

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended September 30, 2019

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

(State or other jurisdiction of incorporation or organization)

58-0218548

(I.R.S. Employer Identification No.)

Post Office Box 20706

Atlanta , Georgia

(Address of principal executive offices)

30320-6001

(Zip Code)

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

Title of each class

Name of each exchange on which registered

Trading Symbol

Common Stock, par value \$0.0001 per share

New York Stock Exchange

DAL

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 every Interactive Data File required to be submitted 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 such files).

Yes ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Number of shares outstanding by each class of common stock, as of September 30, 2019:

Common Stock, \$0.0001 par value - 646,742,854 shares outstanding

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

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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-Q (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 "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 ("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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Delta Air Lines, Inc.

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheet of Delta Air Lines, Inc. (the Company) as of September 30, 2019, the related condensed consolidated statements of operations and comprehensive income, and the consolidated statements of stockholders' equity for the three-month and nine-month periods ended September 30, 2019 and 2018, the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2019 and 2018 and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of Delta Air Lines, Inc. as of December 31, 2018, the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity for the year then ended, and the related notes (not presented herein); and in our report dated February 15, 2019, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2018, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Ernst & Young LLP

Atlanta, Georgia
October 10, 2019

DELTA AIR LINES, INC.
Consolidated Balance Sheets
(Unaudited)

(in millions, except share data)	September 30, 2019	December 31, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,899	\$ 1,565
Accounts receivable, net of an allowance for uncollectible accounts of \$14 and \$12 at September 30, 2019 and December 31, 2018, respectively	2,836	2,314
Fuel inventory	568	592
Expendable parts and supplies inventories, net of an allowance for obsolescence of \$94 and \$102 at September 30, 2019 and December 31, 2018, respectively	504	463
Prepaid expenses and other	1,137	1,406
Total current assets	6,944	6,340
Noncurrent Assets:		
Property and equipment, net of accumulated depreciation and amortization of \$17,213 and \$15,823 at September 30, 2019 and December 31, 2018, respectively	30,796	28,335
Operating lease right-of-use assets	5,815	5,994
Goodwill	9,781	9,781
Identifiable intangibles, net of accumulated amortization of \$871 and \$862 at September 30, 2019 and December 31, 2018, respectively	4,821	4,830
Cash restricted for airport construction	753	1,136
Other noncurrent assets	4,309	3,850
Total noncurrent assets	56,275	53,926
Total assets	\$ 63,219	\$ 60,266
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt and finance leases	\$ 2,196	\$ 1,518
Current maturities of operating leases	844	955
Air traffic liability	5,762	4,661
Accounts payable	3,470	2,976
Accrued salaries and related benefits	3,119	3,287
Loyalty program deferred revenue	3,200	2,989
Fuel card obligation	439	1,075
Other accrued liabilities	1,181	1,117
Total current liabilities	20,211	18,578
Noncurrent Liabilities:		
Long-term debt and finance leases	7,923	8,253
Pension, postretirement and related benefits	8,457	9,163
Loyalty program deferred revenue	3,496	3,652
Noncurrent operating leases	5,441	5,801
Deferred income taxes, net	1,245	163
Other noncurrent liabilities	1,378	969
Total noncurrent liabilities	27,940	28,001
Commitments and Contingencies		
Stockholders' Equity:		
Common stock at \$0.0001 par value; 1,500,000,000 shares authorized, 655,694,564 and 688,136,306 shares issued at September 30, 2019 and December 31, 2018, respectively	—	—
Additional paid-in capital	11,177	11,671
Retained earnings	11,772	10,039
Accumulated other comprehensive loss	(7,645)	(7,825)
Treasury stock, at cost, 8,951,710 and 8,191,831 shares at September 30, 2019 and December 31, 2018, respectively	(236)	(198)

Total stockholders' equity	15,068	13,687
Total liabilities and stockholders' equity	<u>\$ 63,219</u>	<u>\$ 60,266</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELTA AIR LINES, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operating Revenue:				
Passenger	\$ 11,410	\$ 10,796	\$ 32,032	\$ 30,107
Cargo	189	226	567	651
Other	961	931	2,969	2,938
Total operating revenue	12,560	11,953	35,568	33,696
Operating Expense:				
Salaries and related costs	2,884	2,753	8,275	8,004
Aircraft fuel and related taxes	2,239	2,498	6,508	6,693
Regional carriers expense, excluding fuel	900	885	2,698	2,586
Contracted services	685	562	1,974	1,646
Depreciation and amortization	631	573	1,960	1,759
Passenger commissions and other selling expenses	539	535	1,505	1,473
Aircraft maintenance materials and outside repairs	424	371	1,334	1,233
Landing fees and other rents	460	439	1,321	1,254
Profit sharing	517	399	1,256	991
Ancillary businesses and refinery	279	410	945	1,396
Passenger service	345	329	938	892
Aircraft rent	110	99	318	291
Other	476	455	1,317	1,305
Total operating expense	10,489	10,308	30,349	29,523
Operating Income	2,071	1,645	5,219	4,173
Non-Operating (Expense)/Income:				
Interest expense, net	(70)	(73)	(228)	(244)
Unrealized gain/(loss) on investments, net	(35)	50	(17)	(171)
Miscellaneous, net	(19)	66	(174)	48
Total non-operating (expense)/income, net	(124)	43	(419)	(367)
Income Before Income Taxes	1,947	1,688	4,800	3,806
Income Tax Provision	(452)	(366)	(1,131)	(890)
Net Income	\$ 1,495	\$ 1,322	\$ 3,669	\$ 2,916
Basic Earnings Per Share	\$ 2.32	\$ 1.93	\$ 5.61	\$ 4.20
Diluted Earnings Per Share	\$ 2.31	\$ 1.92	\$ 5.59	\$ 4.18
Cash Dividends Declared Per Share	\$ 0.40	\$ 0.35	\$ 1.10	\$ 0.96
Comprehensive Income	\$ 1,545	\$ 1,393	\$ 3,849	\$ 3,002

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELTA AIR LINES, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Nine Months Ended September 30,	
	2019	2018
Net Cash Provided by Operating Activities	\$ 7,468	\$ 5,769
Cash Flows from Investing Activities:		
Property and equipment additions:		
Flight equipment, including advance payments	(2,774)	(2,833)
Ground property and equipment, including technology	(1,090)	(972)
Purchase of short-term investments	—	(145)
Redemption of short-term investments	206	490
Purchase of equity investments	(170)	—
Other, net	32	87
Net cash used in investing activities	(3,796)	(3,373)
Cash Flows from Financing Activities:		
Payments on long-term debt and finance lease obligations	(2,805)	(2,741)
Repurchase of common stock	(1,802)	(1,250)
Cash dividends	(721)	(670)
Proceeds from short-term obligations	1,750	—
Proceeds from long-term obligations	500	3,124
Fuel card obligation	(636)	(1)
Other, net	(8)	(63)
Net cash used in financing activities	(3,722)	(1,601)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash Equivalents	(50)	795
Cash, cash equivalents and restricted cash equivalents at beginning of period	2,748	1,853
Cash, cash equivalents and restricted cash equivalents at end of period	\$ 2,698	\$ 2,648
Non-Cash Transactions:		
Right-of-use assets acquired under operating leases	\$ 459	\$ 908
Operating leases converted to finance leases	189	—
Flight and ground equipment acquired under finance leases	619	69

The following table provides a reconciliation of cash, cash equivalents and restricted cash equivalents reported within the Consolidated Balance Sheets to the total of the same such amounts shown above:

(in millions)	September 30,	
	2019	2018
Current assets:		
Cash and cash equivalents	\$ 1,899	\$ 1,380
Restricted cash included in prepaid expenses and other	46	54
Noncurrent assets:		
Cash restricted for airport construction	753	1,214
Total cash, cash equivalents and restricted cash equivalents	\$ 2,698	\$ 2,648

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELTA AIR LINES, INC.
Consolidated Statements of Stockholders' Equity
(Unaudited)

(in millions, except per share data)	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at December 31, 2018	688	\$ —	\$ 11,671	\$ 10,039	\$ (7,825)	8	\$ (198)	\$ 13,687
Net income	—	—	—	730	—	—	—	730
Dividends declared	—	—	—	(232)	—	—	—	(232)
Other comprehensive income	—	—	—	—	59	—	—	59
Shares of common stock issued and compensation expense associated with equity awards (Treasury shares withheld for payment of taxes, \$49.75 ⁽¹⁾ per share)	2	—	27	—	—	1	(35)	(8)
Stock purchased and retired	(26)	—	(444)	(881)	—	—	—	(1,325)
Balance at March 31, 2019	664	—	11,254	9,656	(7,766)	9	(233)	12,911
Net income	—	—	—	1,443	—	—	—	1,443
Dividends declared	—	—	—	(229)	—	—	—	(229)
Other comprehensive income	—	—	—	—	72	—	—	72
Shares of common stock issued and compensation expense associated with equity awards (Treasury shares withheld for payment of taxes, \$55.06 ⁽¹⁾ per share)	—	—	31	—	—	—	(2)	29
Stock purchased and retired	(5)	—	(84)	(184)	—	—	—	(268)
Balance at June 30, 2019	659	—	11,201	10,686	(7,694)	9	(235)	13,958
Net income	—	—	—	1,495	—	—	—	1,495
Dividends declared	—	—	—	(261)	—	—	—	(261)
Other comprehensive income	—	—	—	—	49	—	—	49
Shares of common stock issued and compensation expense associated with equity awards (Treasury shares withheld for payment of taxes, \$58.68 ⁽¹⁾ per share)	—	—	36	—	—	—	(1)	35
Stock purchased and retired	(3)	—	(60)	(148)	—	—	—	(208)
Balance at September 30, 2019	656	\$ —	\$ 11,177	\$ 11,772	\$ (7,645)	9	\$ (236)	\$ 15,068

⁽¹⁾ Weighted average price per share.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELTA AIR LINES, INC.
Consolidated Statements of Stockholders' Equity
(Unaudited)

(in millions, except per share data)	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at December 31, 2017	715	\$ —	\$ 12,053	\$ 8,256	\$ (7,621)	7	\$ (158)	\$ 12,530
Net income	—	—	—	557	—	—	—	557
Change in accounting principle and other	—	—	—	(139)	(106)	—	—	(245)
Dividends declared	—	—	—	(216)	—	—	—	(216)
Other comprehensive income	—	—	—	—	46	—	—	46
Shares of common stock issued and compensation expense associated with equity awards (Treasury shares withheld for payment of taxes, \$55.08 ⁽¹⁾ per share)	1	—	10	—	—	1	(36)	(26)
Stock options exercised	1	—	1	—	—	—	—	1
Stock purchased and retired	(6)	—	(97)	(228)	—	—	—	(325)
Balance at March 31, 2018	711	—	11,967	8,230	(7,681)	8	(194)	12,322
Net income	—	—	—	1,036	—	—	—	1,036
Change in accounting principle and other	—	—	—	(13)	—	—	—	(13)
Dividends declared	—	—	—	(213)	—	—	—	(213)
Other comprehensive income	—	—	—	—	75	—	—	75
Shares of common stock issued and compensation expense associated with equity awards (Treasury shares withheld for payment of taxes, \$52.99 ⁽¹⁾ per share)	—	—	29	—	—	—	(2)	27
Stock purchased and retired	(12)	—	(189)	(411)	—	—	—	(600)
Balance at June 30, 2018	699	—	11,807	8,629	(7,606)	8	(196)	12,634
Net income	—	—	—	1,322	—	—	—	1,322
Dividends declared	—	—	—	(242)	—	—	—	(242)
Other comprehensive income	—	—	—	—	71	—	—	71
Shares of common stock issued and compensation expense associated with equity awards (Treasury shares withheld for payment of taxes, \$52.59 ⁽¹⁾ per share)	—	—	32	—	—	—	(1)	31
Stock purchased and retired	(5)	—	(99)	(226)	—	—	—	(325)
Balance at September 30, 2018	694	\$ —	\$ 11,740	\$ 9,483	\$ (7,535)	8	\$ (197)	\$ 13,491

⁽¹⁾ Weighted average price per share.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DELTA AIR LINES, INC.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Delta Air Lines, Inc. and our wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Consistent with these requirements, this Form 10-Q does not include all the information required by GAAP for complete financial statements. As a result, this Form 10-Q should be read in conjunction with the Consolidated Financial Statements and accompanying Notes in our Form 10-K for the year ended December 31, 2018.

Management believes the accompanying unaudited Condensed Consolidated Financial Statements reflect all adjustments, including normal recurring items, considered necessary for a fair statement of results for the interim periods presented.

Due to seasonal variations in the demand for air travel, the volatility of aircraft fuel prices and other factors, operating results for the three and nine months ended September 30, 2019 are not necessarily indicative of operating results for the entire year.

We reclassified certain prior period amounts to conform to the current period presentation. Unless otherwise noted, all amounts disclosed are stated before consideration of income taxes.

Recent Accounting Standards

Comprehensive Income. In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220)." This standard provides an option to reclassify stranded tax effects within accumulated other comprehensive income/(loss) ("AOCI") to retained earnings due to the U.S. federal corporate income tax rate change in the Tax Cuts and Jobs Act of 2017. This standard is effective for interim and annual reporting periods beginning after December 15, 2018. We adopted this standard effective January 1, 2019 with the election not to reclassify \$1.2 billion of stranded tax effects, primarily related to our pension plans, from AOCI to retained earnings.

NOTE 2. REVENUE RECOGNITION

Passenger Revenue

Passenger revenue is primarily composed of passenger ticket sales, loyalty travel awards and travel-related services performed in conjunction with a passenger's flight.

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Ticket	\$ 10,029	\$ 9,553	\$ 27,986	\$ 26,514
Loyalty travel awards	732	678	2,174	1,976
Travel-related services	649	565	1,872	1,617
Total passenger revenue	\$ 11,410	\$ 10,796	\$ 32,032	\$ 30,107

We recognized approximately \$3.7 billion in passenger revenue during the nine months ended September 30, 2019 that was recorded in our air traffic liability balance at December 31, 2018. We expect the remaining balance of the December 31, 2018 liability to be recognized by the end of 2019.

Other Revenue

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Loyalty program	\$ 485	\$ 369	\$ 1,443	\$ 1,075
Ancillary businesses and refinery	291	433	990	1,475
Miscellaneous	185	129	536	388
Total other revenue	\$ 961	\$ 931	\$ 2,969	\$ 2,938

Loyalty Program

Our SkyMiles loyalty program generates customer loyalty by rewarding customers with incentives to travel on Delta. This program allows customers to earn mileage credits by flying on Delta, Delta Connection and other airlines that participate in the loyalty program. When traveling, customers earn redeemable mileage credits based on the passenger's loyalty program status and ticket price. Customers can also earn mileage credits through participating companies such as credit card companies, hotels, car rental agencies and ridesharing companies. To facilitate transactions with participating companies, we sell mileage credits to non-airline businesses, customers and other airlines. Mileage credits are redeemable by customers in future periods for air travel on Delta and other participating airlines, membership in our Sky Club and other program awards. During the nine months ended September 30, 2019 and 2018, total cash sales from marketing agreements related to our loyalty program were \$3.1 billion and \$2.6 billion, respectively, which are allocated to travel and other performance obligations.

Our most significant contract to sell mileage credits relates to our co-brand credit card relationship with American Express. Our agreements with American Express provide for joint marketing, grant certain benefits to Delta-American Express co-branded credit card holders ("cardholders") and American Express Membership Rewards program participants, and allow American Express to market its services or products using our customer database. Cardholders earn mileage credits for making purchases using co-branded cards, and certain cardholders may also check their first bag for free, are granted discounted access to Delta Sky Club lounges and receive priority boarding and other benefits while traveling on Delta. Additionally, participants in the American Express Membership Rewards program may exchange their points for mileage credits under the loyalty program. We sell mileage credits at agreed-upon rates to American Express which are then provided to their customers under the co-brand credit card program and the Membership Rewards program.

We account for marketing agreements, including those with American Express, consistent with the accounting method that allocates the consideration received to the individual products and services delivered. We allocate the value based on the relative selling prices of those products and services, which generally consist of award travel, priority boarding, baggage fee waivers, lounge access and the use of our brand. We determine our best estimate of the selling prices by considering a discounted cash flow analysis using multiple inputs and assumptions, including: (1) the expected number of miles awarded and number of miles redeemed, (2) equivalent ticket value ("ETV") for the award travel obligation, (3) published rates on our website for baggage fees, discounted access to Delta Sky Club lounges and other benefits while traveling on Delta and (4) brand value.

Effective January 1, 2019, we amended our co-brand agreement with American Express, and we also amended other agreements with American Express during the current year. The new agreements increase the value we receive and extend the terms to 2029. The products and services delivered are consistent with previous agreements, and we continue to use the accounting method that allocates the consideration received based on the relative selling prices of those products and services.

We defer the amount for award travel obligation as part of loyalty program deferred revenue and recognize loyalty travel awards in passenger revenue as the mileage credits are used for travel. Revenue allocated to services performed in conjunction with a passenger's flight, such as baggage fee waivers, is recognized as travel-related services in passenger revenue when the related service is performed. Revenue allocated to access Delta Sky Club lounges is recognized as miscellaneous in other revenue as access is provided. Revenue allocated to the remaining performance obligations, primarily brand value, is recorded as loyalty program in other revenue over time as miles are delivered.

Current Activity of the Loyalty Program. Mileage credits are combined in one homogeneous pool and are not separately identifiable. As such, the revenue is comprised of miles that were part of the loyalty deferred revenue balance at the beginning of the period as well as miles that were issued during the period.

The table below presents the activity of the current and noncurrent loyalty liability and includes miles earned through travel and miles sold to participating companies, which are primarily through marketing agreements.

(in millions)	2019		2018	
Balance at January 1	\$	6,641	\$	6,321
Mileage credits earned		2,352		2,322
Travel mileage credits redeemed		(2,175)		(1,976)
Non-travel mileage credits redeemed		(122)		(125)
Balance at September 30	\$	6,696	\$	6,542

The timing of mileage redemptions can vary widely; however, the majority of new miles are redeemed within two years.

Revenue by Geographic Region

Operating revenue for the airline segment is recognized in a specific geographic region based on the origin, flight path and destination of each flight segment. The majority of the revenues of the refinery, consisting of fuel sales to the airline, have been eliminated in the Condensed Consolidated Financial Statements. The remaining operating revenue for the refinery segment is included in the domestic region. Our passenger and operating revenue by geographic region is summarized in the following tables:

(in millions)	Passenger Revenue			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Domestic	\$ 7,971	\$ 7,395	\$ 22,755	\$ 21,093
Atlantic	2,060	1,996	5,042	4,837
Latin America	683	675	2,298	2,228
Pacific	696	730	1,937	1,949
Total	\$ 11,410	\$ 10,796	\$ 32,032	\$ 30,107

(in millions)	Operating Revenue			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Domestic	\$ 8,651	\$ 8,125	\$ 24,925	\$ 23,480
Atlantic	2,336	2,244	5,788	5,494
Latin America	757	741	2,559	2,449
Pacific	816	843	2,296	2,273
Total	\$ 12,560	\$ 11,953	\$ 35,568	\$ 33,696

NOTE 3. FAIR VALUE MEASUREMENTS

Assets (Liabilities) Measured at Fair Value on a Recurring Basis

(in millions)	September 30, 2019	Level 1	Level 2
Cash equivalents	\$ 1,489	\$ 1,489	\$ —
Restricted cash equivalents	798	798	—
Long-term investments	1,214	1,009	205
Hedge derivatives, net			
Fuel hedge contracts	22	15	7
Interest rate contracts	82	—	82
Foreign currency exchange contracts	21	—	21

(in millions)	December 31, 2018	Level 1	Level 2
Cash equivalents	\$ 1,222	\$ 1,222	\$ —
Restricted cash equivalents	1,183	1,183	—
Short-term investments			
U.S. government and agency securities	50	45	5
Asset- and mortgage-backed securities	36	—	36
Corporate obligations	90	—	90
Other fixed income securities	27	—	27
Long-term investments	1,084	880	204
Hedge derivatives, net			
Fuel hedge contracts	15	20	(5)
Interest rate contracts	1	—	1
Foreign currency exchange contracts	(3)	—	(3)

Cash Equivalents and Restricted Cash Equivalents. Cash equivalents generally consist of money market funds. Restricted cash equivalents generally consist of money market funds, time deposits, commercial paper and negotiable certificates of deposit, which primarily relate to proceeds from debt issued to finance a portion of the construction costs for our new terminal facilities at New York's LaGuardia Airport. The fair value of these cash equivalents is based on a market approach using prices generated by market transactions involving identical or comparable assets.

Short-Term Investments. The fair values of our short-term investments were based on a market approach using industry standard valuation techniques that incorporated observable inputs such as quoted market prices, interest rates, benchmark curves, credit ratings of the security or other observable information and were recorded in prepaid expenses and other on the Consolidated Balance Sheet ("balance sheet").

Long-Term Investments. Our long-term investments that are measured at fair value primarily consist of equity investments, which are valued based on market prices or other observable transactions and are recorded in other noncurrent assets on our balance sheet. See Note 4, "Investments," for further information on our equity investments.

Hedge Derivatives. A portion of our derivative contracts are negotiated over-the-counter with counterparties without going through a public exchange. Accordingly, our fair value assessments give consideration to the risk of counterparty default (as well as our own credit risk). Such contracts are classified as Level 2 within the fair value hierarchy. The remainder of our hedge contracts are comprised of futures contracts, which are traded on a public exchange. These contracts are classified within Level 1 of the fair value hierarchy.

- *Fuel Contracts.* Our fuel hedge portfolio consists of options, swaps and futures. Option and swap contracts are valued under income approaches using option pricing models and discounted cash flow models, respectively, based on data either readily observable in public markets, derived from public markets or provided by counterparties who regularly trade in public markets. Futures contracts and options on futures contracts are traded on a public exchange and valued based on quoted market prices.
- *Interest Rate Contracts.* Our interest rate derivatives are swap contracts, which are valued based on data readily observable in public markets.
- *Foreign Currency Exchange Contracts.* Our foreign currency derivatives consist of forward contracts and are valued based on data readily observable in public markets.

NOTE 4. INVESTMENTS

Long-Term Investments

We have developed strategic relationships with a number of airlines and airline services companies through equity investments and other forms of cooperation and support. Our equity investments reinforce our commitment to strategic relationships, which improve our coordination with these companies and enable our customers to seamlessly connect to more destinations while enjoying a consistent, high-quality travel experience.

Equity Method Investments

We account for our investments in Aeroméxico, Virgin Atlantic and AirCo Aviation Services, LLC ("AirCo"), the parent company of DAL Global Services, LLC ("DGS"), under the equity method of accounting. Our portion of Aeroméxico's and Virgin Atlantic's financial results are recorded in miscellaneous, net in our Condensed Consolidated Statements of Operations and Comprehensive Income ("income statement") under non-operating expense, and our share of AirCo's financial results is recorded in contracted services in our income statement as this entity is integral to the operations of our business. If an equity method investment experiences a loss in fair value that is determined to be other than temporary, we will reduce our basis in the investment to fair value and record the loss in unrealized gain/(loss) on investments.

- *Aeroméxico.* Our non-controlling investment in Grupo Aeroméxico, the parent company of Aeroméxico, is accounted for under the equity method. Grupo Aeroméxico's corporate bylaws (as authorized by the Mexican Foreign Investment Commission) limit our voting interest to 49%. However, due to Aeroméxico's share repurchase program, our equity stake in Grupo Aeroméxico has increased to 51%. The investment is recorded at \$843 million as of September 30, 2019.
- *Virgin Atlantic.* We have a non-controlling 49% equity stake in Virgin Atlantic Limited, the parent company of Virgin Atlantic Airways, and similar non-controlling interests in certain affiliated Virgin Atlantic companies. Our investment in these Virgin Atlantic companies is recorded at \$393 million as of September 30, 2019.
- *AirCo.* We have a non-controlling 49% equity stake in AirCo which is recorded at \$123 million as of September 30, 2019. AirCo is a subsidiary of Argenbright Holdings, LLC that provides aviation-related services, ground support equipment maintenance and security.

In the September 2019 quarter we announced our plan to enter into a strategic alliance with LATAM Airlines Group S.A. ("LATAM"). Subject to regulatory approval, specifically requirements under the Hart-Scott-Rodino Antitrust Improvement Act, we plan to commence a tender offer for the acquisition of up to 20% of the common shares of LATAM at a price per share of \$16, to be funded with newly issued debt and available cash. In addition, to support the establishment of the strategic alliance, we will invest \$350 million, \$150 million of which was disbursed in the September 2019 quarter.

Fair Value Investments

We account for the following investments at fair value with adjustments to fair value recognized in unrealized gain/(loss) on investments within non-operating expense in our income statement. We recorded losses of \$35 million and \$17 million on our fair value investments during the three and nine months ended September 30, 2019, respectively. These results were driven by changes in stock prices and foreign currency fluctuations.

- *Air France-KLM*. We own 9% of the outstanding shares of Air France-KLM, which are recorded at \$393 million as of September 30, 2019.
- *GOL*. We own 9% of the outstanding capital stock of GOL Linhas Aéreas Inteligentes, the parent company of VRG Linhas Aéreas (operating as GOL), through ownership of its preferred shares. Our ownership stake is recorded at \$256 million as of September 30, 2019.

Additionally, GOL has a \$300 million five-year term loan facility with third parties maturing in 2020, which we have guaranteed. Our guaranty is secured by GOL's ownership interest in Smiles, GOL's publicly traded loyalty program. Because GOL remains in compliance with the terms of its loan facility, we have not recorded a liability on our balance sheet as of September 30, 2019.

We plan to sell our GOL ownership stake and wind down our commercial agreements with GOL to facilitate the formation of our strategic alliance with LATAM.

- *China Eastern*. We own a 3% equity interest in China Eastern, which is recorded at \$226 million as of September 30, 2019.
- *Korean*. We have acquired 10% of the outstanding shares of Hanjin-KAL, the largest shareholder of Korean Air, during 2019. This investment is recorded at \$134 million as of September 30, 2019.
- *Alclear Holdings, LLC ("CLEAR")*. We own a 7% equity interest in CLEAR.
- *Republic Airways*. We own a 17% equity interest in Republic Airways Holdings Inc.

NOTE 5. DERIVATIVES AND RISK MANAGEMENT

Changes in fuel prices, interest rates and foreign currency exchange rates impact our results of operations. In an effort to manage our exposure to these risks, we enter into derivative contracts and adjust our derivative portfolio as market conditions change. We recognize derivative contracts at fair value on our balance sheet.

Fuel Price Risk

Our derivative contracts to hedge the financial risk from changing fuel prices are primarily related to Monroe's refining margins.

Interest Rate Risk

Our exposure to market risk from adverse changes in interest rates is primarily associated with our long-term debt obligations. Market risk associated with our fixed and variable rate long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates.

Foreign Currency Exchange Risk

We are subject to foreign currency exchange rate risk because we have revenue and expense denominated in foreign currencies. To manage exchange rate risk, we execute both our international revenue and expense transactions in the same foreign currency to the extent practicable. From time to time, we may also enter into foreign currency option and forward contracts.

Hedge Position as of September 30, 2019

(in millions)	Volume		Final Maturity Date	Prepaid Expenses and Other	Other Noncurrent Assets	Other Accrued Liabilities	Other Noncurrent Liabilities	Hedge Derivatives, net
Designated as hedges								
Interest rate contracts (fair value hedges)	1,872 U.S. dollars		April 2028	\$ 7	\$ 75	\$ —	\$ —	\$ 82
Not designated as hedges								
Foreign currency exchange contracts	397 Euros		December 2020	9	12	—	—	21
Fuel hedge contracts	14 gallons - crude oil and refined products		July 2020	47	—	(25)	—	22
Total derivative contracts				\$ 63	\$ 87	\$ (25)	\$ —	\$ 125

Hedge Position as of December 31, 2018

(in millions)	Volume		Final Maturity Date	Prepaid Expenses and Other	Other Noncurrent Assets	Other Accrued Liabilities	Other Noncurrent Liabilities	Hedge Derivatives, net
Designated as hedges								
Interest rate contracts (fair value hedges)	1,893 U.S. dollars		April 2028	\$ —	\$ 8	\$ (7)	\$ —	\$ 1
Foreign currency exchange contracts	6,934 Japanese yen		November 2019	1	—	—	—	1
Not designated as hedges								
Foreign currency exchange contracts	397 Euros		December 2020	13	—	—	(17)	(4)
Fuel hedge contracts	219 gallons - crude oil and refined products		December 2019	30	—	(15)	—	15
Total derivative contracts				\$ 44	\$ 8	\$ (22)	\$ (17)	\$ 13

Balance Sheet Location of Hedged Item in Fair Value Hedges

(in millions)	Carrying Amount of Hedge Instruments		Cumulative Amount of Fair Value Hedge Adjustments	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Current maturities of long-term debt and finance leases	\$ (20)	\$ (11)	\$ 7	\$ 7
Long-term debt and finance leases	\$ (1,759)	\$ (1,870)	\$ 75	\$ (8)

Offsetting Assets and Liabilities

We have master netting arrangements with our counterparties giving us the right to offset hedge assets and liabilities. However, we have elected not to offset the fair value positions recorded on our balance sheets. The following table shows the net fair value positions by counterparty had we elected to offset.

(in millions)	Prepaid Expenses and Other	Other Noncurrent Assets	Other Accrued Liabilities	Other Noncurrent Liabilities	Hedge Derivatives, net
September 30, 2019					
Net derivative contracts	\$ 38	\$ 87	\$ —	\$ —	\$ 125
December 31, 2018					
Net derivative contracts	\$ 35	\$ —	\$ (13)	\$ (9)	\$ 13

Designated Hedge Gains (Losses)

Gains (losses) related to our foreign currency exchange contracts designated as hedges are as follows:

(in millions)	Gain (Loss) Reclassified from AOCI to Earnings		Gain (Loss) Recognized in Other Comprehensive Income	
	2019	2018	2019	2018
Three Months Ended September 30,				
Foreign currency exchange contracts ⁽¹⁾	\$ —	\$ (1)	\$ —	\$ 4
Nine Months Ended September 30,				
Foreign currency exchange contracts ⁽¹⁾	\$ —	\$ (4)	\$ —	\$ 4

⁽¹⁾ Earnings on our designated foreign currency exchange contracts are recorded in passenger revenue in the income statement.

Not Designated Hedge Gains (Losses)

Gains (losses) related to our foreign currency exchange and fuel contracts are as follows:

(in millions)	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income	
		2019	2018
Three Months Ended September 30,			
Foreign currency exchange contracts	Unrealized gain/(loss) on investments, net	\$ 18	\$ (19)
Fuel hedge contracts	Aircraft fuel and related taxes	31	7
Total		\$ 49	\$ (12)
Nine Months Ended September 30,			
Foreign currency exchange contracts	Unrealized gain/(loss) on investments, net	\$ 25	\$ (12)
Fuel hedge contracts	Aircraft fuel and related taxes	(5)	(85)
Total		\$ 20	\$ (97)

Credit Risk

To manage credit risk associated with our fuel price, interest rate and foreign currency hedging programs, we evaluate counterparties based on several criteria including their credit ratings.

NOTE 6. DEBT

The following table summarizes our debt:

(in millions)	Maturity Dates			Interest Rate(s) ⁽¹⁾ Per Annum at September 30, 2019			September 30, 2019	December 31, 2018
	2020	to	2028	2.60%	to	4.38%	\$ 4,050	\$ 4,050
Unsecured notes								
Financing arrangements secured by aircraft:								
Certificates ⁽²⁾	2019	to	2027	3.20%	to	8.02%	1,999	1,837
Notes ⁽²⁾	2019	to	2025	2.62%	to	6.37%	1,246	1,787
NYTDC Special Facilities Revenue Bonds, Series 2018 ⁽²⁾	2022	to	2036	4.00%	to	5.00%	1,383	1,383
Other financings ⁽²⁾⁽³⁾	2021	to	2030	3.02%	to	8.75%	196	251
2018 Unsecured Revolving Credit Facility	2021	to	2023	undrawn		variable	—	—
Other revolving credit facilities	2020	to	2021	undrawn		variable	—	—
Total secured and unsecured debt							8,874	9,308
Unamortized premium and debt issue cost, net and other							151	60
Total debt							9,025	9,368
Less: current maturities							(1,953)	(1,409)
Total long-term debt							\$ 7,072	\$ 7,959

⁽¹⁾ Certain aircraft and other financings are comprised of variable rate debt. All variable rates are equal to LIBOR (generally subject to a floor) or another index rate, in each case plus a specified margin.

⁽²⁾ Due in installments.

⁽³⁾ Primarily includes unsecured bonds and debt secured by certain accounts receivable and real estate.

2019 Unsecured Term Loan

In February 2019, we entered into a \$1 billion term loan issued by two lenders, which was subsequently repaid by the end of the June 2019 quarter. We used the net proceeds of the term loan to accelerate planned 2019 repurchases under our share repurchase program.

2019-1 EETC

We completed a \$500 million offering of Pass Through Certificates, Series 2019-1 ("2019-1 EETC") utilizing a pass through trust during 2019. This amount is included in Certificates in the table above. The details of the 2019-1 EETC, which is secured by 14 aircraft, are shown in the table below:

(in millions)	Total Principal	Fixed Interest Rate	Issuance Date	Final Maturity Date
2019-1 Class AA Certificates	\$ 425	3.204%	March 2019	April 2024
2019-1 Class A Certificates	75	3.404%	March 2019	April 2024
Total	\$ 500			

Availability Under Revolving Credit Facilities

The table below shows availability under revolving credit facilities, all of which were undrawn, as of September 30, 2019:

(in millions)	
2018 Unsecured Revolving Credit Facility	\$ 2,650
Other revolving credit facilities	456
Total availability under revolving credit facilities	\$ 3,106

Fair Value of Debt

Market risk associated with our fixed- and variable-rate long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates. The fair value of debt, shown below, is principally based on reported market values, recently completed market transactions and estimates based on interest rates, maturities, credit risk and underlying collateral. Long-term debt is primarily classified as Level 2 within the fair value hierarchy.

(in millions)	September 30, 2019	December 31, 2018
Total debt at par value	\$ 8,874	\$ 9,308
Unamortized premium and debt issue cost, net and other	151	60
Net carrying amount	\$ 9,025	\$ 9,368
Fair value	\$ 9,300	\$ 9,400

Covenants

We were in compliance with the covenants in our financings at September 30, 2019.

NOTE 7. EMPLOYEE BENEFIT PLANS

The following table shows the components of net periodic (benefit) cost:

(in millions)	Pension Benefits		Other Postretirement and Postemployment Benefits	
	2019	2018	2019	2018
Three Months Ended September 30,				
Service cost	\$ —	\$ —	\$ 21	\$ 21
Interest cost	208	195	34	32
Expected return on plan assets	(297)	(329)	(12)	(17)
Amortization of prior service credit	—	—	(2)	(7)
Recognized net actuarial loss	73	66	9	10
Settlements	2	—	—	—
Net periodic (benefit) cost	\$ (14)	\$ (68)	\$ 50	\$ 39
Nine Months Ended September 30,				
Service cost	\$ —	\$ —	\$ 63	\$ 64
Interest cost	625	586	102	95
Expected return on plan assets	(890)	(988)	(36)	(50)
Amortization of prior service credit	—	—	(7)	(20)
Recognized net actuarial loss	219	199	29	27
Settlements	3	4	—	—
Net periodic (benefit) cost	\$ (43)	\$ (199)	\$ 151	\$ 116

Service cost is recorded in salaries and related costs in the income statement while all other components are recorded within miscellaneous under non-operating expense.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Aircraft Purchase Commitments

Our future aircraft purchase commitments, which enable our fleet transformation, totaled \$13.9 billion at September 30, 2019:

(in millions)	Total
Three months ending December 31, 2019	\$ 390
2020	2,900
2021	3,680
2022	3,330
2023	1,640
Thereafter	1,940
Total	\$ 13,880

Our future aircraft purchase commitments included the following aircraft at September 30, 2019:

Aircraft Type	Purchase Commitments
A220-100	20
A220-300	50
A321-200	33
A321-200neo	100
A330-900neo	31
A350-900	16
CRJ-900	8
Total	258

MD-90 Fleet Retirement

As part of our ongoing fleet transformation, during the June 2019 quarter we committed to accelerating the retirement of our MD-90 fleet. This fleet will now be retired by the end of 2022, which is approximately two years earlier than previously planned. The decision to permanently retire 35 aircraft resulted in accelerated depreciation of \$93 million during the nine months ended September 30, 2019, which is recorded in depreciation and amortization in our income statement.

LATAM A350 Commitments

We have agreed to acquire four A350 aircraft from LATAM, which are included in the table above. In addition, we plan to assume ten of LATAM's A350 purchase commitments from Airbus, with deliveries through 2025. See Note 4, "Investments," for further information on our planned strategic alliance with LATAM.

Legal Contingencies

We are involved in various legal proceedings related to employment practices, environmental issues, antitrust and other matters concerning our business. We record liabilities for losses from legal proceedings when we determine that it is probable that the outcome in a legal proceeding will be unfavorable and the amount of loss can be reasonably estimated. Although the outcome of the legal proceedings in which we are involved cannot be predicted with certainty, we believe that the resolution of current matters will not have a material adverse effect on our Condensed Consolidated Financial Statements.

Other Contingencies

General Indemnifications

We are the lessee under many commercial real estate leases. It is common in these transactions for us, as the lessee, to agree to indemnify the lessor and the lessor's related parties for tort, environmental and other liabilities that arise out of or relate to our use or occupancy of the leased premises. This type of indemnity would typically make us responsible to indemnified parties for liabilities arising out of the conduct of, among others, contractors, licensees and invitees at, or in connection with, the use or occupancy of the leased premises. This indemnity often extends to related liabilities arising from the negligence of the indemnified parties but usually excludes any liabilities caused by either their sole or gross negligence or their willful misconduct.

Our aircraft and other equipment lease and financing agreements typically contain provisions requiring us, as the lessee or obligor, to indemnify the other parties to those agreements, including certain of those parties' related persons, against virtually any liabilities that might arise from the use or operation of the aircraft or other equipment.

We believe that our insurance would cover most of our exposure to liabilities and related indemnities associated with the commercial real estate leases and aircraft and other equipment lease and financing agreements described above. While our insurance does not typically cover environmental liabilities, we have insurance policies in place as required by applicable environmental laws.

Some of our aircraft and other financing transactions include provisions that require us to make payments to preserve an expected economic return to the lenders if that economic return is diminished due to specified changes in law or regulations. In some of these financing transactions, we also bear the risk of changes in tax laws that would subject payments to non-U.S. lenders to withholding taxes.

We cannot reasonably estimate our potential future payments under the indemnities and related provisions described above because we cannot predict (1) when and under what circumstances these provisions may be triggered and (2) the amount that would be payable if the provisions were triggered because the amounts would be based on facts and circumstances existing at such time.

Other

We have certain contracts for goods and services that require us to pay a penalty, acquire inventory specific to us or purchase contract-specific equipment, as defined by each respective contract, if we terminate the contract without cause prior to its expiration date. Because these obligations are contingent on our termination of the contract without cause prior to its expiration date, no obligation would exist unless such a termination occurs.

NOTE 9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables show the components of accumulated other comprehensive loss:

(in millions)	Pension and Other Benefit Liabilities ⁽³⁾	Derivative Contracts and Other	Available-for-Sale Investments	Total
Balance at January 1, 2019 (net of tax effect of \$1,492)	\$ (7,925)	\$ 100	\$ —	\$ (7,825)
Changes in value (net of tax effect of \$2)	(12)	4	—	(8)
Reclassifications into earnings (net of tax effect of \$57) ⁽¹⁾	189	(1)	—	188
Balance at September 30, 2019 (net of tax effect of \$1,437)	\$ (7,748)	\$ 103	\$ —	\$ (7,645)

Balance at January 1, 2018 (net of tax effect of \$1,400)	\$ (7,812)	\$ 85	\$ 106	\$ (7,621)
Changes in value (net of tax effect of \$6)	13	7	—	20
Reclassifications into retained earnings (net of tax effect of \$61) ⁽²⁾	—	—	(106)	(106)
Reclassifications into earnings (net of tax effect of \$51) ⁽¹⁾	164	8	—	172
Balance at September 30, 2018 (net of tax effect of \$1,404)	\$ (7,635)	\$ 100	\$ —	\$ (7,535)

⁽¹⁾ Amounts reclassified from AOCI for pension and other benefit liabilities and for derivative contracts designated as foreign currency cash flow hedges are recorded in miscellaneous, net in non-operating expense and in passenger revenue, respectively, in the income statement.

⁽²⁾ The reclassification into retained earnings relates to our investments in GOL, China Eastern and other previously designated available-for-sale investments, and the related conversion to accounting for changes in fair value of these investments from AOCI to the income statement.

⁽³⁾ Includes \$688 million of deferred income tax expense primarily related to pension and other benefit obligations that will not be recognized in net income until these obligations are fully extinguished. We consider all income sources, including other comprehensive income, in determining the amount of tax benefit allocated to continuing operations.

NOTE 10. SEGMENTS

Refinery Operations

Our refinery segment operates for the benefit of the airline segment by providing jet fuel to the airline segment from its own production and through jet fuel obtained through agreements with third parties. The refinery's production consists of jet fuel, as well as non-jet fuel products. We use several counterparties to exchange the non-jet fuel products produced by the refinery for jet fuel consumed in our airline operations. The gross fair value of the products exchanged under these agreements during the three and nine months ended September 30, 2019 was \$1.1 billion and \$3.0 billion, respectively, compared to \$1.1 billion and \$3.1 billion for the three and nine months ended September 30, 2018, respectively.

Segment Reporting

Segment results are prepared based on our internal accounting methods described below, with reconciliations to consolidated amounts in accordance with GAAP. Our segments are not designed to measure operating income or loss directly related to the products and services included in each segment on a stand-alone basis.

(in millions)	Airline	Refinery	Intersegment Sales/Other	Consolidated
Three Months Ended September 30, 2019				
Operating revenue:	\$ 12,554	\$ 1,505		\$ 12,560
Sales to airline segment			\$ (304) ⁽¹⁾	
Exchanged products			(1,143) ⁽²⁾	
Sales of refined products			(52) ⁽³⁾	
Operating income	2,022	49	—	2,071
Interest expense, net	70	—	—	70
Depreciation and amortization	606	25	—	631
Total assets, end of period	61,515	1,704	—	63,219
Capital expenditures	936	10	—	946
Three Months Ended September 30, 2018				
Operating revenue:	\$ 11,845	\$ 1,609		\$ 11,953
Sales to airline segment			\$ (328) ⁽¹⁾	
Exchanged products			(1,110) ⁽²⁾	
Sales of refined products			(63) ⁽³⁾	
Operating income	1,633	12	—	1,645
Interest expense (income), net	84	(11)	—	73
Depreciation and amortization	557	16	—	573
Total assets, end of period	57,965	1,958	—	59,923
Capital expenditures	923	39	—	962

⁽¹⁾ Represents transfers, valued on a market price basis, from the refinery to the airline segment for use in airline operations. We determine market price by reference to the market index for the primary delivery location, which is New York Harbor, for jet fuel from the refinery.

⁽²⁾ Represents value of products delivered under our exchange agreements, as discussed above, determined on a market price basis.

⁽³⁾ These sales were at or near cost; accordingly, the margin on these sales is de minimis.

(in millions)	Airline		Refinery		Intersegment Sales/Other	Consolidated
Nine Months Ended September 30, 2019						
Operating revenue:	\$	35,474	\$	4,289		\$ 35,568
Sales to airline segment					\$ (882) ⁽¹⁾	
Exchanged products					(2,953) ⁽²⁾	
Sales of refined products					(360) ⁽³⁾	
Operating income		5,167		52	—	5,219
Interest expense (income), net		247		(19)	—	228
Depreciation and amortization		1,886		74	—	1,960
Capital expenditures		3,836		28	—	3,864

Nine Months Ended September 30, 2018						
Operating revenue:	\$	33,159	\$	4,767		\$ 33,696
Sales to airline segment					\$ (866) ⁽¹⁾	
Exchanged products					(3,081) ⁽²⁾	
Sales of refined products					(283) ⁽³⁾	
Operating income		4,072		101	—	4,173
Interest expense (income), net		267		(23)	—	244
Depreciation and amortization		1,711		48	—	1,759
Capital expenditures		3,738		67	—	3,805

⁽¹⁾ Represents transfers, valued on a market price basis, from the refinery to the airline segment for use in airline operations. We determine market price by reference to the market index for the primary delivery location, which is New York Harbor, for jet fuel from the refinery.

⁽²⁾ Represents value of products delivered under our exchange agreements, as discussed above, determined on a market price basis.

⁽³⁾ These sales were at or near cost; accordingly, the margin on these sales is de minimis.

NOTE 11. EARNINGS PER SHARE

We calculate basic earnings per share by dividing net income by the weighted average number of common shares outstanding, excluding restricted shares. We calculate diluted earnings per share by dividing net income by the weighted average number of common shares outstanding plus the dilutive effect of outstanding share-based awards, including stock options and restricted stock awards. Antidilutive common stock equivalents excluded from the diluted earnings per share calculation are not material. The following table shows the computation of basic and diluted earnings per share:

(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 1,495	\$ 1,322	\$ 3,669	\$ 2,916
Basic weighted average shares outstanding	646	686	654	695
Dilutive effect of share-based awards	2	2	2	2
Diluted weighted average shares outstanding	648	688	656	697
Basic earnings per share	\$ 2.32	\$ 1.93	\$ 5.61	\$ 4.20
Diluted earnings per share	\$ 2.31	\$ 1.92	\$ 5.59	\$ 4.18

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

September 2019 Quarter Financial Highlights

Our pre-tax income for the September 2019 quarter was \$1.9 billion, representing a \$259 million increase compared to the corresponding prior year quarter primarily resulting from a 5.1% increase in revenue. Pre-tax income, adjusted (a non-GAAP financial measure) was \$2.0 billion, an increase of \$361 million compared to the corresponding prior year period.

Revenue. Compared to the September 2018 quarter, our operating revenue increased \$607 million, or 5.1%, primarily from growth in all components of passenger revenue, with premium product ticket revenue driving more than half of the improvement, and strong growth in both loyalty and maintenance, repair and overhaul ("MRO") revenue. The improvement in operating revenue on 3.9% higher capacity generated a 1.1% increase in total revenue per available seat mile ("TRASM") and a 2.5% increase in TRASM, adjusted (a non-GAAP financial measure) compared to the September 2018 quarter.

Operating Expense. Total operating expense increased \$181 million, or 1.8%, primarily resulting from higher employee costs. Our consolidated operating cost per available seat mile ("CASM") decreased 2.1% to 13.85 cents compared to the September 2018 quarter, primarily due to lower fuel costs and higher capacity. Non-fuel unit costs ("CASM-Ex" a non-GAAP financial measure) increased 2.4% to 9.84 cents compared to the September 2018 quarter, due to employee wage increases, record passenger volumes and the effects of weather-related operational disruptions.

Non-Operating Results. Total non-operating expense was \$124 million in the September 2019 quarter compared to income of \$43 million in the September 2018 quarter, primarily due to unrealized losses on our equity investments.

Free Cash Flow. Strong earnings during the quarter resulted in \$2.2 billion of operating cash flow, enabling \$945 million of capital investments including \$549 million of aircraft purchases and cabin enhancements. These results generated \$1.4 billion of free cash flow (a non-GAAP financial measure) compared to \$655 million in the September 2018 quarter.

The above non-GAAP financial measures for pre-tax income, adjusted, TRASM, adjusted, CASM-Ex and free cash flow, are defined and reconciled in "Supplemental Information" below.

Results of Operations - Three Months Ended September 30, 2019 and 2018

Operating Revenue

(in millions) ⁽¹⁾	Three Months Ended September 30,		Increase (Decrease)	% Increase (Decrease)
	2019	2018		
Ticket - Main cabin	\$ 6,021	\$ 5,873	\$ 148	2.5 %
Ticket - Business cabin and premium products	4,008	3,680	328	8.9 %
Loyalty travel awards	732	678	54	8.0 %
Travel-related services	649	565	84	14.9 %
Total passenger revenue	\$ 11,410	\$ 10,796	\$ 614	5.7 %
Cargo	189	226	(37)	(16.5)%
Other	961	931	30	3.2 %
Total operating revenue	\$ 12,560	\$ 11,953	\$ 607	5.1 %
TRASM (cents)	16.58¢	16.40¢	0.18¢	1.1 %
Third-party refinery sales ⁽²⁾	(0.01)	(0.15)	0.14	NM
DGS sale adjustment ⁽²⁾	—	(0.09)	0.09	NM
TRASM, adjusted	16.57¢	16.17¢	0.41¢	2.5 %

⁽¹⁾ The reconciliation above may not calculate exactly due to rounding.

⁽²⁾ For additional information on adjustments to TRASM, see "Supplemental Information" below.

Ticket and Loyalty Travel Awards Revenue

Ticket, including both main and business cabin and premium products, and loyalty travel awards revenue increased \$476 million and \$54 million, respectively, compared to the September 2018 quarter. Business cabin and premium products ticket revenue includes revenues from fare products other than main cabin, including Delta One, Delta Premium Select, First Class and Comfort+. The growth in ticket revenue was enabled by both business and leisure demand strength. We continue to take delivery of new aircraft that include more premium seats, while also generating higher load factor for premium products.

Passenger Revenue by Geographic Region

(in millions)	Three Months Ended September 30, 2019	Increase (Decrease) vs. Three Months Ended September 30, 2018					
		Passenger Revenue	RPMs (Traffic)	ASMs (Capacity)	Passenger Mile Yield	PRASM	Load Factor
Domestic	\$ 7,971	7.8 %	7.0 %	4.5 %	0.7 %	3.2 %	2.1 pts
Atlantic	2,060	3.2 %	5.4 %	4.9 %	(2.0)%	(1.6)%	0.5 pts
Latin America	683	1.2 %	(1.9)%	(2.3)%	3.2 %	3.6 %	0.3 pts
Pacific	696	(4.6)%	2.7 %	3.3 %	(7.2)%	(7.6)%	(0.4) pts
Total	\$ 11,410	5.7 %	5.6 %	3.9 %	0.1 %	1.7 %	1.4 pts

Passenger revenue increased \$614 million, or 5.7%, compared to the September 2018 quarter. Passenger revenue per available seat mile ("PRASM") increased 1.7%, and passenger mile yield increased 0.1% on 3.9% higher capacity. Load factor increased 1.4 points from the prior year to 88.3%.

Domestic unit revenue increased 3.2%, resulting from our commercial initiatives, including our premium products, as well as high load factors driven by a combination of strong demand and limited industry capacity growth.

Passenger revenue related to our international regions increased 1.1% year-over-year on capacity increases in the Atlantic and Pacific regions and yield growth in Latin America. This growth in passenger revenue was achieved despite the negative impact of foreign currency fluctuations.

Atlantic unit revenue decreased due to foreign currency fluctuations between the U.S. dollar and the Euro and British pound, the uncertain economic outlook in Europe and increased industry capacity. These conditions were partially offset by growth in premium product demand and strong U.S. point of sale.

Unit revenue increased in Latin America for the fourth consecutive quarter as a result of yield growth, mainly in Brazil on reduced industry capacity from the U.S. and in Mexico beach markets. Unit revenue and yield increases were achieved despite the negative impact of Hurricane Dorian in the Bahamas. In the September 2019 quarter we announced our plan to enter into a strategic alliance with LATAM, which is expected to provide greater customer convenience, a more seamless travel experience and to better connect customers from and throughout the Americas.

Unit revenue decreased in the Pacific region primarily due to double-digit capacity growth to Japan and Korea from new routes introduced over the last year, trade related uncertainty and foreign currency fluctuations. We continued to reshape our Pacific network with the August announcement that beginning in March 2020 we will transfer our U.S.-Tokyo services from Narita to Haneda airport, Tokyo's preferred airport for corporate customers.

Other Revenue

(in millions)	Three Months Ended September 30,		Increase (Decrease)	% Increase (Decrease)
	2019	2018		
Loyalty program	\$ 485	\$ 369	\$ 116	31.4 %
Ancillary businesses and refinery	291	433	(142)	(32.8)%
Miscellaneous	185	129	56	43.4 %
Total other revenue	\$ 961	\$ 931	\$ 30	3.2 %

Loyalty Program. Loyalty program revenues relate to brand usage by third parties and other performance obligations embedded in mileage credits sold, including redemption of mileage credits for non-travel awards.

Effective January 1, 2019, we amended our co-brand agreement with American Express, and we also amended other agreements with American Express during the March quarter. The new agreements increase the value we receive and extend the terms to 2029. Under the agreements, we sell mileage credits to American Express and allow American Express to market its services or products using our brand and customer database. The products and services sold with the mileage credits (such as award travel, priority boarding, baggage fee waivers, lounge access and the use of our brand) are consistent with previous agreements. We continue to use the accounting method that allocates the consideration received based on the relative selling prices of those products and services.

The relative value of the brand component has increased, resulting in an additional \$130 million primarily within other revenue during the September 2019 quarter. We expect the amended agreements to generate incremental revenues of approximately \$500 million during 2019.

Ancillary Businesses and Refinery. Ancillary businesses and refinery includes aircraft maintenance services we provide to third parties, our vacation wholesale operations, our private jet operations and refinery sales to third parties. Refinery sales to third parties, which are at or near cost, decreased \$102 million compared to the September 2018 quarter. September 2018 quarter results also included \$63 million of revenue from DGS, which was sold in December 2018 and is no longer reflected in ancillary businesses and refinery. These decreases were mitigated by growth in our MRO revenues, which increased \$18 million to \$209 million during the September 2019 quarter.

Miscellaneous. Miscellaneous revenue is primarily composed of lounge access and codeshare revenues.

Operating Expense

(in millions)	Three Months Ended September 30,		Increase (Decrease)	% Increase (Decrease)
	2019	2018		
Salaries and related costs	\$ 2,884	\$ 2,753	\$ 131	4.8 %
Aircraft fuel and related taxes	2,239	2,498	(259)	(10.4)%
Regional carriers expense, excluding fuel	900	885	15	1.7 %
Contracted services	685	562	123	21.9 %
Depreciation and amortization	631	573	58	10.1 %
Passenger commissions and other selling expenses	539	535	4	0.7 %
Aircraft maintenance materials and outside repairs	424	371	53	14.3 %
Landing fees and other rents	460	439	21	4.8 %
Profit sharing	517	399	118	29.6 %
Ancillary businesses and refinery	279	410	(131)	(32.0)%
Passenger service	345	329	16	4.9 %
Aircraft rent	110	99	11	11.1 %
Other	476	455	21	4.6 %
Total operating expense	\$ 10,489	\$ 10,308	\$ 181	1.8 %

Salaries and related costs. The increase in salaries and related costs is primarily due to pay rate increases for eligible employees. This increase is partially offset by salaries for DGS employees, which are no longer included in salaries and related costs following the sale of that business in December 2018. DGS-related expenses are now recorded in contracted services.

Aircraft Fuel and Related Taxes. Fuel expense decreased \$259 million compared to the prior year quarter primarily due to an approximately 10% decrease in the market price per gallon of jet fuel, partially offset by a 2% increase in consumption.

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) ⁽¹⁾	Three Months Ended September 30,			Average Price Per Gallon		
	2019		Change	Three Months Ended September 30,		Change
	2019	2018		2019	2018	
Fuel purchase cost ⁽²⁾	\$ 2,313	\$ 2,526	\$ (213)	\$ 2.00	\$ 2.23	\$ (0.23)
Fuel hedge impact	(25)	(16)	(9)	(0.02)	(0.01)	(0.01)
Refinery segment impact	(49)	(12)	(37)	(0.04)	(0.01)	(0.03)
Total fuel expense	\$ 2,239	\$ 2,498	\$ (259)	\$ 1.94	\$ 2.21	\$ (0.27)
MTM adjustments and settlements ⁽³⁾	25	16	9	0.02	0.01	0.01
Total fuel expense, adjusted	\$ 2,264	\$ 2,514	\$ (249)	\$ 1.96	\$ 2.22	\$ (0.25)

⁽¹⁾ The reconciliation above may not calculate exactly due to rounding.

⁽²⁾ Market price for jet fuel at airport locations, including related taxes and transportation costs.

⁽³⁾ Mark-to-market ("MTM") adjustments and settlements include the effects of the derivative transactions disclosed in Note 5 of the Notes to the Condensed Consolidated Financial Statements. For the reason fuel expense is adjusted for MTM adjustments and settlements, see "Supplemental Information" below.

Contracted Services. The increase in contracted services expense predominantly relates to services performed by DGS that were recorded in salaries and related costs prior to the sale of that business in December 2018.

Depreciation and Amortization. The increase in depreciation and amortization primarily results from new aircraft deliveries, fleet modifications and technology enhancements.

Aircraft Maintenance Materials and Outside Repairs. Aircraft maintenance materials and outside repairs consist of costs associated with the maintenance of aircraft used in our operations. The increase primarily relates to a higher volume of scheduled engine overhauls on certain aircraft.

Profit Sharing. Our profit sharing program pays 10% to all eligible employees for the first \$2.5 billion of annual profit and 20% of annual profit above \$2.5 billion.

Ancillary Businesses and Refinery. Ancillary businesses and refinery includes expenses associated with aircraft maintenance services we provide to third parties, our vacation wholesale operations, our private jet operations and refinery sales to third parties. Refinery sales to third parties, which are at or near cost, decreased \$102 million compared to the September 2018 quarter. In addition, costs related to services performed by DGS on behalf of third parties were recorded in ancillary businesses and refinery prior to the sale of that business in December 2018. These decreases were partially offset by growth in our MRO business, as discussed above.

Results of Operations - Nine Months Ended September 30, 2019 and 2018

Operating Revenue

(in millions) ⁽¹⁾	Nine Months Ended September 30,		Increase (Decrease)	% Increase (Decrease)
	2019	2018		
Ticket - Main cabin	\$ 16,680	\$ 16,139	\$ 541	3.4 %
Ticket - Business cabin and premium products	11,306	10,375	931	9.0 %
Loyalty travel awards	2,174	1,976	198	10.0 %
Travel-related services	1,872	1,617	255	15.8 %
Total passenger revenue	\$ 32,032	\$ 30,107	\$ 1,925	6.4 %
Cargo	567	651	(84)	(12.9)%
Other	2,969	2,938	31	1.1 %
Total operating revenue	\$ 35,568	\$ 33,696	\$ 1,872	5.6 %
TRASM (cents)	16.94¢	16.78¢	0.16¢	1.0 %
Third-party refinery sales ⁽²⁾	(0.05)	(0.27)	0.22	NM
DGS sale adjustment ⁽²⁾	—	(0.09)	0.09	NM
TRASM, adjusted	16.90¢	16.42¢	0.48¢	2.9 %

⁽¹⁾ The reconciliation above may not calculate exactly due to rounding.

⁽²⁾ For additional information on adjustments to TRASM, see "Supplemental Information" below.

Ticket and Loyalty Travel Awards Revenue

Ticket, including both main and business cabin and premium products, and loyalty travel awards revenue increased \$1.5 billion and \$198 million, respectively, compared to the nine months ended September 30, 2018. Business cabin and premium products ticket revenue includes revenues from fare products other than main cabin, including Delta One, Delta Premium Select, First Class and Comfort+. The growth in ticket revenue was enabled by both business and leisure demand strength. We continue to take delivery of new aircraft that include more premium seats, while also generating higher load factor for premium products.

Passenger Revenue by Geographic Region

(in millions)	Nine Months Ended September 30, 2019	Increase (Decrease) vs. Nine Months Ended September 30, 2018					
		Passenger Revenue	RPMs (Traffic)	ASMs (Capacity)	Passenger Mile Yield	PRASM	Load Factor
Domestic	\$ 22,755	7.9 %	7.0 %	5.1 %	0.8 %	2.6 %	1.5 pts
Atlantic	5,042	4.3 %	5.0 %	5.0 %	(0.7)%	(0.7)%	— pts
Latin America	2,298	3.2 %	(0.7)%	(1.3)%	3.9 %	4.5 %	0.5 pts
Pacific	1,937	(0.7)%	3.9 %	5.3 %	(4.4)%	(5.6)%	(1.1) pts
Total	\$ 32,032	6.4 %	5.6 %	4.5 %	0.7 %	1.8 %	0.9 pts

Passenger revenue increased \$1.9 billion, or 6.4%, compared to the nine months ended September 30, 2018. PRASM increased 1.8% and passenger mile yield increased 0.7% on 4.5% higher capacity. Load factor increased 0.9 points from the prior year period to 86.5%.

Domestic unit revenue increased 2.6%, resulting from our commercial initiatives, including our premium products, as well as high load factors driven by a combination of strong demand and limited industry capacity growth.

Passenger revenue related to our international regions increased 2.9% year-over-year on capacity increases in the Atlantic and Pacific regions and yield growth in Latin America. This growth in passenger revenue was achieved despite the negative impact of foreign currency fluctuations.

Atlantic unit revenue decreased due to foreign currency fluctuations between the U.S. dollar and the Euro and British pound, the uncertain economic outlook in Europe and increased industry capacity. These conditions were partially offset by growth in premium product demand and strong U.S. point of sale.

Unit revenue increased in Latin America as a result of yield growth, mainly in Brazil on reduced industry capacity from the U.S. and in Mexico beach markets. In the September 2019 quarter we announced our plan to enter into a strategic alliance with LATAM, which is expected to provide greater customer convenience, a more seamless travel experience and to better connect customers from and throughout the Americas.

Unit revenue decreased in the Pacific region primarily due to higher capacity to China, Japan and Korea from new routes introduced over the last year, reduced business demand due to an extended Japanese holiday period, trade related uncertainty and foreign currency fluctuations. Despite these challenges, our joint venture with Korean has enabled solid traffic growth and we have continued to reshape our Pacific network with the August announcement that beginning in March 2020 we will transfer our U.S.-Tokyo services from Narita to Haneda airport, Tokyo's preferred airport for corporate customers.

Other Revenue

(in millions)	Nine Months Ended September 30,		Increase (Decrease)	% Increase (Decrease)
	2019	2018		
Loyalty program	\$ 1,443	\$ 1,075	\$ 368	34.2 %
Ancillary businesses and refinery	990	1,475	(485)	(32.9)%
Miscellaneous	536	388	148	38.1 %
Total other revenue	\$ 2,969	\$ 2,938	\$ 31	1.1 %

Loyalty Program. Loyalty program revenues relate to brand usage by third parties and other performance obligations embedded in mileage credits sold, including redemption of mileage credits for non-travel awards.

Effective January 1, 2019, we amended our co-brand agreement with American Express, and we also amended other agreements with American Express during the March quarter. The new agreements increase the value we receive and extend the terms to 2029. Under the agreements, we sell mileage credits to American Express and allow American Express to market its services or products using our brand and customer database. The products and services sold with the mileage credits (such as award travel, priority boarding, baggage fee waivers, lounge access and the use of our brand) are consistent with previous agreements. We continue to use the accounting method that allocates the consideration received based on the relative selling prices of those products and services.

The relative value of the brand component has increased, resulting in an additional \$400 million primarily within other revenue during the nine months ended September 30, 2019. We expect the amended agreements to generate incremental revenues of approximately \$500 million during 2019.

Ancillary Businesses and Refinery. Ancillary businesses and refinery includes aircraft maintenance services we provide to third parties, our vacation wholesale operations, our private jet operations and refinery sales to third parties. Refinery sales to third parties, which are at or near cost, decreased \$442 million compared to the nine months ended September 30, 2018. The 2018 results also included \$182 million of revenue from DGS, which was sold in December 2018 and is no longer reflected in ancillary businesses and refinery. These decreases were mitigated by growth in our MRO revenues, which increased \$120 million to \$646 million during the nine months ended September 30, 2019.

Miscellaneous. Miscellaneous revenue is primarily composed of lounge access and codeshare revenues.

Operating Expense

(in millions)	Nine Months Ended September 30,		Increase (Decrease)	% Increase (Decrease)
	2019	2018		
Salaries and related costs	\$ 8,275	\$ 8,004	\$ 271	3.4 %
Aircraft fuel and related taxes	6,508	6,693	(185)	(2.8)%
Regional carriers expense, excluding fuel	2,698	2,586	112	4.3 %
Contracted services	1,974	1,646	328	19.9 %
Depreciation and amortization	1,960	1,759	201	11.4 %
Passenger commissions and other selling expenses	1,505	1,473	32	2.2 %
Aircraft maintenance materials and outside repairs	1,334	1,233	101	8.2 %
Landing fees and other rents	1,321	1,254	67	5.3 %
Profit sharing	1,256	991	265	26.7 %
Ancillary businesses and refinery	945	1,396	(451)	(32.3)%
Passenger service	938	892	46	5.2 %
Aircraft rent	318	291	27	9.3 %
Other	1,317	1,305	12	0.9 %
Total operating expense	\$ 30,349	\$ 29,523	\$ 826	2.8 %

Salaries and related costs. The increase in salaries and related costs is primarily due to pay rate increases for eligible employees. This increase is partially offset by salaries for DGS employees, which are no longer included in salaries and related costs following the sale of that business in December 2018. DGS-related expenses are now recorded in contracted services.

Aircraft Fuel and Related Taxes. Fuel expense decreased \$185 million compared to the prior year due to an approximately 6% decrease in the market price per gallon of jet fuel, which was partially offset by a 2% increase in consumption and reduced profitability at our refinery.

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) ⁽¹⁾	Nine Months Ended September 30,			Average Price Per Gallon		
	2019		Change	Nine Months Ended September 30,		Change
	2019	2018		2019	2018	
Fuel purchase cost ⁽²⁾	\$ 6,568	\$ 6,814	\$ (246)	\$ 2.04	\$ 2.17	\$ (0.13)
Fuel hedge impact	(8)	(20)	12	—	(0.01)	0.01
Refinery segment impact	(52)	(101)	49	(0.01)	(0.03)	0.02
Total fuel expense	\$ 6,508	\$ 6,693	\$ (185)	\$ 2.03	\$ 2.13	\$ (0.10)
MTM adjustments and settlements ⁽³⁾	8	20	(12)	—	0.01	(0.01)
Total fuel expense, adjusted	\$ 6,516	\$ 6,713	\$ (197)	\$ 2.03	\$ 2.14	\$ (0.11)

⁽¹⁾ The reconciliation above may not calculate exactly due to rounding.

⁽²⁾ Market price for jet fuel at airport locations, including related taxes and transportation costs.

⁽³⁾ MTM adjustments and settlements include the effects of the derivative transactions disclosed in Note 5 of the Notes to the Condensed Consolidated Financial Statements. For additional information and the reason for adjusting fuel expense, see "Supplemental Information" below.

Contracted Services. The increase in contracted services expense predominantly relates to services performed by DGS that were recorded in salaries and related costs prior to the sale of that business in December 2018.

Depreciation and Amortization. The increase in depreciation and amortization primarily results from \$93 million of accelerated depreciation in the nine months ended September 30, 2019 due to the decision to early retire our MD-90 fleet by the end of 2022, new aircraft deliveries, fleet modifications and technology enhancements. See Note 8 of the Notes to the Condensed Consolidated Financial Statements for additional information on the planned early retirement of our MD-90 fleet.

Aircraft Maintenance Materials and Outside Repairs. Aircraft maintenance materials and outside repairs consist of costs associated with the maintenance of aircraft used in our operations. The increase primarily relates to a higher volume of scheduled engine overhauls on certain aircraft during the September 2019 quarter.

Profit Sharing. Our profit sharing program pays 10% to all eligible employees for the first \$2.5 billion of annual profit and 20% of annual profit above \$2.5 billion.

Ancillary Businesses and Refinery. Ancillary businesses and refinery includes expenses associated with aircraft maintenance services we provide to third parties, our vacation wholesale operations, our private jet operations and refinery sales to third parties. Refinery sales to third parties, which are at or near cost, decreased \$442 million compared to the nine months ended September 30, 2018. In addition, costs related to services performed by DGS on behalf of third parties were recorded in ancillary businesses and refinery prior to the sale of that business in December 2018. These decreases were partially offset by growth in our MRO business, as discussed above.

Non-Operating Results

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Favorable (Unfavorable)	2019	2018	Favorable (Unfavorable)
Interest expense, net	\$ (70)	\$ (73)	\$ 3	\$ (228)	\$ (244)	\$ 16
Unrealized gain/(loss) on investments, net	(35)	50	(85)	(17)	(171)	154
Miscellaneous, net	(19)	66	(85)	(174)	48	(222)
Total non-operating (expense)/income, net	\$ (124)	\$ 43	\$ (167)	\$ (419)	\$ (367)	\$ (52)

Interest expense decreased compared to the prior year periods as a result of lower interest rates on our debt.

Unrealized gain/(loss) on investments reflects the unrealized gains and losses on our equity investments in GOL, China Eastern, Air France-KLM and Korean. See Note 4 of the Notes to the Condensed Consolidated Financial Statements for additional information on our equity investments.

Miscellaneous, net is primarily composed of our proportionate share of earnings/losses from our equity investments in Virgin Atlantic and Grupo Aeroméxico, pension-related benefits/costs, charitable contributions and foreign exchange gains/losses. Our equity investment earnings and foreign exchange gains/losses vary and impact the comparability of miscellaneous, net from period to period.

Income Taxes

We project that our annual effective tax rate for 2019 will be between 23% and 24%. In certain interim periods, we may have adjustments to our net deferred tax liabilities as a result of changes in prior year estimates and tax laws enacted during the period, which will impact the effective tax rate for that interim period.

Refinery Segment

The refinery ("Monroe") primarily produces gasoline, diesel and jet fuel. Monroe exchanges the non-jet fuel products the refinery produces with third parties for jet fuel consumed in our airline operations. The jet fuel produced and procured through exchanging gasoline and diesel fuel produced by the refinery provides approximately 200,000 barrels per day, or approximately 75% of our consumption, for use in our airline operations. We believe that the jet fuel supply resulting from the refinery's operation contributes to reducing the market price of jet fuel and thus lowers our cost of jet fuel compared to what it otherwise would be.

The refinery recorded operating revenue of \$1.5 billion and \$4.3 billion in the three and nine months ended September 30, 2019, compared to \$1.6 billion and \$4.8 billion in the three and nine months ended September 30, 2018. Operating revenue in the three and nine months ended September 30, 2019 was primarily composed of \$1.1 billion and \$3.0 billion of non-jet fuel products exchanged with third parties to procure jet fuel, \$304 million and \$882 million of sales of jet fuel to the airline segment and \$52 million and \$360 million of non-jet fuel product sales. Refinery revenues decreased compared to the prior year period due to lower costs of crude oil leading to lower pricing for associated refined products, partially offset by higher refinery run rates during the quarter.

The refinery recorded operating income of \$49 million and \$52 million in the three and nine months ended September 30, 2019, compared to operating income of \$12 million and \$101 million in three and nine months ended September 30, 2018.

A refinery is subject to annual U.S. Environmental Protection Agency requirements to blend renewable fuels into the gasoline and on-road diesel fuel it produces. Alternatively, a refinery may purchase renewable energy credits, called Renewable Identification Numbers ("RINs"), from third parties in the secondary market. The refinery purchases the majority of its RINs requirement in the secondary market.

For more information regarding the refinery's results, see Note 10 of the Notes to the Condensed Consolidated Financial Statements.

Operating Statistics

Consolidated ⁽¹⁾	Three Months Ended September 30,		% Increase (Decrease)	Nine Months Ended September 30,		% Increase (Decrease)
	2019	2018		2019	2018	
Revenue passenger miles (in millions)	66,862	63,320	5.6 %	181,652	172,002	5.6 %
Available seat miles (in millions)	75,742	72,875	3.9 %	209,911	200,842	4.5 %
Passenger mile yield	17.07¢	17.05¢	0.1 %	17.63¢	17.50¢	0.7 %
PRASM	15.06¢	14.81¢	1.7 %	15.26¢	14.99¢	1.8 %
TRASM	16.58¢	16.40¢	1.1 %	16.94¢	16.78¢	1.0 %
TRASM, adjusted ⁽²⁾	16.57¢	16.17¢	2.5 %	16.90¢	16.42¢	2.9 %
CASM	13.85¢	14.14¢	(2.1) %	14.46¢	14.70¢	(1.6) %
CASM-Ex ⁽²⁾	9.84¢	9.61¢	2.4 %	10.31¢	10.18¢	1.3 %
Passenger load factor	88.3%	86.9%	1.4 pts	86.5%	85.6%	0.9 pts
Fuel gallons consumed (in millions)	1,154	1,135	1.8 %	3,215	3,137	2.5 %
Average price per fuel gallon ⁽³⁾	\$ 1.94	\$ 2.21	(12.2) %	\$ 2.03	\$ 2.13	(4.7) %
Average price per fuel gallon, adjusted ⁽³⁾⁽⁴⁾	\$ 1.96	\$ 2.22	(11.5) %	\$ 2.03	\$ 2.14	(5.3) %

⁽¹⁾ Includes the operations of our regional carriers under capacity purchase agreements.

⁽²⁾ Non-GAAP financial measure defined and reconciled to TRASM and CASM, respectively, in "Supplemental Information" below.

⁽³⁾ Includes the impact of fuel hedge activity and refinery segment results.

⁽⁴⁾ Non-GAAP financial measure defined and reconciled to average fuel price per gallon in "Results of Operations" for the three and nine months ended September 30, 2019 and 2018.

Fleet Information

As part of our fleet transformation, during the quarter we took delivery of 20 mainline aircraft and one CRJ-900 aircraft, and removed 14 aircraft from our active fleet. Our operating aircraft fleet and commitments at September 30, 2019 are summarized in the following table:

Aircraft Type	Current Fleet ⁽¹⁾				Average Age	Commitments	
	Owned	Finance Lease	Operating Lease	Total		Purchase	Options
B-717-200	3	21	67	91	18.1	—	—
B-737-700	10	—	—	10	10.7	—	—
B-737-800	73	4	—	77	18.0	—	—
B-737-900ER	88	—	42	130	3.1	—	—
B-757-200	91	7	2	100	22.1	—	—
B-757-300	16	—	—	16	16.6	—	—
B-767-300ER	56	—	—	56	23.3	—	—
B-767-400ER	21	—	—	21	18.8	—	—
B-777-200ER	8	—	—	8	19.8	—	—
B-777-200LR	10	—	—	10	10.5	—	—
A220-100	24	1	—	25	0.4	20	—
A220-300	—	—	—	—	—	50	50
A319-100	55	—	2	57	17.6	—	—
A320-200	58	—	4	62	24.1	—	—
A321-200	51	12	31	94	1.5	33	—
A321-200neo	—	—	—	—	—	100	100
A330-200	11	—	—	11	14.5	—	—
A330-300	28	—	3	31	10.7	—	—
A330-900neo	3	1	—	4	0.2	31	—
A350-900	13	—	—	13	1.6	16	—
MD-88	54	10	—	64	28.7	—	—
MD-90	30	—	—	30	22.4	—	—
Total	703	56	151	910	15.0	250	150

⁽¹⁾ Excludes certain aircraft we own, lease or have committed to purchase (including 8 CRJ-900 aircraft) that are operated by regional carriers on our behalf shown in the table below.

We have agreed to acquire four A350 aircraft from LATAM, which are included in the table above. In addition, we plan to assume ten of LATAM's A350 purchase commitments from Airbus, with deliveries through 2025. For more information regarding our planned strategic alliance with LATAM, see Note 4, "Investments", of the Notes to the Condensed Consolidated Financial Statements.

The following table summarizes the aircraft fleet operated by regional carriers on our behalf at September 30, 2019:

Carrier	Fleet Type					Total
	CRJ-200	CRJ-700	CRJ-900	Embraer 170	Embraer 175	
Endeavor Air, Inc. ⁽¹⁾	42	5	109	—	—	156
SkyWest Airlines, Inc.	75	14	43	—	54	186
Compass Airlines, Inc. ⁽²⁾	—	—	—	—	36	36
Republic Airways, Inc.	—	—	—	22	16	38
GoJet Airlines, LLC ⁽³⁾	—	20	7	—	—	27
Total	117	39	159	22	106	443

⁽¹⁾ Endeavor Air, Inc. is a wholly owned subsidiary of Delta.

⁽²⁾ In the September 2019 quarter we and Compass Airlines, Inc., agreed not to renew our contract and to end our relationship by the end of 2020.

⁽³⁾ In the September 2019 quarter we and GoJet Airlines, LLC, agreed not to renew our CRJ-700 contract and to end those operations by the end of 2020. The seven CRJ-900 are under contract through 2022 and subject to further negotiation.

Financial Condition and Liquidity

We expect to meet our cash needs for the next twelve months with cash flows from operations, cash and cash equivalents, restricted cash equivalents and financing arrangements. As of September 30, 2019, we had \$5.0 billion in unrestricted liquidity, consisting of \$1.9 billion in cash and cash equivalents and \$3.1 billion in available revolving credit facilities. During the nine months ended September 30, 2019, we used existing cash, cash received from financings and cash generated from operations to fund capital expenditures of \$3.9 billion and return \$2.5 billion to shareholders.

Sources of Liquidity

Operating Activities

We generated cash flows from operations of \$7.5 billion and \$5.8 billion in the nine months ended September 30, 2019 and 2018, respectively. We expect to continue generating cash flows from operations during the remainder of 2019.

Our operating cash flow is impacted by the following factors:

Seasonality of Advance Ticket Sales. We sell tickets for air travel in advance of the customer's travel date. When we receive a cash payment at the time of sale, we record the cash received on advance sales as deferred revenue in air traffic liability. The air traffic liability increases during the winter and spring as advanced ticket sales grow prior to the summer peak travel season and decreases during the summer and fall months.

Fuel. Fuel expense represented approximately 21% of our total operating expenses for the nine months ended September 30, 2019. The market price for jet fuel is volatile, which can impact the comparability of our periodic cash flows from operations.

Pension Contributions. We have no minimum funding requirements in 2019. However, we voluntarily contributed \$500 million to our qualified defined benefit pension plans during the June 2019 quarter. During the March 2018 quarter we also voluntarily contributed \$500 million to our qualified defined benefit pension plans.

Profit Sharing. 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. During the nine months ended September 30, 2019, we accrued \$1.3 billion in profit sharing expense based on the year-to-date performance and current expectations for 2019 profit.

We paid \$1.3 billion in profit sharing in February 2019 related to our 2018 pre-tax profit in recognition of our employees' contributions toward meeting our financial goals. The 2019 profit sharing payment will be made in February 2020.

Capital Expenditures. Our capital expenditures were \$3.9 billion and \$3.8 billion for the nine months ended September 30, 2019 and 2018, respectively. Our capital expenditures during the nine months ended September 30, 2019 were primarily related to the purchases of aircraft, fleet modifications and technology enhancements.

We have committed to future aircraft purchases and have obtained, but are under no obligation to use, long-term financing commitments for a substantial portion of the purchase price of certain aircraft. Our expected 2019 investments of \$4.5 billion will be primarily for aircraft, including deliveries and advance deposit payments, as well as aircraft modifications, the majority of which relate to cabin enhancements throughout our fleet.

In October 2019, the Office of the U.S. Trade Representative announced a 10% tariff on new aircraft imported from Europe. We are evaluating the impact of this announcement on our future Airbus deliveries.

Equity Investments. We have acquired 10% of the outstanding shares of Hanjin-KAL, the largest shareholder of Korean Air, during 2019, for \$170 million.

In the September 2019 quarter we announced our plan to enter into a strategic alliance with LATAM Airlines Group S.A. Subject to regulatory approval, specifically requirements under the Hart-Scott-Rodino Antitrust Improvement Act, we plan to commence a tender offer for the acquisition of up to 20% of the common shares of LATAM at a price per share of \$16, to be funded with newly issued debt and available cash. In addition, to support the establishment of the strategic alliance, we will invest \$350 million, \$150 million of which was disbursed in the September 2019 quarter. As part of our planned strategic alliance with LATAM, we have also agreed to acquire four A350 aircraft from LATAM and plan to assume ten of LATAM's A350 purchase commitments from Airbus, with deliveries through 2025.

This alliance is expected to generate new growth opportunities, building upon Delta's and LATAM's global footprint and joint ventures, including Delta's existing partnership with Aeroméxico. We plan to sell our GOL ownership stake and wind down our commercial agreements with GOL to facilitate the formation of our strategic alliance with LATAM.

Los Angeles International Airport ("LAX") Construction. We executed a modified lease agreement during 2016 with the City of Los Angeles ("the City"), which owns and operates LAX, and announced plans to modernize, upgrade and connect Terminals 2 and 3 at LAX. Under the lease agreement, we have relocated certain airlines and other tenants located in Terminals 2 and 3 to Terminals 5 and 6 and undertaken various initial projects to enable operations from Terminals 2 and 3 during the project. We are now designing and constructing the redevelopment of Terminal 3 and enhancement of Terminal 2, which also includes rebuilding the ticketing and arrival halls and security checkpoint, construction of core infrastructure to support the City's planned airport people mover, ramp improvements and construction of a secure connector to the north side of the Tom Bradley International Terminal. Construction is expected to be completed by 2024.

Under the lease agreement and subsequent project component approvals by the City's Board of Airport Commissioners, the City has appropriated to date approximately \$1.6 billion to purchase completed project assets. The lease allows for a maximum reimbursement by the City of \$1.8 billion. Costs we incur in excess of such a maximum will not be reimbursed by the City.

A substantial majority of the project costs will be funded through the Regional Airports Improvement Corporation ("RAIC"), a California public benefit corporation, using an \$800 million revolving credit facility provided by a group of lenders. The credit facility was executed during 2017, and we have guaranteed the obligations of the RAIC under the credit facility. Loans made under the credit facility will be repaid with the proceeds from the City's purchase of completed project assets. Using funding provided by cash flows from operations and/or the credit facility, we expect to spend approximately \$200 million on this project during 2019, of which \$134 million was incurred in the nine months ended September 30, 2019.

New York-LaGuardia Redevelopment. As part of the terminal redevelopment project at LaGuardia Airport, we are partnering with the Port Authority of New York and New Jersey (the "Port Authority") to replace Terminals C and D with a new state-of-the-art terminal facility consisting of 37 gates across four concourses connected to a central headhouse. The terminal will feature a new, larger Delta Sky Club, wider concourses, more gate seating and 30 percent more concessions space than the existing terminals. The facility will also offer direct access between the parking garage and terminal and improved roadways and drop-off/pick-up areas. The design of the new terminal will integrate sustainable technologies and improvements in energy efficiency. Construction will be phased to limit passenger inconvenience and is expected to be completed by 2026.

In connection with the redevelopment, during 2017, we entered into an amended and restated terminal lease with the Port Authority with a term through 2050. Pursuant to the lease agreement we will (1) fund (through debt issuance and existing cash) and undertake the design, management and construction of the terminal and certain off-premises supporting facilities, (2) receive a Port Authority contribution of \$600 million to facilitate construction of the terminal and other supporting infrastructure, (3) be responsible for all operations and maintenance during the term of the lease and (4) have preferential rights to all gates in the terminal subject to Port Authority requirements with respect to accommodation of designated carriers. We currently expect our net project cost to be approximately \$3.3 billion and we bear the risks of project construction, including any potential cost over-runs. Using funding provided by cash flows from operations and/or financing arrangements, we expect to spend approximately \$560 million on this project during 2019, of which \$430 million was incurred in the nine months ended September 30, 2019.

Financing Activities

Debt and Finance Leases. In February 2019, we entered into a \$1 billion term loan issued by two lenders, which was subsequently repaid by the end of the June 2019 quarter. We used the net proceeds of the term loan to accelerate planned 2019 repurchases under our share repurchase program.

In the March 2019 quarter, we completed a \$500 million offering of Pass Through Certificates, Series 2019-1 ("2019-1 EETC") through a pass through trust. The net proceeds of the offering are being used for general corporate purposes, including to refinance debt maturing during 2019.

The principal amount of debt and finance leases was \$10.0 billion at September 30, 2019.

Capital Return to Shareholders. During the nine months ended September 30, 2019, we repurchased and retired 34 million shares of our common stock at a cost of \$1.8 billion.

In the September 2019 quarter, the Board of Directors approved and we paid a quarterly dividend of \$0.4025 per share, for total cash dividends of \$260 million. In addition, on October 9, 2019, the Board of Directors approved and we will pay a quarterly dividend of \$0.4025 per share to shareholders of record as of November 13, 2019.

Undrawn Lines of Credit

We have \$3.1 billion available in undrawn revolving lines of credit. These credit facilities include covenants customary for financing of this type. If we are not in compliance with these covenants, we may be required to repay amounts borrowed under the credit facilities or we may not be able to draw on them.

Covenants

We were in compliance with the covenants in our financings at September 30, 2019.

Critical Accounting Policies and Estimates

Except as set forth below, for information regarding our Critical Accounting Policies and Estimates, see the "Critical Accounting Policies and Estimates" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K.

Loyalty Program

Our SkyMiles loyalty program generates customer loyalty by rewarding customers with incentives to travel on Delta. This program allows customers to earn mileage credits by flying on Delta, Delta Connection and other airlines that participate in the loyalty program. When traveling, customers earn redeemable mileage credits based on the passenger's loyalty program status and ticket price. Customers can also earn mileage credits through participating companies such as credit card companies, hotels, car rental agencies and ridesharing companies. To facilitate transactions with participating companies, we sell mileage credits to non-airline businesses, customers and other airlines. Mileage credits are redeemable by customers in future periods for air travel on Delta and other participating airlines, membership in our Sky Club and other program awards.

Our most significant contract to sell mileage credits relates to our co-brand credit card relationship with American Express. Our agreements with American Express provide for joint marketing, grant certain benefits to Delta-American Express co-branded credit card holders and American Express Membership Rewards program participants, and allow American Express to market its services or products using our customer database. Cardholders earn mileage credits for making purchases using co-branded cards, and certain cardholders may also check their first bag for free, are granted discounted access to Delta Sky Club lounges and receive priority boarding and other benefits while traveling on Delta. Additionally, participants in the American Express Membership Rewards program may exchange their points for mileage credits under the loyalty program. We sell mileage credits at agreed-upon rates to American Express which are then provided to their customers under the co-brand credit card program and the Membership Rewards program.

We account for marketing agreements, including those with American Express, consistent with the accounting method that allocates the consideration received to the individual products and services delivered. We allocate the value based on the relative selling prices of those products and services, which generally consist of award travel, priority boarding, baggage fee waivers, lounge access and the use of our brand. We determine our best estimate of the selling prices by considering a discounted cash flow analysis using multiple inputs and assumptions, including: (1) the expected number of miles awarded and number of miles redeemed, (2) ETV for the award travel obligation, (3) published rates on our website for baggage fees, discounted access to Delta Sky Club lounges and other benefits while traveling on Delta and (4) brand value.

Effective January 1, 2019, we amended our co-brand agreement with American Express, and we also amended other agreements with American Express during the current year. The new agreements increase the value we receive and extend the terms to 2029. The products and services delivered are consistent with previous agreements, and we continue to use the accounting method that allocates the consideration received based on the relative selling prices of those products and services.

We defer the amount for award travel obligation as part of loyalty program deferred revenue and recognize loyalty travel awards in passenger revenue as the mileage credits are used for travel. Revenue allocated to services performed in conjunction with a passenger's flight, such as baggage fee waivers, is recognized as travel-related services in passenger revenue when the related service is performed. Revenue allocated to access Delta Sky Club lounges is recognized as miscellaneous in other revenue as access is provided. Revenue allocated to the remaining performance obligations, primarily brand value, is recorded as loyalty program in other revenue over time as miles are delivered.

Recent Accounting Standards

Comprehensive Income. In February 2018, the FASB issued ASU No. 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220)." This standard provides an option to reclassify stranded tax effects within AOCI to retained earnings due to the U.S. federal corporate income tax rate change in the Tax Cuts and Jobs Act of 2017. This standard is effective for interim and annual reporting periods beginning after December 15, 2018. We adopted this standard effective January 1, 2019 with the election not to reclassify \$1.2 billion of stranded tax effects, primarily related to our pension plans, from AOCI to retained earnings.

Supplemental Information

We sometimes use information ("non-GAAP financial measures") that is derived from the Condensed Consolidated Financial Statements, but that is not presented in accordance with 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 reconciliations presented below of the non-GAAP measures used in this 10-Q may not calculate exactly due to rounding.

Pre-tax income, adjusted

The following table shows a reconciliation of pre-tax income (a GAAP measure) to pre-tax income, adjusted (a non-GAAP financial measure). We adjust pre-tax income for the following items to determine pre-tax income, adjusted for the reasons 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.
- *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 equity investments in GOL, China Eastern, Air France-KLM and Korean, which are 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.
- *DGS sale adjustment.* Because we sold DGS in December 2018, we have excluded the impact of DGS from 2018 results for comparability.

(in millions)	Three Months Ended September 30,	
	2019	2018
Pre-tax income	\$ 1,947	\$ 1,688
Adjusted for:		
MTM adjustments and settlements	(25)	(16)
Equity investment MTM adjustments	10	(7)
Unrealized gain/loss on investments	35	(50)
DGS sale adjustment	—	(9)
Pre-tax income, adjusted	\$ 1,967	\$ 1,606

TRASM, adjusted

The following table shows a reconciliation of TRASM (a GAAP measure) to TRASM, adjusted (a non-GAAP financial measure). We adjust TRASM for the following items to determine TRASM, adjusted for the reasons described below.

- *Third-party refinery sales.* We adjust TRASM for refinery sales to third parties to determine TRASM, adjusted because these revenues are not related to our airline segment. TRASM, adjusted therefore provides a more meaningful comparison of revenue from our airline operations to the rest of the airline industry.
- *DGS sale adjustment.* We adjust for the DGS sale for the same reason described above under the heading pre-tax income, adjusted.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
TRASM	16.58¢	16.40¢	16.94¢	16.78¢
Adjusted for:				
Third-party refinery sales	(0.01)	(0.15)	(0.05)	(0.27)
DGS sale adjustment	—	(0.09)	—	(0.09)
TRASM, adjusted	16.57¢	16.17¢	16.90¢	16.42¢

CASM-Ex

The following table shows a reconciliation of CASM (a GAAP measure) to CASM-Ex (a non-GAAP financial measure). 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 better understand and analyze our non-fuel costs and year-over-year financial performance.
- *Ancillary businesses and refinery.* We adjust for expenses related to aircraft maintenance we provide to third parties, our vacation wholesale operations, our private jet operations, as well as refinery cost of sales to third parties. Results from 2018 also include staffing services performed by DGS. 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
CASM	13.85¢	14.14¢	14.46¢	14.70¢
Adjusted for:				
Aircraft fuel and related taxes	(2.96)	(3.43)	(3.10)	(3.33)
Ancillary businesses and refinery	(0.37)	(0.56)	(0.45)	(0.70)
Profit sharing	(0.68)	(0.54)	(0.60)	(0.49)
CASM-Ex	9.84¢	9.61¢	10.31¢	10.18¢

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 redemptions of short-term investments.* Net 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 for this activity to provide investors a better understanding of the company's free cash flow generated by our operations.
- *Strategic investments.* Cash flows related to our investment in Hanjin-KAL, the largest shareholder of Korean Air, are included in our GAAP investing activities. We adjust free cash flow for this activity because it provides a more meaningful comparison to the airline industry.
- *Net cash flows related to certain airport construction projects and other.* Cash flows related to certain airport construction projects are included in our GAAP operating activities and capital expenditures. We have adjusted for these items, which were primarily funded by cash restricted for airport construction, to provide investors a better understanding of the company's free cash flow and capital expenditures that are core to our operational performance in the periods shown.

(in millions)	Three Months Ended September 30,	
	2019	2018
Net cash provided by operating activities	\$ 2,245	\$ 1,500
Net cash used in investing activities	(1,125)	(903)
Adjustments:		
Net redemptions of short-term investments	—	(42)
Strategic investments	81	—
Net cash flows related to certain airport construction projects and other	229	100
Total free cash flow	\$ 1,430	\$ 655

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. Our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the controls and procedures were effective as of September 30, 2019 to ensure that material information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the three months ended September 30, 2019, we did not make any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

"Item 3. Legal Proceedings" of our Form 10-K includes a discussion of our legal proceedings. There have been no material changes from the legal proceedings described in our Form 10-K.

ITEM 1A. RISK FACTORS

"Item 1A. Risk Factors" of our Form 10-K includes a discussion of our risk factors. There have been no material changes from the risk factors described in our Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents information with respect to purchases of common stock we made during the September 2019 quarter. The total number of shares purchased includes shares repurchased pursuant to our \$5 billion share repurchase program, which was publicly announced on May 11, 2017 and will terminate no later than December 31, 2020. Some purchases made in the September 2019 quarter 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
July 2019	1,011,174	\$ 61.10	1,011,174	\$ 1,440
August 2019	1,382,096	\$ 58.45	1,382,096	\$ 1,360
September 2019	1,126,813	\$ 58.49	1,126,813	\$ 1,295
Total	3,520,083		3,520,083	

ITEM 6. EXHIBITS

(a) Exhibits

10.1	<u>Framework Agreement, dated as of September 26, 2019, by and between LATAM Airlines Group S.A. and Delta Air Lines, Inc.*</u>
15	<u>Letter from Ernst & Young LLP regarding unaudited interim financial information</u>
31.1	<u>Certification by Delta's Chief Executive Officer with respect to Delta's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019</u>
31.2	<u>Certification by Delta's Executive Vice President and Chief Financial Officer with respect to Delta's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019</u>
32	<u>Certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code by Delta's Chief Executive Officer and Executive Vice President and Chief Financial Officer with respect to Delta's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019</u>
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL

* Portions of this exhibit have been omitted as confidential information.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Delta Air Lines, Inc.
(Registrant)

/s/ William C. Carroll

William C. Carroll
Senior Vice President - Finance and Controller
(Principal Accounting Officer)

October 10, 2019

FRAMEWORK AGREEMENT

BY AND BETWEEN

LATAM AIRLINES GROUP S.A.

AND

DELTA AIR LINES, INC.

DATED AS OF SEPTEMBER 26, 2019

INFORMATION IN THIS EXHIBIT IDENTIFIED BY [***] IS CONFIDENTIAL AND HAS BEEN EXCLUDED PURSUANT TO ITEM 601(B)(10)(iv) OF REGULATION S-K BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.

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EXHIBITS

- EXHIBIT A-1 - Form of Aircraft Purchase Agreement
- EXHIBIT A-2 - Aircraft Assignment Term Sheet
- EXHIBIT B - Strategic Alliance Agreement Term Sheet
- EXHIBIT C - Tender Offer Documents

[**]

ANNEXES

- ANNEX 1 - Account for Wire Transfer

FRAMEWORK AGREEMENT

This FRAMEWORK AGREEMENT (this “Agreement”), dated as of September 26, 2019, is entered into by and between LATAM AIRLINES GROUP S.A., a *sociedad anónima* organized under the laws of the Republic of Chile (“LATAM”), and DELTA AIR LINES, INC., a corporation organized under the laws of Delaware (“Delta” and together with LATAM, the “Parties”, and each, a “Party”). Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to the term in Article 1 (*Definitions*).

RECITALS

WHEREAS, each of the Parties is involved in the transportation of passengers and cargo in the Republic of Chile, the United States and around the world;

WHEREAS, the Parties have agreed that, upon the terms and subject to the conditions set forth in this Agreement, Delta will commence a tender offer for twenty percent (20%) of the issued and outstanding LATAM Shares (the “Equity Investment”);

WHEREAS, each of the Parties wishes to enter into a strategic alliance with the other Party upon the terms and subject to the conditions set forth in this Agreement (the “Strategic Alliance”);

WHEREAS, Delta has agreed to (i) make certain payments to LATAM in respect of certain costs that LATAM will incur in connection with transitioning the Strategic Alliance from certain existing arrangements (the “Transition Costs Payments”) and (ii) provide certain transition support and other services to LATAM (the “Transition Support”);

WHEREAS, the Parties wish to enter into one or more agreements to document that (i) Delta has agreed to purchase from LATAM, and LATAM has agreed to sell, certain aircraft in the LATAM fleet, and (ii) LATAM has agreed to assign, and Delta has agreed to assume, certain partially pre-paid orders for specified Airbus aircrafts (the “Aircraft Transactions”); and

WHEREAS, although the Parties intend that each of the Strategic Alliance and the Equity Investment will be independent of, and will not be conditioned on, the consummation of the other transactions, the Parties have determined to take the various steps contemplated by this Agreement and others in furtherance thereof, in each case, based on the understanding that each Party will perform its obligations in respect of all of the foregoing arrangements and transactions.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

ARTICLE 1 DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following capitalized terms have the respective meanings set forth below.

“15% Threshold” has the meaning set forth in Section 6.1(d) (*The Tender Offer*).

“20% Threshold” means twenty percent (20%) of LATAM Shares.

“Affiliate” means, with respect to any Person, any other Person that directly or indirectly, including through one or more intermediaries, controls, is controlled by or is under common control with such Person. As used in this definition, the term “controls” (including the terms “controlled by” and “under common control with”) means possession, directly or indirectly, including through one or more intermediaries, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by Contract or otherwise; provided that, for the avoidance of doubt, with respect to Delta, the term “Affiliate” excludes [***] so long as Delta does not have the right to exercise voting power to elect a majority of the board of directors or other governing body of [***].

“Agreement” has the meaning set forth in the introductory paragraph to this Agreement.

“Airbus” means Airbus SAS, European public company (*societas europaea*), and its Affiliates.

“Airbus Purchase Agreement” means the Purchase Agreement, dated as of [***] (as amended, restated, novated and supplemented), by and between Airbus S.A.S. and Tam-Linhas Aereas S.A.

“Aircraft Agreements” has the meaning set forth in Section 5.1 (*Aircraft Purchase Agreement*).

“Aircraft Purchase Agreement” has the meaning set forth in Section 5.1 (*Aircraft Purchase Agreement*).

“Aircraft Transaction” has the meaning set forth in the recitals to this Agreement.

“Alternate Arrangement” has the meaning set forth in Section 5.2(b) (*Aircraft Assignment*).

“Alternative Transaction” means, with respect to either Party (and its Subsidiaries), any (i) acquisition, merger, consolidation, reorganization, liquidation, recapitalization, share exchange or other business combination transaction with, (ii) issuance or sale of shares of capital stock or other equity securities to, (iii) acquisition, directly or indirectly, of beneficial ownership of more than five percent (5%) of the capital stock or other equity securities of, including through a tender offer, or (iv) unless otherwise agreed between the Parties, a joint venture or other strategic alliance or commercial arrangements for cooperation, including with respect to loyalty programs and codeshare arrangements with, in each case, with respect to either Party, an airline carrier that is headquartered

or with operations primarily based in the Applicable Territory for such Party (including any Affiliate, successor or assign, or any other Person acting in a group with any such carrier). An Alternative Transaction excludes (A) the acquisition of ownership, directly or indirectly, of equity securities in a publicly traded company or other entity held for investment by a Party or any of its Affiliates and consisting of less than two percent (2%), in the aggregate, of the outstanding capital stock of such company or other entity, (B) any Alternative Transaction with a Freight Company and (C) in the case of clause (ii) any public issuance of shares of capital stock of other equity securities, (including any issuance subject to preemptive rights of existing shareholders) so long as such transaction is comprised of a broad distribution without directed sales.

“Anti-Bribery Laws” means the anti-bribery provisions of the FCPA, the U.K. Bribery Act of 2010, the Chilean Act No. 20.393 and any rules or regulations promulgated thereunder and all other anti-corruption and bribery laws and conventions applicable to Delta, LATAM and their respective Subsidiaries.

“Antitrust Immunities” means the approval, exemption and immunization of the Parties, pursuant to 49 U.S.C. sections 41308 and 41309, from the application of all United States antitrust laws, as defined therein, as well as all similar approvals, exemptions, and immunizations under the laws of foreign jurisdictions.

“Antitrust Laws” means all antitrust, competition or trade regulation Laws of any Governmental Body or Laws issued by any Governmental Body that are otherwise designed or intended to prohibit, restrict or regulate actions or transactions having the purpose or effect of monopolization, restraint of trade or harm to competition, and includes laws concerning Antitrust Immunities.

“Applicable Territory” means (i) for Delta, South America, Central America and the Caribbean, and (ii) for LATAM, the United States.

“Assigned Aircraft” has the meaning given to such term in the Aircraft Assignment Term Sheet.

“Assignee” has the meaning set forth in Section 5.2(a) (*Aircraft Assignment*).

“Assignor” has the meaning set forth in Section 5.2(a) (*Aircraft Assignment*).

“Brazil” means the Federative Republic of Brazil.

[***]

“Business Day” means any day except Saturday, Sunday or any other day on which commercial banks in New York, New York and Santiago, Chile are authorized or required by Law to be closed. Any event the scheduled occurrence of which would fall on a day that is not a Business Day shall be deferred until the next succeeding Business Day.

“CADE” means the Administrative Council for Economic Defense of Brazil (*Conselho Administrativo de Defesa Econômica*).

“Calendar Quarter” means the three-month period ended each March 31, June 30, September 30 or December 31.

“Central America” means Belize, Guatemala, Honduras, Nicaragua, El Salvador, Costa Rica, Panama and any successor countries to the ones set forth herein, but not including any additional territories or other geographic areas under the legal jurisdiction of such countries.

“Change in Law” means any change in applicable Law that is effective as of the applicable date as well as the issuance of a ruling of general application issued by the Treasury Department or the Internal Revenue Service which addresses the treatment of payment to be made under this Agreement.

“Chile” means the Republic of Chile.

“Chilean Securities Law” means Chilean Securities Law No. 18,045 (*Ley 18,045 de Mercado de Valores*) and the rules and regulations promulgated pursuant thereto.

“Chosen Court” has the meaning set forth in Section 12.10(b) (*Governing Law; Submission to Jurisdiction; Waiver of Jury Trial*).

“CMF” means the Chilean Financial Market Commission.

“Confidentiality Agreement” means the Confidentiality Agreement, dated as of [***], by and between Delta and LATAM.

“Consent” means any approval, authorization, consent, ratification, permission, exemption or waiver or the expiration, lapse or termination of any waiting period (including any extension thereof).

“Contract” means any written contract, agreement or other legally binding instrument, including any written note, bond, mortgage, deed, indenture, commitment, undertaking, promise, lease, sublease, license or sublicense or joint venture.

“Damages” has the meaning set forth in Section 11.1 (*Indemnification for Breach*).

“Definitive Agreements” means [***], the Aircraft Purchase Agreement, the Aircraft Assignment Agreement, the Strategic Alliance Agreements and any other agreement entered into pursuant to this Agreement.

“Delta” has the meaning set forth in the introductory paragraph to this Agreement.

“DOJ” means the U.S. Department of Justice.

“DOT” means the U.S. Department of Transportation.

“Equity Antitrust Outside Date” means the date one hundred eighty (180) days after the date hereof; provided that if the HSR Consent has not been received on or prior to such date but all other

conditions to commencement of the Tender Offer set forth in Section 6.1(b) (*The Tender Offer*) have been satisfied or waived (except for those conditions that by their nature are to be satisfied on the Trigger Date), such date shall be extended by an additional ninety (90) days in order to obtain the HSR Consent (x) at the election of either Party, upon not less than five (5) Business Days' notice prior to the end of the initial one hundred eighty (180) day period, if such Party (A) reasonably expects the HSR Consent to be obtained within such ninety (90) day period and (B) delivers to the other Party, with notice of such election, a reasonably detailed explanation of the basis for such expectation or (y) upon the request of either Party, upon not less than five (5) Business Days' notice prior to the end of the initial one hundred eighty (180) day period, with the consent of the other Party (not to be unreasonably withheld).

"Equity Investment" has the meaning set forth in the recitals to this Agreement.

"Equity Ownership Antitrust Consents" means any Consents that may be required under applicable Antitrust Laws for the acquisition by Delta of twenty percent (20%) of the LATAM Shares and the exercise of all voting rights in respect thereof, including in the United States and Brazil.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and all of the rules and regulations promulgated thereunder.

"Existing Agreements" means, with respect to each Party, any agreements of such Party and its Subsidiaries existing as of the date of this Agreement.

"Extended Tender Offer Expiration Date" has the meaning set forth in Section 6.1(e) (*The Tender Offer*).

"Extraordinary Cost Dispute" has the meaning set forth in Section 3.3(b) (*Additional Payments Upon Extraordinary Circumstances*).

"FCPA" means the U.S. Foreign Corrupt Practices Act of 1977.

"Filings" has the meaning set forth in Section 2.3(a) (*Strategic Alliance Regulatory Approvals*).

"FNE" means the National Economic Prosecutor of Chile (*Fiscalía Nacional Económica*).

"Freighter Company" means an air carrier exclusively engaged in the carriage of freight and cargo using only freighter aircraft, and, for the avoidance of doubt, in no event using passenger or combi aircraft.

"Future Transition Payment" has the meaning set forth in Section 3.2 (*Future Quarterly Payments*).

"Government Official" means (i) an executive, official, employee, representative, agent or Affiliate of, or Person acting in an official capacity for or on behalf of, a Governmental Body or department, agency or instrumentality thereof, (ii) an official, officer, director, employee,

representative, agent or Affiliate of a wholly or partially government-owned or -controlled company or business, (iii) a political party or official thereof, or candidate for political office, (iv) an executive, official, employee or agent of a public international organization (e.g., the International Monetary Fund or the World Bank) or (v) any family member of a Government Official (including parents, children, siblings and spouses), and any close business associate of a Government Official (including Persons who are currently business partners or co-owners, co-investors, consultants or advisors of such Government Official, or those who have any other financial interest in common or an important personal relationship with the Government Official).

“Governmental Body” means any foreign, federal, state, provincial, local or other court, governmental authority, tribunal, commission or regulatory body or self-regulatory body (including any securities exchange), or any political or other subdivision, department, agency or branch of any of the foregoing.

“HSR” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

“HSR Consent” means the Equity Ownership Antitrust Consent required under HSR.

“Initial Lock-Up Period” means the period commencing on the Tender Offer Expiration Date and ending on the Strategic Alliance Implementation Date.

“Initial Tender Offer Expiration Date” has the meaning set forth in Section 6.1(e) (*The Tender Offer*).

“Initial Transition Payment” has the meaning set forth in Section 3.1 (*Payment at Signing*).

“Insolvency Event” has the meaning set forth in the Tender Offer Documents.

“LATAM” has the meaning set forth in the introductory paragraph to this Agreement.

“LATAM Shares” means issued and outstanding shares of common stock, with no par value, of LATAM.

“Law” means any law, statute, code, rule or regulation enacted by any Governmental Body.

“Legal Proceeding” means claim, action, suit or proceeding before any Governmental Body.

“Lock-Up Period” means the period commencing on the first day of the Initial Lock-Up Period and terminating on the earlier of (a) any termination pursuant to Section 10.1(c) (*Termination*) and (b) the final day of the Subsequent Lock-Up Period.

“Mediation Rules” has the meaning set forth in Section 3.3(c)(i) (*Additional Payments Upon Extraordinary Circumstances*).

“Minimum Strategic Alliance Regulatory Approvals” means the Strategic Alliance Regulatory Approvals under the Laws of each of Brazil, Peru (if such approval is required) and the United States.

“Notice of Commencement” means the notice, with respect to the commencement of the Tender Offer, to be published by Delta in two (2) national newspapers in Chile on the calendar day immediately prior to the Tender Offer Launch Date.

“Notice of Mediation” has the meaning set forth in Section 3.3(b) (*Additional Payments Upon Extraordinary Circumstances*).

“Notice of Result” means the notice to be published by Delta in the same two (2) national newspapers in which the Notice of Commencement is published, the third (3rd) day after the Tender Offer Expiration Date and including the information required by applicable Law.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Order” means any judgment, order or decree of any Governmental Body.

“Organizational Documents” means, with respect to any Person, the articles of incorporation, certificate of incorporation, charter, by-laws, articles of formation, certificate of formation, regulations, operating agreement, partnership agreement, certificate of limited partnership, and all other similar documents, instruments or certificates executed, adopted or filed in connection with the creation, formation or organization of such Person, including any amendments thereto or restatements thereof.

“Party” and “Parties” has the meaning specified in the introductory paragraph to this Agreement.

“Permitted Transferees” means Delta and any Wholly-Owned Delta Subsidiary (i) that agrees to be bound by this Agreement by executing and delivering to LATAM a joinder agreement in form and substance reasonably acceptable to LATAM, which joinder agreement shall require any such Wholly-Owned Delta Subsidiary to transfer all of its LATAM Shares to a Permitted Transferee prior to ceasing to be a Wholly-Owned Delta Subsidiary and (ii) in respect of which Delta shall be responsible for performance of its obligations under this Agreement and such joinder agreement.

“Person” means any individual, general or limited partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated organization, joint venture, firm, association or other entity or organization (whether or not a legal entity), including any Governmental Body (or any department, agency, or political subdivision thereof).

“Peru” means the Republic of Peru.

[***]

“Public Reports” has the meaning set forth in Section 7.2 (*Representations and Warranties of LATAM*).

“Reallocated LATAM Shares” has the meaning set forth in Section 6.1(f) (*The Tender Offer*).

“Representatives” means the directors, officers, employees, investment bankers, consultants, attorneys, accountants and other advisors and representatives of a Person.

“Sanctions” means economic sanctions administered by OFAC (including the designation as a “Specially Designated National or Blocked Person” thereunder), Her Majesty’s Treasury, the European Union, the Bureau of Industry Security of the U.S. Department of Commerce, or any sanctions measures under the U.S. International Emergency Economic Powers Act, the U.S. Trading with the Enemy Act, the U.S. Iran Sanctions Act, the U.S. Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010, the U.S. Iran Threat Reduction and Syria Human Rights Act of 2012, the U.S. National Defense Authorization Act of 2012 or the U.S. National Defense Authorization Act of 2013, or any executive order, directive or regulation pursuant to the authority of any of the foregoing, including the regulations of the United States Department of the Treasury set forth under 31 CFR, Subtitle B, Chapter V, or any orders or licenses issued thereunder.

“Schedule 14D-9” has the meaning set forth in Section 6.1(h) (*Schedule 14D-9*).

“SEC” means the U.S. Securities and Exchange Commission.

[***]

“Strategic Alliance” has the meaning set forth in the recitals to this Agreement.

“Strategic Alliance Agreements” has the meaning set forth in Section 2.1 (*Strategic Alliance Agreements*).

“Strategic Alliance Implementation Date” has the meaning set forth in Section 2.2 (*Implementation of Strategic Alliance*).

“Strategic Alliance Regulatory Approvals” means the receipt of any Consent of any Governmental Body that may be required to implement the Strategic Alliance Agreements.

“Subsequent Lock-Up Period” means the period commencing on the first (1st) day after the last day of the Initial Lock-Up Period and ending on the earlier of the termination of this Agreement and the second (2nd) anniversary of the Strategic Alliance Implementation Date.

“Subsidiary” means, with respect to any Person, any other Person with respect to which such first Person (alone or in combination with any of such first Person’s other Subsidiaries) owns (i) capital stock or other equity interests having the ordinary voting power to elect a majority of the board of directors or other governing body of such Person or (ii) if no such governing body exists, a majority of the outstanding voting securities of such Person; provided that, for the avoidance of doubt, with respect to Delta, the term “Subsidiary” excludes [***] so long as Delta does not have

the right to exercise voting power to elect a majority of the board of directors or other governing body of [***].

“Tender Offer” has the meaning set forth in Section 6.1(a) (*The Tender Offer*).

“Tender Offer Documents” means the documents used by Delta to extend the Tender Offer to the shareholders of LATAM, pursuant to applicable Law, which shall be substantially in the forms attached as Exhibit C.

“Tender Offer Expiration Date” means the date on which the Tender Offer expires in accordance with Section 6.1(e) (*The Tender Offer*).

“Tender Offer Launch Date” has the meaning set forth in Section 6.1(a) (*The Tender Offer*).

“Tender Offer Outside Date” means the date that is sixty (60) days after the Equity Antitrust Outside Date (as such date may be extended by mutual agreement of the Parties).

[***]

“Total Transition Payment Amount” has the meaning set forth in Section 3.2 (*Future Quarterly Payments*).

“Transfer” means, with respect to any security, a direct or indirect transfer, sale, exchange, assignment, pledge, hypothecation or other encumbrance or other disposition of such security or any interest therein, including the grant of an option or other right, whether directly or indirectly, whether voluntarily, involuntarily or by operation of law.

“Transition Costs Payments” has the meaning set forth in the recitals to this Agreement.

“Transition Support” has the meaning set forth in the recitals to this Agreement.

“Trigger Date” means the first date on which all conditions set forth in Section 6.1(b) (*Conditions to Commence the Tender Offer*) shall have been satisfied or waived.

“Wholly-Owned Delta Subsidiary” means (i) a Subsidiary of Delta one hundred percent (100%) of the voting stock or beneficial ownership of which is owned directly or indirectly by Delta, or by any Person who, directly or indirectly, owns one hundred percent (100%) of the voting stock or beneficial ownership of such Person and (ii) any Wholly Owned Subsidiary of any Affiliate described in clause (i).

Section 1.2 Interpretation; Construction.

(a) The table of contents, articles, titles and headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. Except as otherwise indicated, all references in this Agreement to “Articles”, “Sections” and “Exhibits” are intended to refer to Articles and Sections of this Agreement and Schedules and Exhibits to this Agreement. The Exhibits referred to herein shall be

construed with and as an integral part of this Agreement to the same extent as if they were set forth verbatim herein. Any capitalized terms used in any Exhibit but not otherwise defined therein shall be defined as set forth in this Agreement unless the context otherwise requires.

(b) For purposes of this Agreement: (i) “include,” “includes” or “including” shall be deemed to be followed by “without limitation”; (ii) “hereof,” “herein,” “hereby,” “hereto” and “hereunder” shall refer to this Agreement as a whole and not to any particular provision of this Agreement; (iii) “extent” in the phrase “to the extent” shall mean the degree to which a subject or other item extends and shall not simply mean “if”; (iv) “Dollars” and “U.S.\$” shall mean United States Dollars; (v) the singular includes the plural and vice versa; (vi) reference to a gender includes the other gender; (vii) “any” shall mean “any and all”; (viii) “or” is used in the inclusive sense of “and/or”; (ix) reference to any agreement, document or instrument means such agreement, document or instrument as amended, supplemented and modified in effect from time to time in accordance with its terms; (x) “Transferred,” “Transferring” and “Transferee” shall each have a correlative meaning to the term “Transfer”; and (xi) reference to any Law means such Law as amended from time to time and includes any successor legislation thereto and any rules and regulations promulgated thereunder.

(c) Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified. Whenever any action must be taken hereunder on or by a day that is not a Business Day, then such action may be validly taken on or by the next day that is a Business Day.

(d) The Parties have participated jointly in the negotiation and drafting of this Agreement with the benefit of competent legal representation, and the language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent. In the event that an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring either Party by virtue of the authorship of any provisions hereof.

ARTICLE 2

STRATEGIC ALLIANCE

Section 2.1 Strategic Alliance Agreements. In order to implement the Strategic Alliance, the Parties agree to use reasonable best efforts to negotiate and enter into one or more definitive agreements reflecting the terms set forth in the term sheet attached hereto as Exhibit B and other customary terms for such arrangement to the extent consistent therewith (the “Strategic Alliance Agreements”) as promptly as practicable but in any event no later than two hundred ten (210) days following the date of this Agreement.

Section 2.2 Implementation of Strategic Alliance. The Strategic Alliance Agreements shall become effective (subject to each Party’s Existing Agreements) upon execution thereof. With respect to implementation, it is the Parties’ intent to simultaneously implement the Strategic Alliance Agreement with respect to all the countries and territories in South America, the United States and Canada where regulatory approval is not required or regulatory approval has been

obtained. Notwithstanding the foregoing, in the event that (a) the Minimum Strategic Alliance Regulatory Approvals have been obtained and (b) regulatory approval in any country or territory other than Brazil, Peru and the United States has not yet been obtained or is not needed, the Parties may jointly agree to proceed with the simultaneous implementation of the Strategic Alliance Agreements in those countries and territories where regulatory approval has been achieved; provided, however, that in such circumstances, the Parties shall so implement the Strategic Alliance on or prior to [***] (the date of such implementation, the “Strategic Alliance Implementation Date”).

Section 2.3 Strategic Alliance Regulatory Approvals.

(a) Each of Delta and LATAM shall, and shall cause each of its Subsidiaries to, use its reasonable best efforts to, on the terms and subject to the conditions set forth in this Section 2.3 (*Strategic Alliance Regulatory Approvals*) and applicable Law:

(i) (A) prepare and file all notifications, filings, registrations, submissions or other materials (collectively, “Filings”) required or necessary to obtain any Strategic Alliance Regulatory Approvals as promptly as practicable (and in any event within two hundred ten (210) days of the date of this Agreement), (B) obtain, or cause to be obtained, all required Strategic Alliance Regulatory Approvals as promptly as practicable, (C) respond promptly to any requests for information made by any Governmental Body, including, but not limited to, [***], and (D) not take any action that could reasonably be expected to have the effect of delaying, impairing or impeding the receipt of any such Strategic Alliance Regulatory Approvals; and

(ii) (A) resolve objections, if any, as may be asserted with respect to the Strategic Alliance under any applicable Law, including using reasonable best efforts to defend any Legal Proceedings challenging this Agreement or the implementation of the Strategic Alliance in all applicable countries and territories (including seeking to have any stay or temporary restraining order entered by any court or other Governmental Body vacated or reversed) and (B) in the event that any Legal Proceeding is instituted (or threatened to be instituted) by a Governmental Body or private party challenging the Strategic Alliance, cooperate with the other Party and use its respective reasonable best efforts to defend against, contest and resist any such Legal Proceeding and to have vacated, lifted, reversed or overturned any Order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts implementation of the Strategic Alliance in all applicable countries and territories.

(b) All Filings made in connection with this Section 2.3 (*Strategic Alliance Regulatory Approvals*) shall be made in substantial compliance with the requirements of applicable Law, including Antitrust Laws. All filing fees payable in connection with the Filings contemplated by this Section 2.3 (*Strategic Alliance Regulatory Approvals*) shall be paid entirely by Delta.

(c) To the extent not prohibited by applicable Law, each of Delta and LATAM shall (i) cooperate with the other Party and furnish the other Party with such necessary information and assistance as the other may reasonably request in connection with preparations of any necessary Filings or submissions for any Governmental Body, (ii) promptly notify and furnish the other Party copies of any correspondence or communication (including, in the case of any oral correspondence or communication, a summary thereof) between it or any of its Affiliates or any of their respective

Representatives, on the one hand, and any relevant Governmental Body, on the other hand, or any Filing such Party submits to any relevant Governmental Body, (iii) consult with and permit the other Party to review in advance any proposed Filing and any written or oral communication or correspondence by such Party or any of its Affiliates to any relevant Governmental Body, (iv) consider in good faith the views of such other Party in connection with any proposed Filing and any written or oral communication or correspondence to any Governmental Body, (v) give prompt notice to each other of any development or combination of developments that, individually or in the aggregate, is reasonably expected to prevent, materially delay or materially impair its ability to implement the Strategic Alliance, (vi) permit each other to review and discuss in advance, and consider in good faith the views of each other in connection with, any proposed written substantive communication with any Governmental Body, (vii) not participate in any meeting or oral substantive communication with any Governmental Body with respect to the Strategic Alliance unless such communication is initiated independently by the Governmental Body or unless it consults with the other Parties in advance and, subject to the approval of the applicable Governmental Body, allows each other Party to participate in such meetings, (viii) furnish each other Party with copies of all substantive correspondence, filings and communications, and memoranda setting forth the substance of any meetings or communications such other Party is not permitted to participate in between it and any such Governmental Body, and (ix) respond as promptly as practicable to any inquiries received from a Governmental Body for additional information or documentation, in each case, to the extent relating to the subject matter of this Section 2.3 (*Strategic Alliance Regulatory Approvals*) or the transactions contemplated by this Agreement, including the Strategic Alliance; provided, however, that no Party will be required to take any of the actions contemplated by this Section 2.3(c) (*Strategic Alliance Regulatory Approvals*) to the extent doing so could cause a loss of legal privilege or would result in the violation of any Contract or applicable Law.

(d) For purposes of this Section 2.3 (*Strategic Alliance Regulatory Approvals*), reasonable best efforts includes, to the extent required to obtain a Strategic Alliance Regulatory Approval, a Party or any of its Subsidiaries, as applicable, (i) making, committing to, effecting and agreeing to, by consent decree or otherwise, the sale, divestiture, licensing transfer, disposal or other encumbrance of any asset, license, operation, rights, product line, business or interest such Party or its Subsidiaries may have in any third party, (ii) agreeing to any material changes (including through a licensing arrangement) or restriction on, or other impairment of its ability to own or operate any such asset, license, operation, right, product line, business or interest such Party or its Subsidiaries may have in any third party, and (iii) terminating any commercial agreement with any third party company.

(e) Notwithstanding the foregoing or anything in this Agreement to the contrary, in no event shall Delta or LATAM or any of their respective Affiliates be obligated to take or commit to take any action pursuant to this Section 2.3 (*Strategic Alliance Regulatory Approvals*) or Section 12.12 (*Further Assurances*) (i) to the extent such action(s) would, individually or in the aggregate, [***] or (ii) the consummation of which is not conditioned on the implementation of the Strategic Alliance.

Section 2.4 Alternative Transaction. From the date hereof and until the later of the execution of the Strategic Alliance Agreements and the Tender Offer Outside Date:

(a) The Parties shall not, and shall cause each of its Affiliates and its and their respective Representatives not to, directly or indirectly through another Person: (i) initiate, solicit, or encourage or assist any inquiries regarding an Alternative Transaction or the making of any offer, proposal or inquiry relating to, or any third party indication of interest in, an Alternative Transaction, including by way of furnishing or otherwise making available any non-public information or data concerning such Party or any its Affiliates or any assets owned (in whole or part) by such Party or any of its Affiliates; (ii) engage in, continue or otherwise participate in any discussions, communications or negotiations or enter into any agreement or agreement in principle (in each case, whether written or oral) with any Person regarding an Alternative Transaction; (iii) grant any waiver, amendment or release under any standstill or confidentiality agreement concerning an Alternative Transaction; (iv) facilitate any effort or attempt by any Person to make an offer, proposal or inquiry relating to, or any third party indication of interest in, an Alternative Transaction; or (v) otherwise enter into any Contract or other agreement with respect to an Alternative Transaction.

(b) Each of the Parties and their Subsidiaries shall immediately cease and terminate all existing discussions and negotiations, if any, with any other Person conducted on or prior to the date of this Agreement with respect to any Alternative Transaction.

(c) Subject to any limitations under Existing Agreements, each Party shall inform the other Party orally and in writing of any proposal or request for information in connection with or relating to an Alternative Transaction, the material terms and conditions of such request, proposal or Alternative Transaction and the identity of the Person making such request or proposal, in each case, as promptly as practicable and in no event later than three (3) Business Days of the receipt of such request, and shall within such period deliver to the other Party a copy of any such request, proposal or Alternative Transaction. Each Party shall keep the other Party informed of the status and details (including amendments or proposed amendments) of any such request or proposal on a current basis, including the identity of the third party making such request or proposal.

(d) It is the intention of the Parties that if any restriction or covenant contained in this Section 2.4 (*Alternative Transaction*) is held to cover a geographic area or to be for a length of time which is not permitted by applicable Law, or in any way construed to be too broad or to any extent invalid, such restriction or covenant shall not be construed to be null, void and of no effect, but to the extent such restriction or covenant would be valid or enforceable under applicable Law, a court of competent jurisdiction shall construe and interpret or reform this Section 2.4 (*Alternative Transaction*) to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained in this Section 2.4 (*Alternative Transaction*)) that would be valid and enforceable under such applicable Law.

(e) Notwithstanding anything herein to the contrary, the foregoing provisions of this Section 2.4 (*Alternative Transaction*): (x) shall not prohibit a Party from taking any action in connection with the performance of, or compliance with, such Party's existing obligations under its Existing Agreements [***], (y) shall not bind LATAM (other than the restrictions under Section 2.4(a)(v)) for so long as Delta is in material breach of this Agreement and after notice thereof is

given by LATAM, which breach is not curable or, if curable, has not been cured after notice thereof is given by LATAM and (z) shall not bind LATAM after the Tender Offer Outside Date (other than, in the case that the Tender Offer has been consummated in accordance with its terms, the restrictions under Section 2.4(a)(v)).

ARTICLE 3

TRANSITION COSTS PAYMENTS

Section 3.1 Payment at Signing. Within three (3) Business Days of the date of this Agreement, Delta shall pay to LATAM or a designated Subsidiary of LATAM an amount equal to U.S.\$150,000,000 (the “Initial Transition Payment”) by wire transfer of immediately available funds to the LATAM account specified in Annex 1.

Section 3.2 Future Quarterly Payments. Delta shall pay to LATAM or a designated Subsidiary of LATAM an additional aggregate payment of U.S.\$200,000,000 (the “Future Transition Payment” and together with the Initial Transition Payment, the “Total Transition Payment Amount”), which shall be paid in eight (8) equal installments of U.S.\$25,000,000 on the first (1st) Business Day of each of the eight (8) Calendar Quarters beginning with the first Calendar Quarter of 2020 by wire transfer of immediately available funds to the LATAM account specified in Annex 1 (or any other account that LATAM may designate in writing at least two (2) Business Days prior to the date on which such payment is due).

Section 3.3 Additional Payments Upon Extraordinary Circumstances.

(a) Additional Payments. Following the Strategic Alliance Implementation Date, LATAM shall review and determine the actual losses and costs [***]. In the event that LATAM determines following the Strategic Alliance Implementation Date that such losses and costs [***] have been greater than U.S.\$350,000,000 [***], then the chief executive officers of each of LATAM and Delta shall [***] to discuss in good faith potential payments and/or other adjustments to be made by Delta to compensate LATAM for such additional costs incurred by LATAM in excess of the Total Transition Payment Amount. In the event that LATAM has determined that its losses and costs [***] have exceeded U.S.\$350,000,000, LATAM shall provide Delta reasonable access to information regarding its costs and losses [***] related to LATAM’s transition to the Strategic Alliance as Delta may reasonably request, subject to Section 3.3(d) (*Confidentiality*).

(b) Extraordinary Cost Dispute. In the event that the chief executive officers fail to agree on the amount of payment and/or other adjustments to be made by Delta to compensate LATAM pursuant to Section 3.3(a) (*Additional Payments*), which disagreement is not resolved within sixty (60) days of [***] (the “Extraordinary Cost Dispute”), either Party may refer the Extraordinary Cost Dispute to non-binding mediation through a notice of mediation (the “Notice of Mediation”).

(c) Mediation Procedures.

(i) The Parties shall, in the first instance, attempt to agree on a mediator. If the Parties cannot so agree within thirty (30) days after the Notice of Mediation is sent, either of the Parties may promptly apply to the International Chamber of Commerce for appointment of a single mediator in accordance with the Mediation Rules of the International Chamber of Commerce (the “Mediation Rules”). Absent any written agreement to the contrary by the Parties, the mediator shall be an attorney or mediator authorized to practice law in the United States. The mediator shall be paid for the mediation services, and shall be reimbursed for all reasonable and documented out of pocket costs incurred in carrying out the mediation duties hereunder, including the costs of consultants. All fees and costs of the mediation shall be shared equally by the Parties. The Parties shall request that the mediator schedule the mediation within thirty (30) days of the mediator’s appointment, and shall comply with all procedures the mediator establishes for the conduct of the mediation (it being understood and agreed that unless the Parties otherwise in writing, the results of any such mediation and any determination and/or findings made by such mediator shall not be binding upon the Parties). Absent any written agreement to the contrary by the Parties, if the Extraordinary Cost Dispute is not resolved within ninety (90) days of the Notice of Mediation, the mediation shall be terminated.

(ii) For the avoidance of doubt, absent the written agreement of the Parties, the Mediation Rules shall not apply to any mediation carried out pursuant to this Section 3.3 (*Additional Payments Upon Extraordinary Circumstances*). Rather, the reference to the ICC and the Mediation Rules above should be understood as referring solely to the designation of the ICC as an appointing authority to appoint a mediator pursuant to the procedures set forth in the Mediation Rules in the event the Parties are unable to agree on a mediator within the timeframe specified.

(d) Confidentiality. The Parties agree that any information provided by LATAM pursuant to Section 3.3(b) (*Extraordinary Cost Dispute*) or pursuant to any mediation carried out pursuant to this Section 3.3 (*Additional Payments Upon Extraordinary Circumstances*), and the existence of the mediation and any element thereof (including the identity of the Parties, the identity of all witnesses and experts who may be called upon at the mediation, all materials created for the purposes of the mediation, all testimony or other oral submissions at the mediation, and all documents produced by a Party in connection with a mediation that were not already in the possession of the other Party), shall be kept confidential, except (i) with the consent of the Parties, (ii) to the extent disclosure may be lawfully required in bona fide Legal Proceedings relating to the mediation, (iii) upon written advice of legal counsel, where disclosure is required in order to avoid violating applicable Laws or rules of a national securities exchange to which a Party is subject, and (iv) where such information is already in the public domain other than as a result of a breach of this clause. The Parties also agree not to use any information disclosed to them pursuant to Section 3.3(b) (*Extraordinary Cost Dispute*) or during the mediation for any purpose other than in connection with any mediation as set forth in this Section 3.3 (*Additional Payments Upon Extraordinary Circumstances*).

(e) Final Decision. Any agreement of the chief executive officers or the Parties in mediation with respect to any additional payment and/or other adjustment that resolves the matters

contemplated by this Section 3.3 (*Additional Payments Upon Extraordinary Circumstances*) shall be final and binding on the Parties only at such time and to the extent that such agreement is documented in writing and executed by both Parties.

Section 3.4 Effect of Termination. Notwithstanding anything to the contrary in this Article 3 (*Transition Costs Payments*), in the event of termination pursuant to Article 10 (*Termination*), without prejudice to the rights of the Parties under Section 11.1 (*Indemnification for Breach*): (a) there shall be no refund of any amounts previously paid in respect of the Total Transition Payment Amount; (b) if such termination is by LATAM pursuant to Section 10.1(b) (*Termination*) or 10.1(e) (*Termination*), then the payment of the balance of the Future Transition Payments shall be accelerated and Delta shall pay such balance within three (3) Business Days of such event by wire transfer of immediately available funds to the LATAM account specified in Annex 1 (or any other account that LATAM may designate in writing at least two (2) Business Days prior the date on which such payment is due); and (c) if such termination is by Delta pursuant to Section 10.1(c) (*Termination*), Delta shall not be required to make any future Transition Cost Payments that have not yet become due. For the avoidance of doubt, in the event of termination pursuant to Section 10.1 (*Termination*), Section 3.3(a) (*Additional Payments*) shall not survive such termination.

ARTICLE 4 TRANSITION SUPPORT

Section 4.1 Cooperation.

(a) Subject to any limitations under applicable Law and Existing Agreements of the Parties, following the date hereof each of Delta and LATAM shall work together to promptly implement complementary initiatives to, among other things, [***].

(b) Pursuant to the cooperation provided for under Section 4.1(a) (*Cooperation*) and subject to any limitations under applicable Law and Existing Agreements of the Parties, the Parties shall use their reasonable best efforts to, as promptly as practicable, agree, execute, deliver and implement [***].

Section 4.2 [***]

(a) The Parties shall, as soon as practicable, use reasonable best efforts to enter into or obtain [***].

(b) Delta shall, at its sole cost and expense, use its reasonable best efforts to obtain, or cause to be obtained, [***].

(c) Delta shall, and shall cause its Subsidiaries to, use reasonable best efforts to [***].

ARTICLE 5 AIRCRAFT TRANSACTIONS

Section 5.1 Aircraft Purchase Agreement. In order to implement the Aircraft Transactions, the Parties agree as promptly as practicable (a) following the date of this Agreement

but in any event no later than [***], to finalize and enter into an agreement for the purchase and sale of certain aircraft substantially in the form attached hereto as Exhibit A-1 (the “Aircraft Purchase Agreement”) except as to certain engine maintenance and delivery condition terms, which require additional information from the applicable manufacturer or other third parties, and (b) upon and subject to the terms and conditions set forth in the Aircraft Purchase Agreement, consummate the transactions described therein.

Section 5.2 Aircraft Assignment.

(a) LATAM (as “Assignor”) and Delta (as “Assignee”) agree as promptly as practicable following the date of this Agreement but in any event no later than [***], to enter into one (1) or more agreements for the assignment to and assumption by Delta of, and release of LATAM from any and each Airbus Purchase Agreement (each, an “Assignment Agreement”). [***] Each Assignment Agreement shall also include such other terms and conditions as are customary for assignment agreements and shall be substantially consistent with the terms set forth in Exhibit A-2 (the “Aircraft Assignment Term Sheet”).

(b) Notwithstanding anything to the contrary in this Agreement, to the extent that the assignment (or attempted assignment) to the Assignee of the Assigned Aircraft would require the Consent of any Person (other than the Parties’ respective Subsidiaries or Affiliates) pursuant to its terms or applicable Law, and such Consent shall not have been obtained prior to [***] (each such Assigned Aircraft with respect to which Consent has not been obtained, a “Non-Transferable Aircraft”), to the extent permitted by applicable Law, (i) Assignor shall continue to perform its obligations with respect to the Non-Transferable Aircraft under the Airbus Purchase Agreement including, purchasing and accepting delivery of the Non-Transferable Aircraft under the Airbus Purchase Agreement and (ii) each of Assignee and Assignor shall enter into agreements to facilitate, upon the acquisition by LATAM of the Non-Transferable Aircraft under the Airbus Purchase Agreement, the immediate sale of such Non-Transferable Aircraft from LATAM to Delta [***], or to facilitate any other mutually agreeable arrangement (any such agreements constituting, an “Alternate Arrangement”), which Alternate Arrangements provide to the Parties the economic and operational equivalent of an assignment of the Assigned Aircraft from LATAM to Delta; provided, however, that Assignee shall indemnify and hold harmless Assignor and its Subsidiaries from and against any and all costs associated with any such Alternate Arrangements [***].

ARTICLE 6 ACQUISITION BY DELTA OF MINORITY STAKE IN LATAM

Section 6.1 The Tender Offer.

(a) Commencement of the Tender Offer. Within four (4) Business Days following the Trigger Date, Delta shall launch a public tender offer for 20% (and not more than 20%) of the LATAM Shares (the “Tender Offer”) in the manner required by applicable Law and subject to the conditions set forth in the Tender Offer Documents, and shall make such other notices, filings or publications (if any) as are required to be made by it under the applicable rules relating to the Tender Offer; provided that if the thirtieth (30th) day following the contemplated Tender Offer Launch Date is not a business day in Chile, the Tender Offer Launch Date shall be the first date

thereafter such that the thirtieth (30th) day following the Tender Offer Launch Date is a business day in Chile (the date of such commencement, the “Tender Offer Launch Date”).

(b) Conditions to Commence the Tender Offer. Delta’s obligation to launch and commence the Tender Offer shall be subject to the satisfaction or waiver of each of the following conditions (each of which is for the sole benefit of Delta and may be waived by Delta, in whole or in part, in its sole discretion):

(i) Order. No Order shall be in effect that enjoins or makes illegal the commencement or consummation by Delta of the Tender Offer.

(ii) Compliance with Covenants. LATAM shall not have failed to perform or comply in any material respect with any material obligation, covenant or agreement to be performed or complied with by it under this Agreement.

(iii) Representations and Warranties. The representations and warranties of LATAM set forth in clauses (a) through (d) of Section 7.1 (*Representation and Warranties of Each Party*) shall be true and complete in all material respects as of the date of this Agreement and as of the Trigger Date as though made on and as of such dates. The representations and warranties set forth in the first sentence in clause (f)(i) and clause (f)(ii) of Section 7.1 (*Representation and Warranties of Each Party*) shall be true and complete in all material respects as of the date of this Agreement and as of the Trigger Date as though made on and as of such dates except where the failure of any such representations and warranties to be so true and complete would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business or operations of LATAM or on the Parties’ ability to exercise their rights or perform their obligations under this Agreement or the Definitive Agreements.

(iv) Public Filings. (A) Since December 31, 2018, LATAM shall have filed or furnished, as applicable, all material forms, certifications, reports, statements and documents required to be filed or furnished by it to the CMF under Chilean Securities Law and with the SEC pursuant to the Securities Act of 1933 and the Exchange Act, as applicable (such forms, certifications, reports, statements and documents filed or furnished since December 31, 2018 and those filed or furnished subsequent to the date of this Agreement, including any amendments thereto, the “Public Reports”); (B) each of the Public Reports (including any financial statements or other schedules included therein), at the time of its filing or being furnished, complied in all material respects with the applicable requirements of U.S. or Chilean Securities Law applicable to the Public Reports; and (C) as of their respective dates (or, if amended prior to the date of this Agreement, as of the date of such amendment), the Public Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading; provided that the condition set forth in this clause (iv) shall be deemed satisfied notwithstanding any failure to satisfy subclauses (A), (B) and (C) above if such failures would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business or operations of LATAM or on the Parties’ ability to exercise their rights or perform their obligations under this Agreement or the Definitive Agreements.

(v) Required Approvals. The HSR Consent shall have been received and shall be in full force and effect.

(vi) No Force Majeure Event. Since the date of this Agreement, there shall not have occurred and be continuing any Force Majeure Event (as defined below) that has a material adverse effect on the ability of LATAM to continue flying and operating its route network in Chile, Peru or Brazil. For purposes of this Section 6.1(b)(vi) (*No Force Majeure Event*), “Force Majeure Event” shall mean acts of God, war (declared or undeclared), sabotage, blockade, revolution, insurrection, terrorism, expropriation, nationalization, suspension in whole or in part of the national constitution or similar substantial change in Law, and embargo.

(vii) No Insolvency Event. There shall not have occurred any Insolvency Event, or any event or condition that, if left uncured, would mature into an Insolvency Event, with respect to LATAM.

(viii) Absence of Certain Events. LATAM shall not have taken any of the actions set forth in Section 6.1(i)(ii) (since the date of this Agreement).

(c) Terms and Conditions. Delta shall extend the Tender Offer to all holders of LATAM Shares at a price equal to U.S.\$16 per LATAM Share; provided, however, that subject to applicable Law, Delta may in its sole discretion increase the price per LATAM Share to be paid in the Tender Offer, which in any case shall be the same for each tendering shareholder of LATAM. Notwithstanding anything to the contrary set forth in this Agreement, the price per LATAM Share to be paid in the Tender Offer shall be adjusted appropriately to reflect fully the effect of any cash or stock dividend (including any dividend or distribution of securities convertible into LATAM Shares), other than any dividend required by Chilean Law, stock split, reverse stock split, reorganization, reclassification or any like change with respect to the LATAM Shares having a record date on or after the date of this Agreement and prior to the Trigger Date.

(d) Conditions to the Consummation of the Tender Offer. Delta’s obligation to (i) declare the success of the Tender Offer in the Notice of Result and (ii) accept and acquire any LATAM Shares tendered in the Tender Offer shall be, in each case, subject to the satisfaction or waiver of each of the following conditions (each of which is for the sole benefit of Delta and may be waived by Delta, in whole or in part, in its sole discretion):

(i) Tender Offer Documents Conditions. The conditions to consummation of the Tender Offer set forth in the *Causales de Caducidad de la Oferta* of the Tender Offer Documents shall have been satisfied.

(ii) Minimum Tender. As of the Tender Offer Expiration Date, at least a number of LATAM Shares equal to fifteen percent (15%) of the LATAM Shares issued and outstanding on the Tender Offer Expiration Date (the “15% Threshold”) shall have been tendered in the Tender Offer.

(iii) Absence of Certain Events. LATAM shall not have taken any of the actions set forth in Section 6.1(i)(ii) (*Conduct of the Business*) since the date of this Agreement.

(iv) No Alternative Transaction. Neither LATAM nor any Affiliate thereof shall have entered into any Contract or other agreement with respect to an Alternative Transaction.

(e) Expiration and Extension of the Tender Offer. The Tender Offer shall expire at 4:00 p.m., Santiago, Chile time on the date (the “Initial Tender Offer Expiration Date”) that is thirty (30) days following the Tender Offer Launch Date. From time to time and within one (1) Business Day of receiving a written request from LATAM, Delta shall provide LATAM with a report detailing how many LATAM Shares were tendered pursuant to the Tender Offer. If the number of LATAM Shares tendered in the Tender Offer is less than the 20% Threshold as of the Initial Tender Offer Expiration Date, then Delta shall extend the Tender Offer to 4:00 p.m., Santiago, Chile time to a Business Day that is up to the maximum possible period following the Initial Tender Offer Expiration Date permitted for such an extension in accordance with applicable Law (the new expiration date, following such extension, the “Extended Tender Offer Expiration Date” and, together with the Initial Tender Offer Expiration Date, referred to herein as the “Tender Offer Expiration Date”).

(f) Consummation of the Tender Offer and Payment for LATAM Shares; Pro Rata Reduction. On the terms and subject to the conditions set forth in this Article 6 (*Acquisition by Delta of Minority Stake in LATAM*) and the Tender Offer Documents, including satisfaction or waiver of each of the conditions set forth in Section 6.1(d) (*Conditions to the Consummation of the Tender Offer*) as of the Tender Offer Expiration Date, Delta shall pay for all LATAM Shares that are validly tendered and not validly withdrawn pursuant to the Tender Offer promptly (and no later than within the time period required by applicable Law) after the Tender Offer Expiration Date, up to the 20% Threshold. If the number of LATAM Shares tendered in the Tender Offer exceeds the 20% Threshold, then: (i) the number of LATAM Shares that Delta shall accept for payment, and pay for, shall be reduced to a number of LATAM Shares equal to the number of LATAM Shares that, together with the number of LATAM Shares (if any) then owned by Delta and its Affiliates, equals the 20% Threshold, (ii) the LATAM Shares to be accepted and paid for by Delta shall be allocated pro rata to the holders of LATAM Shares that validly tendered, and did not validly withdraw, in the Tender Offer in accordance with the number of LATAM Shares tendered by such holders (the “Reallocated LATAM Shares”) in accordance with applicable Law, (iii) Delta shall accept for payment, and pay for, the Reallocated LATAM Shares promptly (and no later than the time period required by applicable law and the terms of the Tender Offer) after the Tender Offer Expiration Date, and (iv) Delta shall promptly return, and shall cause any depositary acting on behalf of Delta to return, all tendered LATAM Shares that are not Reallocated LATAM Shares to the holders thereof and Delta shall not accept such LATAM Shares pursuant to the Tender Offer. The price payable pursuant to the terms of the Tender Offer in respect of each LATAM Share (or Reallocated LATAM Share, as applicable) validly tendered, and not validly withdrawn, pursuant to the Tender Offer shall be paid to the holder thereof in cash, in accordance with the terms of the Tender Offer.

(g) Tender Offer Efforts Cooperation Covenant.

(i) To the extent permitted by applicable Law, LATAM shall cooperate with and provide Delta with such assistance as Delta may reasonably request to facilitate the

launching and consummation of the Tender Offer and the making of such notices, filings or publications (if any) as are required to be made by it under applicable Law, including by: (i) providing such information and documents relating to LATAM and the LATAM Shares reasonably requested by Delta; (ii) taking actions reasonably requested by Delta to assist in consummating the Tender Offer; and (iii) providing such information as Delta reasonably requests to assist Delta in determining the number of registered or beneficial holders of LATAM Shares domiciled in the United States. LATAM shall not be required to take any of the actions described in the preceding sentence to the extent that (x) any such information or documentation requested by Delta is not information or documentation prepared or generated by LATAM in the ordinary course of business or (y) LATAM reasonably determines that any such action would reasonably be expected to be prohibited by applicable Law or Existing Agreements. Delta shall: (A) hold in confidence and keep confidential any information or documents received in connection with this Section 6.1(g) (*The Tender Offer*) or otherwise under this Agreement in accordance with the Confidentiality Agreement, (B) use such information or documents solely in connection with the consummation of the Tender Offer or in the exercise of any of its rights or compliance with its obligations under this Agreement or the Definitive Agreements, and (C) if the obligations of the Parties have been terminated pursuant to Section 10 (*Termination*), Delta shall deliver to LATAM any and all copies and any extracts or summaries from such information then in its possession or control.

(ii) Delta shall promptly furnish or otherwise make available to LATAM or LATAM's legal counsel all information concerning LATAM that may be required or reasonably requested in connection with any action contemplated by this Section 6.1(g). To the extent reasonably practicable, Delta shall provide LATAM and its counsel a reasonable opportunity to review and comment on any such notices, filings or publications prior to their delivery, filing with the SEC or publication thereof, as applicable (it being understood that LATAM and its counsel shall provide any comments thereon as soon as reasonably practicable). Delta shall provide to LATAM and its counsel copies of any written comments or other material communications and a description of any oral comments that Delta or its counsel receives from the SEC or its staff with respect to any such filings promptly after such receipt and shall provide LATAM and its counsel a reasonable opportunity to review and comment on any response to any such comments of the SEC or its staff.

(h) Schedule 14D-9. To the extent required by applicable Law, within the time period prescribed by Rule 14e-2, LATAM shall (i) file with the SEC a Tender Offer Solicitation/Recommendation Statement on Schedule 14D-9 (together with any exhibits, amendments or supplements thereto, the "Schedule 14D-9") indicating its position with respect to the Tender Offer and the reasons for taking that position and (ii) cause the Schedule 14D-9 and related documents to be disseminated to holders of LATAM Shares as and to the extent required by applicable Law. Each of Delta and LATAM agrees to respond promptly to any comments of the SEC or its staff and to promptly correct any information provided by it for use in the Schedule 14D-9 if and to the extent that it has actual knowledge that such information shall have become false or misleading in any material respect, and LATAM further agrees to take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and to be disseminated to holders of LATAM Shares, in each case as and to the extent required by applicable Law. Delta shall promptly furnish or otherwise make available to LATAM or LATAM's legal counsel all information concerning Delta that may be required or reasonably requested in connection with any action contemplated by this Section 6.1

(*The Tender Offer*). To the extent reasonably practicable, LATAM shall provide Delta and its counsel a reasonable opportunity to review and comment on the Schedule 14D-9 prior to the filing thereof with the SEC (it being understood that Delta and its counsel shall provide any comments thereon as soon as reasonably practicable). LATAM shall provide to Delta and its counsel copies of any written comments or other material communications and a description of any oral comments that LATAM or its counsel receives from the SEC or its staff with respect to the Schedule 14D-9 promptly after such receipt and shall provide Delta and its counsel a reasonable opportunity to review and comment on any response to any such comments of the SEC or its staff.

(i) Conduct of the Business.

(i) From the date of this Agreement until the earlier of the Tender Offer Expiration Date and the Tender Offer Outside Date, except as required by applicable Law or this Agreement or, to the extent consistent with its obligations under Section 12.12 (*Further Assurances*), arising out of or relating to this Agreement, or otherwise with the prior written consent of Delta (which consent shall not be unreasonably withheld, conditioned or delayed), LATAM shall use its reasonable commercial efforts to conduct its business in all material respects in the ordinary course of business consistent with past practice.

(ii) Without limiting the generality of, and in furtherance of, Section 6.1(i)(i) (*Conduct of the Business*), from the date of this Agreement until the earlier of Tender Offer Expiration Date and the Tender Offer Outside Date, except as required by applicable Law or this Agreement, or otherwise with the prior written consent of Delta (which consent shall not be unreasonably withheld, conditioned or delayed), LATAM shall not:

- (A) amend or propose any material change in its or its Subsidiaries' Organizational Documents;
- (B) merge or consolidate with any other Person or restructure, reorganize, dissolve or completely or partially liquidate;
- (C) declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any LATAM Shares or other equity or voting interest, except to the extent required by applicable Chilean Law;
- (D) issue or grant an option to subscribe for any share capital of or other equity interest in LATAM, or reclassify, split, combine, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any LATAM capital stock or securities convertible or exchangeable into or exercisable for any shares of LATAM capital stock;
- (E) during the pendency of the Tender Offer, take any other action that would be prohibited to be taken by an issuer of securities subject to a tender offer under the applicable Laws of Chile with respect thereto; or
- (F) agree or commit to take any of the foregoing actions.

Section 6.2 Equity Ownership Antitrust Consents.

(a) Each of Delta and LATAM shall, and shall cause each of its Affiliates to, use its reasonable best efforts to, on to the terms and subject to the conditions set forth in this Section 6.2 and applicable Law:

(i) (A) prepare and file all Filings required or necessary to obtain Equity Ownership Antitrust Consents as promptly as practicable after execution of this Agreement but in any event no later than twenty (20) Business Days after the date hereof, (B) obtain, or cause to be obtained, all Equity Ownership Antitrust Consents as promptly as practicable, (C) respond promptly to any requests for information made by the applicable Governmental Bodies in connection with the Tender Offer, and (D) not take any action that could reasonably be expected to have the effect of delaying, impairing or impeding the receipt of any such Equity Ownership Antitrust Consents; and

(ii) (A) resolve objections, if any, as may be asserted with respect to the Tender Offer under any applicable Law, including using reasonable best efforts to defend any Legal Proceedings challenging this Agreement or the consummation of the Tender Offer (including seeking to have any stay or temporary restraining order entered by any court or other Governmental Body vacated or reversed) and (B) in the event that any Legal Proceeding is instituted (or threatened to be instituted) by a Governmental Body or private party challenging the Tender Offer, cooperate with the other Party and use its respective reasonable best efforts to defend against, contest and resist any such Legal Proceeding and to have vacated, lifted, reversed or overturned any Order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the Tender Offer.

(b) All Filings made in connection with this Section 6.2 shall be made in substantial compliance with the requirements of applicable Law, including Antitrust Laws. All filing fees payable in connection with the Filings contemplated by this Section 6.2 shall be paid entirely by Delta.

(c) For purposes of this Section 6.2, reasonable best efforts includes to the extent required to obtain an Equity Ownership Antitrust Consent, Delta or any of its Subsidiaries, as applicable, (i) making, committing to, effecting and agreeing to, by consent decree or otherwise, the sale, divestiture, licensing transfer, disposal or other encumbrance of any asset, license, operation, rights, product line, business or interest Delta or its Subsidiaries may have in any third party, (ii) agreeing to any material changes (including through a licensing arrangement) or restriction on, or other impairment of its ability to own or operate any such asset, license, operation, right, product line, business or interest Delta or its Subsidiaries may have in any third party, and (iii) terminating any commercial agreement with any third party company.

(d) Notwithstanding the foregoing or anything in this Agreement to the contrary, in no event shall Delta or any of its Affiliates be obligated to take or commit to take any action pursuant to this Section 6.2 (*Equity Ownership Antitrust Consents*) or Section 12.12 (*Further Assurances*), (i) to the extent such action(s) would, individually or in the aggregate, [***] or (ii) the consummation of which is not conditioned on the consummation of the Tender Offer.

(e) To the extent not prohibited by applicable Law, each of Delta and LATAM shall (i) cooperate with the other Party and furnish the other Party with such necessary information and assistance as the other may reasonably request in connection with preparations of any necessary Filings or submissions for any Governmental Body, (ii) promptly notify and furnish the other Party copies of any correspondence or communication (including, in the case of any oral correspondence or communication, a summary thereof) between it or any of its Affiliates or any of their respective Representatives, on the one hand, and any relevant Governmental Body, on the other hand, or any Filing such Party submits to any relevant Governmental Body in the United States and Brazil, (iii) consult with and permit the other Party to review in advance any proposed Filing and any written or oral communication or correspondence by such Party or any of its Affiliates to any relevant Governmental Body, (iv) consider in good faith the views of such other Party in connection with any proposed Filing and any written or oral communication or correspondence to any Governmental Body, (v) give prompt notice to each other of any development or combination of developments that, individually or in the aggregate, is reasonably expected to prevent, materially delay or materially impair its ability to commence or consummate the Tender Offer, (vi) permit each other to review and discuss in advance, and consider in good faith the views of each other in connection with, any proposed written substantive communication with any Governmental Body, (vii) not participate in any meeting or oral substantive communication with any Governmental Body with respect to the Tender Offer unless such communication is initiated independently by the Governmental Body or unless it consults with the other Parties in advance and, subject to the approval of the applicable Governmental Body, allows each other Party to participate in such meetings, (viii) furnish each other Party with copies of all substantive correspondence, filings and communications, and memoranda setting forth the substance of any meetings or communications such other Party is not permitted to participate in between it and any such Governmental Body, and (ix) respond as promptly as practicable to any inquiries received from a Governmental Body for additional information or documentation, in each case, to the extent relating to the subject matter of this Section 6.2 (*Equity Ownership Antitrust Consents*) or the transactions contemplated by this Agreement, including the Tender Offer; provided, however, that no Party will be required to take any of the actions contemplated by this Section 6.2(e) (*Equity Ownership Antitrust Consents*) to the extent doing so could cause a loss of legal privilege or would result in the violation of any Contract or applicable Law.

Section 6.3 Standstill. Delta agrees that from the date hereof until the end of the Lock-Up Period, neither Delta nor any of Delta's Affiliates, alone or with others, will in any manner, directly or indirectly, without the prior consent of LATAM:

(a) effect or seek, offer or propose (whether publicly or otherwise) to effect or cause or in any way knowingly assist (including through the provision of financing) any other Person to effect or seek, offer or propose (whether publicly or otherwise) to effect or cause, (i) any acquisition of beneficial ownership (as such term is defined in the Exchange Act) or constructive economic ownership (including through any option, warrant, convertible security, stock appreciation right, swap agreement or other security, contract right or derivative position, whether or not presently exercisable, that has an exercise or conversion privilege or a settlement payment or other mechanism at a price related to the value of LATAM Shares or a value determined in whole or in part with reference to, or derived in whole or in part from, the value of LATAM Shares and that increases in

value as the value of LATAM Shares increases or that provides to the holder an opportunity, directly or indirectly, to profit or share in any profit derived from any increase in the value of LATAM Shares, in any case without regard to whether (A) such derivative conveys any voting rights in such securities to such Person, (B) the derivative is required to be, or capable of being, settled through delivery of such securities or (C) such Person may have entered into other transactions that hedge the economic effect of such derivative, but not including any interests, rights, options or other securities set forth in Rule 16a-1(c)(1)-(5) or (7) under the Exchange Act) of any LATAM Shares or securities or rights convertible into or exchangeable for any LATAM Shares (other than acquisitions by Delta for its own account of LATAM Shares that do not result in Delta (A) during the Initial Lock-Up Period, owning more than twenty percent (20%) of LATAM Shares; provided that in the event a LATAM shareholder that does not currently hold more than twenty percent (20%) of the LATAM Shares increases its equity interest, together with any of its Affiliates or other Person with which it is acting as a “group” (as defined in the Exchange Act)), in LATAM to above twenty percent (20%), then Delta may acquire LATAM Shares up to 24.99% of LATAM Shares or (B) during the Subsequent Lock-Up Period, owning more than 24.99% of LATAM Shares), provided that, for the avoidance of doubt, in no event shall any of the foregoing restrict Delta from exercising its preemptive or withdrawal rights as a shareholder of LATAM in accordance with applicable Law, (ii) any tender or exchange offer involving LATAM Shares (other than pursuant to this Article 6 (*Acquisition by Delta of Minority Stake in LATAM*)), (iii) any merger, other business combination, recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with respect to LATAM or any of its Subsidiaries, (iv) initiation of any proposal for action by the shareholders of LATAM, or any “solicitation” of “proxies” (as such terms are used under the Exchange Act), in order to vote or consent regarding any transaction that would effect a change of control of LATAM (provided, for the avoidance of doubt, that in no event shall this clause (iv) restrict Delta from any action in its capacity as a shareholder of LATAM in connection with the nomination and election of directors appointed by Delta to the board of directors of LATAM commensurate with Delta’s ownership of LATAM Shares in accordance with applicable Law), (v) form, join or in any way participate in a “group” (as defined in the Exchange Act) with respect to any securities of LATAM, or (vi) otherwise act, alone or in concert with others, to seek to control LATAM;

(b) take any action that might force LATAM to make a public announcement regarding any of the types of matters set forth in clause (a) above (other than in the exercise of its voting rights of LATAM Shares it has acquired in accordance with this Article 6 (*Acquisition by Delta of Minority Stake in LATAM*));

(c) enter into discussions or arrangements with any third party with respect to any of the matters set forth in clauses (a) and (b) above; or

(d) make any public disclosure of any consideration, intention, plan or arrangement with respect to any of the matters set forth in clauses (a) through (c) above. Delta will promptly advise LATAM of any inquiry or proposal made to it or any of its Affiliates with respect to any of the matters referred to in clauses (a) through (c) of this paragraph.

(e) From and after the date hereof, Delta shall not acquire LATAM Shares in the event that, as a result of such acquisition, LATAM will be in violation of any foreign ownership restriction as in effect from time to time.

Section 6.4 Restrictions on Transfers.

(a) No Transfer or attempt to Transfer any LATAM Shares in violation of this Section 6.4 (*Restrictions on Transfers*) shall be effective or valid for any purpose.

(b) During the Initial Lock-Up Period, neither Delta nor any of its Affiliates may Transfer LATAM Shares without the prior written consent of LATAM (which LATAM may withhold in its sole discretion), except that such restriction shall not apply to Transfers made to Permitted Transferees.

(c) During the Subsequent Lock-Up Period, neither Delta nor any of its Affiliates may Transfer LATAM Shares in a transaction, or series of transactions, that would result in Delta and its Permitted Transferees ceasing to hold in the aggregate (i) 15% of LATAM Shares or (ii) if Delta's equity holding on the first day of the Subsequent Lock-Up Period represents less than 15% of LATAM Shares, such percentage of LATAM Shares.

(d) Without the prior written consent of LATAM (which LATAM may withhold in its sole discretion), Delta and its Affiliates shall not be permitted to Transfer LATAM Shares to any airline carrier or any of its Affiliates that is organized or based in Delta's Applicable Territory other than pursuant to open market transactions in which Delta has no reasonable basis to ascertain the identity of the buyer.

(e) Solely in the event that this Agreement is terminated pursuant to Section 10.1(b) (*Termination*), without the prior written consent of LATAM (which LATAM may withhold in its sole discretion), Delta and its Affiliates shall not be permitted to Transfer LATAM Shares to any Transferee (other than a Permitted Transferee) that, to the best of Delta's knowledge, would following such Transfer, beneficially own, after aggregating all LATAM Shares owned by such Transferee and its Affiliates and any other members of a "group" (as defined in the Exchange Act) in which any of them is a member with respect to LATAM Shares, of ten percent (10%) or more of the issued and outstanding LATAM Shares.

(f) Notwithstanding anything to the contrary in this Agreement, in no event shall any of the foregoing restrict Delta from (i) during the Subsequent Lock-Up Period, exercising its withdrawal rights as a shareholder of LATAM in accordance with Chilean Law or (ii) during the Subsequent Lock-Up Period, tendering LATAM Shares into any tender offer launched and consummated under applicable Law.

Section 6.5 Restrictions on LATAM. From the date of this Agreement until the first date on which Delta and its Permitted Transferees collectively own less than 10% of the issued and outstanding LATAM Shares, LATAM and its Affiliates shall not, without the prior written consent of Delta (which Delta may withhold in its sole discretion) issue, grant an option to subscribe for, pledge or transfer any share capital of or other equity interest in LATAM to either of the following companies, their respective Affiliates, successors or assigns or any other Person acting in a group with any such Person in such acquisition, other than pursuant to open market transactions in which LATAM has no reasonable basis to ascertain the identity of the buyer: [***].

ARTICLE 7
REPRESENTATIONS AND WARRANTIES

Section 7.1 Representations and Warranties of Each Party. Each Party represents and warrants to the other Party as follows:

(a) Organization. Such Party is duly organized and validly existing under the laws of the jurisdiction of its incorporation or organization and has all requisite power and authority to enter into and perform its obligations under this Agreement.

(b) Due Authorization. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action on the part of such Party, and this Agreement to which it is a party is a valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other Laws relating to or affecting creditors' rights generally or by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Consents. Other than the Strategic Alliance Regulatory Approvals and the Equity Ownership Antitrust Consents, as applicable, no expirations of waiting periods under applicable Antitrust Laws and no notices, reports or other filings are required to be made with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained from, any Governmental Body by such Party in connection with the execution and delivery by such Party of this Agreement.

(d) No Violation or Breach. The execution, delivery and performance by such Party of this Agreement does not constitute (i) a violation of any provision of the Organizational Documents of such Party, (ii) a violation of any applicable Law to which such Party is subject or a (iii) breach of any material Contract to which such Party is a party, except in the case of the foregoing clauses (ii) and (iii), as would not reasonably be expected to have a material adverse effect on the ability of such Party to perform its obligations under this Agreement.

(e) Litigation. No Legal Proceeding brought by any Governmental Body is pending or, to the knowledge of such Party, threatened against such Party or any of its Affiliates that (i) challenges or seeks to prevent, enjoin or otherwise delay any of the transactions contemplated by this Agreement or (ii) would otherwise reasonably be expected to have a material adverse effect on the ability of such Party to exercise its rights or perform its obligations under this Agreement or the Definitive Agreements.

(f) Anti-Bribery; Sanctions.

(i) Except for matters (x) publicly disclosed as of the date hereof or (y) that are not, individually or in the aggregate, material, to such Party's knowledge, such Party, its Subsidiaries and the directors, officers and employees of such Party or its Subsidiaries (when acting on behalf of such Party or its Subsidiaries) have not violated any Anti-Bribery Laws and have not authorized, offered or made any payments directly or indirectly to any Government Official or third party that would result in violation of any Anti-Bribery Law. Such Party and its Subsidiaries have instituted policies and procedures designed to promote compliance by such Party and its

Subsidiaries with, and to prevent violations by such Persons of, such Anti-Bribery Laws. Except for matters (A) publicly disclosed as of the date hereof or (B) that are not, individually or in the aggregate, material, to such Party's knowledge, neither such Party nor any of its Subsidiaries, nor any director or officer of such Party or any of its Subsidiaries, nor any employee, agent or representative or other Person who performs or has performed services on behalf of such Party or any of its Subsidiaries has, directly or indirectly, on behalf or for the benefit of such Party or Subsidiary, violated any, or, is subject to actual or pending or threatened Legal Proceedings, demand letters, settlements or enforcement actions relating to any Anti-Bribery Law.

(ii) Neither Party nor any of its Subsidiaries, nor any director or officer of such Party or any of its Subsidiaries, is a Person that is the subject or target of any Sanctions, nor are any of the foregoing designated as a Specially Designated National or Blocked Person by OFAC.

ARTICLE 8

PUBLIC ANNOUNCEMENTS; CONFIDENTIALITY

Section 8.1 Public Announcements. Except as otherwise expressly contemplated by or necessary to implement the provisions of this Agreement, and except for the joint press release to be issued by the Parties in the form previously agreed, neither Delta nor LATAM (nor any of their respective Affiliates) shall issue any press release or otherwise make any public statements or disclosure with respect to the execution or performance of this Agreement or to the transactions contemplated hereby without the prior written consent of the other Party; provided, however, that neither Party shall be restrained from making such disclosure as may be required by Law or by the listing agreement with or regulations of any stock exchange (in which case the Party seeking to make such disclosure shall promptly notify the other Party thereof and the Parties shall use reasonable efforts to cause a mutually agreeable release or announcement to be issued); provided, further, that each Party may make public statements, disclosures or communications in response to inquiries from the press, analysts, investors, customers or suppliers or via industry conferences or analyst or investor conference calls, so long as such statements, disclosures or communications are not inconsistent in tone and substance with previous public statements, disclosures or communications jointly made by Delta or LATAM or to the extent that they have been reviewed and previously approved by both Delta and LATAM.

Section 8.2 Confidentiality. Subject to the requirements of applicable Law, each Party acknowledges that this Agreement and the information provided to it and its representatives in connection with this Agreement and the transactions contemplated hereby are subject to the terms of the confidentiality provisions of the Confidentiality Agreement (and other than any terms of the Confidentiality Agreement which are no longer applicable on their face, such as regarding code names and the existence of this Agreement and the transactions contemplated hereby) which shall be deemed incorporated herein by reference as if set forth herein except that the term of such Confidentiality Agreement shall be extended through the date that is the earlier of the third (3rd) anniversary of any termination under Section 10.1 (*Termination*) of this Agreement and the effectiveness of the Strategic Alliance Agreements.

ARTICLE 9

TAX

Section 9.1 Additional Amounts. All payments made under this Agreement to LATAM shall be made without deduction for any tax and are exclusive of any sales tax, value-added tax or similar taxes. To the extent that the payor is required to withhold taxes with respect to a payment to LATAM as a result of a Change in Law that occurred between the date of this Agreement and the date of such payment, then (i) the payor shall promptly notify LATAM of the need to withhold such taxes with respect to such payment, and (ii) Delta and LATAM shall use commercially reasonable efforts to restructure such payment and this Agreement in order to reduce such taxes, provided that if such taxes are still required to be withheld despite such efforts then the payor shall be entitled to withhold such taxes and shall timely pay the full amount deducted or withheld to the relevant Governmental Body in accordance with applicable Law.

Section 9.2 Section 833. LATAM represents and warrants that (a) it is eligible to rely on Section 883 of the Code with respect to income derived from the international operation of aircraft, and (b) it has properly excluded from U.S. federal income taxation under Section 883 of the Code all income received from any similar arrangements which involve flights between the United States and South America. The Parties covenant to treat all payments made to LATAM under this Agreement as excludable from U.S. federal income taxation under Section 883 of the Code, and agree to take no tax, accounting or regulatory position inconsistent with such treatment.

ARTICLE 10 TERMINATION

Section 10.1 Termination. This Agreement may be terminated:

- (a) by the mutual written consent of Delta and LATAM;
- (b) by LATAM, upon a material breach by Delta of this Agreement or the Strategic Alliance Agreements, which breach is not curable or, if curable, is not cured within sixty (60) days after notice thereof is given by LATAM; provided, that LATAM shall not have the right to terminate this Agreement pursuant to this Section 10.1(b) (*Termination*) if LATAM is then in material breach of this Agreement or the Strategic Alliance Agreements;
- (c) by Delta, upon a material breach by LATAM of this Agreement or the Strategic Alliance Agreements, which breach is not curable or, if curable, is not cured within sixty (60) days after notice thereof is given by Delta; provided, that Delta shall not have the right to terminate this Agreement pursuant to this Section 10.1(c) (*Termination*) if Delta is then in material breach of this Agreement or the Strategic Alliance Agreements;
- (d) by either Delta or LATAM, upon notice to the other, at any time after [***], if the Strategic Alliance Implementation Date has not occurred on or before such date; or
- (e) so long as the Tender Offer has not been consummated in accordance with the terms hereof, by LATAM upon notice to Delta delivered within one hundred eighty (180) days after the Tender Offer Outside Date; provided that prior to the exercise of such termination right,

the chief executive officer of LATAM shall have engaged in good faith consultations with the chief executive officer of Delta for a period of at least thirty (30) days.

Section 10.2 Effect of Termination.

(a) In the event of the termination of this Agreement by any Party pursuant to the terms hereof, notice thereof shall forthwith be given to the other Party specifying the provision hereof pursuant to which such termination is made, and there shall be no liability or obligation thereafter on the part of either Party (or any of its or their respective Affiliates or Representatives); provided, however, and notwithstanding anything to the contrary set forth in this Agreement, (a) no such termination shall relieve any Party of any liability in connection with any other Party resulting from any breach of any provision of this Agreement prior to such termination, and (b) the provisions set forth in (A) Section 3.4 (*Effect of Termination*) (and, to the extent contemplated by Section 3.4, Section 3.1), (B) Article 5 (*Aircraft Transactions*) (including the Aircraft Agreements and the transactions contemplated thereby), (C) Section 6.3 (*Standstill*), (D) Section 6.4(d) (*Restriction on Transfer*), Section 6.4(e) (*Restriction on Transfer*) and Section 6.4(f) (*Restrictions on Transfers*), (E) Section 8.2 (*Confidentiality*), (F) this Section 10.2 (*Effect of Termination*), (G) Section 11.1 (*Indemnification*) and (H) Article 12 (*Miscellaneous*) shall survive any such termination of this Agreement.

(b) In addition to any other remedies as shall be available under this Agreement, (i) upon a termination pursuant to Section 10.1(b) or Section 10.01(d) (*Termination*), Delta shall, as promptly as practicable but in any event no later than within eighteen (18) months of the date of termination of this Agreement, take such actions as may be required to reduce its and its Affiliates' aggregate holdings to less than five percent (5%) of LATAM Shares, and (ii) in the case of any termination under Section 10.1(b) (*Termination*), Delta shall, and shall cause its Affiliates to, (x) promptly cause any designees of Delta to the board of directors of LATAM to resign or to be removed from such office, (y) not seek to nominate any directors to the board of directors of LATAM and (z) exercise its voting rights (including in respect of the board) pro rata in accordance with the vote by the other holders of LATAM Shares.

ARTICLE 11 INDEMNIFICATION

Section 11.1 Indemnification for Breach. Each Party shall indemnify, defend and hold harmless the other Party and each of their respective Affiliates, successors and assigns, from and against any and all claims, actions, suits, proceedings, losses (including lost profits), damages, liabilities, costs and expenses (including reasonable attorneys' fees and disbursements in connection with the enforcement of any claim for breach) (collectively, "Damages"), arising out of or resulting from, directly or indirectly, any failure by it or any of its Subsidiaries or Representatives to comply with the terms of this Agreement or any Definitive Agreement.

ARTICLE 12 MISCELLANEOUS

Section 12.1 Fees and Expenses. Except as otherwise expressly provided in this Agreement, whether or not the transactions contemplated herein are consummated, all costs and expenses incurred, including fees and disbursements of counsel, financial advisors and accountants, in connection with this Agreement and the transactions contemplated hereby shall be borne by the Party incurring such costs and expenses; provided, however, that, in the event this Agreement is terminated in accordance with its terms, the obligation of each Party to bear its own costs and expenses will be subject to any rights of such Party arising from a breach of this Agreement by the other Party prior to such termination.

Section 12.2 Late Payments. Any amount that is not paid when due hereunder shall bear interest from and including the date payment of such amount was due through to the date of actual payment at the per annum rate of [***].

Section 12.3 Notices. All notices or other communications to be delivered in connection with this Agreement shall be in writing and shall be deemed to have been properly delivered, given and received (a) on the date of delivery if delivered by hand during normal business hours of the recipient during a Business Day, otherwise on the next Business Day, (b) on the date of successful transmission if sent via email during normal business hours of the recipient during a Business Day, otherwise on the next Business Day, or (c) on the date of receipt by the addressee if sent by an internationally recognized overnight courier, if received on a Business Day, otherwise on the next Business Day. Such notices or other communications must be sent to each respective Party at the address or email address set forth below (or at such other address or email address as shall be specified by a Party in a notice given in accordance with this Section 12.3 (*Notices*)):

If to LATAM: LATAM Airlines Group S.A.
Presidente Riesco 5711, 20th Floor
Las Condes, Santiago, Chile
E-mail: [***]
Attention: Juan Carlos Mencio

with a copy (which shall not constitute notice) to:

Claro & Cia
Av. Apoquindo 3721, 14th floor
Postal Code 755 0177
Santiago, Chile
Email: jmeyzaguirre@claro.cl
Attention: José María Eyzaguirre B.

Cleary Gottlieb Steen & Hamilton
One Liberty Plaza
New York, NY 10006
Email: jlewis@cgsh.com; ckordula@cgsh.com
Attention: Jeffrey S. Lewis and Chantal E. Kordula

If to Delta: Delta Air Lines, Inc.

1040 Delta Boulevard
Atlanta, GA 30354
Email: [***]
Attention: Chief Legal Officer

with a copy (which shall not constitute notice) to:

Sullivan & Cromwell LLP
125 Broad St
New York, NY 10004
Email: galviss@sullcrom.com; ahlersw@sullcrom.com
Attention: Sergio J. Galvis and Werner F. Ahlers

Section 12.4 Entire Agreement. This Agreement together with the Confidentiality Agreement and the Definitive Agreements constitute the sole and entire agreement of the Parties with respect to the subject matter contained herein and therein, and they supersede all other prior representations, warranties, understandings and agreements, both written and oral, with respect to such subject matter.

Section 12.5 Amendment. This Agreement shall not be amended, modified or supplemented except by an instrument in writing specifically designated as an amendment hereto and executed by each of the Parties.

Section 12.6 Waivers. Either Party may, at any time, (a) extend the time for the performance of any of the obligations or other acts of the other Party, (b) waive any inaccuracies in the representations and warranties of the other Party contained herein or (c) waive compliance by the other Party with any of the agreements or conditions contained herein. No waiver, consent or agreement by any Party with respect to any of the provisions hereof shall be effective unless explicitly set forth in a written instrument executed and delivered by the Party so waiving, consenting or agreeing. No waiver by any Party of any breach of this Agreement shall operate or be construed as a waiver of any preceding or subsequent breach, whether of a similar or different character, unless expressly set forth in such written waiver. Neither any course of conduct or failure or delay of any Party in exercising or enforcing any right, remedy or power hereunder shall operate or be construed as a waiver thereof, nor shall any single or partial exercise of any right, remedy or power hereunder, or any abandonment or discontinuance of steps to enforce such right, remedy or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right, remedy or power.

Section 12.7 Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced in any situation or in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other term or provision hereof or the offending term or provision in any other situation or any other jurisdiction. Upon any such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible, in a mutually acceptable manner, in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 12.8 No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of each Party and its successors and permitted assigns, and nothing in this Agreement, express or implied, is intended to or shall be construed to confer upon any other Person any legal or equitable rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement. This Agreement may be amended or terminated, and any provision of this Agreement may be waived, in accordance with the terms hereof without the consent of any Person other than the Parties. For the avoidance of doubt, nothing in this Section 12.8 (*No Third Party Beneficiary*) shall affect any rights that any Person (other than the Parties or their Affiliates) may have by operation of applicable Law.

Section 12.9 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned or delegated, in whole or in part, by either Party without the prior written consent of the other Party, and any purported assignment or delegation in contravention of this Section 12.9 (Assignment) shall be null and void and of no force and effect. Subject to the preceding sentences of this Section 12.9 (Assignment), this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the Parties and their respective successors and permitted assigns. In the event that LATAM or Delta or any of their successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and other assets to any Person, then, and in each such case, the merging or transferor Party shall cause proper provision to be made so that such successor or assign shall expressly assume the obligations of such Party set forth in this Agreement.

Section 12.10 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) This Agreement and all matters, claims, controversies, disputes, suits, actions or proceedings arising out of or relating to this Agreement and the negotiation, execution or performance of this Agreement or any of the transactions contemplated hereby, including all rights of the Parties (whether sounding in contract, tort, common or statutory law, equity or otherwise) in connection therewith, shall be interpreted, construed and governed by and in accordance with, and enforced pursuant to, the internal Laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the Law of any jurisdiction other than those of the State of New York.

(b) Each of the Parties hereby (i) agrees and irrevocably consents to submit itself to the exclusive jurisdiction of the United States District Court for the Southern District of New York or, to the extent such court does not have subject matter jurisdiction, any New York State court sitting in the Borough of Manhattan of the City of New York (the “Chosen Court”) in any Legal Proceeding arising out of or relating to this Agreement or the negotiation, execution or performance of this Agreement or any of the transactions contemplated hereby, (ii) agrees that all claims in respect of any such Legal Proceeding will be heard and determined in the Chosen Court, (iii) agrees that it shall not attempt to deny or defeat such jurisdiction by motion or other request for leave from the Chosen Court, (iv) agrees not to bring or support any Legal Proceeding arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement (whether in contract, tort, common or statutory law, equity or otherwise) anywhere other than the Chosen Court and

(v) agrees that a final judgment in any such Legal Proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law. Each of the Parties waives any defense of inconvenient forum to the maintenance of any Legal Proceeding brought in any Chosen Court in accordance with this Section 12.10(b) (*Governing Law; Submission to Jurisdiction; Waiver of Jury Trial*). Each of the Parties agrees that the service of any process, summons, notice or document in connection with any such Legal Proceeding in the manner provided in Section 12.3 (*Notices*) or in such other manner as may be permitted by applicable Law, will be valid and sufficient service thereof.

(c) EACH PARTY (I) ACKNOWLEDGES AND AGREES THAT ANY LEGAL PROCEEDING THAT MAY ARISE UNDER OR RELATE TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND (II) HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY (A) CERTIFIES AND ACKNOWLEDGES THAT NO REPRESENTATIVE OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF ANY LEGAL PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) CERTIFIES AND ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION OF THIS AGREEMENT, (C) UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER AND (D) MAKES THIS WAIVER VOLUNTARILY.

Section 12.11 Specific Performance. The Parties agree that irreparable damage and harm would occur in the event that any provision of this Agreement were not performed in accordance with its terms and that, although monetary damages may be available for such a breach, monetary damages would be an inadequate remedy therefor. Accordingly, each of the Parties agrees that, in the event of any breach or threatened breach of any provision of this Agreement by such Party, the other Party shall be entitled to an injunction or injunctions, specific performance and other equitable relief to prevent or restrain breaches or threatened breaches hereof and to specifically enforce the terms and provisions hereof. A Party seeking an order or injunction to prevent breaches of this Agreement or to enforce specifically the terms and provisions hereof shall not be required to provide, furnish or post any bond or other security in connection with or as a condition to obtaining any such order or injunction, and each Party hereby irrevocably waives any right it may have to require the provision, furnishing or posting of any such bond or other security. In the event that any Legal Proceeding should be brought in equity to enforce the provisions of this Agreement, each Party agrees that it shall not allege, and each Party hereby waives the defense, that there is an adequate remedy available at law.

Section 12.12 Further Assurances. On the terms and subject to the conditions set forth herein, the Parties shall cooperate with each other and use (and cause their respective Subsidiaries to use) their respective reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, as promptly as practicable, reasonably necessary, proper or advisable

on their part under this Agreement and applicable Law: (i) to undertake and complete the actions and consummate all of the transactions contemplated by this Agreement (including entry into the Definitive Agreements and implementation of the Strategic Alliance), (ii) to deliver such notices and take such other actions as may be required to terminate, in accordance with their terms, Existing Agreements that limit the operation of the provisions hereof or any of the Definitive Agreements and (iii) to prepare and file as promptly as reasonably practicable all documentation to effect all necessary Filings and to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations, necessary or advisable to be obtained in order to comply with the terms hereof.

Section 12.13 Counterparts and Electronic Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall be deemed to be one and the same agreement or document. A signed copy of this Agreement transmitted by email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Agreement for all purposes.

Section 12.14 Time Is of the Essence. Time is of the essence in the performance of the transactions contemplated by this Agreement.

Section 12.15 Essential Covenants. Delta and LATAM acknowledge that the covenants set forth in Article 2 (*Strategic Alliance*), Article 3 (*Transition Costs Payments*), Article 4 (*Transition Support*), Article 5 (*Aircraft Transactions*) and Article 6 (*Acquisition by Delta of Minority Stake in LATAM*) are essential elements of this Agreement and represent a significant portion of the consideration to be received by LATAM and Delta, as the case may be, under this Agreement, but for these covenants, the Parties would not have entered into this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

LATAM AIRLINES GROUP S.A.

By: /s/ Enrique Cueto Plaza
Name: Enrique Cueto Plaza
Title: Chief Executive Officer

DELTA AIR LINES, INC.

By: /s/ Ed Bastian
Name: Ed Bastian
Title: Chief Executive Officer

October 10, 2019

The Board of Directors and Stockholders of
Delta Air Lines, Inc.

We are aware of the incorporation by reference in the Registration Statements (Form S-3 No.'s 333-216463, 333-229720 and 333-230087, and Form S-8 No.'s 333-142424, 333-149308, 333-154818, 333-151060, and 333-212525) of Delta Air Lines, Inc. for the registration of its securities of our report dated October 10, 2019 relating to the unaudited condensed consolidated interim financial statements of Delta Air Lines, Inc. that are included in its Form 10-Q for the quarter ended September 30, 2019.

/s/ Ernst & Young LLP

I, Edward H. Bastian, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Delta Air Lines, Inc. ("Delta") for the quarterly period ended September 30, 2019;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Delta as of, and for, the periods presented in this report;
4. Delta's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Delta and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Delta, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of Delta's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in Delta's internal control over financial reporting that occurred during Delta's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Delta's internal control over financial reporting; and
5. Delta's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Delta's auditors and the Audit Committee of Delta's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Delta's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Delta's internal control over financial reporting.

October 10, 2019

/s/ Edward H. Bastian

Edward H. Bastian

Chief Executive Officer

I, Paul A. Jacobson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Delta Air Lines, Inc. ("Delta") for the quarterly period ended September 30, 2019;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Delta as of, and for, the periods presented in this report;
4. Delta's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Delta and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Delta, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of Delta's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in Delta's internal control over financial reporting that occurred during Delta's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Delta's internal control over financial reporting; and
5. Delta's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Delta's auditors and the Audit Committee of Delta's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Delta's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Delta's internal control over financial reporting.

October 10, 2019

/s/ Paul A. Jacobson

Paul A. Jacobson

Executive Vice President and Chief Financial Officer

October 10, 2019
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Ladies and Gentlemen:

The certifications set forth below are hereby submitted to the Securities and Exchange Commission pursuant to, and solely for the purpose of complying with, Section 1350 of Chapter 63 of Title 18 of the United States Code in connection with the filing on the date hereof with the Securities and Exchange Commission of the quarterly report on Form 10-Q of Delta Air Lines, Inc. ("Delta") for the quarterly period ended September 30, 2019 (the "Report").

Each of the undersigned, the Chief Executive Officer and the Executive Vice President and Chief Financial Officer, respectively, of Delta, hereby certifies that, as of the end of the period covered by the Report:

1. such Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Delta.

/s/ Edward H. Bastian

Edward H. Bastian

Chief Executive Officer

/s/ Paul A. Jacobson

Paul A. Jacobson

Executive Vice President and Chief Financial Officer