## 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 release to the most directly comparable GAAP financial measures.

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

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

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

*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 periods shown.

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

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

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

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

| (in millions, except per share data) | Three Months Ended December 31, 2015 Pre-Tax Income | Three Months Ended December 31, 2015 Income Tax | Three Months Ended December 31, 2015 Net Income | Three Months Ended December 31, 2015 Net Income Per Diluted Share |
|---|---|---|---|---|
| GAAP | $ 1,533 | $ (553) | $ 980 | $ 1.25 |
| Adjusted for: | | | | |
| MTM adjustments and settlements | (91) | 34 | (57) | |
| Virgin Atlantic MTM adjustments | 5 | (2) | 3 | |
| Total adjustments | (86) | 32 | (54) | (0.07) |
| Non-GAAP | $ 1,447 | $ (521) | $ 926 | $ 1.18 |
| Year-over-year change | 42 % | | | 51% |

| (in millions, except per share data) | Three Months Ended December 31, 2014 Pre-Tax Income | Three Months Ended December 31, 2014 Income Tax | Three Months Ended December 31, 2014 Net Income | Three Months Ended December 31, 2014 Net Income Per Diluted Share |
|---|---|---|---|---|
| GAAP | $ (1,140) | $ 428 | $ (712) | $ (0.86) |
| Adjusted for: | | | | |
| MTM adjustments and settlements | 1,966 | (725) | 1,241 | |
| Restructuring and other | 67 | (25) | 42 | |
| Loss on extinguishment of debt | 5 | (2) | 3 | |
| Virgin Atlantic MTM adjustments | 119 | (44) | 75 | |
| Total adjustments | 2,157 | (796) | 1,361 | 1.64 |
| Non-GAAP | $ 1,017 | $ (368) | $ 649 | $ 0.78 |

| (in millions, except per share data) | Year Ended December 31, 2015 Pre-Tax Income | Year Ended December 31, 2015 Income Tax | Year Ended December 31, 2015 Net Income | Year Ended December 31, 2014 Pre-Tax Income | Pre-Tax Income Change | |
|---|---|---|---|---|---|---|
| GAAP | $ 7,157 | $ (2,631) | $ 4,526 | $ 1,072 | | |
| Adjusted for: | | | | | | |
| MTM adjustments and settlements | (1,301) | 479 | (822) | 2,346 | | |
| Restructuring and other | 35 | (13) | 22 | 716 | | |
| Loss on extinguishment of debt | - | - | - | 268 | | |
| Virgin Atlantic MTM adjustments | (26) | 9 | (17) | 134 | | |
| Total adjustments | (1,292) | 475 | (817) | 3,464 | | |
| Non-GAAP | $ 5,865 | $ (2,156) | $ 3,709 | $ 4,536 | $ 1,329 | 29 % |

## 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 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.

| | **Three Months Ended December 31,** | | |
|---|---|---|---|
| | **2015** | **2014** | **Change** |
| Operating margin | 18.1 % | (8.6)% | |
| Adjusted for: | | | |
| MTM adjustments and settlements | (1.0)% | 20.4 % | |
| Restructuring and other | - | 0.7 % | |
| Refinery sales | - | 0.1 % | |
| Operating margin, adjusted | 17.1 % | 12.6 % | 4.5 pts |

| | **Year Ended December 31,** | | |
|---|---|---|---|
| | **2015** | **2014** | **Change** |
| Operating margin | 19.2 % | 5.5 % | |
| Adjusted for: | | | |
| MTM adjustments and settlements | (3.2)% | 5.8 % | |
| Restructuring and other | 0.1 % | 1.8 % | |
| Refinery sales | 0.1 % | - | |
| Operating margin, adjusted | 16.2 % | 13.1 % | 3.1 pts |

## 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.

| (in billions, except % of return) | Year Ended December 31, 2015 | |
|---|---|---|
| Adjusted book value of equity | $ | 17.6 |
| Average adjusted net debt | | 6.9 |
| Average invested capital | $ | 24.5 |
| Adjusted total operating income | $ | 6.9 |
| Return on invested capital | | 28.3 % |

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

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

| (in billions) | | Three Months Ended December 31, 2015 |
|---|---|---|
| Net cash provided by operating activities | $ | 1.5 |
| Net cash used in investing activities | | (1.2) |
| Adjustments: | | |
| Hedge deferral | | 0.2 |
| Hedge margin | | (0.3) |
| Net purchases of short-term investments and other | | 0.1 |
| Total free cash flow | $ | 0.3 |

| (in billions) | | Year Ended December 31, 2015 |
|---|---|---|
| Net cash provided by operating activities | $ | 7.9 |
| Net cash used in investing activities | | (4.0) |
| Adjustments: | | |
| Hedge deferral | | 0.4 |
| Hedge margin | | (0.8) |
| Net purchases of short-term investments and other | | 0.3 |
| Total free cash flow | $ | 3.8 |

## Adjusted Net Debt

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

| (in billions) | December 31, 2015 | | (as adjusted) December 31, 2014 | | December 31, 2009 | |
|---|---|---|---|---|---|---|
| Debt and capital lease obligations | $ 8.3 | | $ 9.7 | | $ 17.2 | |
| Plus: unamortized discount, net and debt issuance costs | 0.1 | | 0.2 | | 1.1 | |
| Adjusted debt and capital lease obligations | | $ 8.4 | | $ 9.9 | | $ 18.3 |
| Plus: 7x last twelve months' aircraft rent | | 1.8 | | 1.6 | | 3.4 |
| Adjusted total debt | | 10.2 | | 11.5 | | 21.7 |
| Less: cash, cash equivalents and short-term investments | | (3.4) | | (3.3) | | (4.7) |
| Less: hedge margin receivable | | (0.1) | | (0.9) | | - |
| Adjusted net debt | | $ 6.7 | | $ 7.3 | | $ 17.0 |

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

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

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

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

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

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

**Consolidated CASM-Ex:**

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| | **December 31, 2015** | **December 31, 2014** | **December 31, 2015** | **December 31, 2014** |
| CASM (cents) | 13.38 | 18.05 | 13.33 | 15.92 |
| Adjusted for: | | | | |
| Aircraft fuel and related taxes | (2.84) | (7.64) | (3.07) | (5.64) |
| Profit sharing | (0.65) | (0.45) | (0.60) | (0.45) |
| Restructuring and other | - | (0.12) | (0.01) | (0.30) |
| Other expenses | (0.37) | (0.50) | (0.48) | (0.37) |
| CASM-Ex | 9.52 | 9.34 | 9.17 | 9.16 |
| Year-over-year | 1.9 % | | ~ flat | |

**Mainline CASM-Ex:**

| | Three Months Ended | | Year Ended | |
|---|---|---|---|---|
| | **December 31, 2015** | **December 31, 2014** | **December 31, 2015** | **December 31, 2014** |
| Mainline CASM | 12.97 | 17.71 | 12.84 | 15.15 |
| Adjusted for: | | | | |
| Aircraft fuel and related taxes | (2.78) | (7.92) | (2.97) | (5.50) |
| Profit sharing | (0.74) | (0.51) | (0.68) | (0.51) |
| Restructuring and other | - | (0.01) | - | (0.24) |
| Other expenses | (0.32) | (0.52) | (0.46) | (0.37) |
| Mainline CASM-Ex | 9.13 | 8.75 | 8.73 | 8.53 |

**Operating Expense, adjusted**

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

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

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

| (in millions) | Three Months Ended December 31, 2015 | 2014 |
|---|---|---|
| Operating expense | $ 7,785 | $ 10,475 |
| Adjusted for: | | |
| MTM adjustments and settlements | 91 | (1,966) |
| Restructuring and other | - | (67) |
| Operating expense, adjusted | $ 7,876 | $ 8,442 |

## 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:**

| | Three Months Ended December 31, | | Average Price Per Gallon Three Months Ended December 31, | |
|---|---|---|---|---|
| (in millions, except per gallon data) | 2015 | 2014 | 2015 | 2014 |
| Fuel purchase cost | $ 1,415 | $ 2,394 | $ 1.50 | $ 2.54 |
| Airline segment fuel hedge losses | 245 | 2,146 | 0.26 | 2.27 |
| Refinery segment impact | (8) | (105) | (0.01) | (0.11) |
| Total fuel expense | $ 1,652 | $ 4,435 | $ 1.75 | $ 4.70 |
| MTM adjustments and settlements | 91 | (1,966) | 0.10 | (2.08) |
| Total fuel expense, adjusted | $ 1,743 | $ 2,469 | $ 1.85 | $ 2.62 |
| Change year-over-year | (726) | | | |

| | Year Ended December 31, | | Average Price Per Gallon Year Ended December 31, | |
|---|---|---|---|---|
| (in millions, except per gallon data) | 2015 | 2014 | 2015 | 2014 |
| Fuel purchase cost | $ 6,934 | $ 11,350 | $ 1.74 | $ 2.91 |
| Airline segment fuel hedge losses | 935 | 2,258 | 0.23 | 0.58 |
| Refinery segment impact | (290) | (96) | (0.07) | (0.02) |
| Total fuel expense | $ 7,579 | $ 13,512 | $ 1.90 | $ 3.47 |
| MTM adjustments and settlements | 1,301 | (2,346) | 0.33 | (0.60) |
| Total fuel expense, adjusted | $ 8,880 | $ 11,166 | $ 2.23 | $ 2.87 |

**Mainline:**

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Mainline average price per gallon | $ 1.80 | $ 5.13 | $ 1.93 | $ 3.57 |
| MTM adjustments and settlements | 0.11 | (2.49) | 0.38 | (0.72) |
| Mainline average price per gallon, adjusted | $ 1.91 | $ 2.64 | $ 2.31 | $ 2.85 |

## Operating Cash Flow, adjusted

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

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

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

| (in billions) | | Three Months Ended December 31, 2015 |
|---|---|---|
| Net cash provided by operating activities (GAAP) | $ | 1.5 |
| Adjustments: | | |
| Hedge deferrals | | 0.2 |
| Hedge margin | | (0.3) |
| Net cash provided by operating activities, adjusted | $ | 1.4 |

## Non-Operating Expense, adjusted

Delta excludes Virgin Atlantic MTM adjustments and loss on extinguishment of debt from non-operating expense for the same reasons as described above under the heading Pre-Tax Income and Net Income, adjusted for special items.

| (in millions) | Three Months Ended December 31, 2015 | Three Months Ended December 31, 2014 |
|---|---|---|
| Non-operating expense | $ (184) | $ (312) |
| Items excluded: | | |
| Virgin Atlantic MTM adjustments | 5 | 119 |
| Loss on extinguishment of debt | - | 5 |
| Non-operating expense, adjusted | $ (179) | $ (188) |