Non-GAAP Financial Measures

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 call script 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:

Mark-to-Market ("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 period shown.

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

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 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 period shown.

	Three Months Ended March 31, 2017			Three Months Ended March 31, 2017
(in millions, except per share data)	Pre-Tax Income	Income Tax	Net Income	Net Income Per Diluted Share
GAAP	$ 915	$ (312)	$ 603	$ 0.82
Adjusted for:				
MTM adjustments and settlements	(84)	29	(55)	
Virgin Atlantic MTM adjustments	16	(4)	12	
Total adjustments	(68)	25	(43)	(0.05)
Non-GAAP	$ 847	$ (287)	$ 560	$ 0.77

(in millions, except per share data)	Year Ended December 31, 2016 Pre-Tax Income
GAAP	$ 6,636
Adjusted for:	
MTM adjustments and settlements	(450)
Virgin Atlantic MTM adjustments	(115)
Total adjustments	(565)
Non-GAAP	$ 6,071

(in millions, except per share data)	Year Ended December 31, 2015 Pre-Tax Income
GAAP	$ 7,157
Adjusted for:	
MTM adjustments and settlements	(1,301)
Restructuring and other	35
Virgin Atlantic MTM adjustments	(26)
Total adjustments	(1,292)
Non-GAAP	$ 5,865

Operating Margin, adjusted and Operating Margin, adjusted, including pilot contract impact, normalized. We adjust for the following items to determine operating margin, adjusted and operating margin, adjusted, including pilot contract impact, normalized 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.

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.

Pilot contract impact, normalized. Delta’s new pilot contract was ratified on December 1, 2016 and was retroactive to January 1, 2016. As a result, Delta recognized $380 million in retroactive wages and other benefits in the December 2016 quarter. On a normalized basis, approximately $107 million of this amount related to the June 2016 quarter.

	Three Months Ended March 31, 2017
Operating margin	11.5 %
Adjusted for:	
MTM adjustments and settlements	(0.9)%
Refinery sales	0.1 %
Operating margin, adjusted	10.7 %

	Three Months Ended June 30, 2016
Operating margin	23.2 %
Adjusted for:	
MTM adjustments and settlements	(5.9)%
Refinery sales	0.1 %
Operating margin, adjusted	17.4 %
Pilot contract impact, normalized	(1.1)%
Operating margin, adjusted, including pilot contract impact, normalized	16.3 %

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. All adjustments to calculate ROIC are intended to provide a more meaningful comparison of our results to the airline industry and other high-quality industrial companies.

(in millions, except % of return)		Last Twelve Months Ended March 31, 2017
Adjusted book value of equity	$	20,164
Average adjusted net debt		7,029
Average invested capital	$	27,193
Adjusted total operating income	$	6,213
Return on invested capital		23 %

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.

	Three Months Ended March 31,		Average Price Per Gallon Three Months Ended March 31,	
(in millions, except per gallon data)	2017	2016	2017	2016
Fuel purchase cost	$ 1,531	$ 1,093	$ 1.68	$ 1.18
Airline segment fuel hedge (gains) losses	(5)	273	(0.01)	0.29
Refinery segment impact	(44)	28	(0.05)	0.03
Total fuel expense	$ 1,482	$ 1,394	$ 1.62	$ 1.50
MTM adjustments and settlements	84	(155)	0.09	(0.17)
Total fuel expense, adjusted	$ 1,566	$ 1,239	$ 1.71	$ 1.33

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.

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.

Pilot contract impact, normalized. Delta's new pilot contract was ratified on December 1, 2016 and was retroactive to January 1, 2016. As a result, Delta recognized $380 million in retroactive wages and other benefits in the December 2016 quarter. On a normalized basis, approximately $130 million of this amount related to the March 2016 quarter.

	Three Months Ended	
	March 31, 2017	**March 31, 2016**
CASM (cents)	13.99	13.26
Adjusted for:		
Aircraft fuel and related taxes	(2.56)	(2.40)
Other expenses	(0.51)	(0.53)
CASM-Ex	10.92	10.33
Adjusted for:		
Pilot contract impact, normalized	—	0.21
CASM-Ex, adjusted for pilot contract impact, normalized	10.92	10.54

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, 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.

(in millions)	March 31, 2017	
Debt and capital lease obligations	$ 9,227	
Plus: unamortized discount, net and debt issuance costs	117	
Adjusted debt and capital lease obligations		$ 9,344
Plus: 7x last twelve months' aircraft rent		2,121
Adjusted total debt		11,465
Less: cash, cash equivalents and short-term investments		(2,650)
Adjusted net debt		$ 8,815

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 deferrals . During the March 2015 quarter, we effectively deferred settlement of a portion of our fuel hedge portfolio by entering into transactions that, excluding market movements from the date of inception, would provide approximately $300 million in cash receipts during the second half of 2015 and require approximately $300 million in cash payments in 2016. During the March 2016 quarter, we further deferred settlement of a portion of our hedge portfolio until 2017 by entering into transactions that, excluding market movements from the date of inception, would provide approximately $300 million in cash receipts during the second half of 2016 and require approximately $300 million in cash payments in 2017. Operating cash flow is adjusted to include the impact of these deferral transactions in order to allow investors to better understand the net impact of hedging activities in the period shown.

Pension contribution. In March, we contributed $1.5 billion to our pension plans using net proceeds from our debt issuance. We adjusted operating cash flow to exclude this contribution to allow investors to better understand the cash flows related to our core operations in the period shown.

(in millions)		**Three Months Ended March 31, 2017**
Net cash used in operating activities (GAAP)	$	(801)
Adjustments:		
Hedge deferrals		(22)
Pension contribution		1,500
Net cash provided by operating activities, adjusted	$	677

Capital Expenditures, net. Delta presents capital expenditures, net which includes strategic investments, because management believes adjusting for these amounts provides a more meaningful financial measure of cash outflows for capital expenditures.

(in millions)		Three Months Ended March 31, 2017
Property and equipment additions	$	802
Investment in Grupo Aeroméxico		622
Capital expenditures, net	$	1,424