

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

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

Forward Looking Projections. The company is not able to reconcile certain forward looking non-GAAP financial measures because the adjusting items such as those used in the reconciliations below will not be known until the end of the period and could be significant.

Pre-tax Income and Net Income, adjusted. We adjust pre-tax income and net income for mark-to-market ("MTM") adjustments and settlements on fuel hedge contracts, the MTM adjustments recorded by our equity method investees, Virgin Atlantic and Aeroméxico, and unrealized gains/losses on our investments in GOL, China Eastern and Air France-KLM, to determine pre-tax income and net income, adjusted.

MTM adjustments are defined as fair value changes recorded in periods other than the settlement period. Such fair value changes are not necessarily indicative of the actual settlement value of the underlying hedge in the contract settlement period. Settlements represent cash received or paid on hedge contracts settled during the period. We also record our proportionate share of earnings/loss from our equity investments in Virgin Atlantic and Aeroméxico and the unrealized gain/loss on our investments in GOL, China Eastern and Air France-KLM in non-operating expense. We included the income tax effect of adjustments when presenting net income, adjusted. Adjusting for these items allows investors to better understand and analyze our core operational performance in the period shown.

(in millions, except per share data)	Three Months Ended March 31, 2018			Three Months Ended March 31, 2018
	Pre-Tax Income	Income Tax	Net Income	Net Income Per Diluted Share
GAAP	\$ 718	\$ (171)	\$ 547	\$ 0.77
Adjusted for:				
MTM adjustments and settlements	(27)	12	(15)	
Equity Investment MTM adjustments	3	(1)	2	
Unrealized gain on investments	(18)	7	(11)	
Total adjustments	(42)	18	(24)	(0.03)
Non-GAAP	\$ 676	\$ (153)	\$ 523	\$ 0.74

Operating Revenue, adjusted and Total Revenue Per Available Seat Mile "TRASM", adjusted. We adjust Operating Revenue and TRASM for refinery sales to third parties to determine Operating revenue, adjusted and TRASM, adjusted because these revenues are not related to our airline segment. Operating Revenue, adjusted and TRASM, adjusted therefore provide a more meaningful comparison of revenue from our airline operations to the rest of the airline industry.

(in millions)	Three Months Ended		Change
	March 31, 2018	March 31, 2017	
Operating revenue	\$ 9,968	\$ 9,101	9.5%
Adjusted for:			
Third-party refinery sales	(213)	(61)	
Operating revenue, adjusted	\$ 9,755	\$ 9,040	8.0%

	Three Months Ended		Change
	March 31, 2018	March 31, 2017	
TRASM (cents)	16.77	15.73	6.6%
Adjusted for:			
Third-party refinery sales	(0.36)	(0.11)	
TRASM, excluding refinery	16.41	15.62	5.0%

Other Revenue, adjusted. We adjust other revenue for refinery sales to third parties to determine other revenue, adjusted because these revenues are not related to our airline segment. Other revenue, adjusted therefore provides a more meaningful comparison of revenue from our airline operations to the rest of the airline industry.

(in millions)	Three Months Ended		Change
	March 31, 2018	March 31, 2017	
Other revenue	\$ 1,001	\$ 760	
Adjusted for:			
Third-party refinery sales	(213)	(61)	
Other revenue, adjusted	\$ 788	\$ 699	13%

Operating Expense, adjusted. We adjust operating expense for MTM adjustments and settlements and third-party refinery sales for the same reasons described above under the headings Pre-tax Income and Net Income, adjusted and Operating Revenue and TRASM, adjusted to determine operating expense, adjusted.

(in millions)	Three Months Ended	
	March 31,	
	2018	2017
Operating expense	\$ 9,128	\$ 8,102
Adjusted for:		
MTM adjustments and settlements	27	84
Third-party refinery sales	(213)	(61)
Operating expense, adjusted	\$ 8,942	\$ 8,125
Year-over-year change	\$ 817	

Non-Fuel Unit Cost or Cost per Available Seat Mile ("CASM-Ex"). We adjust CASM for the following items to determine CASM-Ex for the reasons described below:

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

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

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

	Three Months Ended		Change
	March 31, 2018	March 31, 2017	
CASM (cents)	15.35	14.00	
Adjusted for:			
Aircraft fuel and related taxes	(3.12)	(2.56)	
Ancillary businesses and refinery	(0.83)	(0.51)	
Profit sharing	(0.30)	(0.26)	
CASM-Ex	11.10	10.67	3.9%

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

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

(in millions, except per gallon data)	Three Months Ended	
	March 31,	
	2018	2017
Fuel purchase cost	\$ 1,927	\$ 1,531
Airline segment fuel hedge impact	(27)	(5)
Refinery segment impact	(44)	(44)
Total fuel expense	\$ 1,856	\$ 1,482
MTM adjustments and settlements	27	84
Total fuel expense, adjusted	\$ 1,883	\$ 1,566
Year-over-year change	\$ 317	

Non-operating Expense, adjusted. We adjust for equity investment MTM adjustments and unrealized gain/loss on investments to determine non-operating expense, adjusted for the same reason described above in the heading Pre-tax income and Net Income, adjusted.

(in millions)	Three Months Ended	
	March 31,	
	2018	2017
Non-operating expense	\$ 122	\$ 150
Adjusted for:		
Equity Investment MTM adjustments	(3)	(16)
Unrealized gain on investments	18	-
Non-operating expense, adjusted	\$ 137	\$ 134
Year-over-year change	~ flat	

Capital Expenditures, net. We present net capital expenditures because management believes investors should be informed that a portion of these capital expenditures are reimbursed by a third party.

(in millions)	Three Months Ended	
	March 31, 2018	
Flight equipment, including advance payments	\$	991
Ground property and equipment, including technology		274
Reimbursements related to build-to-suit facilities and other		(83)
Capital expenditures, net	\$	1,182

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

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

Reimbursements related to build-to-suit facilities and other. Management believes investors should be informed that these reimbursements for build-to-suit leased facilities effectively reduce net cash provided by operating activities and related capital expenditures.

Net purchases (redemptions) of short-term investments. Net purchases (redemptions) of short-term investments represent the net purchase and sale activity of investments and marketable securities in the period, including gains and losses. We adjust free cash flow for this activity, net, to provide investors a better understanding of the company's free cash flow position core to operations.

(in millions)	Three Months Ended	
	March 31, 2018	
Net cash provided by operating activities	\$	1,343
Net cash used in investing activities		(927)
Adjustments:		
Hedge deferrals		(19)
Reimbursements related to build-to-suit facilities and other		76
Net redemptions of short-term investments		(300)
Total free cash flow	\$	173