

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

| | For the Three Months Ended | |
|---|-----------------------------------|-----------------------|
| | March 31, 2018 | March 31, 2017 |
| Operating Revenue | \$ 590,014 | \$ 475,394 |
| Operating Expenses | | |
| Salaries, wages and benefits | 125,082 | 104,087 |
| Aircraft fuel | 96,303 | 82,432 |
| Maintenance, materials and repairs | 84,879 | 72,816 |
| Depreciation and amortization | 49,630 | 37,894 |
| Travel | 39,847 | 32,359 |
| Aircraft rent | 39,524 | 36,073 |
| Navigation fees, landing fees and other rent | 35,597 | 18,535 |
| Passenger and ground handling services | 28,062 | 25,123 |
| Gain on disposal of aircraft | - | (54) |
| Transaction-related expenses | 270 | 915 |
| Other | 50,251 | 41,178 |
| Total Operating Expenses | 549,445 | 451,358 |
| Operating Income | 40,569 | 24,036 |
| Non-operating Expenses (Income) | | |
| Interest income | (1,724) | (1,256) |
| Interest expense | 27,342 | 21,524 |
| Capitalized interest | (1,750) | (1,780) |
| Unrealized loss on financial instruments | 7,740 | 5,213 |
| Other income | (4,475) | (253) |
| Total Non-operating Expenses (Income) | 27,133 | 23,448 |
| Income from continuing operations before income taxes | 13,436 | 588 |
| Income tax expense | 3,808 | 553 |
| Income from continuing operations, net of taxes | 9,628 | 35 |
| Loss from discontinued operations, net of taxes | (16) | (787) |
| Net Income (Loss) | \$ 9,612 | \$ (752) |
| Earnings per share from continuing operations: | | |
| Basic | \$ 0.38 | \$ - |
| Diluted | \$ 0.37 | \$ - |
| Loss per share from discontinued operations: | | |
| Basic | \$ (0.00) | \$ (0.03) |
| Diluted | \$ (0.00) | \$ (0.03) |
| Earnings (loss) per share: | | |
| Basic | \$ 0.38 | \$ (0.03) |
| Diluted | \$ 0.37 | \$ (0.03) |
| Weighted average shares: | | |
| Basic | 25,436 | 25,162 |
| Diluted | 25,956 | 25,744 |

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

| | March 31, 2018 | December 31, 2017 |
|---|-----------------------|--------------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 119,294 | \$ 280,809 |
| Short-term investments | 17,127 | 13,604 |
| Restricted cash | 11,110 | 11,055 |
| Accounts receivable, net of allowance of \$4,542 and \$1,494, respectively | 195,117 | 194,478 |
| Prepaid maintenance | 25,641 | 13,346 |
| Prepaid expenses and other current assets | 64,904 | 74,294 |
| Total current assets | 433,193 | 587,586 |
| Property and Equipment | | |
| Flight equipment | 4,658,870 | 4,447,097 |
| Ground equipment | 72,909 | 70,951 |
| Less: accumulated depreciation | (739,778) | (701,249) |
| Flight equipment modifications in progress | 242,084 | 186,302 |
| Property and equipment, net | 4,234,085 | 4,003,101 |
| Other Assets | | |
| Long-term investments and accrued interest | 10,680 | 15,371 |
| Deferred costs and other assets | 234,615 | 242,919 |
| Intangible assets, net and goodwill | 104,259 | 106,485 |
| Total Assets | \$ 5,016,832 | \$ 4,955,462 |
| | | |
| Liabilities and Equity | | |
| Current Liabilities | | |
| Accounts payable | \$ 90,333 | \$ 65,740 |
| Accrued liabilities | 430,146 | 454,843 |
| Current portion of long-term debt and capital lease | 223,308 | 218,013 |
| Total current liabilities | 743,787 | 738,596 |
| Other Liabilities | | |
| Long-term debt and capital lease | 2,047,562 | 2,008,986 |
| Deferred taxes | 217,223 | 214,694 |
| Financial instruments and other liabilities | 215,961 | 203,330 |
| Total other liabilities | 2,480,746 | 2,427,010 |
| 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; 30,544,374 and 30,104,648 shares issued, 25,560,678 and 25,292,454 shares outstanding (net of treasury stock), as of March 31, 2018 and December 31, 2017, respectively | 305 | 301 |
| Additional paid-in-capital | 721,577 | 715,735 |
| Treasury stock, at cost; 4,983,696 and 4,812,194 shares, respectively | (203,950) | (193,732) |
| Accumulated other comprehensive loss | (4,635) | (3,993) |
| Retained earnings | 1,279,002 | 1,271,545 |
| Total stockholders' equity | 1,792,299 | 1,789,856 |
| Total Liabilities and Equity | \$ 5,016,832 | \$ 4,955,462 |

¹ Balance sheet debt at March 31, 2018 totaled \$2,270.9 million, including the impact of \$97.4 million of unamortized discount and debt issuance costs of \$48.3 million.

² The face value of our debt at March 31, 2018 totaled \$2,416.6 million, compared with \$2,378.8 million on December 31, 2017.

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

| | For the Three Months Ended | |
|--|-----------------------------------|-----------------------|
| | March 31, 2018 | March 31, 2017 |
| Operating Activities: | | |
| Income from continuing operations, net of taxes | \$ 9,628 | \$ 35 |
| Less: Loss from discontinued operations, net of taxes | (16) | (787) |
| Net Income (Loss) | 9,612 | (752) |
| Adjustments to reconcile Net Income (Loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 59,796 | 43,217 |
| Accretion of debt securities discount | (270) | (307) |
| Provision for allowance for doubtful accounts | 3,064 | 435 |
| Unrealized loss on financial instruments | 7,740 | 5,213 |
| Gain on disposal of aircraft | - | (54) |
| Deferred taxes | 3,716 | 418 |
| Stock-based compensation | 5,846 | 4,212 |
| Changes in: | | |
| Accounts receivable | (3,414) | 8,134 |
| Prepaid expenses, current assets and other assets | (986) | (30,336) |
| Accounts payable and accrued liabilities | (15,979) | (11,526) |
| Net cash provided by operating activities | 69,125 | 18,654 |
| Investing Activities: | | |
| Capital expenditures | (26,091) | (21,673) |
| Payments for flight equipment and modifications | (236,536) | (118,897) |
| Proceeds from investments | 1,438 | 631 |
| Proceeds from disposal of aircraft | - | 137 |
| Net cash used for investing activities | (261,189) | (139,802) |
| Financing Activities: | | |
| Proceeds from debt issuance | 19,357 | - |
| Payment of debt issuance costs | (810) | (90) |
| Payments of debt | (56,819) | (47,099) |
| Proceeds from revolving credit facility | 75,000 | 150,000 |
| Customer maintenance reserves and deposits received | 4,094 | 14,837 |
| Customer maintenance reserves paid | - | (6,384) |
| Purchase of treasury stock | (10,218) | (9,430) |
| Net cash provided by financing activities | 30,604 | 101,834 |
| Net decrease in cash, cash equivalents and restricted cash | (161,460) | (19,314) |
| Cash, cash equivalents and restricted cash at the beginning of period | 291,864 | 138,250 |
| Cash, cash equivalents and restricted cash at the end of period | \$ 130,404 | \$ 118,936 |
| Noncash Investing and Financing Activities: | | |
| Acquisition of flight equipment included in Accounts payable and accrued liabilities | \$ 61,846 | \$ 48,015 |
| Acquisition of flight equipment under capital lease | \$ - | \$ 32,380 |

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

| | For the Three Months Ended | |
|--|-----------------------------------|-----------------------------------|
| | March 31, 2018 | March 31, 2017¹ |
| Operating Revenue: | | |
| ACMI | \$ 266,380 | \$ 200,694 |
| Charter | 285,197 | 243,898 |
| Dry Leasing | 36,392 | 26,757 |
| Customer incentive asset amortization | (2,596) | (445) |
| Other | 4,641 | 4,490 |
| Total Operating Revenue | \$ 590,014 | \$ 475,394 |
| Direct Contribution: | | |
| ACMI | \$ 40,872 | \$ 35,580 |
| Charter | 34,278 | 16,833 |
| Dry Leasing | 11,359 | 9,723 |
| Total Direct Contribution for Reportable Segments | 86,509 | 62,136 |
| Unallocated income and expenses, net | (65,063) | (55,474) |
| Unrealized loss on financial instruments | (7,740) | (5,213) |
| Transaction-related expenses | (270) | (915) |
| Gain on disposal of aircraft | - | 54 |
| Income from continuing operations before income taxes | 13,436 | 588 |
| Add back (subtract): | | |
| Interest income | (1,724) | (1,256) |
| Interest expense | 27,342 | 21,524 |
| Capitalized interest | (1,750) | (1,780) |
| Unrealized loss on financial instruments | 7,740 | 5,213 |
| Other income | (4,475) | (253) |
| Operating Income | \$ 40,569 | \$ 24,036 |

¹ The direct contribution amounts for the ACMI and Charter segments and the unallocated income and expenses, net above have been revised to reflect immaterial adjustments. The company does not believe the impact to the previously issued consolidated financial statements was material.

Atlas Air Worldwide uses an economic performance metric, Direct Contribution, to show the profitability of each of its segments after allocation of direct operating and 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 special charges, transaction-related expenses, nonrecurring items, losses (gains) on the disposal of aircraft, losses on early extinguishment of debt, unrealized losses (gains) on financial instruments, gains on investments, 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 | | |
|--|-----------------------------------|-----------------------|-----------------------|
| | March 31, 2018 | March 31, 2017 | Percent Change |
| Income from continuing operations, net of taxes | \$ 9,628 | \$ 35 | NM |
| Impact from: | | | |
| Gain on disposal of aircraft | - | (54) | |
| Costs associated with transactions ¹ | 270 | 915 | |
| Accrual for legal matters and professional fees | 218 | 74 | |
| Noncash expenses and income, net ² | 6,675 | 2,412 | |
| Unrealized loss on financial instruments | 7,740 | 5,213 | |
| Income tax effect of reconciling items | (747) | (320) | |
| Adjusted income from continuing operations, net of taxes | \$ 23,784 | \$ 8,275 | 187.4% |
| Weighted average diluted shares outstanding | 25,956 | 25,744 | |
| Add: dilutive warrant ³ | 1,653 | 1,111 | |
| Adjusted weighted average diluted shares outstanding | <u>27,609</u> | <u>26,855</u> | |
| Adjusted Diluted EPS from continuing operations, net of taxes | \$ 0.86 | \$ 0.31 | 177.4% |

¹ Costs associated with transactions related to integration costs associated with our acquisition of Southern Air.

² Noncash expenses and income, net primarily related to amortization of debt discount on convertible notes and amortization of the customer incentive asset related to outstanding warrants.

³ Dilutive warrants represent potentially dilutive common shares related to outstanding warrants. These shares were excluded from Diluted EPS from continuing operations, net of taxes, prepared in accordance with GAAP as they would have been antidilutive.

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

| | For the Three Months Ended | |
|--|-----------------------------------|-----------------------|
| | March 31, 2018 | March 31, 2017 |
| Net Cash Provided by Operating Activities | \$ 69,125 | \$ 18,654 |
| Less: | | |
| Capital expenditures | 26,091 | 21,673 |
| Capitalized interest | 1,750 | 1,780 |
| Free Cash Flow¹ | \$ 41,284 | \$ (4,799) |

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)

| | For the Three Months Ended | |
|--|-----------------------------------|-----------------------|
| | March 31, 2018 | March 31, 2017 |
| Income from continuing operations, net of taxes | \$ 9,628 | \$ 35 |
| Income tax expense | 3,808 | 553 |
| Income from continuing operations before income taxes | 13,436 | 588 |
| Noncash expenses and income, net ¹ | 6,675 | 2,412 |
| Gain on disposal of aircraft | - | (54) |
| Costs associated with transactions ² | 270 | 915 |
| Accrual for legal matters and professional fees | 218 | 74 |
| Unrealized loss on financial instruments | 7,740 | 5,213 |
| Adjusted pretax income | 28,339 | 9,148 |
| Interest expense (income), net ³ | 20,262 | 17,117 |
| Other non-operating income | (4,475) | (253) |
| Adjusted operating income | 44,126 | 26,012 |
| Depreciation and amortization | 49,630 | 37,894 |
| Adjusted EBITDA⁴ | \$ 93,756 | \$ 63,906 |
| Income tax expense | \$ 3,808 | \$ 553 |
| Income tax effect of reconciling items ⁵ | (747) | (320) |
| Adjusted income tax expense | 4,555 | 873 |
| Adjusted pretax income | \$ 28,339 | \$ 9,148 |
| Adjusted effective tax rate | 16.1% | 9.5% |

¹ Noncash expenses and income, net primarily related to amortization of debt discount on convertible notes and the amortization of customer incentive asset related to outstanding warrants.

² Costs associated with transactions related to integration costs associated with our acquisition of Southern Air.

³ Reflects impact of noncash expenses and income related to convertible notes, debt, and investments.

⁴ Adjusted EBITDA: Earnings before interest, taxes, depreciation, amortization, noncash interest expenses and income, net, gain on disposal of aircraft, transaction-related expenses, accrual for legal matters and professional fees, and unrealized loss on financial instruments, as applicable.

⁵ See Non-GAAP reconciliation of Adjusted income from continuing operations, net of taxes.

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

| | For the Three Months Ended | | Increase/ (Decrease) |
|--|-----------------------------------|-----------------------|---------------------------------|
| | March 31, 2018 | March 31, 2017 | |
| Block Hours | | | |
| ACMI | 49,862 | 38,916 | 10,946 |
| Charter | 16,060 | 15,784 | 276 |
| Cargo | 11,390 | 10,939 | 451 |
| Passenger | 4,670 | 4,845 | (175) |
| Other | 573 | 416 | 157 |
| Total Block Hours | <u>66,495</u> | <u>55,116</u> | <u>11,379</u> |
| Revenue Per Block Hour | | | |
| ACMI | \$ 5,342 | \$ 5,157 | \$ 185 |
| Charter | \$ 17,758 | \$ 15,452 | \$ 2,306 |
| Cargo | \$ 18,051 | \$ 15,289 | \$ 2,762 |
| Passenger | \$ 17,044 | \$ 15,820 | \$ 1,224 |
| Average Utilization (block hours per day) | | | |
| ACMI ¹ | 8.4 | 8.7 | (0.3) |
| Charter | | | |
| Cargo | 9.7 | 8.7 | 1.0 |
| Passenger | 8.6 | 7.8 | 0.8 |
| All Operating Aircraft ^{1,2} | <u>8.7</u> | <u>8.7</u> | <u>-</u> |
| Fuel | | | |
| Charter | | | |
| Average fuel cost per gallon | \$ 2.14 | \$ 1.88 | \$ 0.26 |
| Fuel gallons consumed (000s) | 44,950 | 43,927 | 1,023 |

¹ ACMI and All Operating Aircraft averages in the first quarter of 2018 reflect the impact of increases in the number of CMI aircraft and amount of CMI flying compared with the same period of 2017.

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) |
|---|-----------------------------------|-----------------------|---------------------------------|
| | March 31, 2018 | March 31, 2017 | |
| Segment Operating Fleet (average aircraft equivalents during the period) | | | |
| ACMI¹ | | | |
| 747-8F Cargo | 9.0 | 7.0 | 2.0 |
| 747-400 Cargo | 15.8 | 12.8 | 3.0 |
| 747-400 Dreamlifter | 3.1 | 3.0 | 0.1 |
| 777-200 Cargo | 5.0 | 5.0 | - |
| 767-300 Cargo | 17.2 | 5.8 | 11.4 |
| 767-200 Cargo | 9.0 | 9.0 | - |
| 737-400 Cargo | 5.0 | 5.0 | - |
| 747-400 Passenger | 1.0 | 1.0 | - |
| 767-200 Passenger | 1.0 | 1.0 | - |
| Total | <u>66.1</u> | <u>49.6</u> | <u>16.5</u> |
| Charter | | | |
| 747-8F Cargo | 1.0 | 2.9 | (1.9) |
| 747-400 Cargo | 11.7 | 11.0 | (0.7) |
| 767-300 Cargo | 0.3 | - | 0.3 |
| 747-400 Passenger | 2.0 | 2.0 | - |
| 767-300 Passenger | 4.0 | 4.9 | (0.9) |
| Total | <u>19.0</u> | <u>20.8</u> | <u>(1.8)</u> |
| Dry Leasing | | | |
| 777-200 Cargo | 6.3 | 6.0 | 0.3 |
| 767-300 Cargo | 14.0 | 3.6 | 10.4 |
| 757-200 Cargo | 1.0 | 1.0 | - |
| 737-300 Cargo | 1.0 | 1.0 | - |
| 737-800 Passenger | 1.0 | 1.0 | - |
| Total | <u>23.3</u> | <u>12.6</u> | <u>10.7</u> |
| Less: Aircraft Dry Leased to CMI customers | <u>(14.3)</u> | <u>(3.6)</u> | <u>(10.7)</u> |
| Total Operating Average Aircraft Equivalents | <u>94.1</u> | <u>79.4</u> | <u>14.7</u> |
| Out of Service ² | - | - | - |

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

² Out-of-service aircraft temporarily parked during the period.