

Note A: The following tables show reconciliations of non-GAAP financial measures. The reasons Delta uses these measures are described below. Reconciliations may not calculate due to rounding.

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. We include the income tax effect of adjustments when presenting net income, adjusted.

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.

Equity investment MTM adjustments. We record our proportionate share of earnings/loss from our equity investments in Virgin Atlantic and Aeroméxico in non-operating expense. We adjust for our equity method investees' hedge portfolio MTM adjustments to allow investors to better understand and analyze our core operational performance in the periods shown.

Unrealized gain/loss on investments. We record the unrealized gains/losses on our investments in GOL, China Eastern and Air France-KLM in non-operating expense. Adjusting for these gains/losses allows investors to better understand and analyze our core operational performance in the periods shown.

(in millions, except per share data)	Three Months Ended June 30, 2018			Three Months Ended June 30, 2018
	Pre-Tax Income	Income Tax	Net Income	Net Income Per Diluted Share
GAAP	\$ 1,372	\$ (347)	\$ 1,025	\$ 1.47
Adjusted for:				
MTM adjustments and settlements	24	(6)	18	
Equity investment MTM adjustments	(22)	5	(17)	
Unrealized gain/loss on investments	238	(29)	209	
Total adjustments	240	(30)	210	0.30
Non-GAAP	\$ 1,612	\$ (376)	\$ 1,235	\$ 1.77
Year-over-year change				11 %

(in millions, except per share data)	Three Months Ended June 30, 2017			Three Months Ended June 30, 2017
	Pre-Tax Income	Income Tax	Net Income	Net Income Per Diluted Share
GAAP	\$ 1,831	\$ (645)	\$ 1,186	\$ 1.62
Adjusted for:				
MTM adjustments and settlements	(52)	19	(33)	
Equity investment MTM adjustments	15	(5)	10	
Total adjustments	(37)	14	(23)	(0.03)
Non-GAAP	\$ 1,795	\$ (631)	\$ 1,163	\$ 1.59

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 refinery sales to third parties 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
	June 30, 2018	June 30, 2017	
Operating revenue	\$ 11,775	\$ 10,747	9.6%
Adjusted for:			
Third-party refinery sales	(216)	(67)	
Operating revenue, adjusted	\$ 11,559	\$ 10,679	8.2%

	Three Months Ended		Change
	June 30, 2018	June 30, 2017	
TRASM (cents)	17.19	16.23	5.9%
Adjusted for:			
Third-party refinery sales	(0.32)	(0.10)	
TRASM, adjusted	16.87	16.13	4.6%

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 June 30,	
	2018	2017
Operating expense	\$ 10,095	\$ 8,765
Adjusted for:		
MTM adjustments and settlements	(24)	52
Third-party refinery sales	(216)	(67)
Operating expense, adjusted	\$ 9,856	\$ 8,750
Year-over-year change	\$ 1,106	
Year-over-year % change	13%	

Pre-tax Margin, adjusted. We adjust pre-tax margin for MTM adjustments and settlements for the same reason described above under the heading pre-tax income and net income, adjusted. We then adjust for third-party refinery sales for the same reason described above under the heading operating revenue, adjusted and TRASM, adjusted.

	Three Months Ended September 30, 2017
Pre-tax margin	16.1%
Adjusted for:	
MTM adjustments and settlements	(0.7)%
Third-party refinery sales	0.2 %
Pre-tax margin, adjusted	15.6%

Fuel expense, adjusted and Average fuel price per gallon, adjusted. The tables below show the components of fuel expense, including the impact of the refinery segment and airline segment hedging on fuel expense and average price per gallon. We then adjust for MTM adjustments and settlements for the same reason described under the heading pre-tax income and net income, adjusted.

(in millions, except per gallon data)	Three Months Ended	
	June 30,	
	2018	2017
Fuel purchase cost	\$ 2,361	\$ 1,676
Airline segment fuel hedge impact	25	17
Refinery segment impact	(45)	(6)
Total fuel expense	\$ 2,341	\$ 1,687
MTM adjustments and settlements	(24)	52
Total fuel expense, adjusted	\$ 2,317	\$ 1,739
Year-over-year change	~ \$600	

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 areas 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
	June 30, 2018	June 30, 2017	
CASM (cents)	14.73	13.23	
Adjusted for:			
Aircraft fuel and related taxes	(3.41)	(2.55)	
Ancillary businesses and refinery	(0.72)	(0.44)	
Profit sharing	(0.58)	(0.51)	
CASM-Ex	10.02	9.73	2.9%
Improvement from March quarter			(1)%

	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%

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 June 30, 2018	
Flight equipment, including advance payments	\$	1,272
Ground property and equipment, including technology		308
Reimbursements from third parties related to build-to-suit facilities and other		(166)
Capital expenditures, net	\$	1,414

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:

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.

Reimbursements from third parties 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.

<u>(in millions)</u>	Three Months Ended June 30, 2018	
Net cash provided by operating activities	\$	2,807
Net cash used in investing activities		(1,545)
Adjustments:		
Net redemptions of short term investments		(4)
Reimbursements from third parties related to build-to-suit facilities and other		134
Total free cash flow	\$	1,392

Adjusted Net Debt. Delta uses adjusted total debt, including aircraft rent, in addition to long-term adjusted debt and capital leases, to present estimated financial obligations. Delta reduces adjusted debt by cash, cash equivalents, restricted cash and short-term investments, resulting in adjusted net debt, to present the amount of assets needed to satisfy the debt. Management believes this metric is helpful to investors in assessing the company's overall debt profile.

(in millions)	June 30, 2018		March 31, 2018	
Debt and capital lease obligations	\$	9,904	\$	8,649
Plus: unamortized discount, net and debt issuance costs		<u>(23)</u>		<u>92</u>
Adjusted debt and capital lease obligations	\$	9,881	\$	8,741
Plus: 7x last twelve months' aircraft rent		<u>2,608</u>		<u>2,535</u>
Adjusted total debt		12,489		11,276
Less: cash, cash equivalents, restricted cash and short-term investments		<u>(3,780)</u>		<u>(2,005)</u>
Adjusted net debt	\$	<u><u>8,709</u></u>	\$	<u><u>9,271</u></u>