

DELTA AIR LINES INC /DE/  
Form 10-K  
February 13, 2017

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Accelerated FilerDELTA AIR LINES INC  
/DE/NoYes2250000001140000001100000009000000150000000.000115000000007998506757448869382022-08-312020-08-  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

Or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Commission File Number 001-5424

**DELTA AIR LINES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware** **58-0218548**  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

**Post Office Box 20706**

**Atlanta, Georgia** **30320-6001**  
(Address of principal executive offices) (Zip Code)

**Registrant's telephone number, including area code: (404) 715-2600**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
---------------------	---

Common Stock, par value \$0.0001 per share	New York Stock Exchange
--	-------------------------

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2016 was approximately \$27.3 billion.

On January 31, 2017, there were outstanding 730,770,638 shares of the registrant's common stock.

This document is also available on our website at <http://ir.delta.com/>.

**Documents Incorporated By Reference**

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission.



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Unless otherwise indicated, the terms "Delta," "we," "us," and "our" refer to Delta Air Lines, Inc. and its subsidiaries.

**FORWARD-LOOKING STATEMENTS**

Statements in this Form 10-K (or otherwise made by us or on our behalf) that are not historical facts, including statements about our estimates, expectations, beliefs, intentions, projections or strategies for the future, may be "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. Known material risk factors applicable to Delta are described in "Risk Factors Relating to Delta" and "Risk Factors Relating to the Airline Industry" in "Item 1A. Risk Factors" of this Form 10-K, other than risks that could apply to any issuer or offering. All forward-looking statements speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

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**Part I**

**ITEM 1. BUSINESS**

**General**

We provide scheduled air transportation for passengers and cargo throughout the United States ("U.S.") and around the world. Our global route network gives us a presence in every major domestic and international market. Our route network is centered around a system of hub, international gateway and key airports that we operate in Amsterdam, Atlanta, Boston, Detroit, London-Heathrow, Los Angeles, Minneapolis-St. Paul, New York-LaGuardia, New York-JFK, Paris-Charles de Gaulle, Salt Lake City, Seattle and Tokyo-Narita. Each of these operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub or gateway to domestic and international cities and to other hubs or gateways. Our network is supported by a fleet of aircraft that is varied in size and capabilities, giving us flexibility to adjust aircraft to the network. Other important characteristics of our route network include our international joint ventures, our alliances with other foreign airlines, our membership in SkyTeam and agreements with multiple domestic regional carriers that operate as Delta Connection®.

We are incorporated under the laws of the State of Delaware. Our principal executive offices are located at Hartsfield-Jackson Atlanta International Airport in Atlanta, Georgia. Our telephone number is (404) 715-2600 and our Internet address is [www.delta.com](http://www.delta.com). Information contained on our website is not part of, and is not incorporated by reference in, this Form 10-K.

***International Alliances***

Our international alliance relationships with foreign carriers are an important part of our business as they improve our access to international markets and enable us to market globally integrated air transportation services. In general, these arrangements include reciprocal codesharing and frequent flyer program participation and airport lounge access arrangements and with some carriers may also include joint sales and marketing coordination, co-location of airport facilities and other commercial cooperation arrangements. These alliances also may present opportunities in other areas, such as airport ground handling arrangements, aircraft maintenance insourcing and joint procurement.

***Joint Venture Agreements.*** We currently operate three joint ventures with foreign carriers. These arrangements, for which we have received antitrust immunity from the U.S. Department of Transportation ("DOT"), provide for joint commercial cooperation with our partners within the geographic scope of those arrangements, including the sharing of revenues and/or profits and losses generated by the parties on the joint venture routes, as well as joint marketing and sales, coordinated pricing and revenue management, network planning and scheduling and other coordinated activities with respect to the parties' operations on joint venture routes. The three joint ventures are:

• A transatlantic joint venture with Air France and KLM, both of which are subsidiaries of the same holding company, and Alitalia, which generally covers routes between North America and Europe.

• A transatlantic joint venture with Virgin Atlantic Airways with respect to operations on non-stop routes between the United Kingdom and North America. In addition to the joint venture, we own a non-controlling 49% equity stake in Virgin Atlantic Limited, the parent company of Virgin Atlantic Airways.

• A transpacific joint venture with Virgin Australia Airlines and its affiliated carriers with respect to operations on transpacific routes between North America and Australia/New Zealand.



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*Enhanced Commercial Agreements with Foreign Carriers.* We have separate strategic equity investments in Grupo Aeroméxico, S.A.B. de C.V., the parent company of Aeroméxico, and in GOL Linhas Aéreas Inteligentes, S.A., the parent company of VRG Linhas Aéreas (operating as GOL), and an exclusive commercial relationship with each air carrier. We invested in Aeroméxico and GOL because they operate in Latin America's two largest markets, Mexico and Brazil, respectively. Our commercial agreements with each of these carriers separately provide for expansion of reciprocal codesharing and frequent flyer program participation, airport lounge access arrangements, improved passenger connections and joint sales cooperation.

We intend to further expand our relationship with Aeroméxico through a joint venture on flights between the U.S. and Mexico that will allow us to compete more effectively on these routes. We have received conditional approvals from governmental authorities for this joint venture and plan to implement it in the first half of 2017. We have commenced a tender offer for additional capital stock of Grupo Aeroméxico (the parent company of Aeroméxico) that would result in us owning up to 49% of the outstanding shares. In addition to our commercial cooperation arrangements for passenger service with Aeroméxico, we and Aeroméxico have established a joint venture relating to an airframe maintenance, repair and overhaul operation located in Queretaro, Mexico.

We also own shares of China Eastern and entered into a commercial agreement with them during 2015 to expand our relationship and better connect the networks of the two airlines. The expanded commercial agreement is designed to allow the carriers to compete more effectively on routes between the U.S. and China, provide more travel options for customers in both countries and make joint investments in the customer experience.

*SkyTeam.* In addition to our marketing alliance agreements with individual foreign airlines, we are a member of the SkyTeam global airline alliance. The other members of SkyTeam are Aeroflot, Aerolíneas Argentinas, Aeroméxico, Air Europa, Air France, Alitalia, China Airlines, China Eastern, China Southern, CSA Czech Airlines, Garuda Indonesia, Kenya Airways, KLM, Korean Air, Middle East Airlines, Saudi Arabian Airlines, Tarom, Vietnam Airlines and Xiamen Airlines. Through alliance arrangements with other SkyTeam carriers, Delta is able to link its network with the route networks of the other member airlines, providing opportunities for increased connecting traffic while offering enhanced customer service through reciprocal codesharing and frequent flyer arrangements, airport lounge access programs and coordinated cargo operations.

### ***Regional Carriers***

We have air service agreements with domestic regional air carriers that feed traffic to our route system by serving passengers primarily in small and medium-sized cities. These arrangements enable us to better match capacity with demand in these markets. Approximately 17% of our passenger revenue in 2016 was related to flying by these regional air carriers.

Through our regional carrier program, Delta Connection, we have contractual arrangements with regional carriers to operate aircraft using our "DL" designator code. We have contractual arrangements with:

ExpressJet Airlines, Inc. and SkyWest Airlines, Inc., both subsidiaries of SkyWest, Inc.;

Republic Airline, Inc. ("Republic"), a subsidiary of Republic Airways Holdings, Inc.;

Compass Airlines, LLC ("Compass") and GoJet Airlines, LLC, both subsidiaries of Trans States Holdings, Inc. ("Trans States"); and

Endeavor Air, Inc., which is a wholly owned subsidiary of ours.

Our contractual agreements with regional carriers primarily are capacity purchase arrangements, under which we control the scheduling, pricing, reservations, ticketing and seat inventories for the regional carriers' flights operating under our "DL" designator code. We are entitled to all ticket, cargo, mail, in-flight and ancillary revenues associated

with these flights. We pay those airlines an amount, as defined in the applicable agreement, which is based on a determination of their cost of operating those flights and other factors intended to approximate market rates for those services. These capacity purchase agreements are long-term agreements, usually with initial terms of at least 10 years, which grant us the option to extend the initial term. Certain of these agreements provide us the right to terminate the entire agreement, or in some cases remove some of the aircraft from the scope of the agreement, for convenience at certain future dates.

SkyWest Airlines operates some flights for us under a revenue proration agreement. This proration agreement establishes a fixed dollar or percentage division of revenues for tickets sold to passengers traveling on connecting flight itineraries.

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Table of Contents**Frequent Flyer Program**

Our SkyMiles® frequent flyer program ("SkyMiles program") is designed to retain and increase traveler loyalty by offering incentives to customers to increase travel on Delta. The SkyMiles program allows program members to earn mileage credit for travel awards by flying on Delta, its regional carriers and other participating airlines. Mileage credit may also be earned by using certain services offered by program participants, such as credit card companies, hotels and car rental agencies. In addition, individuals and companies may purchase mileage credits. Miles do not expire, but are subject to the program rules. We reserve the right to terminate the program with six months advance notice, and to change the program's terms and conditions at any time without notice.

SkyMiles program mileage credits can be redeemed for air travel on Delta and participating airlines, for membership in our Delta Sky Clubs® and for other program participant awards. Mileage credits are subject to certain transfer restrictions and travel awards on partner airlines are subject to capacity-controlled seating. We offer last-seat availability for travel awards on our own flights (including Delta Connection flights). In 2016, program members redeemed more than 326 billion miles in the SkyMiles program for 13.4 million award redemptions. During this period, 7.9% of revenue miles flown on Delta were from award travel.

**Fuel**

Our results of operations are significantly impacted by changes in the price and availability of aircraft fuel. The following table shows our aircraft fuel consumption and costs.

Year	Gallons Consumed <sup>(1)</sup> (in millions)	Cost <sup>(1)(2)</sup> (in millions)	Average Price Per Gallon <sup>(1)(2)</sup>	Percentage of Total Operating Expense <sup>(1)(2)</sup>
2016	4,016	\$5,985	\$ 1.49	18.3 %
2015	3,988	\$7,579	\$ 1.90	23.0 %
2014	3,893	\$13,512	\$ 3.47	35.4 %

<sup>(1)</sup> Includes the operations of our regional carriers operating under capacity purchase agreements.

<sup>(2)</sup> Includes the impact of fuel hedge activity and refinery segment results.

**General**

We purchase most of our aircraft fuel under contracts that establish the price based on various market indices and therefore do not provide material protection against price increases or assure the availability of our fuel supplies. We also purchase aircraft fuel on the spot market, from off-shore sources and under contracts that permit the refiners to set the price.

**Monroe Energy**

Our wholly owned subsidiaries, Monroe Energy, LLC and MIPC, LLC (collectively, "Monroe") operate the Trainer refinery and related assets located near Philadelphia, Pennsylvania. The facilities include pipelines and terminal assets that allow the refinery to supply jet fuel to our airline operations throughout the Northeastern U.S., including our New York hubs at LaGuardia and JFK. These companies are distinct from us, operating under their own management teams and with their own boards of managers. We own Monroe as part of our strategy to mitigate the cost of the refining margin reflected in the price of jet fuel, as well as to maintain sufficiency of supply to our New York operations.

*Refinery Operations.* The facility is capable of refining approximately 195,000 barrels of crude oil per day. In addition to jet fuel, the refinery's production consists of gasoline, diesel and other refined products ("non-jet fuel products"). Monroe sources domestic and foreign crude oil supply from a variety of providers.

*Strategic Agreements.* Monroe exchanges the non-jet fuel products the refinery produces with third parties for jet fuel consumed in our airline operations.

*Segments.* Because the products and services of Monroe's refinery operations are discrete from our airline services, segment results are prepared for our airline segment and our refinery segment. Financial information on our segment reporting can be found in Note 13 of the Notes to the Consolidated Financial Statements.

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### ***Fuel Hedging Program***

We have recently managed our fuel price risk through a hedging program intended to reduce the financial impact from changes in the price of jet fuel as jet fuel prices are subject to potential volatility. We utilize different contract and commodity types in this program and frequently test their economic effectiveness against our financial targets. We closely monitor the hedge portfolio and rebalance the portfolio based on market conditions, which may result in locking in gains or losses on hedge contracts prior to their settlement dates.

### ***Fuel Supply Availability***

We are currently able to obtain adequate supplies of aircraft fuel, including fuel produced by Monroe or procured through the exchange of non-jet fuel products the refinery produces, and crude oil for Monroe's operations. However, it is impossible to predict the future availability or price of aircraft fuel and crude oil. Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in government policy concerning aircraft fuel production, transportation, taxes or marketing, changes in refining capacity, environmental concerns and other unpredictable events may result in future fuel supply shortages and fuel price increases.

### **Other Businesses**

#### ***Cargo***

Through our global network, our cargo operations are able to connect all of the world's major freight gateways. We generate cargo revenues in domestic and international markets through the use of cargo space on regularly scheduled passenger aircraft. We are a member of SkyTeam Cargo, a global airline cargo alliance, whose other members are Aeroflot, Aerolíneas Argentinas, Aeroméxico Cargo, Air France-KLM Cargo, Alitalia Cargo, China Airlines Cargo, China Cargo Airlines, China Southern Cargo, Czech Airlines Cargo and Korean Air Cargo. SkyTeam Cargo offers a global network spanning six continents.

#### ***Ancillary Businesses***

We have several other businesses arising from our airline operations, including aircraft maintenance, repair and overhaul ("MRO"), staffing and other services, vacation wholesale operations and our private jet operations. In 2016, the total revenue from these businesses was approximately \$1 billion.

In addition to providing maintenance and engineering support for our fleet of over 900 aircraft, our MRO operation, known as Delta TechOps, serves aviation and airline customers from around the world.

Delta Global Services provides services to us and to third parties, including staffing services, aviation solutions, professional security and training services.

Our vacation wholesale business, Delta Vacations, provides vacation packages to third-party consumers.

Our private jet operations, Delta Private Jets, provides aircraft charters, aircraft management and programs allowing members to purchase flight time by the hour.

### **Distribution and Expanded Product Offerings**

Our tickets are sold through various distribution channels, including: (1) digital channels, such as delta.com and mobile applications / web, (2) telephone reservations, (3) online travel agencies and (4) traditional "brick and mortar" and other agencies. We make fare and product information widely available across those channels, ensuring customers always receive the best information and service options. An increasing number of our tickets are sold through Delta digital direct channels, driving more direct, personalized interactions with our customers and reducing distribution costs.

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We have transformed distribution to a more retail oriented merchandised approach by introducing well-defined and differentiated products for our customers. We offer distinct travel experiences with clear value propositions that enable customer choice. Delta One™, Delta Premium Select, First Class and Delta Comfort+™ include premium amenities and services while Main Cabin and Basic Economy allow varying levels of pre-travel flexibility as well as exceptional service once onboard the aircraft. We expect that these merchandising initiatives as implemented across all of Delta's distribution channels will allow customers to better understand our product offerings, make it easier to buy the products they desire and increase customer satisfaction. This merchandising effort is most effective in Delta's digital channels where customers can compare all product options in a single, easy to understand display.

## **Competition**

The airline industry is highly competitive, marked by significant competition with respect to routes, fares, schedules (both timing and frequency), services, products, customer service and frequent flyer programs. The industry is transforming through consolidation, both domestically and internationally, and changes in international alliances. Consolidation in the airline industry, the rise of well-funded government sponsored international carriers, changes in international alliances and the creation of immunized joint ventures have altered, and will continue to alter, the competitive landscape in the industry, resulting in the formation of airlines and alliances with increased financial resources, more extensive global networks and competitive cost structures.

### *Domestic*

Our domestic operations are subject to competition from traditional network carriers, including American Airlines and United Airlines, national point-to-point carriers, including Alaska Airlines, JetBlue Airways and Southwest Airlines, and discount carriers, some of which may have lower costs than we do and provide service at low fares to destinations served by us. Point-to-point, discount and ultra low-cost carriers, including Spirit Airlines and Allegiant Air, place significant competitive pressure on network carriers in the domestic market. In particular, we face significant competition at our domestic hub and gateway airports either directly at those airports or at the hubs of other airlines that are located in close proximity to our hubs and gateways. We also face competition in smaller to medium-sized markets from regional jet operations of other carriers.

### *International*

Our international operations are subject to competition from both foreign and domestic carriers. Competition is increasing from government-owned and -funded carriers in the Gulf region, including Emirates, Etihad Airways and Qatar Airways. These carriers have large numbers of international widebody aircraft on order and are increasing service to the U.S. Several of these carriers, along with carriers from China, India and Southeast Asia, are government-subsidized, which has allowed them to grow quickly, reinvest in their product and expand their global presence at the expense of U.S. airlines.

Through alliance and other marketing and codesharing agreements with foreign carriers, U.S. carriers have increased their ability to sell international transportation, such as services to and beyond traditional European and Asian gateway cities. Similarly, foreign carriers have obtained increased access to interior U.S. passenger traffic beyond traditional U.S. gateway cities through these relationships. In particular, alliances formed by domestic and foreign carriers, including SkyTeam, the Star Alliance (among United Airlines, Lufthansa German Airlines, Air Canada and others) and the oneworld alliance (among American Airlines, British Airways, Qantas and others) have altered competition in international markets.

In addition, several joint ventures among U.S. and foreign carriers, including our transatlantic and transpacific joint ventures, have received grants of antitrust immunity allowing the participating carriers to coordinate schedules,

pricing, sales and inventory. Other joint ventures that have received antitrust immunity include a transatlantic alliance among United Airlines, Air Canada and Lufthansa German Airlines, a transpacific joint venture between United Airlines and All Nippon Airways, a transatlantic joint venture among American Airlines, British Airways and Iberia and a transpacific joint venture between American Airlines and Japan Air Lines.

**Regulatory Matters**

The DOT and the Federal Aviation Administration (the "FAA") exercise regulatory authority over air transportation in the U.S. The DOT has authority to issue certificates of public convenience and necessity required for airlines to provide domestic air transportation. An air carrier that the DOT finds fit to operate is given authority to operate domestic and international air transportation (including the carriage of passengers and cargo). Except for constraints imposed by regulations regarding "Essential Air Services," which are applicable to certain small communities, airlines may terminate service to a city without restriction.

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The DOT has jurisdiction over certain economic and consumer protection matters, such as unfair or deceptive practices and methods of competition, advertising, denied boarding compensation, baggage liability and disabled passenger transportation. The DOT also has authority to review certain joint venture agreements between major carriers and engages in regulation of economic matters such as slot transactions. The FAA has primary responsibility for matters relating to the safety of air carrier flight operations, including airline operating certificates, control of navigable air space, flight personnel, aircraft certification and maintenance and other matters affecting air safety.

Authority to operate international routes and international codesharing arrangements is regulated by the DOT and by the governments of the foreign countries involved. International certificate authorities are also subject to the approval of the U.S. President for conformance with national defense and foreign policy objectives.

The Transportation Security Administration and the U.S. Customs and Border Protection, each a division of the Department of Homeland Security, are responsible for certain civil aviation security matters, including passenger and baggage screening at U.S. airports and international passenger prescreening prior to entry into or departure from the U.S.

Airlines are also subject to various other federal, state, local and foreign laws and regulations. For example, the U.S. Department of Justice has jurisdiction over airline competition matters. The U.S. Postal Service has authority over certain aspects of the transportation of mail. Labor relations in the airline industry, as discussed below, are generally governed by the Railway Labor Act. Environmental matters are regulated by various federal, state, local and foreign governmental entities. Privacy of passenger and employee data is regulated by domestic and foreign laws and regulations.

### ***Fares and Rates***

Airlines set ticket prices in all domestic and most international city pairs with minimal governmental regulation, and the industry is characterized by significant price competition. Certain international fares and rates are subject to the jurisdiction of the DOT and the governments of the foreign countries involved. Many of our tickets are sold by travel agents, and fares are subject to commissions, overrides and discounts paid to travel agents, brokers and wholesalers.

### ***Route Authority***

Our flight operations are authorized by certificates of public convenience and necessity and also by exemptions and limited-entry frequency awards issued by the DOT. The requisite approvals of other governments for international operations are controlled by bilateral agreements (and a multilateral agreement in the case of the U.S. and the European Union) with, or permits or approvals issued by, foreign countries. Because international air transportation is governed by bilateral or other agreements between the U.S. and the foreign country or countries involved, changes in U.S. or foreign government aviation policies could result in the alteration or termination of such agreements, diminish the value of our international route authorities or otherwise affect our international operations. Bilateral agreements between the U.S. and various foreign countries served by us are subject to renegotiation from time to time. The U.S. government has negotiated "Open Skies" agreements with many countries, which allow unrestricted access between the U.S. and the foreign markets. These agreements include separate agreements with the European Union and Japan.

Certain of our international route authorities are subject to periodic renewal requirements. We request extension of these authorities when and as appropriate. While the DOT usually renews temporary authorities on routes where the authorized carrier is providing a reasonable level of service, there is no assurance this practice will continue in general or with respect to a specific renewal. Dormant route authorities may not be renewed in some cases, especially where another U.S. carrier indicates a willingness to provide service.

*Airport Access*

Operations at three major domestic airports and certain foreign airports served by us are regulated by governmental entities through allocations of "slots" or similar regulatory mechanisms which limit the rights of carriers to conduct operations at those airports. Each slot represents the authorization to land at or take off from the particular airport during a specified time period.

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In the U.S., the FAA currently regulates the allocation of slots, slot exemptions, operating authorizations, or similar capacity allocation mechanisms at Reagan National in Washington, D.C. and LaGuardia and JFK in the New York City area. Our operations at these airports generally require the allocation of slots or analogous regulatory authorizations. Similarly, our operations at Tokyo's Narita and Haneda airports, London's Heathrow airport and other international airports are regulated by local slot coordinators pursuant to the International Air Transport Association's Worldwide Scheduling Guidelines and applicable local law. We currently have sufficient slots or analogous authorizations to operate our existing flights, and we have generally been able to obtain the rights to expand our operations and to change our schedules. There is no assurance, however, that we will be able to do so in the future because, among other reasons, such allocations are subject to changes in governmental policies.

### ***Environmental Matters***

Our operations are subject to a number of international, federal, state and local laws and regulations governing protection of the environment, including regulation of greenhouse gases and other air emissions, noise reduction, water discharges, aircraft drinking water, storage and use of petroleum and other regulated substances, and the management and disposal of hazardous waste, substances and materials.

*Emissions.* Greenhouse gas emissions by the aviation industry and their impact on climate change have become a particular focus in the international community and within the U.S. For several years, the European Union has required its member states to implement regulations to include aviation in its Emissions Trading Scheme ("ETS"). Under these regulations, any airline with flights originating or landing in the European Union is subject to the ETS and, beginning in 2012, was required to purchase emissions allowances if the airline exceeds the number of free allowances allocated to it under the ETS. The ETS was amended to apply only to flights within the European Economic Area from 2013 through 2016. As a result, we operated a limited number of flights subject to the ETS through 2016. Unless the EU amends the current legislation following the 2016 Assembly of the International Civil Aviation Organization ("ICAO"), the ETS will apply to all flights originating or landing in the European Union beginning in 2017.

In October 2016, ICAO formally adopted a global, market-based emissions offset program known as the Carbon Offsetting and Reduction Scheme for International Aviation. This program is designed to achieve a medium-term goal for the aviation industry of achieving carbon-neutral growth in international aviation beginning in 2020. A pilot phase of the offset program will begin in 2021, followed by a first phase of the program beginning in 2024 and a second phase beginning in 2027. Countries can voluntarily participate in the pilot and first phase, but participation in the second phase is mandatory. In 2016, ICAO also adopted new aircraft certification standards to reduce carbon dioxide (CO<sub>2</sub>) emissions from aircraft. The new aircraft certification standards apply to virtually all types of aircraft that make up the global commercial fleet and will be phased in between 2020 and 2028.

Separately, the U.S. has pledged to reduce greenhouse gas emissions by 26-28% from 2005 levels by 2025. The U.S. has made this pledge in connection with the 2015 United Nations Framework Convention on Climate Change reached in Paris by over 190 countries, which the U.S. and China formally ratified in September 2016. The U.S. has proposed a number of domestic greenhouse gas regulations to help achieve this goal.

In July 2016, the U.S. Environmental Protection Agency ("EPA") issued a final finding under the Clean Air Act that greenhouse gases threaten the public health and welfare, and further determined that aircraft cause or contribute to greenhouse gases. The endangerment finding does not establish standards, but triggers an obligation for the EPA to regulate greenhouse gas emissions from aircraft. The EPA has historically implemented air emissions control standards adopted by ICAO; therefore, the ICAO engine certification standards are expected to influence the development of any EPA greenhouse gas emission standards for aircraft.

We may face additional regulation of aircraft emissions in the U.S. and abroad and become subject to further taxes, charges or additional requirements to obtain permits or purchase allowances or emission credits for greenhouse gas emissions in various jurisdictions. Additional regulation could result in taxation or permitting requirements from multiple jurisdictions for the same operations and significant costs for us and the airline industry. In addition to direct costs, such regulation could result in increased fuel costs passed through from fuel suppliers affected by any such regulations. We are monitoring and evaluating the potential impact of such legislative and regulatory developments.

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We seek to minimize the impact of greenhouse gas emissions from our operations through reductions in our fuel consumption and other efforts and have realized reductions in our greenhouse gas emission levels since 2005. We have reduced the fuel needs of our aircraft fleet through the retirement of older, less fuel efficient aircraft and replacement with newer, more fuel efficient aircraft. In addition, we have implemented fuel saving procedures in our flight and ground support operations that further reduce carbon emissions. We are also supporting efforts to develop alternative fuels and efforts to modernize the air traffic control system in the U.S. as part of our efforts to reduce our emissions and minimize our impact on the environment.

*Noise.* The Airport Noise and Capacity Act of 1990 recognizes the rights of operators of airports with noise problems to implement local noise abatement programs so long as such programs do not interfere unreasonably with interstate or foreign commerce or the national air transportation system. This statute generally provides that local noise restrictions on Stage 3 aircraft first effective after October 1, 1990, require FAA approval. While we have had sufficient scheduling flexibility to accommodate local noise restrictions in the past, our operations could be adversely impacted if locally-imposed regulations become more restrictive or widespread. In addition, foreign governments may allow airports to enact similar restrictions, which could adversely impact our international operations or require significant expenditure in order for our aircraft to comply with the restrictions.

*Refinery Matters.* Monroe's operation of the Trainer refinery is subject to numerous environmental laws and extensive regulations, including those relating to the discharge of materials into the environment, waste management, pollution prevention measures and greenhouse gas emissions.

Under the Energy Independence and Security Act of 2007, the EPA has adopted Renewable Fuel Standards ("RFS") that mandate the blending of renewable fuels into gasoline and on-road diesel ("Transportation Fuels"). Renewable Identification Numbers ("RINs") are assigned to renewable fuels produced or imported into the U.S. that are blended into Transportation Fuels to demonstrate compliance with this obligation. A refinery may meet its obligation under RFS by blending the necessary volumes of renewable fuels with Transportation Fuels or by purchasing RINs in the open market or through a combination of blending and purchasing RINs. Because the refinery operated by Monroe does not blend renewable fuels, it must purchase its RINs requirement in the secondary market or obtain a waiver from the EPA.

*Other Environmental Matters.* We are subject to certain environmental laws and contractual obligations governing the management and release of regulated substances, which may require the investigation and remediation of affected sites. Soil and/or ground water impacts have been identified at certain of our current or former leaseholds at several domestic airports. To address these impacts, we have a program in place to investigate and, if appropriate, remediate these sites. Although the ultimate outcome of these matters cannot be predicted with certainty, we believe that the resolution of these matters will not have a material adverse effect on our Consolidated Financial Statements.

***Civil Reserve Air Fleet Program***

We participate in the Civil Reserve Air Fleet program (the "CRAF Program"), which permits the U.S. military to use the aircraft and crew resources of participating U.S. airlines during airlift emergencies, national emergencies or times of war. We have agreed to make available under the CRAF Program a portion of our international aircraft during the contract period ending September 30, 2017. The CRAF Program has only been activated twice since it was created in 1951.

Table of Contents**Employee Matters*****Railway Labor Act***

Our relations with labor unions representing our airline employees in the U.S. are governed by the Railway Labor Act. Under the Railway Labor Act, a labor union seeking to represent an unrepresented craft or class of employees is required to file with the National Mediation Board (the "NMB") an application alleging a representation dispute, along with authorization cards signed by at least 50% of the employees in that craft or class. The NMB then investigates the dispute and, if it finds the labor union has obtained a sufficient number of authorization cards, conducts an election to determine whether to certify the labor union as the collective bargaining representative of that craft or class. A labor union will be certified as the representative of the employees in a craft or class if more than 50% of votes cast are for that union. A certified labor union would commence negotiations toward a collective bargaining agreement with the employer.

Under the Railway Labor Act, a collective bargaining agreement between an airline and a labor union does not expire, but instead becomes amendable as of a stated date. Either party may request that the NMB appoint a federal mediator to participate in the negotiations for a new or amended agreement. If no agreement is reached in mediation, the NMB may determine, at any time, that an impasse exists and offer binding arbitration. If either party rejects binding arbitration, a 30-day "cooling off" period begins. At the end of this 30-day period, the parties may engage in "self help," unless the U.S. President appoints a Presidential Emergency Board ("PEB") to investigate and report on the dispute. The appointment of a PEB maintains the "status quo" for an additional 60 days. If the parties do not reach agreement during this period, the parties may then engage in self help. Self help includes, among other things, a strike by the union or the imposition of proposed changes to the collective bargaining agreement by the airline. Congress and the President have the authority to prevent self help by enacting legislation that, among other things, imposes a settlement on the parties.

***Collective Bargaining***

As of December 31, 2016, we had approximately 84,000 full-time equivalent employees, approximately 19% of whom were represented by unions. The following table shows our domestic airline employee groups that are represented by unions.

<b>Employee Group</b>	<b>Approximate Number of Active Employees Represented</b>	<b>Union</b>	<b>Date on which Collective Bargaining Agreement Becomes Amendable</b>
Delta Pilots	12,863	ALPA	December 31, 2019
Delta Flight Superintendents (Dispatchers)	415	PAFCA	March 31, 2018
Endeavor Air Pilots	1,527	ALPA	January 1, 2020
Endeavor Air Flight Attendants	1,132	AFA	December 31, 2018
Endeavor Air Dispatchers	47	PAFCA	December 31, 2018

In addition, 199 refinery employees of Monroe are represented by the United Steel Workers under an agreement that expires on February 28, 2019. This agreement is governed by the National Labor Relations Act ("NLRA"), which generally allows either party to engage in self help upon the expiration of the agreement.

Labor unions periodically engage in organizing efforts to represent various groups of our employees, including at our operating subsidiaries, that are not represented for collective bargaining purposes.



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**Executive Officers of the Registrant**

**Edward H. Bastian, Age 59:** Chief Executive Officer of Delta since May 2016; President of Delta (September 2007 - May 2016); President of Delta and Chief Executive Officer Northwest Airlines, Inc. (October 2008 - December 2009); President and Chief Financial Officer of Delta (September 2007 - October 2008); Executive Vice President and Chief Financial Officer of Delta (July 2005 - September 2007); Chief Financial Officer, Acuity Brands (June 2005 - July 2005); Senior Vice President-Finance and Controller of Delta (2000 - April 2005); Vice President and Controller of Delta (1998 - 2000).

**Peter W. Carter, Age 53:** Executive Vice President - Chief Legal Officer of Delta since July 2015; Partner, Dorsey & Whitney LLP (1999 - 2015), including co-chair of Securities Litigation and Enforcement practice group, chair of Policy Committee and chair of trial department.

**Glen W. Hauenstein, Age 56:** President of Delta since May 2016; Executive Vice President - Chief Revenue Officer of Delta (August 2013 - May 2016); Executive Vice President-Network Planning and Revenue Management of Delta (April 2006 - July 2013); Executive Vice President and Chief of Network and Revenue Management of Delta (August 2005 - April 2006); Vice General Director-Chief Commercial Officer and Chief Operating Officer of Alitalia (2003 - 2005); Senior Vice President-Network of Continental Airlines (2003); Senior Vice President-Scheduling of Continental Airlines (2001 - 2003); Vice President Scheduling of Continental Airlines (1998 - 2001).

**Paul A. Jacobson, Age 45:** Executive Vice President - Chief Financial Officer of Delta since August 2013; Senior Vice President and Chief Financial Officer of Delta (March 2012 - July 2013); Senior Vice President and Treasurer for Delta (December 2007 - March 2012); Vice President and Treasurer (August 2005 - December 2007).

**Steven M. Sear, Age 51:** President, International and Executive Vice President - Global Sales of Delta since February 2016; Senior Vice President - Global Sales of Delta (December 2011 - February 2016); Vice President - Global Sales of Delta (October 2008 - December 2011); Vice President - Sales & Customer Care of Northwest Airlines (June 2005 - October 2008).

**Joanne D. Smith, Age 58:** Executive Vice President and Chief Human Resources Officer of Delta since October 2014; Senior Vice President - In-Flight Service of Delta (March 2007 - September 2014); Vice President - Marketing of Delta (November 2005 - February 2007); President of Song (January 2005 - October 2005); Vice President - Marketing and Customer Service of Song (November 2002 - December 2004).

**W. Gil West, Age 56:** Senior Executive Vice President and Chief Operating Officer of Delta since February 2016; Executive Vice President and Chief Operating Officer of Delta (March 2014 - February 2016); Senior Vice President - Airport Customer Service and Technical Operations of Delta (February 2012 - February 2014); Senior Vice President - Airport Customer Service of Delta (March 2008 - January 2012); President and Chief Executive Officer of Laidlaw Transit Services (2006 - 2007).

**Additional Information**

We make available free of charge on our website our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after these reports are filed with or furnished to the Securities and Exchange Commission. Information on our website is not incorporated into this Form 10-K or our other securities filings and is not a part of those filings.



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**ITEM 1A. RISK FACTORS**

**Risk Factors Relating to Delta**

***Terrorist attacks, geopolitical conflict or security events may adversely affect our business, financial condition and operating results.***

Terrorist attacks, geopolitical conflict or security events, or fear of such events, could have a significant adverse effect on our business. The attacks of September 11, 2001 and the aftermath materially impacted the business, financial condition and operating results of our company, as it did for the rest of the airline industry. Despite significantly heightened security measures at airports and airlines, the airline industry remains a high profile target for terrorist groups. We constantly monitor threats from terrorist groups and individuals, including from violent extremists both internationally and domestically, both with respect to direct threats against our operations and in ways not directly related to the airline industry. In addition, the impact on our operations of avoiding areas of the world, including airspace, in which there are geopolitical conflicts and the targeting of commercial aircraft by parties to those conflicts can be significant. Security events, whether from external or internal sources, also pose a significant risk to our operations. These events can include random acts of violence and can occur in public areas that we cannot control. Terrorist attacks, geopolitical conflict or security events, or fear of such events, even if not made directly on or involving the airline industry, could have significant negative impact on us by discouraging passengers from flying leading to decreased ticket sales and increased refunds. In addition, potential costs from these types of events include increased security costs, impacts from avoiding flight paths over areas in which conflict is occurring, reputational harm and other costs. If any or all of these types of events occur, they could have a material adverse effect on our business, financial condition and results of operations.

***Our business and results of operations are dependent on the price of aircraft fuel. High fuel costs or cost increases, including in the cost of crude oil, could have a material adverse effect on our operating results.***

Our operating results are significantly impacted by changes in the price of aircraft fuel. Over the last decade, fuel prices have increased substantially at times and have been highly volatile during the last several years. In 2016, our average fuel price per gallon, including the impact of fuel hedges, was \$1.49, a 21.6% decrease from our average fuel price in 2015. In 2015, our average fuel price per gallon was \$1.90, a 45.2% decrease from our average fuel price in 2014. In 2014, our average fuel price per gallon was \$3.47, which was significantly higher than fuel prices just a few years earlier. Fuel costs represented 18.3%, 23.0% and 35.4% of our operating expense in 2016, 2015 and 2014, respectively.

Our ability to pass along rapidly increasing fuel costs to our customers may be affected by the competitive nature of the airline industry. At times in the past, we often were not able to increase our fares to offset fully the effect of increases in fuel costs, and we may not be able to do so in the future. Because passengers often purchase tickets well in advance of their travel, a significant rapid increase in fuel price may result in the fare charged not covering that increase.

We acquire a significant amount of jet fuel from our wholly owned subsidiary, Monroe, and through strategic agreements that Monroe has with third parties. The cost of the fuel we purchase under these arrangements remains subject to volatility in the cost of crude oil and jet fuel. In addition, we continue to purchase a significant amount of aircraft fuel in addition to what we obtain from Monroe. Our aircraft fuel purchase contracts alone do not provide material protection against price increases as these contracts typically establish the price based on industry standard market price indices.

***Fuel hedging activities are intended to manage the financial impact of the volatility in the price of jet fuel. The effects of rebalancing our hedge portfolio and mark-to-market adjustments may have a negative effect on our financial results.***

We have recently managed our fuel price risk through a hedging program intended to reduce the financial impact from changes in the price of jet fuel as jet fuel prices are subject to potential volatility. We utilize different contract and commodity types in this program and frequently test their economic effectiveness against our financial targets. We



closely monitor the hedge portfolio and rebalance the portfolio based on market conditions, which may result in locking in gains or losses on hedge contracts prior to their settlement dates. Our hedging program may not be successful in providing price protection due to market conditions and the choice of hedging instruments. In addition, we record mark-to-market adjustments ("MTM adjustments") on our fuel hedges. MTM adjustments are based on market prices at the end of the reporting period for contracts settling in future periods. Losses from rebalancing or MTM adjustments (or both) may have a negative impact on our financial results.

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Our fuel hedge contracts typically contain margin funding requirements. The margin funding requirements may require us to post margin to counterparties or may cause counterparties to post margin to us as market prices in the underlying hedged items change. If fuel prices decrease significantly from the levels existing at the time we enter into fuel hedge contracts, we may be required to post a significant amount of margin, which could have a material impact on the level of our unrestricted cash and cash equivalents and short-term investments.

***Significant extended disruptions in the supply of aircraft fuel, including from Monroe, could have a material adverse effect on our operations and operating results.***

Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in governmental policy concerning aircraft fuel production, transportation, taxes or marketing, changes in refining capacity, environmental concerns and other unpredictable events may impact crude oil and fuel supply and could result in shortages in the future. Shortages in fuel supplies could have negative effects on our results of operations and financial condition.

Because we acquire a large amount of our jet fuel from Monroe, the disruption or interruption of production at the refinery could have an impact on our ability to acquire jet fuel needed for our operations. Disruptions or interruptions of production at the refinery could result from various sources including a major accident or mechanical failure, interruption of supply or delivery of crude oil, work stoppages relating to organized labor issues, or damage from severe weather or other natural or man-made disasters, including acts of terrorism. If the refinery were to experience an interruption in operations, disruptions in fuel supplies could have negative effects on our results of operations and financial condition. In addition, the financial benefits from the operation of the refinery could be materially adversely affected (to the extent not recoverable through insurance) because of lost production and repair costs.

If Monroe's cost of producing non-jet fuel products exceeds the value it receives for those products, the financial benefits we expect to achieve through the ownership of the refinery and our consolidated results of operations could be materially adversely affected.

***Our significant investments in airlines in other parts of the world and the commercial relationships that we have with those carriers may not produce the returns or results we expect.***

An important part of our strategy to expand our global network has been to make significant investments in airlines in other parts of the world and expand our commercial relationships with these carriers. We expect to continue exploring similar non-controlling investments in, and entering into joint ventures and strategic alliances with, other carriers as part of our global business strategy. These investments involve significant challenges and risks, including that we may not realize a satisfactory return on our investment, that they may distract management from our operations or that they may not generate the expected revenue synergies. These events could have a material adverse effect on our operating results or financial condition.

In addition, we are dependent on these other carriers for significant aspects of our network in the regions in which they operate. While we work closely with these carriers, we do not have control over their operations or business methods. We may be subject to consequences from any improper behavior of joint venture partners, including for failure to comply with anti-corruption laws such as the United States Foreign Corrupt Practices Act. To the extent that the operations of any of these carriers are disrupted over an extended period of time or their actions subject us to the consequences of failure to comply with laws and regulations, our results of operations may be adversely affected.

***We are at risk of losses and adverse publicity stemming from a serious accident involving our aircraft.***

An aircraft crash or other serious accident could expose us to significant liability. Although we believe that our insurance coverage is appropriate, we may be forced to bear substantial losses from an accident in the event that the coverage was not sufficient. In addition, any accident involving an aircraft that we operate or an aircraft that is operated by an airline that is one of our regional carriers or codeshare, alliance or joint venture partners could create a negative public perception about safety, which could harm our reputation, resulting in air travelers being reluctant to fly on our aircraft and therefore harm our business.



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***Agreements governing our debt, including credit agreements, include financial and other covenants. Failure to comply with these covenants could result in events of default.***

Our credit facilities have various financial and other covenants that require us to maintain, depending on the particular agreement, minimum fixed charge coverage ratios, minimum liquidity and/or minimum collateral coverage ratios. The value of the collateral that has been pledged in each facility may change over time due to appraisals of collateral required by our credit agreements and indentures. These changes could result from factors that are not under our control. A decline in the value of collateral could result in a situation where it may be difficult to maintain the collateral coverage ratio. In addition, the credit facilities contain other negative covenants customary for such financings. These covenants are subject to important exceptions and qualifications. If we fail to comply with these covenants and are unable to remedy or obtain a waiver or amendment, an event of default would result.

The credit facilities also contain other events of default customary for such financings. If an event of default were to occur, the lenders could, among other things, declare outstanding amounts due and payable. In addition, an event of default or declaration of acceleration under any of the credit facilities could also result in an event of default under other of our financing agreements. The acceleration of significant amounts of debt could require us to renegotiate, repay or refinance the obligations under the credit facilities or other financing arrangements.

***Employee strikes and other labor-related disruptions may adversely affect our operations.***

Our business is labor intensive, utilizing large numbers of pilots, flight attendants, aircraft maintenance technicians, ground support personnel and other personnel. As of December 31, 2016, approximately 19% of our workforce, primarily pilots, was unionized. Relations between air carriers and labor unions in the United States are governed by the Railway Labor Act, which provides that a collective bargaining agreement between an airline and a labor union does not expire, but instead becomes amendable as of a stated date. The Railway Labor Act generally prohibits strikes or other types of self help actions both before and after a collective bargaining agreement becomes amendable, unless and until the collective bargaining processes required by the Railway Labor Act have been exhausted. Monroe's relations with unions representing its employees are governed by the NLRA, which generally allows self help after a collective bargaining agreement expires.

If we or our subsidiaries are unable to reach agreement with any of our unionized work groups on future negotiations regarding the terms of their collective bargaining agreements or if additional segments of our workforce become unionized, we may be subject to work interruptions or stoppages, subject to the requirements of the Railway Labor Act or the NLRA, as the case may be. Strikes or labor disputes with our unionized employees may adversely affect our ability to conduct business. Likewise, if third-party regional carriers with whom we have contract carrier agreements are unable to reach agreement with their unionized work groups in current or future negotiations regarding the terms of their collective bargaining agreements, those carriers may be subject to work interruptions or stoppages, subject to the requirements of the Railway Labor Act, which could have a negative impact on our operations.

***Extended interruptions or disruptions in service at one of our hub, gateway or key airports could have a material adverse impact on our operations.***

Our business is heavily dependent on our operations at the Atlanta airport and at our other hub, gateway or key airports, including Amsterdam, Boston, Detroit, London-Heathrow, Los Angeles, Minneapolis-St. Paul, New York-LaGuardia, New York-JFK, Paris-Charles de Gaulle, Salt Lake City, Seattle and Tokyo-Narita. Each of these operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub or gateway to other major cities and to other Delta hubs and gateways. A significant extended interruption or disruption in service at one of our hubs, gateways or other key airports could have a material impact on our business, financial condition and results of operations.

***Breaches or lapses in the security of our technology systems and the data we store could compromise passenger or employee information and expose us to liability, possibly having a material adverse effect on our business.***

As a regular part of our ordinary business operations, we collect and store sensitive data, including personal information of our passengers and employees and information of our business partners. The secure operation of the networks and systems on which this type of information is stored, processed and maintained is critical to our business operations and strategy.

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Our information systems are subject to an increasing threat of continually evolving cybersecurity risks. Unauthorized parties may attempt to gain access to our systems or information through fraud or other means of deception. Hardware or software we develop or acquire may contain defects that could unexpectedly compromise information security. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or to detect for long periods of time. As a result of these types of risks, we regularly review and update procedures and processes to prevent and protect against unauthorized access to our systems and information and inadvertent misuse of data. However, the constantly changing nature of the threats means that we may not be able to prevent all data security breaches or misuse of data. The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, customers', employees' or business partners' information or failure to comply with regulatory or contractual obligations with respect to such information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disruption to our operations and damage to our reputation, any or all of which could adversely affect our business.

***Disruptions of our information technology infrastructure could interfere with our operations, possibly having a material adverse effect on our business.***

Disruptions in our information technology network could result from a technology error or failure impacting our internal systems, whether hosted internally at our data centers or externally at third-party locations, or large scale external interruption in technology infrastructure support on which we depend, such as power, telecommunications or the internet. The operation of our technology systems and the use of related data may also be vulnerable to a variety of other sources of interruption, including natural disasters, terrorist attacks, computer viruses, hackers and other security issues. A significant individual, sustained or repeated failure of our network, including third-party networks we utilize and on which we depend, could impact our customer service and result in increased costs. While we have in place initiatives to prevent disruptions and disaster recovery plans and continue to invest in improvements to these initiatives and plans, these measures may not be adequate to prevent a business disruption and its adverse financial and reputational consequences to our business.

***Failure of our technology to perform reliably could have an adverse effect on our business.***

We are dependent on technology initiatives to provide customer service and operational effectiveness in order to compete in the current business environment. For example, we have made and continue to make significant investments in delta.com, mobile device applications, check-in kiosks, customer service applications, airport information displays and related initiatives, including security for these initiatives. The performance, reliability and security of the technology are critical to our ability to serve customers. If our technology does not perform reliably, our business and operations would be negatively affected, which could be material.

***Our results can fluctuate due to the effects of weather, natural disasters and seasonality.***

Our results of operations are impacted by severe weather, natural disasters and seasonality. Severe weather conditions and natural disasters (or other environmental events) can significantly disrupt service and create air traffic control problems. These events decrease revenue and can also increase costs. In addition, increases in the frequency, severity or duration of thunderstorms, hurricanes, typhoons or other severe weather events, including from changes in the global climate, could result in increases in delays and cancellations, turbulence-related injuries and fuel consumption to avoid such weather, any of which could result in loss of revenue and higher costs. In addition, demand for air travel is typically higher in the June and September quarters, particularly in international markets, because there is more vacation travel during these periods than during the remainder of the year. The seasonal shifting of demand causes our financial results to vary on a seasonal basis. Because of fluctuations in our results from weather, natural disasters and seasonality, operating results for a historical period are not necessarily indicative of operating results for a future period and operating results for an interim period are not necessarily indicative of operating results for an entire year.



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***An extended disruption in services provided by our third-party regional carriers could have a material adverse effect on our results of operations.***

We utilize the services of third parties in a number of areas in support of our operations that are integral to our business, including third-party carriers in the Delta Connection program. While we have agreements with these providers that define expected service performance, we do not have direct control over their operations. In particular, some third-party regional carriers are facing a shortage of qualified pilots due to government mandated increases in flight experience required for pilots working for airlines. If this shortage becomes more widespread, third-party regional carriers may not be able to comply with their obligations to us. To the extent that a significant disruption in our regional operations occurs because any of these providers are unable to perform their obligations over an extended period of time, our revenue may be reduced or our expenses may be increased resulting in a material adverse effect on our results of operations.

***The failure or inability of insurance to cover a significant liability related to an environmental or other incident associated with the operation of the Monroe refinery could have a material adverse effect on our consolidated financial results.***

Monroe's refining operations are subject to various hazards unique to refinery operations, including explosions, fires, toxic emissions and natural catastrophes. Monroe could incur substantial losses, including cleanup costs, fines and other sanctions and third-party claims, and its operations could be interrupted, as a result of such an incident. Monroe's insurance coverage does not cover all potential losses, costs or liabilities, and Monroe could suffer losses for uninsurable or uninsured risks or in amounts greater than its insurance coverage. In addition, Monroe's ability to obtain and maintain adequate insurance may be affected by conditions in the insurance market over which it has no control. If Monroe were to incur a significant liability for which it is not fully insured or for which insurance companies do not or are unable to provide coverage, this could have a material adverse effect on our consolidated financial results of operations or consolidated financial position.

***The operation of the refinery by Monroe is subject to significant environmental regulation. Failure to comply with environmental regulations or the enactment of additional regulation could have a negative impact on our consolidated financial results.***

Monroe's operations are subject to extensive environmental, health and safety laws and regulations, including those relating to the discharge of materials into the environment, waste management, pollution prevention measures and greenhouse gas emissions. Monroe could incur fines and other sanctions, cleanup costs and third-party claims as a result of violations of or liabilities under environmental, health and safety requirements, which if significant, could have a material adverse effect on our financial results. In addition, the enactment of new environmental laws and regulations, including any laws or regulations relating to greenhouse gas emissions, could significantly increase the level of expenditures required for Monroe or restrict its operations.

In particular, under the Energy Independence and Security Act of 2007, the EPA has adopted RFS that mandate the blending of renewable fuels into Transportation Fuels. RINs are assigned to renewable fuels produced or imported into the U.S. that are blended into Transportation Fuels to demonstrate compliance with this obligation. A refinery may meet its obligation under RFS by blending the necessary volumes of renewable fuels with Transportation Fuels or by purchasing RINs in the open market or through a combination of blending and purchasing RINs.

Because the refinery operated by Monroe does not blend renewable fuels, it must purchase its RINs requirement in the secondary market or obtain a waiver from the EPA. As a result, Monroe is exposed to the market price of RINs. Market prices for RINs have been volatile, marked by periods of sharp increases. We cannot predict the future prices of RINs. Purchasing RINs at elevated prices could have a material impact on our results of operations and cash flows. Existing laws or regulations could change, and the minimum volumes of renewable fuels that must be blended with refined petroleum products may increase. Increases in the volume of renewable fuels that must be blended into Monroe's products could limit the refinery's production if sufficient numbers of RINs are not available for purchase or relief from this requirement is not obtained, which could have an adverse effect on our consolidated financial results.



***If we lose senior management personnel and other key employees and they are not replaced by individuals with comparable skills, our operating results could be adversely affected.***

We are dependent on the experience and industry knowledge of our officers and other key employees to design and execute our business plans. If we experience a substantial turnover in our leadership and other key employees, and these persons are not replaced by individuals with comparable skills, our performance could be materially adversely impacted. Furthermore, we may be unable to attract and retain additional qualified executives as needed in the future.

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**Risk Factors Relating to the Airline Industry**

***The global airline industry is highly competitive and, if we cannot successfully compete in the marketplace, our business, financial condition and operating results will be materially adversely affected.***

The airline industry is highly competitive, marked by significant competition with respect to routes, fares, schedules (both timing and frequency), services, products, customer service and frequent flyer programs. Consolidation in the airline industry, the rise of well-funded government sponsored international carriers, changes in international alliances and the creation of immunized joint ventures have altered and will continue to alter the competitive landscape in the industry, resulting in the formation of airlines and alliances with increased financial resources, more extensive global networks and competitive cost structures.

Our domestic operations are subject to competition from traditional network carriers, including American Airlines and United Airlines, national point-to-point carriers, including Alaska Airlines, JetBlue Airways and Southwest Airlines, and discount carriers, some of which may have lower costs than we do and provide service at low fares to destinations served by us. Point-to-point, discount and ultra low-cost carriers, including Spirit Airlines and Allegiant Air, place significant competitive pressure on network carriers in the domestic market. As a result, we face significant competition at our domestic hub and gateway airports either directly at those airports or at the hubs of other airlines that are located in close proximity to our hubs and gateways. We also face competition in smaller to medium-sized markets from regional jet operations of other carriers. Our ability to compete in the domestic market effectively depends, in part, on our ability to maintain a competitive cost structure. If we cannot maintain our costs at a competitive level, then our business, financial condition and operating results could be materially adversely affected.

Our international operations are subject to competition from both foreign and domestic carriers. Competition is increasing from government-owned and -funded carriers in the Gulf region, including Emirates, Etihad Airways and Qatar Airways. These carriers have large numbers of international widebody aircraft on order and are increasing service to the U.S. from their hubs in the Middle East. Several of these carriers, along with carriers from China, India and Southeast Asia, are government-subsidized, which has allowed them to grow quickly, reinvest in their product and expand their global presence at the expense of U.S. airlines.

Through alliance and other marketing and codesharing agreements with foreign carriers, U.S. carriers have increased their ability to sell international transportation, such as services to and beyond traditional European and Asian gateway cities. Similarly, foreign carriers have obtained increased access to interior U.S. passenger traffic beyond traditional U.S. gateway cities through these relationships. In addition, several joint ventures among U.S. and foreign carriers have received grants of antitrust immunity allowing the participating carriers to coordinate schedules, pricing, sales and inventory.

Increased competition in both the domestic and international markets may have a material adverse effect on our business, financial condition and operating results.

***The airline industry is subject to extensive government regulation, and new regulations may increase our operating costs.***

Airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs. For instance, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that necessitate significant expenditures. We expect to continue incurring expenses to comply with the FAA's regulations.

Other laws, regulations, taxes and airport rates and charges have also been imposed from time to time that significantly increase the cost of airline operations or reduce revenues. The industry is heavily taxed. For example, the Aviation and Transportation Security Act mandates the federalization of certain airport security procedures and

imposes security requirements on airports and airlines, most of which are funded by a per ticket tax on passengers and a tax on airlines. Additional taxes and fees, if implemented, could negatively impact our results of operations.

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Proposals to address congestion issues at certain airports or in certain airspace, particularly in the Northeast U.S., have included concepts such as "congestion-based" landing fees, "slot auctions" or other alternatives that could impose a significant cost on the airlines operating in those airports or airspace and impact the ability of those airlines to respond to competitive actions by other airlines. In addition, the failure of the federal government to upgrade the U.S. air traffic control system has resulted in delays and disruptions of air traffic during peak travel periods in certain congested markets. The failure to improve the air traffic control system could lead to increased delays and inefficiencies in flight operations as demand for U.S. air travel increases, having a material adverse effect on our operations. Failure to update the air traffic control system in a timely manner, and the substantial funding requirements of an updated system that may be imposed on air carriers, may have an adverse impact on our financial condition and results of operations.

Future regulatory action concerning climate change, aircraft emissions and noise emissions could have a significant effect on the airline industry. For example, the European Commission adopted an emissions trading scheme applicable to all flights operating in the European Union, including flights to and from the U.S. While enforcement of the scheme has been deferred until 2017, we expect that this system would impose additional costs on our operations in the European Union if fully implemented. Other environmental laws or regulations such as this emissions trading scheme or other U.S. or foreign governmental actions may adversely affect our operations and financial results, either through direct costs in our operations or through increases in costs for jet fuel that could result from jet fuel suppliers passing on increased costs that they incur under such a system.

We and other U.S. carriers are subject to domestic and foreign laws regarding privacy of passenger and employee data that are not consistent in all countries in which we operate. In addition to the heightened level of concern regarding privacy of passenger data in the U.S., certain European government agencies are reviewing airline privacy practices. Compliance with these regulatory regimes is expected to result in additional operating costs and could impact our operations and any future expansion.

***Prolonged periods of stagnant or weak economic conditions could have a material adverse effect on our business, financial condition and operating results.***

As a result of the discretionary nature of air travel, the airline industry has been cyclical and particularly sensitive to changes in economic conditions. Because we operate globally, with approximately 30% of our revenues from operations outside of the U.S., our business is subject to economic conditions throughout the world. During periods of unfavorable or volatile economic conditions in the global economy, demand for air travel can be significantly impacted as business and leisure travelers choose not to travel, seek alternative forms of transportation for short trips or conduct business through videoconferencing. If unfavorable economic conditions occur, particularly for an extended period, our business, financial condition and results of operations may be adversely affected. In addition, significant or volatile changes in exchange rates between the U.S. dollar and other currencies, and the imposition of exchange controls or other currency restrictions, may have a material adverse effect on our liquidity, financial conditions and results of operations.

***Economic conditions and regulatory changes leading up to and following the United Kingdom's exit from the European Union could have a material adverse effect on our business and results of operations.***

Following a referendum in June 2016 in which voters in the U.K. approved an exit from the European Union ("EU"), the U.K. government is expected to initiate a process to leave the EU (often referred to as Brexit) and begin negotiating the terms of the U.K.'s future relationship with the EU. The airline industry faces substantial uncertainty regarding the impact of the likely exit of the U.K. from the EU. Adverse consequences such as deterioration in economic conditions, volatility in currency exchange rates or adverse changes in regulation of the airline industry or bilateral agreements governing air travel could have a negative impact on our operations, financial condition and results of operations.

***The rapid spread of contagious illnesses can have a material adverse effect on our business and results of operations.***

The rapid spread of a contagious illness, or fear of such an event, can have a material adverse effect on the demand for worldwide air travel and therefore have a material adverse effect on our business and results of operations. Moreover, our operations could be negatively affected if employees are quarantined as the result of exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses in a part of the world in which we have significant operations may have a materially adverse impact on our business and results of operations.

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**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

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Table of Contents**ITEM 2. PROPERTIES****Flight Equipment**

Our operating aircraft fleet, commitments and options at December 31, 2016 are summarized in the following table:

Aircraft Type	Current Fleet <sup>(1)</sup>			Total	Average Age	Commitments		
	Owned	Capital Lease	Operating Lease			Purchase	Lease	Options
B-717-200	3	13	75	91	15.3	—	—	—
B-737-700	10	—	—	10	7.9	—	—	—
B-737-800	73	—	—	73	15.9	—	4	—
B-737-900ER	41	—	28	69	1.8	51	—	—
B-747-400	3	4	—	7	25.4	—	—	—
B-757-200	79	18	4	101	19.6	—	—	—
B-757-300	16	—	—	16	13.8	—	—	—
B-767-300	6	—	—	6	23.4	—	—	—
B-767-300ER	54	4	—	58	20.8	—	—	—
B-767-400ER	21	—	—	21	15.8	—	—	—
B-777-200ER	8	—	—	8	16.9	—	—	—
B-777-200LR	10	—	—	10	7.8	—	—	—
A319-100	55	—	2	57	14.9	—	—	—
A320-200	58	4	7	69	21.8	—	—	—
A321-200	7	—	8	15	0.4	67	—	—
A330-200	11	—	—	11	11.8	—	—	—
A330-300	26	—	3	29	8.5	2	—	—
A330-900neo	—	—	—	—	—	25	—	—
A350-900	—	—	—	—	—	25	—	—
CS100 <sup>(2)</sup>	—	—	—	—	—	75	—	50
MD-88	93	23	—	116	26.4	—	—	—
MD-90	65	—	—	65	19.9	—	—	—
<b>Total</b>	<b>639</b>	<b>66</b>	<b>127</b>	<b>832</b>	<b>17.0</b>	<b>245</b>	<b>4</b>	<b>50</b>

<sup>(1)</sup> Excludes certain aircraft we own or lease, which are operated by regional carriers on our behalf shown in the table below.

During the June 2016 quarter, we reached an agreement with Bombardier to acquire 75 CS100 aircraft with deliveries beginning in 2018 and continuing

<sup>(2)</sup> through 2022. We have flexibility under the purchase agreement with respect to deferral, acceleration, conversion and a limited number of cancellation rights.

The agreement also includes options to purchase 50 additional aircraft.

The following table summarizes the aircraft fleet operated by our regional carriers on our behalf at December 31, 2016:

Carrier	Fleet Type					Total
	CRJ-200	CRJ-700	CRJ-900	Embraer 170	Embraer 175	
Endeavor Air, Inc. <sup>(1)</sup>	53	—	81	—	—	134
ExpressJet Airlines, Inc.	36	35	28	—	—	99
SkyWest Airlines, Inc.	60	27	36	—	12	135
Compass Airlines, LLC	—	—	—	6	36	42
Shuttle America <sup>(2)</sup>	—	—	—	14	16	30
GoJet Airlines, LLC	—	22	7	—	—	29
<b>Total</b>	<b>149</b>	<b>84</b>	<b>152</b>	<b>20</b>	<b>64</b>	<b>469</b>

<sup>(1)</sup> Endeavor Air, Inc. is a wholly owned subsidiary of Delta.

<sup>(2)</sup> Shuttle America merged into Republic Airline, Inc. effective January 31, 2017.





Table of Contents***Aircraft Purchase Commitments***

Our purchase commitments for additional aircraft at December 31, 2016 are detailed in the following table:

Aircraft Purchase Commitments	Delivery in Calendar Years				Total
	Ending 2017	2018	2019	After 2019	
B-737-900ER	20	18	13	—	51
A321-200	17	23	27	—	67
A330-300	2	—	—	—	2
A330-900neo	—	—	4	21	25
A350-900	5	6	7	7	25
CS100	—	15	25	35	75
Total	44	62	76	63	245

**Ground Facilities*****Airline Operations***

We lease most of the land and buildings that we occupy. Our largest aircraft maintenance base, various computer, cargo, flight kitchen and training facilities and most of our principal offices are located at or near the Atlanta airport on land leased from the City of Atlanta. We lease ticket counters, passenger holdrooms, operating areas and other terminal space in most of the airports that we serve. At most airports, we have entered into use agreements which provide for the non-exclusive use of runways, taxiways and other improvements and facilities; landing fees under these agreements normally are based on the number of landings and weight of aircraft. These leases and use agreements generally run for periods of less than one year to 30 years or more, and often contain provisions for periodic adjustments of lease rates, landing fees and other charges applicable under that type of agreement. We also lease aircraft maintenance and air cargo facilities at several airports. Our facility leases generally require us to pay the cost of providing, operating and maintaining such facilities, including, in some cases, amounts necessary to pay debt service on special facility bonds issued to finance their construction. We also lease marketing offices, reservations offices and other off-airport facilities in certain locations for varying terms.

We own our Atlanta reservations center, other real property in Atlanta, and reservations centers in Minot, North Dakota and Chisholm, Minnesota.

***Refinery Operations***

Our wholly owned subsidiaries, Monroe and MIPC, own and operate the Trainer refinery and related assets in Pennsylvania. The facility includes pipelines and terminal assets that allow the refinery to supply jet fuel to our airline operations throughout the Northeastern U.S., including our New York hubs at LaGuardia and JFK.

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**ITEM 3. LEGAL PROCEEDINGS**

**First Bag Fee Antitrust Litigation**

In 2009, a number of purported class action antitrust lawsuits were filed against Delta and AirTran Airways ("AirTran"), alleging that Delta and AirTran engaged in collusive behavior in violation of Section 1 of the Sherman Act in November 2008 based upon certain public statements made in October 2008 by AirTran's CEO at an analyst conference concerning fees for the first checked bag, Delta's imposition of a fee for the first checked bag on November 4, 2008 and AirTran's imposition of a similar fee on November 12, 2008. The plaintiffs sought to assert claims on behalf of an alleged class consisting of passengers who paid the first bag fee after December 5, 2008 and seek injunctive relief and unspecified treble damages. All of these cases have been consolidated for pre-trial proceedings and remain pending in the Northern District of Georgia. On July 12, 2016, the Court issued an order granting the plaintiffs' motion for class certification. On October 7, 2016, the U.S. Court of Appeals for the Eleventh Circuit granted the defendants' petition for interlocutory review of this order, and that appeal remains pending. In addition, the defendants have filed motions for summary judgment, which also remain pending. Delta believes the claims in these cases are without merit and is vigorously defending these lawsuits.

**Capacity Antitrust Litigation**

In July 2015, a number of purported class action antitrust lawsuits were filed alleging that Delta, American, United and Southwest had conspired to restrain capacity. The lawsuits were filed in the wake of media reports that the U.S. Department of Justice had served civil investigative demands upon these carriers seeking documents and information relating to this subject. The lawsuits have been consolidated into a single Multi-District Litigation proceeding in the U.S. District Court for the District of Columbia. In November 2016, the District Court denied the defendants' motion to dismiss the claims, and the matter is now proceeding through discovery. Delta believes the claims in these cases are without merit and is vigorously defending these lawsuits.

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For a discussion of certain environmental matters, see "Business-Regulatory Matters-Environmental Matters" in Item 1.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

Table of Contents**Part II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our common stock is listed on the New York Stock Exchange ("NYSE"). The following table sets forth for the periods indicated the highest and lowest sales price for our common stock as reported on the NYSE and dividends declared during these periods.

	Common Stock		Cash
	High	Low	Dividends Declared (per share)
<b>Fiscal 2016</b>			
Fourth Quarter	\$52.76	\$37.91	\$0.2025
Third Quarter	\$41.35	\$34.08	\$0.2025
Second Quarter	\$49.80	\$32.60	\$0.135
First Quarter	\$50.50	\$40.03	\$0.135
<b>Fiscal 2015</b>			
Fourth Quarter	\$52.77	\$43.35	\$0.135
Third Quarter	\$48.30	\$34.61	\$0.135
Second Quarter	\$47.98	\$38.97	\$0.09
First Quarter	\$51.06	\$42.60	\$0.09

**Holders**

As of January 31, 2017, there were approximately 2,818 holders of record of our common stock.

**Dividends**

Our Board of Directors initiated a quarterly dividend program in the September 2013 quarter of \$0.06 per share. As reflected above, the Board has increased the quarterly dividend payment several times, most recently to \$0.2025 per share in the September 2016 quarter. The Board expects to be able to continue to pay cash dividends for the foreseeable future, subject to applicable limitations under Delaware law. Dividend payments will be dependent upon our results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors. In addition, our ability to pay future dividends is subject to compliance with covenants in several of our credit facilities.

Table of Contents**Stock Performance Graph**

The following graph compares the cumulative total returns during the period from December 31, 2011 to December 31, 2016 of our common stock to the Standard & Poor's 500 Stock Index and the NYSE ARCA Airline Index. The comparison assumes \$100 was invested on December 31, 2011 in each of our common stock and the indices and assumes that all dividends were reinvested.

**Issuer Purchases of Equity Securities**

The following table presents information with respect to purchases of common stock we made during the December 2016 quarter. The total number of shares purchased includes shares repurchased pursuant to our \$5 billion share repurchase program, which was publicly announced on May 13, 2015 ("the 2015 Repurchase Program"). The 2015 Repurchase Program will terminate no later than December 31, 2017. Some purchases were made pursuant to a trading plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934.

In addition, the table includes shares withheld from employees to satisfy certain tax obligations due in connection with grants of stock under the Delta Air Lines, Inc. Performance Compensation Plan (the "Plan"). The Plan provides for the withholding of shares to satisfy tax obligations. It does not specify a maximum number of shares that can be withheld for this purpose. The shares of common stock withheld to satisfy tax withholding obligations may be deemed to be "issuer purchases" of shares that are required to be disclosed pursuant to this Item.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value (in millions) of Shares That May Yet Be Purchased Under the Plan or Programs
October 2016	7,540	\$40.40	7,540	\$ 1,650
November 2016	1,132,079	\$46.05	1,132,079	\$ 1,600
December 2016	4,987,902	\$49.83	4,987,902	\$ 1,350
Total	6,127,521		6,127,521	

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

The following tables are derived from our audited Consolidated Financial Statements and present selected financial and operating data for the years ended December 31, 2016, 2015, 2014, 2013 and 2012.

**Consolidated Summary of Operations**

(in millions, except share data)	Year Ended December 31,				
	2016	2015	2014	2013	2012
Operating revenue	\$39,639	\$40,704	\$40,362	\$37,773	\$36,670
Operating expense	32,687	32,902	38,156	34,373	34,495
Operating income	6,952	7,802	2,206	3,400	2,175
Non-operating expense, net	(316)	(645)	(1,134)	(873)	(1,150)
Income before income taxes	6,636	7,157	1,072	2,527	1,025
Income tax (provision) benefit	(2,263)	(2,631)	(413)	8,013	(16)
Net income	\$4,373	\$4,526	\$659	\$10,540	\$1,009
Basic earnings per share	\$5.82	\$5.68	\$0.79	\$12.41	\$1.20
Diluted earnings per share	\$5.79	\$5.63	\$0.78	\$12.29	\$1.19
Cash dividends declared per share	\$0.68	\$0.45	\$0.30	\$0.12	\$—

**Special Items**

(in millions)	Year Ended December 31,				
	2016	2015	2014	2013	2012
MTM adjustments and settlements	\$450	\$1,301	\$(2,346)	\$276	\$27
Restructuring and other	—	(35)	(716)	(424)	(452)
Loss on extinguishment of debt	—	—	(268)	—	(118)
Virgin Atlantic MTM adjustments	115	26	(134)	—	—
Release of tax valuation allowance and intraperiod income tax allocation	—	—	—	7,989	—
Total income (loss)	\$565	\$1,292	\$(3,464)	\$7,841	\$(543)

**Consolidated Balance Sheet Data**

(in millions)	December 31,				
	2016	2015	2014	2013	2012
Total assets	\$51,261	\$53,134	\$54,005	\$52,104	\$43,933
Long-term debt and capital leases (including current maturities)	\$7,332	\$8,329	\$9,661	\$11,194	\$12,555
Stockholders' equity (deficit)	\$12,287	\$10,850	\$8,813	\$11,643	\$(2,131)

Table of Contents**Other Financial and Statistical Data (Unaudited)**

Consolidated <sup>(1)</sup>	Year Ended December 31,				
	2016	2015	2014	2013	2012
Revenue passenger miles (in millions)	213,098	209,625	202,925	194,988	192,974
Available seat miles (in millions)	251,867	246,764	239,676	232,740	230,415
Passenger mile yield	15.85¢	16.59¢	17.22¢	16.89¢	16.46¢
Passenger revenue per available seat mile	13.41¢	14.10¢	14.58¢	14.15¢	13.78¢
Operating cost per available seat mile	12.98¢	13.33¢	15.92¢	14.77¢	14.97¢
Passenger load factor	84.6	%84.9	%84.7	%83.8	%83.8
Fuel gallons consumed (in millions)	4,016	3,988	3,893	3,828	3,769
Average price per fuel gallon <sup>(2)</sup>	\$1.49	\$1.90	\$3.47	\$3.00	\$3.25
Full-time equivalent employees, end of period	83,756	82,949	79,655	77,755	73,561

(1) Includes the operations of our regional carriers under capacity purchase agreements. Full-time equivalent employees exclude employees of regional carriers that we do not own.

(2) Includes the impact of fuel hedge activity and refinery segment results.

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**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Financial Highlights - 2016 Compared to 2015**

Our pre-tax income for 2016 was \$6.6 billion, representing a \$521 million decrease compared to the prior year as lower passenger revenue and higher salaries and related costs offset the benefits of lower fuel prices. Pre-tax income, adjusted for special items (a non-GAAP financial measure) was \$6.1 billion, an increase of \$206 million, or 3.5%. Special items in 2016 were related to fuel hedge MTM adjustments and settlements and Virgin Atlantic MTM adjustments, which totaled \$450 million and \$115 million, respectively.

*Revenue.* Our operating revenue decreased \$1.1 billion, or 2.6%, and passenger revenue per available seat mile ("PRASM") decreased 4.9% on 2.1% higher capacity compared to 2015. The decrease in PRASM was largely driven by competitive pressure in the current low fuel price environment and the impact of U.S. dollar strength on tickets sold in international markets, which are predominantly priced in local currency.

*Operating Expense.* Total operating expense decreased \$215 million and our consolidated operating cost per available seat mile ("CASM") decreased 2.6% to 12.98 cents compared to 2015, primarily due to lower fuel prices, partially offset by higher salaries and related costs. During 2016, Brent crude oil averaged \$44 per barrel compared to the average of nearly \$52 per barrel during 2015. Salaries and related costs were higher as a result of the pay rate increase for pilots resulting from a new pilot contract ratified in the December 2016 quarter that was retroactive to January 1, 2016 and pay rate increases for eligible merit, ground and flight attendant employees effective in the December 2015 quarter.

Non-fuel unit costs ("CASM-Ex, including profit sharing" a non-GAAP financial measure) increased 3.7% to 10.13 cents due to the pay rate increases discussed above and other product and service investments, which were partially offset by productivity gains from our fleet, technology and supply chain initiatives.

The non-GAAP financial measures for pre-tax income, adjusted for special items, and CASM-Ex, used above and adjusted net debt, used below, are defined and reconciled in "Supplemental Information" below.

**Company Initiatives**

Our employees are an important part of Delta's success and underpin the quality, customer service and operational reliability that is core to Delta's brand. During the December 2016 quarter, Delta pilots ratified a new contract that included an 18% pay rate increase that was retroactive to January 1, 2016. This increase for pilots followed pay rate increases for the majority of other employees during the December 2015 quarter. In addition, our profit sharing payment to employees in February 2017 will be the third consecutive annual profit sharing payment of more than one billion dollars. We have paid eligible employees more than \$5 billion in profit sharing since the program started in 2007. We expect to continue to pay our employees industry leading total compensation because sharing the success that our employees help produce is core to Delta's culture and important to providing the best travel experience for our customers and producing solid results for shareholders.

Running a reliable, customer-focused airline has produced a solid return on invested capital ("ROIC", see calculation in "Supplemental Information" below) of 26.1% in 2016, despite the pressure from employee investments discussed above. This financial performance has allowed us to improve our balance sheet by reducing debt and capital lease obligations to \$7.3 billion and adjusted net debt (a non-GAAP financial measure) to \$6.1 billion, increase funding of our defined benefit pension plans and increase the amount of capital returned to our shareholders. We are focused on delivering additional value for shareholders in the future through revenue growth, cost productivity and prudent

deployment of cash flows.

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***Driving Revenue Growth***

*Operational Reliability*

A key driver of our revenue growth is higher customer satisfaction resulting from strong operational reliability. We have significantly invested in our business since 2010 to improve our operational performance, which consistently ranks first among the major U.S. carriers. During 2016, we operated 241 days with zero mainline canceled flights, a nearly 50% improvement over our 2015 performance. In addition, our reported completion factor of 99.6% and on-time arrival rate of nearly 87% places us at the top of the major global U.S. carriers. This operational excellence resulted in consistent increases in our domestic net promoter score, including our highest reported score of 44% in November.

*Global Strategy*

We continue to expand our global network by strengthening our presence in major and developing markets around the world in an effort to increase and diversify our network into high revenue and high growth markets. The growth of our global presence will enable customers to seamlessly connect to more places while enjoying a consistent, high-quality travel experience. We are deploying this strategy through investments and relationships in the Atlantic, Latin America and the Pacific.

*Atlantic.* In 2017, we plan to build on our presence in our strategically advantaged hubs in London, Paris and Amsterdam, while de-emphasizing higher Europe point-of-sale markets. Alongside our 49% equity investment in Virgin Atlantic, we have an antitrust immunized joint venture with the U.K.-based carrier. This joint venture has significantly improved our presence in London, one of the largest revenue markets from the U.S., while also enhancing our transatlantic network including our existing joint venture relationship with Air France-KLM and Alitalia. Our Atlantic senior decision-making functions are located in Europe for close coordination with our joint venture airlines.

*Latin America.* We are focused on maximizing the value of our relationships with other carriers in Latin America while deriving value from the recent investments in our network, product and service.

During 2015, we announced our intention to create an antitrust immunized commercial joint venture with Aeroméxico and to acquire additional shares of the capital stock of Grupo Aeroméxico through a cash tender offer, both subject to regulatory approvals. The Mexican and U.S. regulators approved antitrust immunity for the joint venture during 2016, subject to certain conditions. Delta and Aeroméxico have accepted the conditions and are in the process of implementing the necessary actions in order to satisfy the conditions. We expect both the joint venture to be implemented and the tender offer to be completed in the first half of 2017. As a result of the tender offer, when combined with our current holdings and derivative positions, we would own up to 49% of the outstanding capital stock of Grupo Aeroméxico.

We also own 9.5% of GOL's outstanding capital stock as part of our long-term strategy to strengthen the opportunity we see in Brazil. In conjunction with our investment, we and GOL have extended our existing commercial agreements.

*Pacific.* We continue to execute the multi-year restructuring of our Pacific operations by reorienting our network from Tokyo-Narita to Shanghai, through our partnership with China Eastern Airlines, and Seoul, through our partnership with Korean Air. During 2016, the U.S. Department of Transportation announced that we have been awarded two daytime slot pairs at Tokyo's Haneda Airport (from Los Angeles and Minneapolis). We commenced these routes and canceled other routes in the Pacific region during the December 2016 quarter. Concurrent with these changes, we are

increasing our presence in China, the largest transpacific market from the U.S. We hold a 3.2% stake in China Eastern and are expanding our relationship through co-location in the same terminal at Shanghai's Pudong airport for a seamless travel experience. China Eastern is one of the largest airlines in China with a route network covering more than 200 destinations in over 25 countries. In addition, we are working to expand our trans-Pacific partnership with Korean Air, including expanded codeshare offerings and the commencement of a daily, non-stop flight between Atlanta and Seoul during the June 2017 quarter.

***Cost Productivity***

Over the long-term, we continue to focus on maintaining the rate of non-fuel unit cost growth at less than 2% annually. We continue to leverage our expertise in supply chain and aircraft maintenance to improve our productivity. Additionally, we are investing in technology projects to improve the customer experience in a cost-efficient manner.

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*Prudent Deployment of Cash Flows*

As part of our previously announced long-term goals, we target \$8-9 billion in annual operating cash flow and \$4-5 billion in annual free cash flow. We use approximately 50% of our operating cash flow to reinvest in the business for long-term growth opportunities. The remaining free cash flow is used to further strengthen the balance sheet to reduce debt levels, make incremental pension contributions and return capital to shareholders through dividends and share repurchases.

*Investing in our Facilities*

We are working closely with airport authorities throughout our network to enhance facilities in order to both improve our operational efficiency and to better serve our customers. These efforts include, but are not limited to, future airport renovation and redevelopment projects at New York-LaGuardia airport, Los Angeles International Airport ("LAX") and Hartsfield-Jackson Atlanta International Airport and the recently-completed redevelopment of New York-JFK airport. In addition, we are modernizing our Sky Clubs, including the recent openings of flagship locations in Atlanta and Seattle, and improving the food, beverage and services offered throughout the Sky Club network. Finally, we continue to make significant investments in technologies that improve the customer experience including delta.com, mobile device applications, check-in kiosks, employee customer service applications and airport information displays.

*Strengthened Balance Sheet*

A key tenet of our strategy is to operate the company with investment grade financial metrics. Since beginning our balance sheet improvement strategy in 2009, we have reduced our adjusted net debt by nearly \$11 billion, which has significantly reduced our annual interest expense. As a result of these efforts, we have received upgrades to our credit ratings by all three major ratings agencies, including investment grade ratings from Moody's and Fitch. In addition, because we have a significant net underfunded pension liability, we have been making pension contributions above the minimum amount required. Our goal remains to achieve at least an 80% funded status for the pension plan by 2020.

*Increased Capital Returns to Owners*

While we have been reducing our debt levels and investing in the business, we have been increasing our capital returns to shareholders, returning a total of \$3.1 billion in 2016 through dividends and share repurchases. Since first implementing our quarterly dividend in 2013, we have increased the dividend per share by 50% annually and paid \$1.2 billion in total dividends, including \$509 million in 2016. Through dividends and share repurchases, we have returned nearly \$7.4 billion to shareholders since 2013, while reducing outstanding shares by approximately 14% compared to the beginning of 2013.

Table of Contents**Results of Operations - 2016 Compared to 2015****Operating Revenue**

(in millions)	Year Ended December 31,		Increase (Decrease)	% Increase (Decrease)
	2016	2015		
Passenger:				
Mainline	\$28,105	\$28,898	\$(793)	(2.7)%
Regional carriers	5,672	5,884	(212)	(3.6)%
Total passenger revenue	33,777	34,782	(1,005)	(2.9)%
Cargo	668	813	(145)	(17.8)%
Other	5,194	5,109	85	1.7%
Total operating revenue	\$39,639	\$40,704	\$(1,065)	(2.6)%

**Passenger Revenue**

(in millions)	Year Ended December 31, 2016	Increase (Decrease) vs. Year Ended December 31, 2015					
		Passenger Revenue	RPMs (Traffic)	ASMs (Capacity)	Passenger Mile Yield	PRASM	Load Factor
Mainline	\$ 17,932	—	% 4.3	% 5.2	% (4.1)	% (5.0)	(0.8) pts
Regional carriers	5,672	(3.6)	% 0.6	% 1.0	% (4.2)	% (4.6)	(0.3) pts
Domestic	23,604	(0.9)	% 3.6	% 4.5	% (4.4)	% (5.2)	(0.6) pts
Atlantic	5,185	(6.5)	% (1.7)	% 0.3	% (4.9)	% (6.8)	(1.7) pts
Pacific	2,616	(12.8)	% (4.6)	% (6.6)	% (8.6)	% (6.7)	1.8 pts
Latin America	2,372	(1.8)	% 3.5	% 0.8	% (5.1)	% (2.6)	2.3 pts
Total	\$ 33,777	(2.9)	% 1.7	% 2.1	% (4.5)	% (4.9)	(0.3) pts

Passenger revenue decreased \$1.0 billion over the prior year. PRASM decreased 4.9% and passenger mile yield decreased 4.5% on 2.1% higher capacity. Load factor was 0.3 points lower than the prior year at 84.6%.

Unit revenues of the domestic region decreased 5.2%, resulting from weakness in the close-in yield environment during most of the year despite strong volume.

Revenues related to our international regions decreased 7.2% year-over-year primarily due to yield declines resulting from imbalances between supply and demand, principally in the Atlantic region and China, the impact of foreign currency fluctuations, continued reductions in international fuel surcharges and economic challenges in certain regions.

In the Atlantic, the unit revenue decline predominantly resulted from lower yields driven by industry capacity growth outpacing passenger demand and the strength of the U.S. dollar. In core European markets, U.S. point-of-sale demand was strong and recovered quickly following the Brussels airport terrorist attack in March. However, Europe point-of-sale demand has been soft largely due to the impact of weaker Euro exchange rates. In 2017, we will continue to build on our presence in our strategically advantaged hubs in London, Paris and Amsterdam.

Unit revenue declines in the Pacific compared to 2015 primarily resulted from lower yen hedge gains, lower international fuel surcharges and yield declines resulting from industry capacity growth between the U.S. and China. We expect the significant capacity growth over the last three years in the U.S. to Shanghai market to slow in 2017 as both Chinese and U.S. carriers reach their respective frequency caps. During the September 2016 quarter, the U.S. Department of Transportation announced that we have been awarded two daytime slot pairs at Tokyo's Haneda Airport (from Los Angeles and Minneapolis). We commenced these routes and canceled other routes in the Pacific

region during the December 2016 quarter as part of our ongoing optimization of the Pacific region.

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Although Latin America unit revenues declined compared to 2015, unit revenues improved in the second half of 2016 compared to the second half of 2015. We expect these positive trends to continue in 2017 as we continue to invest in higher performing Mexican business markets. An Open Skies agreement between the U.S. and Mexico took effect in August 2016 and our application for antitrust immunity with Aeroméxico was approved in the December 2016 quarter, which should continue to strengthen our performance in the important Mexican business markets.

**Cargo Revenue**

Cargo revenue decreased \$145 million, or 17.8%, primarily due to weaker international demand compared to the prior year.

**Other Revenue**

(in millions)	Year Ended		Increase (Decrease)	% Increase (Decrease)
	December 31, 2016	2015		
Loyalty programs	\$1,782	\$1,584	\$198	12.5 %
Administrative fees, club and on-board sales	1,205	1,261	(56)	(4.4)%
Ancillary businesses and refinery <sup>(1)</sup>	1,129	1,158	(29)	(2.5)%
Baggage fees	881	885	(4)	(0.5)%
Other	197	221	(24)	(10.9)%
Total other revenue	\$5,194	\$5,109	\$85	1.7 %

<sup>(1)</sup> Ancillary businesses and refinery include aircraft maintenance and staffing services we provide to third parties, our vacation wholesale operations and refinery sales to third parties. These revenues are not related to the generation of a seat mile.

Other revenue increased \$85 million, or 1.7%, in 2016 primarily due to increased loyalty programs revenues from our co-brand credit card partnership with American Express resulting from new credit card accounts.

**Operating Expense**

(in millions)	Year Ended		Increase (Decrease)	% Increase (Decrease)
	December 31, 2016	2015		
Salaries and related costs	\$10,034	\$8,776	\$1,258	14.3 %
Aircraft fuel and related taxes	5,133	6,544	(1,411)	(21.6)%
Regional carriers expense	4,311	4,241	70	1.7 %
Contracted services	1,991	1,848	143	7.7 %
Depreciation and amortization	1,902	1,835	67	3.7 %
Aircraft maintenance materials and outside repairs	1,823	1,848	(25)	(1.4)%
Passenger commissions and other selling expenses	1,710	1,672	38	2.3 %
Landing fees and other rents	1,490	1,493	(3)	(0.2)%
Profit sharing	1,115	1,490	(375)	(25.2)%
Passenger service	907	872	35	4.0 %
Aircraft rent	285	250	35	14.0 %
Restructuring and other	—	35	(35)	NM <sup>(1)</sup>
Other	1,986	1,998	(12)	(0.6)%
Total operating expense	\$32,687	\$32,902	\$(215)	(0.7)%

<sup>(1)</sup> Due to the nature of amounts recorded within restructuring and other, a year-over-year comparison is not meaningful. For a discussion of charges recorded in restructuring and other, see Note 14 of the Notes to the Consolidated Financial Statements.

**Salaries and Related Costs.** The increase in salaries and related costs was principally due to pay rate increases given

to eligible employees which includes an 18% pay rate increase for pilots resulting from a new pilot contract ratified in the December 2016 quarter that was retroactive to January 1, 2016. Additionally, in the December 2015 quarter, base pay rates increased 14.5% for eligible merit, ground and flight attendant employees in conjunction with changes in their profit sharing program.

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**Aircraft Fuel and Related Taxes.** Including our regional carriers, fuel expense decreased \$1.6 billion compared to the prior year due to an 18% decrease in the market price per gallon of fuel and lower fuel hedge losses, partially offset by a loss from our refinery segment in the current year compared to a profit in the prior year and a 0.7% increase in consumption. The table below presents fuel expense, including our regional carriers:

(in millions)	Year Ended		(Decrease)	%
	December 31, 2016	December 31, 2015		
Aircraft fuel and related taxes <sup>(1)</sup>	\$5,133	\$6,544	\$(1,411)	
Aircraft fuel and related taxes included within regional carriers expense	852	1,035	(183)	
Total fuel expense	\$5,985	\$7,579	\$(1,594)	(21.0)%

<sup>(1)</sup> Includes the impact of fuel hedging and refinery results described further in the table below.

The table below shows the impact of hedging and the refinery on fuel expense and average price per gallon, adjusted (non-GAAP financial measures):

(in millions, except per gallon data)	Year Ended		Increase (Decrease)	Average Price Per Gallon		
	December 31,			Year Ended		Increase (Decrease)
	2016	2015		2016	2015	
Fuel purchase cost <sup>(1)</sup>	\$5,579	\$6,934	\$(1,355)	\$1.39	\$1.74	\$(0.35)
Airline segment fuel hedge losses <sup>(2)</sup>	281	935	(654)	0.07	0.23	(0.16)
Refinery segment impact <sup>(2)</sup>	125	(290)	415	0.03	(0.07)	0.10
Total fuel expense	\$5,985	\$7,579	\$(1,594)	\$1.49	\$1.90	\$(0.41)
MTM adjustments and settlements <sup>(3)</sup>	450	1,301	(851)	0.11	0.33	(0.22)
Total fuel expense, adjusted	\$6,435	\$8,880	\$(2,445)	\$1.60	\$2.23	\$(0.63)

<sup>(1)</sup> Market price for jet fuel at airport locations, including related taxes and transportation costs.

<sup>(2)</sup> Includes the impact of pricing arrangements between the airline and refinery segments with respect to the refinery's inventory price risk. For additional information regarding the refinery segment impact, see "Refinery Segment" below.

<sup>(3)</sup> MTM adjustments and settlements include the effects of the derivative transactions discussed in Note 4 of the Notes to the Consolidated Financial Statements. For additional information and the reason for adjusting fuel expense, see "Supplemental Information" below.

**Regional Carriers Expense.** The increase in regional carriers expense was primarily due to increases in aircraft maintenance and scheduled contract carrier rate escalations, partially offset by lower fuel cost from the decrease in the market price of fuel.

**Contracted Services.** The increase in contracted services expense predominantly related to costs associated with the 2.1% increase in capacity and additional temporary staffing.

**Profit Sharing.** The decrease in profit sharing was primarily due to an adjustment to the profit sharing calculation. Our broad-based employee profit sharing program provides that, for each year in which we have an annual pre-tax profit, as defined by the terms of the program, we will pay a specified portion of that profit to employees. In determining the amount of profit sharing, the program defines profit as pre-tax profit adjusted for profit sharing and certain other items. Beginning with 2016 (to be paid out in 2017), the profit sharing program for merit, ground and flight attendant employees was adjusted to pay 10% of annual pre-tax profit (as defined by the terms of the program) and, if we exceed our prior-year results, the program will pay 20% of the year-over-year increase in pre-tax profit to eligible employees. For years prior to 2016, our profit sharing program paid 10% to all eligible employees for the first \$2.5 billion of annual profit and 20% of annual profit above \$2.5 billion. The profit sharing program for pilots remains unchanged from the prior year and will continue under its current terms.





Table of Contents**Results of Operations - 2015 Compared to 2014****Operating Revenue**

(in millions)	Year Ended		Increase (Decrease)	% Increase (Decrease)	
	December 31, 2015	2014			
Passenger:					
Mainline	\$28,898	\$28,688	\$ 210	0.7	%
Regional carriers	5,884	6,266	(382)	(6.1)	%
Total passenger revenue	34,782	34,954	(172)	(0.5)	%
Cargo	813	934	(121)	(13.0)	%
Other	5,109	4,474	635	14.2	%
Total operating revenue	\$40,704	\$40,362	\$ 342	0.8	%

**Passenger Revenue**

(in millions)	Year Ended December 31, 2015	Increase (Decrease) vs. Year Ended December 31, 2014					
		Passenger Revenue	RPMs (Traffic)	ASMs (Capacity)	Passenger Mile Yield	PRASM	Load Factor
Mainline	\$17,933	5.4	% 6.7	% 6.1	% (1.2)	% (0.6)	0.5 pts
Regional carriers	5,884	(6.1)	% (2.2)	% (4.0)	% (4.0)	% (2.1)	1.5 pts
Domestic	23,817	2.3	% 5.1	% 4.1	% (2.6)	% (1.8)	0.8 pts
Atlantic	5,548	(4.8)	% 0.6	% 3.2	% (5.3)	% (7.7)	(2.1) pts
Pacific	3,002	(12.2)	% (2.3)	% (5.0)	% (10.2)	% (7.6)	2.3 pts
Latin America	2,415	(0.4)	% 5.1	% 5.7	% (5.3)	% (5.8)	(0.5) pts
Total consolidated	\$34,782	(0.5)	% 3.3	% 3.0	% (3.7)	% (3.3)	0.2 pts

Passenger revenue decreased \$172 million over the prior year. PRASM decreased 3.3% and passenger mile yield decreased 3.7% on 3.0% higher capacity. Load factor was 0.2 points higher than the prior year at 84.9%.

Unit revenues of the mainline domestic region decreased 0.6%, resulting from weaker yields in certain markets, which were nearly offset by the strong performance in Atlanta, New York, Seattle and Los Angeles.

Regional carriers passenger revenue decreased 6.1% on a 4.0% reduction in capacity. During 2015, we removed thirty 50-seat regional aircraft as part of our strategy to restructure our domestic fleet.

Revenues related to our international regions decreased 6.0% year-over-year primarily due to the impact of the strong U.S. dollar and reductions in international fuel surcharges. These challenges were addressed through capacity reductions implemented in the December 2015 quarter.

In the Atlantic region, unit revenue declines in Africa, the Middle East and Russia were partially offset by strength in core European markets. Unit revenue declines in the Pacific primarily resulted from the strength of the U.S. dollar and lower international fuel surcharges. We continued to optimize the Pacific region in order to improve margins by reducing our winter capacity, including the cancellation of our Seattle to Tokyo-Haneda route in the June 2015 quarter and downgauging via the continued retirement of the B-747-400 fleet during the second half of 2015. In addition, we made a strategic investment in, and established a long-term commercial relationship with, China Eastern. Latin America saw capacity growth of 5.7%, the majority of which occurred during the first half of 2015. In the December 2015 quarter, we continued to invest in higher performing markets such as Mexico and the Caribbean, while reducing capacity in Brazil due to its challenging economic environment.



Table of Contents**Other Revenue**

(in millions)	Year Ended		Increase (Decrease)	% Increase (Decrease)
	December 31, 2015	2014		
Loyalty programs	\$1,584	\$1,309	\$ 275	21.0 %
Administrative fees, club and on-board sales	1,261	1,194	67	5.6 %
Ancillary businesses and refinery <sup>(1)</sup>	1,158	880	278	31.6 %
Baggage fees	885	863	22	2.5 %
Other	221	228	(7 )	(3.1 )%
Total other revenue	\$5,109	\$4,474	\$ 635	14.2 %

<sup>(1)</sup> Ancillary businesses and refinery include aircraft maintenance and staffing services we provide to third parties, our vacation wholesale operations and refinery sales to third parties. These revenues are not related to the generation of a seat mile.

Other revenue increased \$635 million, or 14.2%, primarily due to loyalty program revenues including our agreement with American Express, third-party refinery sales and maintenance sales to third parties by our MRO services business.

**Operating Expense**

(in millions)	Year Ended		Increase (Decrease)	% Increase (Decrease)
	December 31, 2015	2014		
Salaries and related costs	\$8,776	\$8,120	\$ 656	8.1 %
Aircraft fuel and related taxes	6,544	11,668	(5,124 )	(43.9)%
Regional carriers expense	4,241	5,237	(996 )	(19.0)%
Aircraft maintenance materials and outside repairs	1,848	1,828	20	1.1 %
Contracted services	1,848	1,749	99	5.7 %
Depreciation and amortization	1,835	1,771	64	3.6 %
Passenger commissions and other selling expenses	1,672	1,700	(28 )	(1.6 )%