

Atlas Air Worldwide Holdings, Inc.
Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	For the Three Months		For the Twelve Months	
	Ended		Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Operating Revenue	\$ 627,952	\$ 529,725	\$ 2,156,460	\$ 1,839,627
Operating Expenses				
Salaries, wages and benefits	125,995	102,967	456,075	424,332
Aircraft fuel	93,080	85,131	333,046	275,113
Maintenance, materials and repairs	61,634	43,886	273,676	206,106
Depreciation and amortization	45,800	39,154	166,713	148,876
Travel	39,189	33,457	144,699	127,748
Aircraft rent	39,207	36,620	142,945	146,110
Navigation fees, landing fees and other rent	39,060	22,050	116,318	78,441
Passenger and ground handling services	30,600	25,086	107,787	89,657
Loss (gain) on disposal of aircraft	(95)	-	(31)	(11)
Special charge	106	3,509	106	10,140
Transaction-related expenses	1,106	585	4,509	22,071
Other	45,522	35,848	168,643	142,733
Total Operating Expenses	521,204	428,293	1,914,486	1,671,316
Operating Income	106,748	101,432	241,974	168,311
Non-operating Expenses (Income)				
Interest income	(1,723)	(1,207)	(6,009)	(5,532)
Interest expense	26,940	21,055	99,687	84,650
Capitalized interest	(1,756)	(1,207)	(7,389)	(3,313)
Loss on early extinguishment of debt	-	-	167	132
Unrealized loss (gain) on financial instruments	(23,692)	27,901	12,533	2,888
Other income	(30)	442	(387)	70
Total Non-operating Expenses (Income)	(261)	46,984	98,602	78,895
Income (loss) from continuing operations before income taxes	107,009	54,448	143,372	89,416
Income tax (benefit) expense	(102,445)	25,712	(80,966)	46,791
Income from continuing operations, net of taxes	209,454	28,736	224,338	42,625
Loss from discontinued operations, net of taxes	(6)	(319)	(865)	(1,109)
Net Income	\$ 209,448	\$ 28,417	\$ 223,473	\$ 41,516
Earnings per share from continuing operations:				
Basic	\$ 8.28	\$ 1.15	\$ 8.89	\$ 1.72
Diluted	\$ 6.71	\$ 1.12	\$ 8.68	\$ 1.70
Loss per share from discontinued operations:				
Basic	\$ (0.00)	\$ (0.01)	\$ (0.03)	\$ (0.04)
Diluted	\$ (0.00)	\$ (0.01)	\$ (0.03)	\$ (0.04)
Earnings per share:				
Basic	\$ 8.28	\$ 1.14	\$ 8.85	\$ 1.67
Diluted	\$ 6.71	\$ 1.11	\$ 8.64	\$ 1.65
Weighted average shares:				
Basic	25,282	25,008	25,241	24,843
Diluted	27,435	25,554	25,854	25,120

Atlas Air Worldwide Holdings, Inc.
Consolidated Balance Sheets
(in thousands, except share data)
(Unaudited)

	December 31, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 280,809	\$ 123,890
Short-term investments	13,604	4,313
Restricted cash	11,055	14,360
Accounts receivable, net of allowance of \$1,494 and \$997, respectively	194,478	166,486
Prepaid maintenance	13,346	4,418
Prepaid expenses and other current assets	74,294	44,603
Total current assets	587,586	358,070
Property and Equipment		
Flight equipment	4,447,097	3,886,714
Ground equipment	70,951	68,688
Less: accumulated depreciation	(701,249)	(568,946)
Flight equipment modifications in progress	186,302	154,226
Property and equipment, net	4,003,101	3,540,682
Other Assets		
Long-term investments and accrued interest	15,371	27,951
Deferred costs and other assets	242,919	204,647
Intangible assets, net and goodwill	106,485	116,029
Total Assets	\$ 4,955,462	\$ 4,247,379
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 65,740	\$ 59,543
Accrued liabilities	454,843	320,887
Current portion of long-term debt and capital lease	218,013	184,748
Total current liabilities	738,596	565,178
Other Liabilities		
Long-term debt and capital lease	2,008,986	1,666,663
Deferred taxes	214,694	298,165
Financial instruments and other liabilities	203,330	200,035
Total other liabilities	2,427,010	2,164,863
Commitments and contingencies		
Equity		
Stockholders' Equity		
Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued	-	-
Common stock, \$0.01 par value; 100,000,000 shares authorized; 30,104,648 and 29,633,605 shares issued, 25,292,454 and 25,017,242 shares outstanding (net of treasury stock), as of December 31, 2017 and December 31, 2016, respectively	301	296
Additional paid-in-capital	715,735	657,082
Treasury stock, at cost; 4,812,194 and 4,616,363 shares, respectively	(193,732)	(183,119)
Accumulated other comprehensive loss	(3,993)	(4,993)
Retained earnings	1,271,545	1,048,072
Total stockholders' equity	1,789,856	1,517,338
Total Liabilities and Equity	\$ 4,955,462	\$ 4,247,379

¹ Balance sheet debt at December 31, 2017 totaled \$2,227.0 million, including the impact of \$101.3 million of unamortized discount and debt issuance costs of \$50.5 million.

² The face value of our debt at December 31, 2017 totaled \$2,378.8 million, compared with \$1,943.4 million on December 31, 2016.

Atlas Air Worldwide Holdings, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	For the Twelve Months Ended	
	December 31, 2017	December 31, 2016
Operating Activities:		
Income from continuing operations, net of taxes	\$ 224,338	\$ 42,625
Less: Loss from discontinued operations, net of taxes	(865)	(1,109)
Net Income	223,473	41,516
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Depreciation and amortization	197,463	168,721
Accretion of debt securities discount	(1,172)	(1,277)
Provision for allowance for doubtful accounts	198	508
Special charge, net of cash payments	106	10,140
Loss on early extinguishment of debt	167	132
Unrealized loss (gain) on financial instruments	12,533	2,888
Loss (gain) on disposal of aircraft	(31)	(11)
Deferred taxes	(81,330)	47,381
Stock-based compensation expense	22,319	32,724
Changes in:		
Accounts receivable	(33,201)	22,974
Prepaid expenses, current assets and other assets	(67,341)	(29,455)
Accounts payable and accrued liabilities	58,535	(64,059)
Net cash provided by operating activities	331,719	232,182
Investing Activities:		
Capital expenditures	(87,555)	(46,717)
Payments for flight equipment and modifications	(458,464)	(316,993)
Acquisition of business, net of cash acquired	-	(105,392)
Proceeds from investments	4,462	11,714
Net cash used for investing activities	(541,557)	(457,388)
Financing Activities:		
Proceeds from debt issuance	620,568	103,492
Payment of debt issuance costs	(14,664)	(4,034)
Payments of debt	(207,093)	(179,153)
Proceeds from revolving credit facility	150,000	-
Payment of revolving credit facility	(150,000)	-
Customer maintenance reserves and deposits received	25,784	15,105
Customer maintenance reserves paid	(18,538)	-
Proceeds from sale of convertible note warrants	38,148	-
Payments for convertible note hedges	(70,140)	-
Purchase of treasury stock	(10,613)	(11,275)
Excess tax benefit from stock-based compensation expense	-	390
Net cash provided by (used for) financing activities	363,452	(75,475)
Net increase (decrease) in cash, cash equivalents and restricted cash	153,614	(300,681)
Cash, cash equivalents and restricted cash at the beginning of period	138,250	438,931
Cash, cash equivalents and restricted cash at the end of period	\$ 291,864	\$ 138,250
Noncash Investing and Financing Activities:		
Acquisition of flight equipment included in Accounts payable and accrued liabilities	\$ 68,732	\$ 14,345
Acquisition of flight equipment under capital lease	\$ 30,419	\$ 10,800

Atlas Air Worldwide Holdings, Inc.
Direct Contribution
(in thousands)
(Unaudited)

	<u>For the Three Months Ended</u>		<u>For the Twelve Months Ended</u>	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Operating Revenue:				
ACMI	\$ 300,759	\$ 234,225	\$ 988,741	\$ 834,997
Charter	291,261	265,197	1,034,562	881,991
Dry Leasing	33,699	26,630	119,820	105,795
Customer incentive asset amortization	(2,387)	(362)	(5,261)	(537)
Other	4,620	4,035	18,598	17,381
Total Operating Revenue	<u>\$ 627,952</u>	<u>\$ 529,725</u>	<u>\$ 2,156,460</u>	<u>\$ 1,839,627</u>
Direct Contribution:				
ACMI	\$ 90,136	\$ 78,725	\$ 231,271	\$ 200,563
Charter	62,509	55,146	151,388	133,727
Dry Leasing	10,310	8,414	39,939	33,114
Total Direct Contribution for Reportable Segments	<u>162,955</u>	<u>142,285</u>	<u>422,598</u>	<u>367,404</u>
Unallocated income and expenses, net	(78,521)	(55,842)	(261,942)	(242,768)
Loss on early extinguishment of debt	-	-	(167)	(132)
Unrealized loss (gain) on financial instruments	23,692	(27,901)	(12,533)	(2,888)
Special charge	(106)	(3,509)	(106)	(10,140)
Transaction-related expenses	(1,106)	(585)	(4,509)	(22,071)
Loss (gain) on disposal of aircraft	95	-	31	11
Income (loss) from continuing operations before income taxes	<u>107,009</u>	<u>54,448</u>	<u>143,372</u>	<u>89,416</u>
Add back (subtract):				
Interest income	(1,723)	(1,207)	(6,009)	(5,532)
Interest expense	26,940	21,055	99,687	84,650
Capitalized interest	(1,756)	(1,207)	(7,389)	(3,313)
Loss on early extinguishment of debt	-	-	167	132
Unrealized loss (gain) on financial instruments	(23,692)	27,901	12,533	2,888
Other income	(30)	442	(387)	70
Operating Income	<u>\$ 106,748</u>	<u>\$ 101,432</u>	<u>\$ 241,974</u>	<u>\$ 168,311</u>

Atlas Air Worldwide uses an economic performance metric, Direct Contribution, to show the profitability of each of its segments after allocation of direct ownership costs. Atlas Air Worldwide currently has the following reportable segments: ACMI, Charter, and Dry Leasing. Each segment has different commercial and economic characteristics, which are separately reviewed by our chief operating decision maker.

Direct Contribution consists of income (loss) from continuing operations before taxes, excluding loss on early extinguishment of debt, unrealized loss (gain) on financial instruments, special charge, transaction-related expenses, loss (gain) on the disposal of aircraft, nonrecurring items, and unallocated income and expenses, net.

Direct operating and ownership costs include crew costs, maintenance, fuel, ground operations, sales costs, aircraft rent, interest expense on the portion of debt used for financing aircraft, interest income on debt securities, and aircraft depreciation.

Unallocated income and expenses, net include corporate overhead, nonaircraft depreciation, noncash expenses and income, interest expense on the portion of debt used for general corporate purposes, interest income on nondebt securities, capitalized interest, foreign exchange gains and losses, other revenue and other nonoperating costs.

Atlas Air Worldwide Holdings, Inc.
Reconciliation to Non-GAAP Measures
(in thousands, except per share data)
(Unaudited)

	For the Three Months Ended		
	December 31, 2017	December 31, 2016	Percent Change
Income from continuing operations, net of taxes	\$ 209,454	\$ 28,736	628.9%
Impact from:			
U.S. Tax Cuts and Jobs Act special bonus ¹	3,684	-	
Loss (gain) on disposal of aircraft	(95)	-	
Special charge	106	3,509	
Costs associated with transactions ²	1,106	585	
Accrual for legal matters and professional fees	2,529	(312)	
Noncash expenses and income, net ³	6,397	2,304	
Unrealized loss (gain) on financial instruments	(23,692)	27,901	
Charges associated with benefit plan change in control	-	(2,642)	
Income tax effect of reconciling items ⁴	(2,901)	(1,116)	
Impact of U.S. Tax Cuts and Jobs Act ⁵	(129,977)	-	
Adjusted income from continuing operations, net of taxes	<u>\$ 66,611</u>	<u>\$ 58,965</u>	<u>13.0%</u>
Weighted average diluted shares outstanding	27,435	25,554	
Add: dilutive warrant	-	772	
Adjusted weighted average diluted shares outstanding	<u>27,435</u>	<u>26,326</u>	
Adjusted Diluted EPS from continuing operations, net of taxes	<u>\$ 2.43</u>	<u>\$ 2.24</u>	<u>8.5%</u>

	For the Twelve Months Ended		
	December 31, 2017	December 31, 2016	Percent Change
Income from continuing operations, net of taxes	\$ 224,338	\$ 42,625	426.3%
Impact from:			
U.S. Tax Cuts and Jobs Act special bonus ¹	3,684	-	
Loss (gain) on disposal of aircraft	(31)	(11)	
Special charge	106	10,140	
Costs associated with transactions ²	4,772	45,598	
Accrual for legal matters and professional fees	4,129	6,465	
Noncash expenses and income, net ³	17,934	8,111	
Charges associated with refinancing debt	167	132	
Unrealized loss (gain) on financial instruments	12,533	2,888	
Income tax effect of reconciling items ⁴	(3,962)	(1,651)	
Impact of U.S. Tax Cuts and Jobs Act ⁵	(129,977)	-	
Adjusted income from continuing operations, net of taxes	<u>\$ 133,693</u>	<u>\$ 114,297</u>	<u>17.0%</u>
Weighted average diluted shares outstanding	25,854	25,120	
Add: dilutive warrant	1,293	299	
effect of convertible notes hedges ⁶	(27)	-	
Adjusted weighted average diluted shares outstanding	<u>27,120</u>	<u>25,419</u>	
Adjusted Diluted EPS from continuing operations, net of taxes	<u>\$ 4.93</u>	<u>\$ 4.50</u>	<u>9.6%</u>

¹ U.S. Tax Cuts and Jobs Act bonus was granted to eligible personnel below the officer level following enactment.

² Costs associated with transactions in 2017 primarily related to our acquisition of Southern Air. Costs associated with transactions in 2016 primarily related to the Amazon transaction, including costs resulting from a change in control under certain benefit plans related to the Amazon transaction, and our acquisition of Southern Air.

³ Noncash expenses and income, net in 2017 primarily related to amortization of debt discount on outstanding convertible notes and amortization of customer incentive asset related to outstanding warrants. Noncash expenses and income, net in 2016 primarily related to amortization of debt discount on outstanding convertible notes.

⁴ Income tax effect of reconciling items in 2017 is primarily impacted by a nondeductible customer incentive related to outstanding warrants. Income tax effect of reconciling items in 2016 is primarily impacted by a nondeductible customer incentive and nondeductible compensation expenses resulting from a change in control, as defined under certain of the company's benefit plans, both related to outstanding warrants.

⁵ Income tax effect of U.S. Tax Cuts and Jobs Act is due to the revaluation of our U.S. net deferred tax liability.

⁶ Impact of the economic benefit from convertible note hedges in offsetting dilution from convertible notes.

Atlas Air Worldwide Holdings, Inc.
Reconciliation to Non-GAAP Measures
(in thousands, except per share data)
(Unaudited)

	For the Three Months Ended	
	December 31, 2017	December 31, 2016
Net Cash Provided by Operating Activities	\$ 136,613	\$ 131,338
Less:		
Capital expenditures	21,160	9,845
Capitalized interest	\$ 1,756	\$ 1,207
Free Cash Flow¹	\$ 113,697	\$ 120,286

	For the Twelve Months Ended	
	December 31, 2017	December 31, 2016
Net Cash Provided by Operating Activities	\$ 331,719	\$ 232,182
Less:		
Capital expenditures	87,555	46,717
Capitalized interest	\$ 7,389	\$ 3,313
Free Cash Flow¹	\$ 236,775	\$ 182,152

¹ Free Cash Flow = Cash Flows from Operations minus Base Capital Expenditures and Capitalized Interest.

Base Capital Expenditures excludes purchases of aircraft.

Atlas Air Worldwide Holdings, Inc.
Reconciliation to Non-GAAP Measures
(in thousands)
(Unaudited)

	<u>For the Three Months Ended</u>		<u>For the Twelve Months Ended</u>	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Income from continuing operations, net of taxes	\$ 209,454	\$ 28,736	\$ 224,338	\$ 42,625
Income tax expense	(102,445)	25,712	(80,966)	46,791
Income from continuing operations before income taxes	107,009	54,448	143,372	89,416
U.S. Tax Cuts and Jobs Act special bonus ¹	3,684	-	3,684	-
Noncash expenses and income, net ²	6,397	2,304	17,934	8,111
Gain on disposal of aircraft	(95)	-	(31)	(11)
Special charge ³	106	3,509	106	10,140
Costs associated with transactions ⁴	1,106	(2,057)	4,772	45,598
Accrual for legal matters and professional fees	2,529	(312)	4,129	6,465
Charges associated with refinancing debt	-	-	167	132
Unrealized gain on financial instruments	(23,692)	27,901	12,533	2,888
Adjusted pretax income	97,044	85,793	186,666	162,739
Interest (income) expense, net ⁵	19,924	17,296	75,631	70,616
Other non-operating expenses (income)	(30)	442	(387)	70
Adjusted operating income	116,938	103,531	261,910	233,425
Depreciation and amortization	45,800	39,154	166,713	148,876
EBITDA, as adjusted⁶	<u>\$ 162,738</u>	<u>\$ 142,685</u>	<u>\$ 428,623</u>	<u>\$ 382,301</u>
Income tax expense	\$ (102,445)	\$ 25,712	\$ (80,966)	\$ 46,791
Income tax effect of reconciling items ⁷	(2,901)	(1,116)	(3,962)	(1,651)
Impact of U.S. Tax Cuts and Jobs Act	(129,977)	-	(129,977)	-
Adjusted income tax expense	30,433	26,828	52,973	48,442
Adjusted pretax income	<u>\$ 97,044</u>	<u>\$ 85,793</u>	<u>\$ 186,666</u>	<u>\$ 162,739</u>
Adjusted effective tax rate	<u>31.4%</u>	<u>31.3%</u>	<u>28.4%</u>	<u>29.8%</u>

¹ U.S. Tax Cuts and Jobs Act bonus was granted to eligible personnel below the officer level following enactment.

² Reflects impact of noncash expenses and income related to convertible notes, debt and investments, and amortization of customer incentive related to outstanding warrants.

³ Special charge in 2016 primarily represented a loss on engines held for sale.

⁴ Costs associated with transactions in 2017 primarily related to our acquisition of Southern Air. Costs associated with transactions in 2016 primarily related to the Amazon transaction, including costs resulting from a change in control under certain benefit plans.

⁵ Reflects impact of noncash expenses and income related to convertible notes, debt, operating leases and investments.

⁶ Adjusted EBITDA: Earnings before interest, taxes, depreciation, amortization, noncash interest expenses and income, net, gain on disposal of aircraft, special charge, costs associated with transactions, accrual for legal matters and professional fees, charges associated with refinancing debt, and unrealized loss (gain) on financial instruments, as applicable.

⁷ See Non-GAAP reconciliation of Adjusted income from continuing operations, net of taxes.

Atlas Air Worldwide Holdings, Inc.
Operating Statistics and Traffic Results
(Unaudited)

	<u>For the Three Months Ended</u>		Increase/ (Decrease)	<u>For the Twelve Months Ended</u>		Increase/ (Decrease)
	<u>December 31, 2017</u>	<u>December 31, 2016</u>		<u>December 31, 2017</u>	<u>December 31, 2016</u>	
Block Hours						
ACMI	55,271	43,081	12,190	189,248	151,919	37,329
Charter						
Cargo	11,718	13,678	(1,960)	42,625	40,376	2,249
Passenger	4,009	3,650	359	18,912	16,403	2,509
Other	565	397	168	2,017	1,746	271
Total Block Hours	<u>71,563</u>	<u>60,806</u>	<u>10,757</u>	<u>252,802</u>	<u>210,444</u>	<u>42,358</u>
Revenue Per Block Hour						
ACMI	\$ 5,442	\$ 5,437	\$ 5	\$ 5,225	\$ 5,496	\$ (272)
Charter	\$ 18,520	\$ 15,305	\$ 3,215	\$ 16,812	\$ 15,534	\$ 1,278
Cargo	\$ 19,013	\$ 14,827	\$ 4,186	\$ 17,015	\$ 14,861	\$ 2,155
Passenger	\$ 17,079	\$ 17,094	\$ (15)	\$ 16,354	\$ 17,191	\$ (837)
Average Utilization (block hours per day)						
ACMI ¹	9.2	9.3	(0.1)	9.0	8.9	0.1
Charter						
Cargo	12.2	12.7	(0.5)	10.2	9.6	0.6
Passenger	7.0	6.5	0.5	7.7	8.0	(0.3)
All Operating Aircraft ^{1,2}	<u>9.5</u>	<u>9.7</u>	<u>(0.2)</u>	<u>9.2</u>	<u>9.0</u>	<u>0.2</u>
Fuel						
Charter						
Average fuel cost per gallon	\$ 1.99	\$ 1.65	\$ 0.34	\$ 1.89	\$ 1.68	\$ 0.21
Fuel gallons consumed (000s)	46,666	51,614	(4,948)	176,093	163,862	12,231

¹ ACMI and All Operating Aircraft averages in the fourth quarter and 12 months of 2017 reflect the impact of increases in the number of CMI aircraft and amount of CMI flying compared with the same periods of 2016.

² Average of All Operating Aircraft excludes Dry Leasing aircraft, which do not contribute to block-hour volumes.

Atlas Air Worldwide Holdings, Inc.
Operating Statistics and Traffic Results
(Unaudited)

	For the Three Months Ended		Increase/ (Decrease)	For the Twelve Months Ended		Increase/ (Decrease)
	December 31,	December 31,		December 31,	December 31,	
	2017	2016	2017	2016		
Segment Operating Fleet (average aircraft equivalents during the period)						
ACMI¹						
747-8F Cargo	8.7	7.8	0.9	8.2	8.1	0.1
747-400 Cargo	17.4	13.7	3.7	14.8	13.1	1.7
747-400 Dreamlifter	2.9	2.4	0.5	3.0	2.8	0.2
777-200 Cargo	5.0	5.0	-	5.0	3.7	1.3
767-300 Cargo	15.2	5.3	9.9	10.4	4.3	6.1
767-200 Cargo	9.0	9.0	-	9.0	9.0	-
737-400 Cargo	5.0	5.0	-	5.0	3.7	1.3
747-400 Passenger	1.0	1.0	-	1.0	1.0	-
767-200 Passenger	1.0	1.0	-	1.0	1.0	-
Total	65.2	50.2	15.0	57.4	46.7	10.7
Charter						
747-8F Cargo	1.3	2.2	(0.9)	1.8	1.9	(0.1)
747-400 Cargo	9.1	9.5	(0.4)	9.7	9.6	0.1
747-400 Passenger	2.0	2.0	-	2.0	2.0	-
767-300 Passenger	4.2	4.1	0.1	4.7	3.6	1.1
Total	16.6	17.8	(1.2)	18.2	17.1	1.1
Dry Leasing						
777-200 Cargo	6.0	6.0	-	6.0	6.0	-
767-300 Cargo	12.1	3.0	9.1	7.5	2.3	5.2
757-200 Cargo	1.0	1.0	-	1.0	1.0	-
737-300 Cargo	1.0	1.0	-	1.0	1.0	-
737-800 Passenger	1.0	1.0	-	1.0	1.0	-
Total	21.1	12.0	9.1	16.5	11.3	5.2
Less: Aircraft Dry Leased to CMI customers	(12.1)	(3.0)	(9.1)	(7.5)	(2.3)	(5.2)
Total Operating Average Aircraft Equivalents	90.8	77.0	13.8	84.6	72.8	11.8
Out of Service ²	-	-	-	-	-	-

¹ ACMI average fleet excludes spare aircraft provided by CMI customers.

² Out-of-service aircraft were temporarily parked during the period and are completely unencumbered.