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 does not reconcile forward looking non-GAAP financial measures because MTM adjustments and settlements will not be known until the end of the period and could be significant.

Pre-Tax Income, adjusted and Net Income, adjusted. We adjust for the following items to determine pre-tax income, adjusted and net income, adjusted, for the reasons described below:

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

Investment MTM adjustments. We record our proportionate share of earnings from our equity investments in Virgin Atlantic and Aeromexico in non-operating expense. We adjust for these MTM adjustments to allow investors to understand and analyze the company's core financial 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 of $150 million in the December quarter from the estimated impact of the inclusion of foreign earnings and revaluation of deferred tax assets and liabilities. We adjust for this charge to allow investors to understand and analyze the company's core financial performance in the periods shown.

Income tax. We included the income tax effect of adjustments when presenting net income, adjusted. We believe that presenting the income tax effect of adjustments allows investors to understand and analyze the company's core financial performance in the periods shown.

	Three Months Ended December 31, 2017			Three Months Ended December 31, 2017
(in millions, except per share data)	Pre-Tax Income	Income Tax	Net Income	Net Income Per Diluted Share
GAAP	$ 1,089	$ (517)	$ 572	$ 0.80
Adjusted for:				
MTM adjustments and settlements	(49)	18	(31)	
Investment MTM adjustments	(15)	5	(10)	
Tax reform charge	-	150	150	
Total adjustments	(64)	173	109	0.16
Non-GAAP	$ 1,025	$ (344)	$ 681	$ 0.96

	Year Ended December 31, 2017
(in millions)	Pre-Tax Income
GAAP	$ 5,701
Adjusted for:	
MTM adjustments and settlements	(259)
Investment MTM adjustments	8
Total adjustments	(251)
Non-GAAP	$ 5,450

Operating Margin, adjusted. We adjust for the following items to determine operating margin, adjusted, as described below. Adjusting for these items allows investors to understand and analyze our core operational performance in the periods shown.

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.

Refinery sales. Delta's refinery segment provides jet fuel to the airline segment from its own production and from jet fuel obtained through agreements with third parties. Activities of the refinery segment are primarily for the benefit of the airline. However, from time to time, the refinery sells fuel by-products to third parties. These sales are recorded gross within other revenue and other operating expense.

	Year Ended December 31, 2017
Operating margin	14.8 %
Adjusted for:	
MTM adjustments and settlements	(0.6)%
Refinery sales	0.2 %
Operating margin, adjusted	14.4 %

Non-Fuel Unit Cost or Cost per Available Seat Mile, Including Profit Sharing ("CASM-Ex"). We adjust CASM for the following items to determine CASM-Ex, including profit sharing 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 (including our regional carriers) allows investors to understand and analyze our non-fuel costs and year-over-year financial performance.

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

Pilot contract impact, normalized. Delta's new pilot contract was ratified on December 1, 2016 and was retroactive to January 1, 2016. As a result, Delta recognized $380 million in retroactive wages and other benefits in the December 2016 quarter that related to previous quarters.

	Three Months Ended		
	December 31, 2017	**December 31, 2016**	**Change**
CASM (cents)	15.07	14.37	
Adjusted for:			
Aircraft fuel and related taxes	(3.00)	(2.54)	
Other expenses	(0.87)	(0.58)	
CASM-Ex	11.20	11.25	
Adjusted for:			
Pilot contract impact, normalized	—	(0.65)	
CASM-Ex, adjusted for pilot contract impact, normalized	11.20	10.60	5.6%

	Year Ended		
	December 31, 2017	**December 31, 2016**	**Change**
CASM (cents)	13.81	12.98	
Adjusted for:			
Aircraft fuel and related taxes	(2.66)	(2.38)	
Other expenses	(0.58)	(0.47)	
CASM-Ex	10.57	10.13	4.3%

Operating Expense, adjusted. We adjust for the following items to determine operating expense, adjusted, as described below. Adjusting for these items allows investors to understand and analyze our core operational performance in the periods shown.

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.

Pilot contract impact, normalized. Delta's new pilot contract was ratified on December 1, 2016 and was retroactive to January 1, 2016. As a result, Delta recognized $380 million in retroactive wages and other benefits in the December 2016 quarter that related to previous quarters.

	Three Months Ended December 31,	
(in millions)	**2017**	**2016**
Operating expense	$ 9,052	$ 8,438
Adjusted for:		
MTM adjustments and settlements	49	11
Operating expense, adjusted	$ 9,101	$ 8,449
Pilot contract impact, normalized	-	(380)
Operating expense, adjusted, including pilot contract impact, normalized	$ 9,101	$ 8,069
Year-over-year change	$ 1,032	

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.

	Three Months Ended December 31,	
(in millions)	**2017**	**2016**
Fuel purchase cost	$ 1,805	$ 1,461
Airline segment fuel hedge impact	22	(11)
Refinery segment impact	(24)	42
Total fuel expense	$ 1,803	$ 1,492
MTM adjustments and settlements	49	11
Total fuel expense, adjusted	$ 1,852	$ 1,503
Year-over-year change	$ 349	

Operating Cash Flow, adjusted. We adjusted operating 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 capital expenditures, debt service or general corporate initiatives. Adjustments include:

Hedge deferrals, including early settlements . During the March 2015 quarter, we effectively deferred settlement of a portion of our fuel hedge portfolio 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 2015 and require approximately $300 million in cash payments in 2016. During the March 2016 quarter, we further 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. Additionally, during the June 2016 quarter, we early terminated certain of our outstanding deferral transactions and made cash payments of $170 million, including normal settlements. 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 periods 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.

(in millions)	Three Months Ended December 31, 2017	
Net cash provided by operating activities (GAAP)	$	1,917
Adjustments:		
Hedge deferrals, including early settlements		(51)
Reimbursements related to build-to-suit facilities and other		(130)
Net cash provided by operating activities, adjusted	$	1,736

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 December 31, 2017
Flight equipment, including advance payments	$ 798
Ground property and equipment, including technology	362
Reimbursements related to build-to suit-facilities and other	(197)
Capital expenditures, net	$ 963

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 and other. 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 December 31, 2017
Net cash provided by operating activities	$	1,917
Net cash used in investing activities		(1,332)
Adjustments:		
Hedge deferrals		(51)
Reimbursements related to build-to-suit facilities		35
Net redemptions of short-term investments and other		(134)
Total free cash flow	$	435

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

(in millions)	December 31, 2017	
Debt and capital lease obligations	$ 8,834	
Plus: unamortized discount, net and debt issuance costs	99	
Adjusted debt and capital lease obligations		$ 8,933
Plus: 7x last twelve months' aircraft rent		2,456
Adjusted total debt		11,389
Less: cash, cash equivalents and short-term investments		(2,639)
Less: hedge margin receivable		—
Adjusted net debt		$ 8,750