

**Note A: The following tables show reconciliations of non-GAAP financial measures. The reasons Delta uses these measures are described below.**

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

**Forward Looking Projections.** The Company does not reconcile forward looking non-GAAP financial measures because MTM adjustments and settlements will not be known until the end of the period and could be significant.

**Pre-Tax Income and Net Income, adjusted.** We adjust for the following items to determine pre-tax income and net income, adjusted, for the reasons described below:

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

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

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

*Loss on extinguishment of debt.* Because of the variability in loss on extinguishment of debt, the adjustment for this item is helpful to investors to analyze the company's recurring core operational performance in the period shown.

*Income tax.* We included the income tax effect of adjustments when presenting net income, adjusted. We believe that presenting the income tax effect of adjustments allows investors to better understand and analyze the company's core financial performance in the periods shown.

(in millions, except per share data)	Three Months Ended June 30, 2016			Three Months Ended June 30, 2016
	Pre-Tax Income	Income Tax	Net Income	Net Income Per Diluted Share
GAAP	\$ 2,350	\$ (804)	\$ 1,546	\$ 2.03
Adjusted for:				
MTM adjustments and settlements	(617)	227	(390)	
Virgin Atlantic MTM adjustments	(51)	19	(32)	
Total adjustments	(668)	246	(422)	(0.56)
Non-GAAP	\$ 1,682	\$ (558)	\$ 1,124	\$ 1.47
Year-over-year change				16 %

(in millions, except per share data)	Three Months Ended June 30, 2015			Three Months Ended June 30, 2015
	Pre-Tax Income	Income Tax	Net Income	Net Income Per Diluted Share
GAAP	\$ 2,366	\$ (881)	\$ 1,485	\$ 1.83
Adjusted for:				
MTM adjustments and settlements	(720)	266	(454)	
Restructuring and other	25	(9)	16	
Virgin Atlantic MTM adjustments	(31)	11	(20)	
Total adjustments	(726)	268	(458)	(0.56)
Non-GAAP	\$ 1,640	\$ (613)	\$ 1,027	\$ 1.27

(in millions, except per share data)	Three Months Ended June 30, 2014
	Pre-Tax Income
GAAP	\$ 1,298
Adjusted for:	
MTM adjustments and settlements	(1)
Restructuring and other	30
Loss on extinguishment of debt	111
Total adjustments	140
Non-GAAP	\$ 1,438

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

*Hedge deferral settlements.* During the June 2016 quarter, we early terminated certain of our outstanding deferral transactions and made cash payments of \$170 million, including normal settlements. Free cash flow is adjusted to include these deferral settlements in order to allow investors to better understand the total net impact of hedging activities in the period shown.

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

(in millions)	<b>Three Months Ended</b>	
	<b>June 30, 2016</b>	
Net cash provided by operating activities	\$	3,215
Net cash used in investing activities		(1,112)
Adjustments:		
Hedge deferral settlements		(170)
Hedge margin and other		(430)
Net purchases of short-term investments		80
<b>Total free cash flow</b>	<b>\$</b>	<b>1,583</b>

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

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

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

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

*Early settlements.* During the June 2016 quarter, Delta early settled its remaining 2016 airline segment fuel hedge positions. We believe adjusting for the early settlements allows investors to better understand and analyze the company's core operational performance in the period shown.

	<b>Three Months Ended June 30, 2016</b>
Operating margin	23.2 %
Adjusted for:	
MTM adjustments and settlements	(5.9)%
Restructuring and other	—%
Refinery sales	0.1 %
Operating margin, adjusted	17.4 %
Early settlements	3.7 %
Operating margin, prior to early settlements	21.1 %

**Operating Expense, adjusted.** We adjust for MTM adjustments and settlements and restructuring and other from operating expense for the same reasons as described above under the heading Pre-tax Income and Net Income, adjusted.

(in millions)	Three Months Ended	
	June 30,	
	2016	2015
Operating expense	\$ 8,024	\$ 8,233
Adjusted for:		
MTM adjustments and settlements	617	720
Restructuring and other	-	(25)
Operating expense, adjusted	\$ 8,641	\$ 8,928
Year-over-year change	(287)	

**Non-Fuel Unit Cost or Cost per Available Seat Mile, Including Profit Sharing ("CASM-Ex").** We adjust CASM for the following items to determine CASM-Ex, including profit sharing for the reasons described below:

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

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

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

**Consolidated CASM-Ex:**

	<b>Three Months Ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>
CASM (cents)	12.16	12.88
Adjusted for:		
Aircraft fuel and related	(2.19)	(2.74)
Restructuring and other	-	(0.04)
Other expenses	(0.43)	(0.55)
CASM-Ex	9.54	9.55
Year-over-year change	~Flat	

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

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

**Consolidated:**

(in millions, except per gallon data)	Three Months Ended June 30,		Average Price Per Gallon Three Months Ended June 30,	
	2016	2015	2016	2015
Fuel purchase cost	\$ 1,440	\$ 1,968	\$1.37	\$1.91
Airline segment fuel hedge gains	(3)	(126)	-	(0.12)
Refinery segment impact	10	(90)	0.01	(0.09)
Total fuel expense	\$ 1,447	\$ 1,752	\$ 1.38	\$ 1.70
MTM adjustments and settlements	617	720	0.59	0.70
Total fuel expense, adjusted	\$ 2,064	\$ 2,472	\$ 1.97	\$ 2.40
Change year-over-year	\$ (408)			

**Operating Cash Flow, adjusted.** We adjusted operating cash flow because management believes this metric is helpful to investors to evaluate the company's ability to generate cash that is available for use for capital expenditures, debt service or general corporate initiatives. Adjustments include:

*Hedge deferral settlements.* During the June 2016 quarter, we early terminated certain of our outstanding deferral transactions and made cash payments of \$170 million, including normal settlements. Operating cash flow is adjusted to include these deferral settlements in order to allow investors to better understand the total net impact of hedging activities in the period shown.

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

(in millions)	<b>Three Months Ended June 30, 2016</b>	
Net cash provided by operating activities (GAAP)	\$	3,215
Adjustments:		
Hedge deferral settlements		(170)
Hedge margin and other		(430)
Net cash provided by operating activities, adjusted	\$	2,615



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

(in millions)	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
Debt and capital lease obligations	\$	7,804	\$	9,157
Plus: unamortized discount, net and debt issuance costs		<u>112</u>		<u>183</u>
Adjusted debt and capital lease obligations		\$ 7,916		\$ 9,340
Plus: 7x last twelve months' aircraft rent		<u>1,834</u>		<u>1,722</u>
Adjusted total debt		9,750		11,062
Less: cash, cash equivalents and short-term investments		(2,951)		(3,787)
Less: hedge margin receivable		<u>(22)</u>		<u>(134)</u>
Adjusted net debt		<u><u>\$ 6,777</u></u>		<u><u>\$ 7,141</u></u>

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

	<b>Last Twelve Months Ended June 30, 2016</b>	
(in billions, except % of return)		
Adjusted book value of equity	\$	18.5
Average adjusted net debt		6.8
Average invested capital	\$	25.3
Adjusted total operating income	\$	7.8
Return on invested capital		31 %