

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 script to the most directly comparable GAAP financial measures.

Forward Looking Projections. The Company is not able to reconcile 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 equity investments accounted for at fair value, 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' 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 equity investments accounted for at fair value in non-operating expense. Adjusting for these gains/losses allows investors to better understand and analyze our core operational performance in the periods shown.

Tax reform charge. As a result of the Tax Cuts and Jobs Act of 2017, Delta recognized a one-time charge in the December 2017 quarter from the revaluation of its deferred tax assets and liabilities. We adjust for this charge to allow investors to understand and analyze the company's core operational performance in the periods shown.

(in millions, except per share data)	Three Months Ended December 31, 2018			Three Months Ended December 31, 2018
	Pre-Tax	Income	Net	Net Income
	Income	Tax	Income	Per Diluted Share
GAAP	\$ 1,344	\$ (325)	\$ 1,019	\$ 1.49
Adjusted for:				
MTM adjustments and settlements	(33)	7	(26)	
Equity investment MTM adjustments	55	(12)	43	
Unrealized gain/loss on investments	(184)	38	(146)	
Total adjustments	(162)	33	(129)	(0.19)
Non-GAAP	\$ 1,182	\$ (292)	\$ 890	\$ 1.30

(in millions, except per share data)	Year Ended December 31, 2018			Year Ended December 31, 2018
	Pre-Tax	Income	Net	Net Income
	Income	Tax	Income	Per Diluted Share
GAAP	\$ 5,151	\$ (1,216)	\$ 3,935	\$ 5.67
Adjusted for:				
MTM adjustments and settlements	(53)	27	(26)	
Equity investment MTM adjustments	29	(15)	14	
Unrealized gain/loss on investments	(14)	7	(7)	
Total adjustments	(38)	19	(19)	(0.02)
Non-GAAP	\$ 5,113	\$ (1,196)	\$ 3,917	\$ 5.65
Year-over-year percent change	(3)%			19%

(in millions, except per share data)	Year Ended December 31, 2017			Year Ended December 31, 2017
	Pre-Tax	Income	Net	Net Income
	Income	Tax	Income	Per Diluted Share
GAAP	\$ 5,500	\$ (2,295)	\$ 3,205	\$ 4.43
Adjusted for:				
MTM adjustments and settlements	(259)	88	(171)	
Equity investment MTM adjustments	8	4	12	
Tax reform charge	—	394	394	
Total adjustments	(251)	486	235	0.33
Non-GAAP	\$ 5,250	\$ (1,808)	\$ 3,442	\$ 4.76

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
	December 31, 2018	December 31, 2017	
Operating revenue	\$ 10,742	\$ 10,229	
Adjusted for:			
Third-party refinery sales	(11)	(245)	
Operating revenue, adjusted	\$ 10,731	\$ 9,984	7.5%

(in millions)	Year Ended		Change
	December 31, 2018	December 31, 2017	
Operating revenue	\$ 44,438	\$ 41,138	
Adjusted for:			
Third-party refinery sales	(548)	(502)	
Operating revenue, adjusted	\$ 43,890	\$ 40,636	8.0%

	Three Months Ended		Change
	December 31, 2018	December 31, 2017	
TRASM (cents)	17.18	17.03	
Adjusted for:			
Third-party refinery sales	(0.02)	(0.41)	
TRASM, adjusted	17.16	16.62	3.2%

	Year Ended		Change
	December 31, 2018	December 31, 2017	
TRASM (cents)	16.87	16.18	
Adjusted for:			
Third-party refinery sales	(0.21)	(0.20)	
TRASM, adjusted	16.66	15.98	4.3%

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		Average Price Per Gallon	
	December 31,		Three Months Ended	
	2018	2017	2018	2017
Fuel purchase cost	\$ 2,318	\$ 1,805	\$ 2.38	\$ 1.89
Airline segment fuel hedge impact	(33)	22	(0.03)	0.02
Refinery segment impact	42	(24)	0.04	(0.03)
Total fuel expense	\$ 2,327	\$ 1,802	\$ 2.39	\$ 1.88
MTM adjustments and settlements	33	49	0.03	0.05
Total fuel expense, adjusted	\$ 2,360	\$ 1,852	\$ 2.42	\$ 1.93
Change year-over-year	\$ 508		25%	

(in millions, except per gallon data)	Year Ended	
	December 31,	
	2018	2017
Fuel purchase cost	\$ 9,131	\$ 6,833
Airline segment fuel hedge impact	(53)	33
Refinery segment impact	(58)	(110)
Total fuel expense	\$ 9,020	\$ 6,756
MTM adjustments and settlements	53	259
Total fuel expense, adjusted	\$ 9,073	\$ 7,015
Change year-over-year	\$ 2,057	
Percent change year-over-year	29%	

Pre-Tax Margin, adjusted. We adjust pre-tax margin for MTM adjustments and settlements, equity investment MTM adjustments and unrealized gain/loss on investments for the same reasons described above under the heading pre-tax income and net income, adjusted. We adjust for third-party refinery sales for the same reason described above under the heading operating revenue and TRASM, adjusted.

	Year Ended
	December 31, 2018
Pre-tax margin	11.6 %
Adjusted for:	
MTM adjustments and settlements	(0.1)%
Third-party refinery sales	0.1 %
Pre-tax margin, adjusted	11.6 %

	Three Months Ended
	March 31, 2018
Pre-tax margin	7.3 %
Adjusted for:	
MTM adjustments and settlements	(0.3)%
Equity investment MTM adjustments	0.1 %
Unrealized gain/(loss) on investments	(0.2)%
Third-party refinery sales	0.2 %
Pre-tax margin, adjusted	7.1 %

After-Tax Return on Invested Capital. We present after-tax return on invested capital as management believes this metric is helpful to investors in assessing the company's ability to generate returns using its invested capital and as a measure against the industry. Return on invested capital is adjusted total operating income, after-tax, divided by average invested capital. All adjustments to calculate ROIC are intended to provide a more meaningful comparison of our results to the airline industry and other high-quality industrial companies.

(in millions, except % of return)	Year Ended	
	December 31, 2018	
Adjusted book value of equity	\$	21,040
Average gross debt		11,090
Average invested capital	\$	32,130
Adjusted total operating income	\$	5,965
Tax effect		(1,395)
Tax-effected adjusted total operating income	\$	4,570
After tax return on invested capital		14.2%

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 we provide to third parties, our vacation wholesale operations and refinery cost of sales to third parties. Results also include staffing services performed by DAL Global Services. 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
	December 31, 2018	December 31, 2017	
CASM (cents)	15.44	15.10	
Adjusted for:			
Aircraft fuel and related taxes	(3.72)	(3.00)	
Ancillary businesses and refinery	(0.48)	(0.87)	
Profit sharing	(0.50)	(0.44)	
CASM-Ex	10.74	10.80	(0.5)%

	Year Ended		Change
	December 31, 2018	December 31, 2017	
CASM (cents)	14.87	13.83	
Adjusted for:			
Aircraft fuel and related taxes	(3.43)	(2.66)	
Ancillary businesses and refinery	(0.64)	(0.58)	
Profit sharing	(0.49)	(0.42)	
CASM-Ex	10.31	10.17	1.4 %

Operating Cash Flow, adjusted. We present operating cash flow, adjusted because management believes adjusting for the following items provides a more meaningful measure for investors. 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. Operating 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 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.

Pension plan contribution. In 2017, we contributed \$2 billion to our pension plans using net proceeds from issuance of debt. We adjusted operating cash flow to exclude this contribution to allow investors to understand the cash flows related to our core operations in the periods shown.

(in millions)	Year Ended December 31, 2018
Net cash provided by operating activities	\$ 7,014
Adjustments:	
Hedge deferrals	(19)
Reimbursements from third parties related to build-to-suit facilities and other	(96)
Pension plan contribution	—
Net cash provided by operating activities, adjusted	\$ 6,899

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)	Year Ended December 31, 2018
Flight equipment, including advance payments	\$ 3,704
Ground property and equipment, including technology	1,464
Reimbursements from third parties related to build-to-suit-facilities and other	(432)
Capital expenditures, net	\$ 4,736

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.

(in millions)	Year Ended December 31, 2018
Net cash provided by operating activities	\$ 7,014
Net cash used in investing activities	(4,393)
Adjustments:	
Net purchases (redemptions) of short-term investments	(621)
Reimbursements from third parties related to build-to-suit facilities and other	264
Total free cash flow	\$ 2,265

Adjusted Debt to Earnings Before Interest, Taxes, Depreciation, Amortization and Rent ("EBITDAR"), adjusted. We present adjusted debt to EBITDAR, adjusted because management believes this metric is helpful to investors in assessing the company's overall debt profile. Adjusted debt includes LGA bonds and operating lease liabilities. We calculate EBITDAR, adjusted by adding depreciation and amortization to GAAP Operating income and adjusting for the fixed portion of operating lease expense.

(in billions)	Year Ended December 31, 2018
Debt and finance lease obligations	\$ 9
Plus: Operating lease liability	7
Adjusted Debt	\$ 16

(in billions)	Year Ended December 31, 2018
GAAP operating income	\$ 5
Adjusted for:	
Depreciation and amortization	2
Fixed portion of operating lease expense	1
EBITDAR, adjusted	\$ 8

Adjusted Debt to EBITDAR, adjusted 1.9x