be the best U.S. global airline.

And finally, we'll maintain the balanced approach with all our stakeholders, our employees, our owners and the customers and communities we serve share in Delta's success. This strategy has driven tremendous value for all our stakeholders and is the foundation for sustainable performance over the long term. I'm excited about the future of Delta Air Lines and honored to lead the very best team of airline professionals in the world. I thank our investors for the trust they place in us and assure you we are working hard to be great stewards of your investment,

With that, I'm happy to turn the call over to my good friend, Glen Hauenstein.

Glen W. Hauenstein, Executive Vice President-Commercial and Chief Revenue Officer

Thank you, Ed, and good morning, everyone. I would like to start by expressing my deep gratitude to the Delta team for all of their hard work. Taking great care of our customers every day has resulted in another record quarterly performance. I am honored and humbled to be taking on the role of President at this very exciting time for our company. There are enormous opportunities ahead for our business, and I look forward to driving our continued success together.

Our revenues for the quarter were roughly flat to last year, including $125 million headwind from currency and a $5 million impact from the recent events in Brussels. We also maintain our topline performance despite a 40% decline in market fuel prices. Our corporate demand remained solid with volume growth of 2% this quarter. We saw increases across most sectors including healthcare, financial services and technology; however, the improvement in volumes is being more than offset by lower yields.

The outlook for corporate demand remained favorable with 82% of respondents to our latest corporate travel manager survey projecting their overall travel spend will be maintained or increased for the rest of the year. This is consistent with outlooks from previous surveys. We continue to see good performance with our branded fare initiatives. Total merchandising revenues grew over 30% for the quarter, led by Comfort+ growth of 45% and first class revenue growth of 12%. Basic economy drove roughly $20 million in incremental revenue, and we began our broad city level expansion initiative during the quarter.

Our partnership with American Express produced $80 million in incremental value this quarter, and we expect $265 million in incremental value for the year. Year-to-date, new card acquisitions are at record levels and up substantially from 2015. Spend on our cards is up double digits. We continue to work with our great partners at Amex to produce innovative programmed offerings for our customers and continue to grow our portfolio.

Our passenger unit revenues declined 4.6% with roughly two points of the decline attributable to currency. This result was at the low end of our initial guidance as we continued to see choppiness in the domestic close-in yield environment during the quarter. Focusing on our domestic business, unit revenues declined 5% on 6% more capacity with one point of that growth attributable to Leap Day. All of our domestic hubs improved margins in the quarter with the best performances in Salt Lake City, Atlanta and Minneapolis. Our investments in markets like New York and Seattle are continuing to pay off, as we drove margin expansion in excess of the domestic average in both of these cities.

Our international business is still facing headwinds from foreign exchange, and lower fuel surcharges as well as economic and geopolitical challenges in certain regions, all of which we continue to address with capacity actions. The TransAtlantic entity saw unit revenue decline of 6% on a 3.5% reduction in capacity, driven by a 4 point headwind from currency and pressure on yields as industry capacity grew in the high single digits during the normally slow season.

In our core European markets, U.S. point of sale demand was strong and recovered quickly following the events in Brussels. On the flip side, European point of sale demand has been softer, largely due to the weaker Euro. We are pleased with our performance in London and we continue to benefit from our deeper integration with Virgin Atlantic and the network changes we made together in 2015. Paris unit revenues improved year-over-year as travel to the region rebounded following the events of last November.

In Latin America, unit revenues were down 9%, with 5% of the decline attributable to currency, largely driven by the Brazilian real. Mexico and Caribbean markets performed well during the quarter and have remained resilient throughout the peak spring travel period. Zika related cancellations had a very small impact on Latin America. Our Brazil capacity has been reduced by nearly 30% from peak levels, while our modest capacity growth has been well absorbed in Mexico and the Caribbean.

In the Pacific, PRASM declines are moderating with unit revenues down 5%, including roughly 8 points of impact from FX and fuel surcharges. The yen was a $35 million headwind in the quarter, $30 million of which was driven by lower year-on-year hedge gains. While the recent appreciation of the yen is a positive for our business, we will see roughly a 4-point headwind to TransPacific RASM from lower hedge gains through the remainder of the year.

Capacity to the Pacific declined 9% this quarter, primarily driven by Japan. This is part of our continuing Pacific restructuring, which includes the ongoing retirement of our Boeing 747 fleet. Our China business continues to mature, as do our partnerships with China Eastern and China Southern. Today between 15% and 20% of our customers are traveling beyond Shanghai and Beijing through our partners' networks. We expect that number to steadily increase over time. Demand in China and the broader Pacific held up well for the first quarter, although yields remained under pressure due to high levels of industry capacity growth in the region.

Looking ahead, we are forecasting that second quarter unit revenues will be down 2.5% to 4.5%, a sequential improvement from our first quarter revenue results on a 2% year-on-year capacity increase. While we are not there yet, we understand the importance of getting back to positive RASM. Volatility in close-in yields and challenges in Europe may mean we achieve our goal a few months later than we previously had expected. But we continue to target reaching the inflection point this year. We have a good line of sight to getting there in domestic encouraged by the recent yield trends which are now beginning to turn positive after being down for roughly a year.

In addition, our domestic capacity growth moderates with each successive quarter during the year. In Latin and the Pacific, our capacity actions and restructuring efforts will continue to benefit us, while currency headwinds are also easing. We continue to expect unit revenues to inflect in both entities in the summer timeframe. In the TransAtlantic, which accounts for 15% to 20% of our revenues is where we have the greatest challenge. Yields remain under pressure as industry capacity growth continues to outstrip demand. Peak season volumes from U.S. to Europe remain very strong and will drive record profits this summer, given the low fuel prices. And one positive is that we will get a big help from currency as it turns from a headwind into a tailwind beginning in the next quarter.

In closing, I would like to reiterate that we are focused on taking the necessary actions to get to positive RASM in 2016, and ahead of our network competitors, if for no other reason than to get Ed off my back. We will have a line of sight to achieving our goal in domestic, the Pacific, and Latin America. We are addressing the headwinds we face in Europe, and we will act quickly to move all the levers in our business, including capacity, if we do not see sufficient progress in the coming months.

With that, I'd like to turn it over to my good friend, Paul.

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

Thanks, Glen and good morning, everyone. And thank you for joining us today. While lower fuel costs are providing huge benefits for our business, there's a lot of uncertainty in the global environment. And we know fuel won't stay low permanently. As a result, we remain focused on staying disciplined with our costs. Total operating expenses for the quarter however were down more than $1 billion as this decline in fuel costs offset wage increases as well as higher profit sharing expense, which doubled versus last year at this quarter. Non-fuel CASM increased 4.5%, including profit sharing, better than our initial expectation, with roughly half of that increase coming from higher profit sharing in the quarter. As you may recall, our cost growth is more weighted towards the front half of the year, given the timing of last year's wage increases, and this quarter is the peak.

During the quarter, we retired 10 older mainline aircraft including nine Boeing 757s, and one Boeing 767-300. We removed six 50-seaters from our schedule also during the quarter. We continue to expect our refleeting efforts to drive another $350 million of savings in 2016. Our maintenance initiatives benefited us by $90 million in the quarter, and we continue to target a $400 million benefit for the full year.

For the second quarter, we expect non-fuel CASM, including profit sharing to increase roughly 2% as our productivity and other cost initiatives help to offset higher wages and product and service investments. CASM growth in the second quarter will be well below 1Q levels as we lap last year's April 1 wage increase. We remain on track to keep non-fuel cost ex-profit sharing below 2% for the full year.

Moving onto fuel, our total fuel expense declined by $1.5 billion due to lower market fuel prices and lower year-over-year hedge losses. Our all-in fuel price was $1.33 per gallon, down 55% from the prior year. The refinery lost a modest $28 million in the quarter. While lower crack spreads are a headwind for the refinery, they're obviously a significant net benefit for Delta as a whole.

Looking ahead, we expect an all-in June quarter fuel price of $1.48 to $1.53, which is down 40% from prior year. We continue to have no open hedges going forward, and anticipate hedge losses of approximately $200 million in each of the remaining quarters this year. With the combination of the fuel tailwind, our non-fuel cost discipline, and the sequential improvement in RASM performance Glen discussed, we expect another record quarter in June, with an operating margin of 21% to 23%, a roughly 5 point improvement from the prior year.

On cash flow, we are using our strong cash generation to appropriately balance the long-term investments we are making in the business while continuing to return cash to our owners and de-risking the balance sheet. As Ed mentioned, we generated $1.35 billion of operating cash flow in the quarter; this was net of $1.5 billion in profit sharing payouts to employees for 2015, and an $825 million cash contribution to the pension plan. We also contributed $350 million in Delta stock to the pension during the quarter.

With the additional $100 million in cash we put into plans this month, we have contributed $1.3 billion in cash and stocks since the beginning of the year. This completes our funding for 2016. We reinvested $870 million back into the business during the quarter. As you may recall, we expect higher capital spending in the first half of the year due to the timing of aircraft spend. And we'll spend roughly $1 billion again in the second quarter. Additionally, this year, we expect our Aeromexico tender offer to close in the third quarter.

In the March quarter, we returned $880 million to shareholders, including the $350 million accelerated share repurchase we completed to offset the dilution from the contribution to the pension plan. Adjusted net debt at the end of March was $7 billion, up slightly from year-end due to the timing of cash flows, including pension funding and profit sharing, and the decision we made to stay on track for run rate for buybacks during the quarter. We expect our adjusted net debt to be below $6 billion by year-end with our cash flow. We've made significant progress on de-levering our business over the last decades, and we're pleased to have this recognized with an upgrade by Moody's to investment grade during the quarter.

In closing, I'd like to thank and congratulate the entire Delta team, not only for another record quarter, but also for achieving our long held goal of returning as an investment grade company. These accomplishments would not have been possible without your determination, dedication and hard work each and every day.

Jill, back to you.

Jill Greer, Vice President – Investor Relations

Kelly Ann, we are now ready for questions from the analysts, if you could give instructions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We'll move to Duane Pfennigwerth with Evercore ISI.

<Q – Duane Pfennigwerth – Evercore ISI>: Hey, guys, good morning. Thanks for the time.

<A – Ed Bastian – Delta Air Lines, Inc.>: Good morning, Duane.

<Q – Duane Pfennigwerth – Evercore ISI>: As we look towards the inflection to positive revenue later this year, and you touched on some of this, can you just expand your thoughts on kind of domestic versus international and which international region you might expect that first? Specifically, Latin America there's been a lot of capacity cuts. Are you any more constructive on getting back to positive unit revenue in that region?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Duane, this is Glen. I think we are very constructive because not only do we have some positive chutes in Brazil, for the first time in many years our closed in bookings have actually provided positive momentum as opposed to negative momentum. So, but we're coming off of a very low base in Brazil and as we start to lapse the currency changes I think we are positioned well with the capacity down to look towards an inflection point later this [ph] year-end (21:46).

<Q – Duane Pfennigwerth – Evercore ISI>: And so would that be your guess in terms of getting back to positive RASM first?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: No. I think we are already in positive RASM territory and some of our entities, including Mexico, now in Japan and domestic, I think we have a good line of sight for peak summer. So I think we have a lot of the network that's doing better, that's being offset by some very dramatic decreases in certain geographic areas including Brazil.

<Q – Duane Pfennigwerth – Evercore ISI>: Thanks for that color. And then, Paul, could you update us on your latest thinking regarding CapEx for this year and next? How do we think about your narrow body refleeting needs relative to kind of that $3 billion core CapEx level that you've outlined?

<A – Paul Jacobson – Delta Air Lines, Inc.>: Good morning, Duane. I think, as we've talked about, we're looking at balancing capital against our cash flows and approximately $3 billion remains our goal. We've got needs over the next five to seven years as we think about older narrow bodies, particularly MD-88s, and we remain committed to doing that while achieving our EPS goals, while achieving our cash flow goals and our balance capital allocation.

<A – Ed Bastian – Delta Air Lines, Inc.>: Duane, this is Ed. Let me add a little bit more to Paul's comments. Our 2016 CapEx guidance remains in line with what we gave you in expectations. There's no changes there. And we are in good shape as we look out on our international wide bodies, so there's nothing on that horizon that's changing. The focus we're in the midst of currently is the domestic fleet renewal over the next five years. It's not a short-term need, it's a medium term need because the MD88s do need to retire and we have roughly 115 of them currently. And we also need to continue to up-gauge our regional flying to the mainline, which we've had a lot of success in and there's much more to go, and I think we can do it cost effectively.

There's been a lot of media reports. We have nothing to report at this time. There's no decisions taken so I will not comment on any media reports. What I do hope is that we'll have more information to report and give you that medium-term outlook when we meet together next month in New York at the Spring Analyst Meeting, but the one thing you can remain convinced of here at Delta is that we will stay disciplined on capital deployment, as always. That will never change.

<Q – Duane Pfennigwerth – Evercore ISI>: Thanks very much.

Operator: We'll hear next from Savi Syth with Raymond James.

<Q – Savi Syth – Raymond James & Associates, Inc.>: Hey, good morning.

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

<Q – Savi Syth – Raymond James & Associates, Inc.>: Just on the domestic capacity, I know the first quarter you had the increase related to the extra day, but it's still up about 5.5%, 6%. And then if you look at second quarter, and I might be reading the schedules wrong, but it's showing maybe 4% to 5%. So I was wondering does that – are you still kind of thinking 1% to 3% growth for domestic market, in which case maybe second half you see growth of like 1% to 2%? Is that still the thinking?

<A – Ed Bastian – Delta Air Lines, Inc.>: That is still the thinking and we do have deceleration of that growth throughout the year. Thanks to Gil and the team, one of the other good benefits we had in the first quarter was a much higher completion factor than we had the previous year. So that was included in the higher numbers for the first quarter as well as the Leap Year. And so we do see that number decelerating throughout the year.

<Q – Savi Syth – Raymond James & Associates, Inc.>: Understood. And then just on the fleet question. Just wondering if you're still finding attractive rates for aircrafts to part out, and even mid-life aircraft replacement. Or as you look to your narrow body replacement, are you focusing more on newer aircrafts to kind of keep that barbell average age going?

<A – Ed Bastian – Delta Air Lines, Inc.>: Savi, as I said, we have nothing to report on any speculation in the media. We'll wait till we have something to tell you, so we can lay out what we're doing. But yes absolutely, we continue to see good opportunities in the part-out space, and Gil and his team have created a new entity called Delta Material Services, where we're going in and saving literally hundreds of millions of dollars in our tech ops and maintenance costs.

<Q – Savi Syth – Raymond James & Associates, Inc.>: All right. Great, thank you.

Operator: And from Cowen and Company we'll move to Helane Becker.

<Q – Helane Becker – Cowen and Company, LLC>: Thanks very much, operator. Hi everybody. Thank you for the time. So I was wondering if you could explain a little more, flesh out a little more, the TransAtlantic comment about overcapacity in the market. And I'm asking that within the context of the fact that there are three large JVs that seem to be able to adjust capacity. So are you seeing other entities outside of the JV's increased capacity, and as part that are you seeing them back filling what you are taking out? So maybe you could just kind of flesh that out a little more for me.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Sure, Helane, it's Glen. One of the big contributors, of course, are the ME3 because they're included in our TransAtlantic capacity. So for example, here in Atlanta, we have Turkish Airlines starting nonstop services into Istanbul this spring. We also have Qatar flying from here to Doha this spring. And the Atlanta to Doha market is less than five people a day, so they're going to need to fill up on some flow. We don't think they'll be successful, but that's capacity that we face here locally that I think describes the type of capacity that's in the TransAtlantic. And on the other side, in Europe itself, you have some growth from the ultra low cost carriers that are attempting now to fly in the TransAtlantic, such as Norwegian as well as some of the majors, like Air Canada. So when you add all that together, you get a TransAtlantic capacity increase that is in the high single digits, low double digit through the peak summer season. Given the economic outlook for the United States and for Europe, we think demand will grow in the

4% or 5% range, and so there is more capacity than can be absorbed by the increase in natural demand.

<Q – Helane Becker – Cowen and Company, LLC>: So just to follow up on that, are you seeing then pricing being more aggressive in that market, and are you concerned that if oil prices continue to move up, it will pressure margins?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: I think those are always our concerns. I think that the demand set is strong, particularly ex-U.S., and it's been a little bit weaker ex-Europe. But if these elevated levels stay and fuel goes up and economies don't grow, I think that would be an indication that the industry would need to pull capacity in order to maintain margins.

<Q – Helane Becker – Cowen and Company, LLC>: Okay. Thank you, Glen. I appreciate your help.

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

Operator: We'll move next to Joseph DeNardi with Stifel.

<Q – Joe DeNardi – Stifel, Nicolaus & Co., Inc.>: Thanks, good morning. Glen, just on the domestic side, just kind of given the slowdown in capacity expected throughout the year, where are the investments being made now and what market's going to fund the capacity reduction through the year?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Well, I don't think it's necessarily capacity reduction, but it's a lapsing of the investments we made last year. So as we get through the year, our capacity in Seattle grew dramatically last year. Our capacity in New York grew significantly last year, and as we get to that second half of the year those capacity additions start lapping each other.

<Q – Joe DeNardi – Stifel, Nicolaus & Co., Inc.>: Okay, thanks. And then, Paul, just on some of the deferral and acceleration transactions you've made with the hedge book, I think that's kind of complicated the cash flows this year and into next year, so I'm just wondering if you could kind of where the book stands right now, what the net cash flows and outflows are this year and next?

<A – Paul Jacobson – Delta Air Lines, Inc.>: Hey, Good morning, Joe. What we talked about was, if you recall at Investor Day that, or I'm sorry on the first quarter call, that we had locked out the book. That's where we sit right now. Our expense recognition mirrors those cash flows, so we would expect about $200 million a quarter. We do have some modest quarterly impact in 2017, but it's rather immaterial. The crux of that, though, is like we said the book remains flat, and there is no participation right now. It's just sitting there.

<Q – Joe DeNardi – Stifel, Nicolaus & Co., Inc.>: Okay. Thank you.

Operator: And Jamie Baker with JPMorgan has our next question.

<Q – Jamie Baker – JPMorgan Securities LLC>: Hey, good morning, everybody.

<A – Ed Bastian – Delta Air Lines, Inc.>: Good morning, Jamie.

<Q – Jamie Baker – JPMorgan Securities LLC>: First one for whomever might want to take it. The second quarter margin guide is healthy, no question about that, but whether or not we include fuel, there's traditionally been more improvement from the first quarter to the second. Historically for Delta anywhere from call it 500 basis points to 800 basis points. So today's guide is obviously below that range. Shouldn't the consolidated industry be showing a little bit more seasonality, not less as we move into peak periods? Any idea what might be contributing to this?

<A – Paul Jacobson – Delta Air Lines, Inc.>: Hey, Jamie, it's Paul. I'll start and let anybody else chime in that wants to. I think when you look at just where we are in this particular quarter-to-quarter, you've got a move in fuel that if you just look at the midpoint of our guide for 2Q against our 1Q actual has moved up almost $200 million for that impact. And while RASM is improving sequentially, it's not keeping up with that pace in the very, very short-term. I don't think that's a judgment on consolidation, I think it's just on the volatility of where we are. Despite that move in fuel, we're sitting roughly at where we ended up at year-end, so I think there's a little bit of intra-quarter noise movement going on [ph] as the market generates them (32:27)

<Q – Jamie Baker – JPMorgan Securities LLC>: Okay. That's helpful. Second for Glen. I'm trying to better understand what happened in the last couple of weeks with multi-segment itinerary construction domestically. It's unclear whether or not Delta led the effort. I guess that actually doesn't really matter as much as it seems that the reconstruction is potentially driving firmer RASM on multi-segment fares. The type that I would often use if I was jumping around the country on Delta. Can you shed any background on this?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: You know, Jamie, as always we don't really comment on fares on this call, so I'd like to just -- if you have another question that we could answer.

<Q – Jamie Baker – JPMorgan Securities LLC>: No, but I'll end with this. We are with you in believing you should be comped against high quality industrial transports, but if you listen to the earnings calls from those companies this quarter or any other, most of them are going to talk openly about price and revenue. So high quality industrial transports don't duck and weave on this topic. So just something I'd point out. I'll pass the mic to somebody else.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Thank you, Jamie.

Operator: And from Wolfe Research we'll go to Hunter Keay.

<Q – Hunter Keay – Wolfe Research LLC>: Thank you very much. I appreciate it. Ed, I'm curious to know what you expect from Richard as his level of involvement as Chairman. How much is enough? How much is too much, I should say, and how much is not enough? And what are you expecting from him and how much are you guys going to communicate maybe between board meetings?

<A – Ed Bastian – Delta Air Lines, Inc.>: Well, Hunter, I don't mean to speak for Richard, but Richard is going to become the Chairman of our board in a few weeks, and I expect Richard to fulfill the same function and role that our current Chairman, Dan Carp, has done very ably for the last seven years or eight years. Richard and I are obviously very close. We speak a lot, and I'd leave it at that.

<Q – Hunter Keay – Wolfe Research LLC>: Okay. And, Glen, does your on-time performance give you the opportunity to maybe tighten some block times in order to facilitate maybe some more connecting volumes? And maybe this question is for you or maybe for Paul or maybe for Gil, if he's there, but if you do have some potential CASM pressures in the event that you trim some capacity, how much of that can be offset by tightening some of those block times? Thanks for all the time, I appreciate it.

<A – Gil West – Delta Air Lines, Inc.>: Yeah, this is Gil. Thanks for the question. There's a number of variables that drive on time. I would argue that execution is the biggest of those, and we're wholly focused around that. Block time plays a role in it, of course, but ground times also play a role. We run the tightest ground times in the industry, and we try to buy us ground time to the tightest for a number of reasons, and block more or less average now with the industry, maybe a little bit higher. But we also try to not just blanket block time. We're more surgical about it. I think that's the next level that we continue to drive. But our connections are also a metric and a variable that we look at. We run less than 1% miss connect rate, as well, while balancing all of that.

<A – Paul Jacobson – Delta Air Lines, Inc.>: And, Hunter, this is Paul. I'll just add that we're not going to degrade the customer experience or put the customer experience at risk in chasing after a CASM goal, nor are we going to add capacity to manage costs. Capacity is the responsibility of the commercial organization to match to demand and where we see that opportunity. CASM has to be driven by productivity and we're going to continue to do that. And if we're successful at that, it's not going to impact the customer, only enhance their experience.

<Q – Hunter Keay – Wolfe Research LLC>: Thank you very much.

Operator: We'll move next to Darryl Genovesi with UBS.

<Q – Darryl Genovesi – UBS Securities LLC>: Hi, everyone, thanks for the time.

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

<Q – Darryl Genovesi – UBS Securities LLC>: Not to beat a dead horse on CapEx, but I thought Paul mentioned a $3 billion number again, and I just wanted to be perfectly clear on one point, and is that are you recommitting to your $3 billion stated upper limit on CapEx regardless of which way the MD-88 replacement decision goes?

<A – Ed Bastian – Delta Air Lines, Inc.>: Darryl, we talked about CapEx for 2016, and long-term we mentioned that we've got some domestic fleet renewal needs and we don't have any update to that number, but I think you need to wait to see if we make decisions along that line. And we'll keep you posted.

<Q – Darryl Genovesi – UBS Securities LLC>: Okay. Thanks. And then bigger picture question for Ed or Glen. I appreciate it and I'm sure most equity investors on this call probably appreciate your admirable goal of getting back to positive year-over-year unit revenue growth. I guess what I'm less certain of is whether sustained unit revenue growth is actually achievable over the next few years with returns running as high as they are across the industry, which to me would appear likely to drive continued at least mid single digit supply growth, which is kind of what we've been seeing. So just wondering and maybe perhaps just focusing on the domestic market, assuming the current status quo of kind of low single digit GDP growth, fuel in kind of the low to mid-$40s per barrel and then continued mid single digit domestic supply growth across the industry, how do you really establish any confidence that you can get to sustained unit revenue growth? And understandably demand is going to kind of ebb and flow and maybe you can get there for a quarter or two, but just any color on sort of how you can get there and sustain there, given the return profile across the industry? Thank you.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: If you look back over the last several years, we had seven years of unit revenue expansion, all by it looks like it will be about two years of contraction. It will be about two years of contraction, which were caused really by the fuel price being cut in less than half. And I think if you look at the correlation to fuel and unit revenues, over time, you'll see a very tight correlation in the longer term. And so, depending on what your fuel assumption is, if you see fuel bottoming at $27 in the December time period, and then you see a gradual improvement, although lower for longer, I think that ultimately will be reflected in ticket prices, and that's one of the reasons I think we're relatively confident that we will get to a higher unit revenue in the back half of the year than we did in the first half of the year. You couple that with the foreign exchanges moving from a negative to a positive, I think that shows where we could get to.

Back to the domestic arena, I do think that most of this decline has been caused by the decrease in fuel.

<Q – Darryl Genovesi – UBS Securities LLC>: Okay. I mean maybe just to play devil's advocate, understanding all of the historical metrics that you just laid out, I don't think we've really ever seen a period of – a sustained period of time where the airline industry was putting up a roughly 20% unlevered return like it is today, right. So I think most would agree that that's well above the industry's cost of capital and looking across other industries, that type of excess return would typically lead to outsize growth, right? And so I guess I have a little trouble understanding how the industry goes about getting price and how Delta goes about getting price with that kind of return backdrop and the likely supply trends that it would drive.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: I just would comment, I think we have the very best revenue team in the business and I think that we are very confident that we have a path forward and that there is more to revenue for us to garner from particularly corporate as we continue to separate ourselves from the pack in terms of our products and services. And really that's what our future is about. It's about getting paid for the high quality of services that we provide in this national transportation network. So if you spend some time here, we'll walk you through some of the initiatives in more great detail, but we really do think that we are poised to separate from the pack here.

<A – Ed Bastian – Delta Air Lines, Inc.>: And Darryl, this is Ed. Just to add to what Glen was saying. This is a different business, and this is a different company. And you also have to keep into account the level of cash that we're generating and putting back into product and services and producing a product that customers want to buy, and investing in segmentation technologies and merchandising opportunities and corporate volume. And the volumes have stayed strong throughout this period, so I'm optimistic we'll continue to produce the results that we talk about. And we'll have -- it's a good question. We'll talk more in the spring meeting about that.

<Q – Darryl Genovesi – UBS Securities LLC>: Great, thanks very much guys.

Operator: We'll move next to Dan McKenzie with Buckingham Research.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Hey, good morning, thanks. Looking out this summer, Europe really strikes me as a wild card. The best case scenario under Brexit looks pretty dim. So I'm guessing the unit revenue outlook for the second quarter doesn't factor in Brexit, but I believe the demand trends were weakening even before the Brussels attack. So I wonder if you can provide some additional color about what's factored into the outlook exactly on this [ph] entity (42:23) so perhaps a trend line of continue to decay, pardon me, and then just remind us what percent of the revenue is tied to the UK specifically?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Yeah. UK specifically is probably for us less than 3%, but demand trends for the summer, demand itself is strong. Yields are relatively weak. And a lot of that was because of the currency devaluation, but now we're lapping that, so as we move forward from this point we should see actually a tailwind from the Euro exchange rate. So while your question kind of indicates doom and gloom, we will confidently say that we will have record profits in the TransAtlantic this summer. And that's with a high degree of confidence that our profits will be at historic highs in the TransAtlantic this summer.

And as we get to June, and as we usually do, we'll assess what demand trends we see for the off season. And then we will take the appropriate adjustments, if necessary, to ensure that we have the right level of capacity unit for the fall and winter.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: That's good color. Thanks, Glen. Following up, the GBTA forecast for corporate travel spend was revised downward this week.

So I'm wondering if you can provide some color around this revenue bucket for Delta. Is the spend deteriorated somewhat? Or are you expecting spend to perhaps trend a little bit more strongly this year? Just wondering what color you can share along those lines.

<A – Ed Bastian – Delta Air Lines, Inc.>: Dan, this is Ed. The GBTA report, as I recall, looked at it quickly the other night, indicated that demand continues to grow, volume continues to grow, and that's what we're seeing in our corporate space. Our volumes were up in Q1 and our forecast through the summer and the rest of the year is for volumes to continue to grow. I think the numbers that they revised down was more reflective of the current pricing environment in which fares are lower than were previously anticipated in the close-in space, but we're not seeing any trend lines to give us pause.

<Q – Dan McKenzie – The Buckingham Research Group, Inc.>: Very good. Thanks. Thanks, guys.

Operator: From Stephens, we'll hear from Jack Atkins.

<Q – Jack Atkins – Stephens, Inc.>: Good morning, guys. Thanks for the time.

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

<Q – Jack Atkins – Stephens, Inc.>: As it relates to rising fuel prices, I was just curious how quickly you anticipate you'll be able to pass that through higher fares, just what sort of lag would you anticipate before that's reflected in your PRASM?

<A – Ed Bastian – Delta Air Lines, Inc.>: Jack, you're breaking up. We're having a real hard time hearing your question.

<Q – Jack Atkins – Stephens, Inc.>: Sorry about that. Is that any better?

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

<Q – Jack Atkins – Stephens, Inc.>: Okay, great. So just as it relates to rising fuel prices, Just I'm curious how quickly you would be able to pass that through via higher PRASM. What sort of lag would you anticipate with as fuel goes up, before you'll be able to pass that through via PRASM?

<A – Ed Bastian – Delta Air Lines, Inc.>: That's hard to speculate on. Historically there's been a lag. And I think it's anywhere from one to two quarters before RASM and volume adjustments get made to keep track of rising fuel prices. So the current environment is different than anything we've seen before at the same time, so it would be hard to speculate.

<Q – Jack Atkins – Stephens, Inc.>: Okay. And then specifically with regard to the second quarter PRASM guide, what sort of FX impact is baked in there? If you could share that, that would be helpful.

<A – Ed Bastian – Delta Air Lines, Inc.>: I think it's one point.

<Q – Jack Atkins – Stephens, Inc.>: Okay. Thank you.

Operator: And Rajeev Lalwani with Morgan Stanley has our next question.

<Q – Rajeev Lalwani – Morgan Stanley & Co. LLC>: Hi, gentlemen. Thanks for the time. Just as it relates to the June guide, are you assuming the March environment carries forward? And then just coming back to business travel, have you noticed any change as far as policy shifts on the corporate side?

<A – Ed Bastian – Delta Air Lines, Inc.>: On the policy side, no we're not seeing any significant shifts. And I'd say the Q2 guide is roughly in line with the trend lines that we closed out the first quarter at.

<Q – Rajeev Lalwani – Morgan Stanley & Co. LLC>: Great. And then just one other quick one. I think, Glen, you mentioned earlier that you were seeing some encouraging trends on the domestic front. Can you just talk a little bit more about what exactly that was and implications for it?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Well, for many months and quarters, now we have had advanced domestic yields. And as they sit on the books for the out months in negative territory and as we get to summer of this year, peak summer of this year for the first time in quite a while, the advanced bookings and advanced yield trends are favorable to the baseline year of 12 months ago. So that to us is optimistic, and now what we have to do is get through that whole booking cycle all the way down to the day of departure and keep that in the positive territory. When you're sitting out at 30 days, 60 days, 90 days with a minus 3 or a minus 4, it's harder to make it up inside that. So that's kind of the trajectory we're on is seeing a much more favorable advanced book than we've had in the past.

<Q – Rajeev Lalwani – Morgan Stanley & Co. LLC>: Thanks for the time and congrats on all the new roles.

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

Operator: And from Deutsche Bank, Mike Linenberg.

<Q – Richa Talwar – Deutsche Bank Securities, Inc.>: Hey, everyone, it's actually Richa Talwar on behalf of Mike. Good morning.

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

<Q – Richa Talwar – Deutsche Bank Securities, Inc.>: So first, we'd be curious to hear Delta's stance on slot restrictions at Newark Airport being lifted in October. Does that represent a growth opportunity for you? And how do you think it will impact the New York market maybe more broadly and fit into your New York strategy?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: New York is a very congested area in terms of facilities, in terms of air space. And it's a very complex and incredibly expensive environment to operate in. And so while we are enthusiastic about Newark's slot restrictions being lifted, we are also realistic that that airport does not have an infinite number of or infinite capability to handle traffic. So we will examine the options very carefully and see what it is we can do to improve our position in Newark. But I don't see a significant amount of work for us in Newark.

<Q – Richa Talwar – Deutsche Bank Securities, Inc.>: Okay. Great, thanks. And then second, regarding the financial difficulties your Brazilian partner's going through, we know GOL has a number of fairly young aircraft that it's looking to restructure with lessors. And it's been reported that Delta's in the market right now, as you've commented multiple times, for narrow bodied jets. So is there sort of a happy harmony on the table where you consider using some of their lifts? Is that an outcome you consider? Or are you really just opting for new aircraft or different avenues you consider your replacement needs?

<A – Ed Bastian – Delta Air Lines, Inc.>: This is Ed. We are working closely with our good partners down in Brazil. And they are certainly going through a reduction of their fleet. We haven't made any decisions yet as to whether there would be some of the aircraft that we would take either through addition into our fleet or through partout opportunities. But we're in dialog with them. We're not the only individuals at the table because there's a number of lessors they're also talking about sending aircraft back to.

<Q – Richa Talwar – Deutsche Bank Securities, Inc.>: Okay. Thanks for all that color.

<A – Jill Greer – Delta Air Lines, Inc.>: Kelly Ann, we've got time for one more question from the analysts.

Operator: Okay, that will be from Julie Yates with Credit Suisse.

<Q – Julie Yates – Credit Suisse Securities (USA) LLC (Broker)>: Good morning. Thanks for taking my question.

<A – Ed Bastian – Delta Air Lines, Inc.>: Good morning, Julie.

<Q – Julie Yates – Credit Suisse Securities (USA) LLC (Broker)>: Glen, is there any color you can provide geographically on domestic RASM, pockets of strength and weakness? I think last year you called out three specific markets as driving the bulk of the weakness. Is it still a similar story or was the weakness in Q1 more widespread?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: I would say that we saw a deepening of the number of markets that were impacted by lower close-in fares.

<Q – Julie Yates – Credit Suisse Securities (USA) LLC (Broker)>: Okay. Great. Can you quantify that just in terms of like the number of top 10 markets that are now affected or?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Well, I think what we could do is we could get back to you on that in terms of more specifics.

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

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Because it is a much more widespread phenomenon than it was. Last year it was really just in some very key business markets and now it has broader implications. The good news is that the numbers haven't gotten worse, so they tend to balance out in demand, but it is different than it was a year ago.

<Q – Julie Yates – Credit Suisse Securities (USA) LLC (Broker)>: Okay. And then just on the Q2 unit revenue guide of down 2.5% to down 4.5%. What's the underlying assumption for domestic versus international? I'm curious that the sequential improvement is mostly a function of just lapping the international headwinds, like FX and surcharges, or if you expect domestic to materially improve from the down 4.8%, given the comments you made on advanced bookings.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: As we get through to peak summer we do expect domestic to improve from where we are sitting in March. May may be a choppy month, but I think June and July are looking very solid. And we do get one point reduction or a point and a half on the currency headwinds, as well. So I think we have some good visibility to peak summer. Second quarter isn't the peak for domestic. July is really the peak. That's really where we're headed, to try and get up to positive RASM in domestic. We'll see if we can get there.

<Q – Julie Yates – Credit Suisse Securities (USA) LLC (Broker)>: Okay, great. Thanks for fitting me in.

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

<A – Jill Greer – Delta Air Lines, Inc.>: Thanks, Julie. And that's going to conclude the analyst portion of the call. I'll hand it over to Kevin Shinkle, our Chief Communications Officer.

<A – Kevin Shinkle – Delta Air Lines, Inc.>: Welcome, everybody. We'll have about 10 minutes to take questions from journalists, so please limit yourself to one question and one follow-up. Kelly Ann, if you could please provide the instructions again on now to register to ask questions.

Operator: Certainly. [Operator Instructions] We'll move first to Dennis Schaal with Skift.

<Q – Dennis Schaal – Skift, Inc.>: Hi, everyone. I was wondering if you see any challenges for Delta in Alaska Air's merger with Virgin America? And also, JetBlue announced this week that they're expanding their Mint service into Seattle. How will these things impact Delta?

<A – Ed Bastian – Delta Air Lines, Inc.>: Your question was how -- I didn't fully hear your question. Is how does the Alaska-Virgin proposed merger impact Delta?

<Q – Dennis Schaal – Skift, Inc.>: Yeah. As well as JetBlue expanding Mint service into Seattle?

<A – Ed Bastian – Delta Air Lines, Inc.>: Seattle we're doing quite well. We continue to grow there. We had a very good margin in the first quarter, and I think our outlook is strong there. We're not going to comment on proposed transactions. We'll react when we see what happens in the marketplace.

<Q – Dennis Schaal – Skift, Inc.>: Okay, thanks.

<A – Glen Hauenstein – Delta Air Lines, Inc.>: On the Mint product between Seattle and JFK and Boston, we currently have flatbeds on a single flight between -- or two flights between New York and Seattle, and we had already in the plans to make sure that we had a consistent product in terms of flatbed seats in key time channels between the two markets. That's not all time channels, but on the redeye certainly we will have a flatbed product in Seattle to New York.

<Q – Dennis Schaal – Skift, Inc.>: Great.

<A – Ed Bastian – Delta Air Lines, Inc.>: That was in our plan before Mint announced this.

<Q – Dennis Schaal – Skift, Inc.>: Got it. The other question was in basic economy. I think you said that it drove $20 million in incremental revenue in the quarter. Are you happy with that number, and are you not seeing significant dilution from passengers who would have otherwise purchased higher fares?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Basic economy is designed for customers who solely are purchasing on price, and I think our value proposition relative to the ultra low cost carriers is very, very strong. We have great customer service. We have great operational reliability, great baggage delivery and we already have a lot of things that on other ultra low cost carriers are not free like we don't charge for space in overhead bins.

So if you're shopping for just solely price, we want to have a product that can compete effectively and provide the best services against carriers who are providing a much lower quality of service. And I think that's what this is designed for. And what we're seeing is when presented with the options, and really the way we get to the $20 million value is those customers, when they were informed of what this product was, chose something else. And that's really how we get to that $20 million value. Remember, it's really only in about 400 markets to 500 markets now. We have over 20,000 domestic markets, so our plan is over the next weeks and months to continue to roll it out. So we do have a great value proposition for people who are just looking for the lowest possible fare.

<Q – Dennis Schaal – Skift, Inc.>: Thanks a lot.

Operator: And from the Wall Street Journal we'll hear from Susan Carey.

<Q – Susan Carey – The Wall Street Journal>: Good morning, gentlemen. Could you remind me what your operating margin was in the end in the first quarter?

<A – Ed Bastian – Delta Air Lines, Inc.>: The first quarter was 18.5%, Susan.

<Q – Susan Carey – The Wall Street Journal>: Thank you. And secondly, there's a little tussle going on between the EU and the U.S. and Canada about possibly ending the Visa waiver program. Apparently it's not settled yet, but are you thinking ahead to a possible negative impact if U.S. citizens have to apply for Visas to go to France or something?

<A – Ed Bastian – Delta Air Lines, Inc.>: We're not anticipating that, Susan.

<Q – Susan Carey – The Wall Street Journal>: You think it will be solved then?

<A – Ed Bastian – Delta Air Lines, Inc.>: No, we're not – we don't have enough information to have an informed opinion at this point, so I'd say we're not making any plans.

<Q – Susan Carey – The Wall Street Journal>: Okay. Thank you.

Operator: We'll move next to David Koenig with The Associated Press.

<Q – David Koenig – The Associated Press>: Really, you answered the question I was going to ask, which was about the basic economy. Just one other thing, is the entry of American and United into that market this year, how's that going to – do you expect how that will affect you?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: We really don't have the details yet on what American or United's product is, but I think we are consistent in saying whatever that product is we want to have the best in class for it and we will make adjustments as necessary to make sure that for people who are just traveling on price as the only decision maker that Delta always offers the best product offering.

<Q – David Koenig – The Associated Press>: I guess what I'm getting at, let's assume, for argument sake, that American and United do something similar to what you've done, doesn't that just kind of divide up whatever that market is, and might the $20 million in incremental revenue you saw in the first quarter be a high watermark?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: I don't think that's the case. So we can take that off line and discuss it with you, but I think it might be the opposite.

<Q – David Koenig – The Associated Press>: Okay. Thanks.

Operator: And Michael Sasso with Bloomberg News has our next question.

<Q – Michael Sasso – Bloomberg News>: Good morning. Could you just elaborate a little bit on your discussions with GOL, particularly you were talking about doing, maybe taking back some jets from them. What exact -- what are the range of options that Delta is considering regarding GOL and its aircraft?

<A – Ed Bastian – Delta Air Lines, Inc.>: Well, Michael, there's no decisions taken yet because GOL is still working through the impact with its lessors and creditors down there, but GOL has been public that there is a considerable amount of their capacity that they're reducing. And we, as a number of stakeholders in GOL, are all looking at it, whether there's some opportunities to take some used aircraft and either to enter into service and induct or to partout. There's opportunities in both spaces.

<Q – Michael Sasso – Bloomberg News>: Any specific types of aircraft you might look at?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: They only fly Boeing 737s, so I'd start there.

<Q – Michael Sasso – Bloomberg News>: All right.

Operator: And from TheStreet we'll move to Ted Reed.

<Q – Ted Reed – TheStreet>: Thank you. Glen, did you say that between Atlanta and Doha there's only five O&D passengers a day? So, I think you said that. So do you have any routes like that? And secondly, do you guys feel there's a resolution coming in this dispute with the Mideast carriers?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: Well, Ted, we don't have any markets that we fly halfway across the world that have less than 10 people a day. And I don't think you'll find any carriers in the world that do. So I don't know what the latest is, maybe I'll turn that over to Peter and inform you of what the latest is in the industry.

<A – Peter Carter – Delta Air Lines, Inc.>: I will tell you. This is Peter. This is our number one priority in Washington. We have reason to believe that the U.S. government is going to do the right thing. And having said that, because this is fundamentally a diplomatic process. It will take some time.

<Q – Ted Reed – TheStreet>: So nothing is imminent from the U.S. government?

<A – Peter Carter – Delta Air Lines, Inc.>: Not that we're aware of.

<A – Ed Bastian – Delta Air Lines, Inc.>: Not that we're aware. And, Ted, we do have some markets that we have four or five passengers on. We call that Delta Private Jets.

<Q – Ted Reed – TheStreet>: All right. Thank you.

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

Operator: And Kelly Yamanouchi with The Atlanta Journal-Constitution has our next question.

<Q – Kelly Yamanouchi – The Atlanta Journal-Constitution>: Hi there, I was just interested in finding out how the current environment and your outlook as it stands affects the pilot's contract negotiations as you go into mediation, and any timeframe that you might have for reaching a deal there.

<A – Ed Bastian – Delta Air Lines, Inc.>: We're not going to comment publicly, Kelly, on the status of the negotiations. We're at the table. We're working hard. Our pilots are the best, and we want our pilots to be paid the best. And that's our commitment to them.

<Q – Kelly Yamanouchi – The Atlanta Journal-Constitution>: Okay. Thank you.

Operator: And from Reuters, we'll move to Jeffrey Dastin.

<Q – Jeffrey Dastin – Thomson Reuters Corp.>: Thanks very much. Has Delta considered starting direct flights into China's interior now that more of its customers are traveling beyond Beijing and Shanghai?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: We have some great partners in China with China Eastern and China Southern, and similar to how we transfer customers to our European partners, AFKL and AZ, we think that the next few years is about continuing to develop those primary gateways in Beijing and Shanghai. And as you may know, we've applied for new services during this December from Los Angeles to Beijing. And that's going to be our focus for 2016 and 2017 as to work to get that route and initiate it successfully.

<Q – Jeffrey Dastin – Thomson Reuters Corp.>: Thank you. And a brief follow-up regarding the region. Does Delta have an update on talks to strengthen its partnership with Korean Air?

<A – Ed Bastian – Delta Air Lines, Inc.>: We are always in discussions with our partners to strengthen, and Korean Air is no exception. And as the landscape in the Pacific continues to evolve and the geographies change we think Korean is a very, very important partner for our success in that region in the future. And I know they feel the same way about Delta.

<Q – Jeffrey Dastin – Thomson Reuters Corp.>: Thank you very much.

<A – Kevin Shinkle – Delta Air Lines, Inc.>: And we have time for one more question.

Operator: And that will be from Edward Russell with Flightglobal.

<Q – Edward Russell – Aviation, transportation and financial reporter and columnist>: Yes, could you comment on the Haneda daytime slots? And does Delta plan to seek all of them if they're available in the proceeding later this year?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: As you may know, there are five daylight frequencies available to U.S. carriers. We are in the process of filing our route case. And that will become public here in the next couple of weeks. Before that happens, we probably would refrain from commenting on it.

<Q – Edward Russell – Aviation, transportation and financial reporter and columnist>: Okay. One follow-up. What will opening Haneda do to your Narita hub, considering your earlier comments on pulling down Narita?

<A – Glen Hauenstein – Delta Air Lines, Inc.>: We have continued to de-emphasize Narita over the last several years, and we will continue on that process. Haneda probably accelerates that process by a little bit as we look to the fall schedule period.

<Q – Edward Russell – Aviation, transportation and financial reporter and columnist>: Thank you.

Kevin Shinkle, Chief Communications Officer & SVP

Okay. Thank you. And with that, we'll conclude our earnings conference call. Thanks to everyone for listening.

Operator: Again, that will conclude today's conference. We thank you all for joining us.

