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

	<u>For</u> t	he Three I	Mor	nths Ended	For the Nine N	Ionths Ended		
			Sej	ptember 30 2017	September 30, 2018	Sep	otember 30, 2017	
Operating Revenue	$\frac{2018}{5} = \frac{2017}{2018} = \frac{2018}{2017} =$	1,528,508						
Operating Expenses								
Salaries, wages and benefits		138,345		114,505	392,603		330,080	
Aircraft fuel		119,604		74,048	345,613		239,966	
Maintenance, materials and repairs		88,136		74,457	261,251		212,042	
Depreciation and amortization		55,417		42,033	155,881		120,913	
Travel		41,605		38,260	123,810		105,510	
Aircraft rent		39,973		33,873	119,778		103,738	
Navigation fees, landing fees and other rent		43,258		33,468	116,553		77,258	
Passenger and ground handling services		28,716		28,491	86,980		77,187	
Loss on disposal of aircraft		-			-		64	
Special charge		-		-	9,374		-	
Transaction-related expenses		765		1,092			3,403	
Other		46.318					123,121	
Total Operating Expenses		,				_	1,393,282	
Operating Income		54,470		52,712	155,985		135,226	
Non-operating Expenses (Income)								
Interest income		(1,592))	(1,688)	(4,704))	(4,286)	
Interest expense							72,747	
Capitalized interest)	(5,633)	
Loss on early extinguishment of debt		-	/		-		167	
Unrealized loss (gain) on financial instruments		(46.080))	44,775	11.691		36,225	
Other expense (income)			/)	(357)	
Total Non-operating Expenses (Income))			·	98,863	
Income (loss) from continuing operations before		(,					, ,,,,,,	
income taxes		71.172		(14.008)	76,471		36,363	
Income tax expense							21,479	
Income (loss) from continuing operations, net of taxes		71,138		(24,195)	59,643		14,884	
Income (loss) from discontinued operations, net of taxes		(7)	33	(50))	(859)	
Net Income (Loss)	\$	71,131	\$	(24,162)	\$ 59,593	\$	14,025	
Earnings (loss) per share from continuing operations: Basic	¢	2 79	¢	(0.06)	¢ 224	¢	0.59	
Diluted	\$						0.59	
Loss per share from discontinued operations:	-		-	(00,0)	+	-		
Basic	\$	(0.00) \$	0.00	\$ (0.00)	\$	(0.03)	
						_		
Diluted	\$	(0.00) 3	0.00	\$ (0.00))	(0.03)	
Earnings (loss) per share:	٠		¢	(0.0.1	ф с	÷	· · ·	
Basic	\$					\$	0.56	
Diluted	\$	0.84	\$	(0.96)	\$ 2.27	\$	0.54	
Weighted average shares:								
Basic		25,575		25,262	25,526	_	25,229	
Diluted		28,747	_	25,262	26,274	_	25,822	
	-							

Atlas Air Worldwide Holdings, Inc.

Consolidated Balance Sheets

(in thousands, except share data)

(Unaudited)

	Septen	nber 30, 2018	Decen	nber 31, 2017
Assets				
Current Assets				
Cash and cash equivalents	\$	214,961	\$	280,809
Short-term investments		18,511		13,604
Restricted cash		11,194		11,055
Accounts receivable, net of allowance of \$1,381 and \$1,494, respectively		254,425		194,478
Prepaid maintenance		30,988		13,346
Prepaid expenses and other current assets		70,568		74,294
Total current assets		600,647		587,586
Property and Equipment				
Flight equipment		5,085,594		4,447,097
Ground equipment		78,389		70,951
Less: accumulated depreciation		(821,203)		(701,249)
Flight equipment modifications in progress		107,290		186,302
Property and equipment, net		4,450,070		4,003,101
Other Assets				
Long-term investments and accrued interest		1,722		15,371
Deferred costs and other assets		324,740		242,919
Intangible assets, net and goodwill		99,860		106,485
Total Assets	\$	5,477,039	\$	4,955,462
Liabilities and Equity				
Current Liabilities				
Accounts payable	\$	81,682	\$	65,740
Accrued liabilities		482,085		454,843
Current portion of long-term debt and capital lease		256,184		218,013
Total current liabilities		819,951		738,596
Other Liabilities				
Long-term debt and capital lease		2,280,790		2,008,986
Deferred taxes		231,673		214,694
Financial instruments and other liabilities		292,840		203,330
Total other liabilities		2,805,303		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; 30,582,571 and 30,104,648 shares issued, 25,590,293 and 25,292,454				
shares outstanding (net of treasury stock), as of September 30, 2018		206		201
and December 31, 2017, respectively		306		301
Additional paid-in-capital Treasury stock, at cost; 4,992,278 and 4,812,194 shares, respectively		731,106		715,735
•		(204,501)		(193,732)
Accumulated other comprehensive loss		(4,108)		(3,993)
Retained earnings		1,328,982		1,271,545
Total equity	¢	1,851,785	¢	1,789,856
Total Liabilities and Equity	<u></u>	5,477,039	\$	4,955,462

¹ Balance sheet debt at September 30, 2018 totaled \$2,537.0 million, including the impact of \$89.5 million of unamortized discount and debt issuance costs of \$47.7 million.

² The face value of our debt at September 30, 2018 totaled \$2,674.2 million, compared with \$2,378.8 million on December 31, 2017.

Atlas Air Worldwide Holdings, Inc. **Consolidated Statements of Cash Flows**

(in thousands)

For the Nine Months Ended

September 30, 2018September 30, 2017Operating Activities: Income from continuing operations, net of taxes\$ $59,643$ \$ $14,884$ Less: Loss from discontinued operations, net of taxes\$ $59,643$ \$ $14,826$ Net Income95,9593 $114,025$ $14,025$ Adjustments to reconcile Net Income to net cash provided by operating activities: Depreciation and amorization189,682 $142,042$ Accretion of debt scenities discount(719)(882)Accretion of debt scenities discount(719)(882)Accretion of debt scenities discount-167Urnealized loss (gain) on financial instruments11,69136,225Loss on adjosal of aircraft-64Deferred taxes16,45321,106Stock-based compensation15,37617,030Changes in: Accounts receivable(59,058)(12,004)Prepaid expenses, current assets and other assets(34,483)(53,343)Accounts payable and accrued liabilities-56,174At cash used for investing activities(66,395)(401,672)Financing Activities: Proceeds from investing activities(66,395)(401,672)Financing Activities: Proceeds from debt issuance-(10,769)(10,300)Capital expenses, current assets(6,632)(11,146)(34,282)Proceeds from investing activities-(6,632)(11,146)Proceeds from investing activities-(6,632)(11,146)Proceeds from debt issuance </th <th></th> <th></th> <th>For the Nine I</th> <th colspan="4">Months Ended</th>			For the Nine I	Months Ended			
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Adjustments to reconcile Net Income to net cash provided by operating activities:189,682142,042Accretion of debt securities discount(719)(892)Provision for allowance for doubful accunts40304Special charge, net of cash payments9,374-Loss on early extinguishment of debt-167Unrealized loss (gain) on financial instruments11,69135,225Loss on disposal of aircraft-64Deferred taxes16,45321,106Stock-based compensation15,37617,030Changes in:64Accounts receivable(59,058)(12,004)Prepaid expenses, current assets and other assets(34,483)(53,343)Accounts payable and accrued liabilities-264,123195,106Investing Activities:618,700)(40,6395)Payments for flight equipment and modifications(543,342)(338,524)Proceeds from investing activities66,632)Payments of debtProceeds from teolving credit facility(180,722)(153,292)Proceeds from revolving credit facility135,000150,000Payments of convertible note warrantsPayment of revolving credit facility(60,000)(150,000)Customer maintenance reserves and deposits received11,52022,006Customer maintenance reserves and deposits receivedProceeds from sale of convertible note warrants- </td <td>-</td> <td></td> <td></td> <td></td> <td></td>	-						
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Provision for allowance for doubtful accounts40304Special charge, net of cash payments9,374-Loss on early extinguishment of debt-167Urrealized loss (gain) on financial instruments11,69136,225Loss on disposal of aircraft64Deferred taxes16,45321,106Stock-based compensation15,37617,030Changes in:64Accounts receivable(59,058)(12,004)Prepaid expenses, current assets and other assets(34,483)(53,343)Accounts payable and accrued liabilities-264,123Investing Activities:-264,123195,106Investing Activities:-264,123195,106Investing Activities:-264,123195,106Investing Activities:-(63,352)338,224Payments for flight equipment and modifications(54,3,342)(338,524)Proceeds from investments9,4613,247Net cash used for investing activities(18,700)(401,672)Financing Activities:38,148Payment of debt(18,722)(153,292)153,200Proceeds from travolving credit facility135,000150,000Payment of convertible note warrants-38,148Payment of convertible note warrants-38,148Payments of convertible note warrants-38,148Payments of convertible note warrants-38,148Payments of	Depreciation and amortization		189,682		142,042		
Special charge, net of cash payments9,374.Loss on early extinguishment of debt-167Unrealized loss (gain) on financial instruments11,69136,225Loss on disposal of aircraft-64Deferred taxes16,45321,106Stock-based compensation15,37617,030Changes in:Accounts receivable(59,058)(12,004)Prepaid expenses, current assets and other assets(34,483)(53,343)Accounts receivable264,123195,106Investing Activities:264,123195,106Capital expenditures(84,819)(66,395)Payments for flight equipment and modifications(543,342)(338,524)Proceeds from livestiments9,4613,247Proceeds from debt issuance(618,700)(401,672)Financing Activities:(68,22)(11,146)Payments of debt(180,722)(153,292)Proceeds from debt issuance(168,700)1447,865Payment of debt issuance costs(6,632)(11,146)Payments of debt(180,722)(153,292)Proceeds from sale of convertible note warrants-38,148Payments for convertible note warrants-38,148Payments for convertible note warrants-38,148Payments for convertible note warrants-38,148Payments for convertible note hedges-(70,140)Purchase of threasury stock(10,769)(10,307)Net cash provided by financing act			(719)		(892)		
Loss on early extinguishment of debt.167Unrealized loss (gain) on financial instruments11.69136.225Loss on disposal of aircraftDeferred taxes16.45321.106Stock-based compensation15.37617.030Changes in:Accounts receivable(59.058)(12.004)Prepaid expenses, current assets and other assets(34.483)(53.434)Accounts payable and accrued liabilitiesActivities:Capital expendituresCapital expendituresProceeds from investmentsProceeds from investmentsProceeds from debt issuanceProceeds from debt issuance costsProceeds from ale of convertible note hedgesProceeds from sale of convertible note warrantsProceeds from sale of convertible note warrants			40		304		
Unrealized loss (gain) on financial instruments11,691 $36,225$ Loss on disposal of aircraft64Deferred taxes16,45321,106Stock-based compensation15,37617,030Changes in:Accounts receivable(59,058)(12,004)Prepaid expenses, current assets and other assets(34,483)(53,343)Accounts payable and accrued liabilities-56,174Net cash provided by operating activities66,395)Payments for flight equipment and modifications(543,342)(338,524)Proceeds from investing activities66,395)Payments for flight equipment and modifications9,4613,247Net cash used for investing activities66,322)Proceeds from debt issuance400,471447,865Payment of debt issuance costsProceeds from debt issuance costsProceeds from revolving credit facility135,000150,000Payment of revolving credit facilityProceeds from sale of convertible note warrantsProceeds from sale of convertible note warrantsProceeds from sale of convertible note warrants38,148Payments for convertible note hedgesProceeds from sale of convertible note warrants38,148Payments for co			9,374		-		
Loss on disposal of aircraft-64Deferred taxes16,45321,106Stock-based compensation15,37617,030Changes in:Accounts receivable(59,058)(12,004)Prepaid expenses, current assets and other assets(34,483)(53,343)Accounts payable and accrued liabilities $56,174$ $30,382$ Net cash provided by operating activities264,123195,106Investing Activities:264,123195,106Capital expenditures(84,819)(66,395)Payments for flight equipment and modifications(543,342)(338,524)Proceeds from investing activities(618,700)(401,672)Financing Activities:(618,700)(401,672)Proceeds from revolving credit facility(180,722)(153,292)Proceeds from revolving credit facility(180,722)(153,292)Proceeds from revolving credit facility(60,000)(150,000)Payments of debt(180,722)(153,292)Proceeds from selo convertible note warrants-38,148Payments for convertible note warrants-38,148Payments for convertible note hedges-(10,769)Proceeds from selo incing activities288,868244,596Net cash provided by financing activities288,868244,596Net cash provided by financing activities288,868244,596Capital expense, in cash, cash equivalents and restricted cash(65,709)38,030Cash, cash equivalents and restri	Loss on early extinguishment of debt		-		167		
Deferred taxes16,45321,106Stock-based compensation15,37617,030 Changes in:	Unrealized loss (gain) on financial instruments		11,691		36,225		
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Prepaid expenses, current assets and other assets $(34,483)$ $(53,343)$ Accounts payable and accrued liabilities $56,174$ $30,382$ Net cash provided by operating activities $264,123$ $195,106$ Investing Activities: $(84,819)$ $(66,395)$ Payments for flight equipment and modifications $(543,342)$ $(338,524)$ Proceeds from investments $9,461$ $3,247$ Net cash used for investing activities $(618,700)$ $(401,672)$ Financing Activities: $(66,395)$ $(11,146)$ Payment of debt issuance $400,471$ $447,865$ Payment of debt issuance costs $(6,632)$ $(11,146)$ Payment of debt issuance costs $(66,000)$ $(153,020)$ Proceeds from revolving credit facility $(135,000)$ $150,000$ Payment of revolving credit facility $(60,000)$ $(150,000)$ Proceeds from sale of convertible note warrants $ (18,538)$ Proceeds from sale of convertible note hedges $ (70,140)$ Purchase of treasury stock $(10,769)$ $(10,307)$ Net cash provided by financing activities $288,868$ $244,596$ Net increase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ $38,030$ Cash, cash equivalents and restricted cash $(55,709)$ $38,030$ Cash, cash equivalents and restricted cash at the end of period $291,864$ $138,250$ Cash, cash equivalents and restricted cash at the end of period 5 $226,155$ $$176,280$ Noncash Investing and Financing Acti	Changes in:						
Accounts payable and accrued liabilities $56,174$ $30,382$ Net cash provided by operating activities $264,123$ $195,106$ Investing Activities: $264,123$ $195,106$ Capital expenditures $(84,819)$ $(66,395)$ Payments for flight equipment and modifications $(543,342)$ $(338,524)$ Proceeds from investments $9,461$ $3,247$ Net cash used for investing activities $(618,700)$ $(401,672)$ Financing Activities: $0,0471$ $447,865$ Payment of debt issuance costs $(6,632)$ $(11,146)$ Payment of debt issuance costs $(66,000)$ $(150,000)$ Proceeds from revolving credit facility $135,000$ $150,000$ Proceeds from revolving credit facility $(60,000)$ $(150,000)$ Proceeds from sale of convertible note warrants $ (18,538)$ Proceeds from sale of convertible note warrants $ (70,140)$ Purchase of treasury stock $(10,769)$ $(10,307)$ Net cash equivalents and restricted cash $(65,709)$ $38,030$ Cash, cash equivalents and restricted cash at the beginning of period $291,864$ $138,250$ Cash, cash equivalents and restricted cash at the end of period $$226,155$ $$176,280$ Noncash Investing and Financing Activities: $$$226,155$ $$$176,280$ Acquisition of flight equipment included in Accounts payable and accrued $$$$42,826$ $$$$61,734$	Accounts receivable		(59,058)		(12,004)		
Net cash provided by operating activities $264,123$ $195,106$ Investing Activities: Capital expenditures $(84,819)$ $(66,395)$ Payments for flight equipment and modifications $(543,342)$ $(338,524)$ Proceeds from investments $9,461$ $3,247$ Net cash used for investing activities $(618,700)$ $(401,672)$ Financing Activities: Proceeds from debt issuance $400,471$ $447,865$ Payment of debt issuance costs $(6,632)$ $(11,146)$ Payment of debt $(180,722)$ $(153,292)$ Proceeds from revolving credit facility $135,000$ $150,000$ Payment of revolving credit facility $135,000$ $150,000$ Payment of revolving credit facility $(180,722)$ $(152,022)$ Proceeds from revolving credit facility $135,000$ $150,000$ Customer maintenance reserves and deposits received $11,520$ $22,006$ Customer maintenance reserves paid- $(18,538)$ Proceeds from sale of convertible note warrants- $38,148$ Payments for convertible note hedges- $(10,769)$ Interase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ $38,030$ Cash, cash equivalents and restricted cash at the beginning of period $291,864$ $138,250$ Cash, cash equivalents and restricted cash at the end of period $$226,155$ $$176,280$ Noncash Investing and Financing Activities: $$42,826$ $$61,734$	Prepaid expenses, current assets and other assets		(34,483)		(53,343)		
Investing Activities: $(84,819)$ $(66,395)$ Payments for flight equipment and modifications $(94,819)$ $(66,395)$ Payments for flight equipment and modifications $9,461$ $3,247$ Proceeds from investments $9,461$ $3,247$ Net cash used for investing activities $(618,700)$ $(401,672)$ Financing Activities: $400,471$ $447,865$ Payment of debt issuance costs $(6,632)$ $(11,146)$ Payment of debt $(180,722)$ $(153,292)$ Proceeds from revolving credit facility $135,000$ $150,000$ Payment of revolving credit facility $(60,000)$ $(150,000)$ Customer maintenance reserves and deposits received $11,520$ $22,006$ Customer maintenance reserves paid- $(18,538)$ Proceeds from sale of convertible note warrants- $38,148$ Payments for convertible note hedges- $(70,140)$ Purchase of treasury stock $(10,769)$ $(10,307)$ Net cash provided by financing activities $288,868$ $244,596$ Net cash equivalents and restricted cash $(65,709)$ $38,030$ Cash, cash equivalents and restricted cash at the end of period $$226,155$ $$176,280$ Noncash Investing and Financing Activities: $$42,826$ $$61,734$	Accounts payable and accrued liabilities		56,174		30,382		
Capital expenditures $(84,819)$ $(66,395)$ Payments for flight equipment and modifications $(543,342)$ $(338,524)$ Proceeds from investments $9,461$ $3,247$ Net cash used for investing activities $(618,700)$ $(401,672)$ Financing Activities: $400,471$ $447,865$ Payment of debt issuance costs $(6,632)$ $(11,146)$ Payment of debt $(180,722)$ $(153,292)$ Proceeds from revolving credit facility $135,000$ $150,000$ Payment of revolving credit facility $(60,000)$ $(150,000)$ Customer maintenance reserves and deposits received $11,520$ $22,006$ Customer maintenance reserves paid- $(70,140)$ Purchase of treasury stock $(10,769)$ $(10,307)$ Net cash provided by financing activities $288,868$ $244,596$ Net increase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ $38,030$ Cash, cash equivalents and restricted cash at the end of period 5 $226,155$ $$176,280$ Noncash Investing and Financing Activities: $$$ 42,826$ $$$ 61,734$	Net cash provided by operating activities		264,123		195,106		
Payments for flight equipment and modifications $(543,342)$ $(338,524)$ Proceeds from investments $9,461$ $3,247$ Net cash used for investing activities $(618,700)$ $(401,672)$ Financing Activities: $(618,700)$ $(401,672)$ Proceeds from debt issuance $400,471$ $447,865$ Payment of debt issuance costs $(6,632)$ $(11,146)$ Payments of debt $(180,722)$ $(153,292)$ Proceeds from revolving credit facility $135,000$ $150,000$ Payment of revolving credit facility $(60,000)$ $(150,000)$ 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 $(10,769)$ $(10,307)$ Net cash provided by financing activities $288,868$ $244,596$ Net cash equivalents and restricted cash $(65,709)$ $38,030$ 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 $$226,155$ $$176,280$ Noncash Investing and Financing Activities: $$42,826$ $$61,734$	Investing Activities:						
Proceeds from investments $9,461$ $3,247$ Net cash used for investing activities(618,700)(401,672)Financing Activities: $400,471$ $447,865$ Proceeds from debt issuance costs(6,632)(11,146)Payments of debt(180,722)(153,292)Proceeds from revolving credit facility135,000150,000Payment of revolving credit facility(60,000)(150,000)Payment of revolving credit facility(60,000)(150,000)Customer maintenance reserves and deposits received11,52022,006Customer maintenance reserves paid-(18,538)Proceeds from sale of convertible note warrants-38,148Payments for convertible note hedges-(70,140)Purchase of treasury stock(10,769)(10,307)Net cash provided by financing activities288,868244,596Net increase (decrease) in cash, cash equivalents and restricted cash(65,709)38,030Cash, cash equivalents and restricted cash at the beginning of period291,864138,250Cash, cash equivalents and restricted cash at the end of period\$226,155\$Noncash Investing and Financing Activities:\$42,826\$61,734Acquisition of flight equipment included in Accounts payable and accrued liabilities\$\$61,734	Capital expenditures		(84,819)		(66,395)		
Net cash used for investing activities $(618,700)$ $(401,672)$ Financing Activities: $(618,700)$ $(401,672)$ Proceeds from debt issuance $400,471$ $447,865$ Payment of debt issuance costs $(6,632)$ $(11,146)$ Payments of debt $(180,722)$ $(153,292)$ Proceeds from revolving credit facility $135,000$ $150,000$ Payment of revolving credit facility $(60,000)$ $(150,000)$ Customer maintenance reserves and deposits received $11,520$ $22,006$ 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 $(10,769)$ $(10,307)$ Net cash provided by financing activities $288,868$ $244,596$ Net increase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ $38,030$ Cash, cash equivalents and restricted cash at the beginning of period 5 $226,155$ $$$ Cash, cash equivalents and restricted cash at the end of period $$$ $$226,155$ $$$ $$176,280$ Noncash Investing and Financing Activities: $$$ $$42,826$ $$$ $$61,734$	Payments for flight equipment and modifications		(543,342)		(338,524)		
Financing Activities:Proceeds from debt issuance $400,471$ $447,865$ Payment of debt issuance costs $(6,632)$ $(11,146)$ Payments of debt $(180,722)$ $(153,292)$ Proceeds from revolving credit facility $135,000$ $150,000$ Payment of revolving credit facility $(60,000)$ $(150,000)$ Customer maintenance reserves paid- $(18,538)$ Proceeds from sale of convertible note warrants- $38,148$ Payments for convertible note hedges- $(70,140)$ Purchase of treasury stock $(10,769)$ $(10,307)$ Net cash provided by financing activities $288,868$ $244,596$ Net increase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ $38,030$ Cash, cash equivalents and restricted cash at the beginning of period $291,864$ $138,250$ Cash, cash equivalents and restricted cash at the end of period $$226,155$ $$176,280$ Noncash Investing and Financing Activities:Acquisition of flight equipment included in Accounts payable and accruedliabilities $$42,826$ $$61,734$	Proceeds from investments		9,461		3,247		
Proceeds from debt issuance $400,471$ $447,865$ Payment of debt issuance costs(6,632)(11,146)Payments of debt(180,722)(153,292)Proceeds from revolving credit facility135,000150,000Payment of revolving credit facility(60,000)(150,000)Customer maintenance reserves and deposits received11,52022,006Customer maintenance reserves paid-(18,538)Proceeds from sale of convertible note warrants-38,148Payments for convertible note hedges-(70,140)Purchase of treasury stock(10,769)(10,307)Net cash provided by financing activities288,868244,596Net cash equivalents and restricted cash at the beginning of period291,864138,250Cash, cash equivalents and restricted cash at the end of period\$226,155\$Noncash Investing and Financing Activities:\$42,826\$61,734	Net cash used for investing activities		(618,700)		(401,672)		
Payment of debt issuance costs $(6,632)$ $(11,146)$ Payments of debt $(180,722)$ $(153,292)$ Proceeds from revolving credit facility $135,000$ $150,000$ Payment of revolving credit facility $(60,000)$ $(150,000)$ Customer maintenance reserves and deposits received $11,520$ $22,006$ Customer maintenance reserves paid- $(18,538)$ Proceeds from sale of convertible note warrants- $38,148$ Payments for convertible note hedges- $(70,140)$ Purchase of treasury stock $(10,769)$ $(10,307)$ Net cash provided by financing activities $288,868$ $244,596$ Net increase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ $38,030$ Cash, cash equivalents and restricted cash at the beginning of period $291,864$ $138,250$ Cash, cash equivalents and restricted cash at the end of period $$226,155$ $$176,280$ Noncash Investing and Financing Activities: $$$42,826$ $$$61,734$	Financing Activities:						
Payments of debt $(180,722)$ $(153,292)$ Proceeds from revolving credit facility135,000150,000Payment of revolving credit facility $(60,000)$ $(150,000)$ Customer maintenance reserves and deposits received $11,520$ $22,006$ Customer maintenance reserves paid- $(18,538)$ Proceeds from sale of convertible note warrants- $38,148$ Payments for convertible note hedges- $(70,140)$ Purchase of treasury stock $(10,769)$ $(10,307)$ Net cash provided by financing activities $288,868$ $244,596$ Net increase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ $38,030$ Cash, cash equivalents and restricted cash at the beginning of period $291,864$ $138,250$ Cash, cash equivalents and restricted cash at the end of period\$ $226,155$ \$Noncash Investing and Financing Activities: $$ 42,826$ \$ $61,734$	Proceeds from debt issuance		400,471		447,865		
Proceeds from revolving credit facility135,000150,000Payment of revolving credit facility(60,000)(150,000)Customer maintenance reserves and deposits received11,52022,006Customer maintenance reserves paid-(18,538)Proceeds from sale of convertible note warrants-38,148Payments for convertible note hedges-(70,140)Purchase of treasury stock(10,769)(10,307)Net cash provided by financing activities288,868244,596Net increase (decrease) in cash, cash equivalents and restricted cash(65,709)38,030Cash, cash equivalents and restricted cash at the beginning of period291,864138,250Cash, cash equivalents and restricted cash at the end of period\$226,155\$Noncash Investing and Financing Activities:\$42,826\$61,734	Payment of debt issuance costs		(6,632)		(11,146)		
Payment of revolving credit facility $(60,000)$ $(150,000)$ Customer maintenance reserves and deposits received $11,520$ $22,006$ 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 $(10,769)$ $(10,307)$ Net cash provided by financing activities $288,868$ $244,596$ Net increase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ $38,030$ 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\$ $226,155$ \$Noncash Investing and Financing Activities: $$$ $42,826$ \$ $61,734$	Payments of debt		(180,722)		(153,292)		
Customer maintenance reserves and deposits received11,52022,006Customer maintenance reserves paid-(18,538)Proceeds from sale of convertible note warrants-38,148Payments for convertible note hedges-(70,140)Purchase of treasury stock $(10,769)$ $(10,307)$ Net cash provided by financing activities288,868244,596Net increase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ 38,030Cash, cash equivalents and restricted cash at the beginning of period291,864138,250Cash, cash equivalents and restricted cash at the end of period\$226,155\$Noncash Investing and Financing Activities:\$42,826\$61,734	Proceeds from revolving credit facility		135,000		150,000		
Customer maintenance reserves paid-(18,538)Proceeds from sale of convertible note warrants-38,148Payments for convertible note hedges-(70,140)Purchase of treasury stock $(10,769)$ $(10,307)$ Net cash provided by financing activities288,868244,596Net increase (decrease) in cash, cash equivalents and restricted cash(65,709)38,030Cash, cash equivalents and restricted cash at the beginning of period291,864138,250Cash, cash equivalents and restricted cash at the end of period\$226,155\$Noncash Investing and Financing Activities:\$42,826\$61,734	Payment of revolving credit facility		(60,000)		(150,000)		
Proceeds from sale of convertible note warrants- $38,148$ Payments for convertible note hedges- $(70,140)$ Purchase of treasury stock $(10,769)$ $(10,307)$ Net cash provided by financing activities $288,868$ $244,596$ Net increase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ $38,030$ Cash, cash equivalents and restricted cash at the beginning of period $291,864$ $138,250$ Cash, cash equivalents and restricted cash at the end of period $$226,155$ $$176,280$ Noncash Investing and Financing Activities: $$42,826$ $$61,734$	Customer maintenance reserves and deposits received		11,520		22,006		
Payments for convertible note hedges- $(70,140)$ Purchase of treasury stock $(10,769)$ $(10,307)$ Net cash provided by financing activities $288,868$ $244,596$ Net increase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ $38,030$ Cash, cash equivalents and restricted cash at the beginning of period $291,864$ $138,250$ Cash, cash equivalents and restricted cash at the end of period $$226,155$ $$176,280$ Noncash Investing and Financing Activities: $$42,826$ $$42,826$ $$61,734$	Customer maintenance reserves paid		-		(18,538)		
Purchase of treasury stock $(10,769)$ $(10,307)$ Net cash provided by financing activities $288,868$ $244,596$ Net increase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ $38,030$ 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 $$$226,155$$ $$$176,280$$ Noncash Investing and Financing Activities: $$$42,826$$ $$$42,826$$ $$$61,734$$	Proceeds from sale of convertible note warrants		-		38,148		
Net cash provided by financing activities 288,868 244,596 Net increase (decrease) in cash, cash equivalents and restricted cash (65,709) 38,030 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 \$ 226,155 \$ 176,280 Noncash Investing and Financing Activities: Acquisition of flight equipment included in Accounts payable and accrued liabilities \$ 42,826 \$ 61,734	Payments for convertible note hedges		-		(70,140)		
Net cash provided by financing activities 288,868 244,596 Net increase (decrease) in cash, cash equivalents and restricted cash (65,709) 38,030 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 \$ 226,155 \$ 176,280 Noncash Investing and Financing Activities: Acquisition of flight equipment included in Accounts payable and accrued liabilities \$ 42,826 \$ 61,734	Purchase of treasury stock		(10,769)		(10,307)		
Net increase (decrease) in cash, cash equivalents and restricted cash $(65,709)$ $38,030$ 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 $$$226,155$ $$$176,280$ Noncash Investing and Financing Activities: $$$42,826$$$61,734$$			288,868				
Cash, cash equivalents and restricted cash at the beginning of period $291,864$ $138,250$ Cash, cash equivalents and restricted cash at the end of period $$226,155$ $$$176,280$ Noncash Investing and Financing Activities:Acquisition of flight equipment included in Accounts payable and accrued liabilities $$$42,826$ $$$61,734$							
Cash, cash equivalents and restricted cash at the end of period \$ 226,155 \$ 176,280 Noncash Investing and Financing Activities: Acquisition of flight equipment included in Accounts payable and accrued liabilities \$ 42,826 \$ 61,734					138,250		
Acquisition of flight equipment included in Accounts payable and accrued liabilities <u>\$42,826</u> <u>\$61,734</u>		\$		\$			
liabilities \$ 42,826 \$ 61,734	Noncash Investing and Financing Activities:						
Acquisition of flight equipment under capital lease\$32,380	liabilities	\$	42,826	\$	61,734		
	Acquisition of flight equipment under capital lease	\$	-	\$	32,380		

Acquisition of flight equipment under capital lease	\$ -	\$ 3

Atlas Air Worldwide Holdings, Inc. Direct Contribution

(in thousands)

(Unaudited)

	For the Three Mont		Ionths Ended		For the Nine N	Ionths Ended		
		September 30, 2018		September 30, 2017 ¹		September 30, 2018		2017 ¹
Operating Revenue:								
ACMI	\$	288,602	\$	258,109	\$	832,777	\$	687,982
Charter		322,750		243,583		954,725		743,302
Dry Leasing		44,487		30,804		120,837		86,120
Customer incentive asset amortization		(4,124)		(1,531)		(10,010)		(2,873)
Other	<u> </u>	4,892	<u> </u>	4,783	<u> </u>	14,437	<u> </u>	13,977
Total Operating Revenue	\$	656,607	\$	535,748	\$	1,912,766	\$	1,528,508
Direct Contribution:								
ACMI	\$	51,672	\$	51,185	\$	145,251	\$	139,858
Charter		44,370		34,510		129,738		87,911
Dry Leasing		12,645		10,245		36,195		29,629
Total Direct Contribution for Reportable	-	<u>, </u>		<u> </u>		<u> </u>		
Segments		108,687		95,940		311,184		257,398
Unallocated income and expenses, net		(82,830)		(63,703)		(212,373)		(181,176)
Loss on early extinguishment of debt		(02,030)		(167)		(212,575)		(167)
Unrealized gain (loss) on financial instruments		46,080		(44,775)		(11,691)		(36,225)
Special charge				(++,//3)		(9,374)		(30,225)
Transaction-related expenses		(765)		(1,092)		(1,275)		(3,403)
Loss on disposal of aircraft		(105)		(211)		(1,273)		(64)
Income (loss) from continuing operations before				(211)		<u>.</u>		(0.)
income taxes		71,172		(14,008)		76,471		36,363
Add back (subtract):								
Interest income		(1,592)		(1,688)		(4,704)		(4,286)
Interest expense		31,115		26,553		87,639		72,747
Capitalized interest		(1,120)		(1,922)		(4,335)		(5,633)
Loss on early extinguishment of debt		-		167		-		167
Unrealized loss (gain) on financial instruments		(46,080)		44,775		11,691		36,225
Other expense (income)		975		(1,165)		(10,777)		(357)
Operating Income	\$	54,470	\$	52,712	\$	155,985	\$	135,226

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 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, 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 th	e Thr	ee Months En	ded
	Sept	ember 30, 2018	Sep	tember 30, 2017	Percent Change
Income (loss) from continuing operations, net of taxes	\$	71,138	\$	(24,195)	NM
Impact from:					
Loss on disposal of aircraft		-		211	
Costs associated with transactions ¹		9,979		1,355	
Accrual for legal matters and professional fees		373		1,264	
Noncash expenses and income, net ²		8,369		5,474	
Charges associated with refinancing debt		-		167	
Unrealized loss (gain) on financial instruments		(46,080)		44,775	
Income tax effect of reconciling items		47		643	
Adjusted income from continuing operations, net of taxes	\$	43,826	\$	29,694	47.6%
Weighted average diluted shares outstanding		28,747		25,262	
Add: dilutive warrant ³		-		1,501	
dilutive convertible notes		-		109	
effect of convertible notes hedges ⁴		(269)		(109)	
dilutive restricted stock		-		636	
Adjusted weighted average diluted shares outstanding		28,478		27,399	
Adjusted Diluted EPS from continuing operations, net of taxes	\$	1.54	\$	1.08	42.6%

		For t	he Nin	e Months End	led
	Sept	ember 30, 2018	Sept	ember 30, 2017	Percent Change
Income from continuing operations, net of taxes	\$	59,643	\$	14,884	NM
Impact from:					
Loss on disposal of aircraft		-		64	
Special charge		9,374		-	
Costs associated with transactions ¹		10,489		3,666	
Accrual for legal matters and professional fees		936		1,600	
Noncash expenses and income, net ²		22,499		11,537	
Charges associated with refinancing debt		-		167	
Unrealized loss (gain) on financial instruments		11,691		36,225	
Income tax effect of reconciling items		2,699		(1,061)	
Adjusted income from continuing operations, net of taxes	\$	117,331	\$	67,082	74.9%
Weighted average diluted shares outstanding		26,274		25,822	
Add: dilutive warrant ³		2,129		1,230	
effect of convertible notes hedges ⁴		(240)		(36)	
Adjusted weighted average diluted shares outstanding		28,163		27,016	
Adjusted Diluted EPS from continuing operations, net of taxes	\$	4.17	\$	2.48	<u>68.1</u> %

¹ Costs associated with transactions include a ratification bonus related to an interim agreement with Southern Air pilots and other costs associated with our acquisition of Southern Air.

² Noncash expenses and income, net in 2018 and 2017 primarily related to amortization of debt discount on the convertible notes and amortization of the customer incentive asset related to the outstanding warrants.

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

⁴ Impact of the economic benefit from the convertible notes hedges in offsetting dilution from the convertible notes.

Atlas Air Worldwide Holdings, Inc. Reconciliation to Non-GAAP Measures

(in thousands, except per share data) (Unaudited)

	For the Three Months Ended							
	Septem	ber 30, 2018	Septem	nber 30, 2017				
Net Cash Provided by Operating Activities	\$	88,212	\$	82,299				
Less:								
Capital expenditures		30,028		21,158				
Capitalized interest		1,120		1,922				
Free Cash Flow ¹	\$	57,064	\$	59,219				

	For the Nine Months Ended									
	Septen	nber 30, 2018	Septer	nber 30, 2017						
Net Cash Provided by Operating Activities	\$	264,123	\$	195,106						
Less:										
Capital expenditures		84,819		66,395						
Capitalized interest		4,335		5,633						
Free Cash Flow ¹	\$	174,969	\$	123,078						

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	Mont	hs Ended	Fo	r the Nine M	Jonths Ended		
	Sept	tember 30, 2018	Sep	tember 30, 2017	Sep	tember 30, 2018	Sep	tember 30, 2017	
Income (loss) from continuing operations, net of taxes	\$	71,138	\$	(24,195)	\$	59,643	\$	14,884	
Income tax expense		34		10,187		16,828		21,479	
Income (loss) from continuing operations before income taxes		71,172		(14,008)		76,471		36,363	
Noncash expenses and income, net ¹		8,369		5,474		22,499		11,537	
Loss on disposal of aircraft		-		211		-		64	
Special charge ²		-		-		9,374		-	
Costs associated with transactions ³		9,979		1,355		10,489		3,666	
Accrual for legal matters and professional fees		373		1,264		936		1,600	
Charges associated with refinancing debt		-		167		-		167	
Unrealized loss (gain) on financial instruments		(46,080)		44,775		11,691		36,225	
Adjusted pretax income		43,813		39,238		131,460		89,622	
Interest expense, net ⁴		24,631		19,473		67,530		55,707	
Other non-operating expenses (income)		975		(1,165)		(10,777)		(357)	
Adjusted operating income		69,419		57,546		188,213		144,972	
Depreciation and amortization		55,417		42,033		155,881		120,913	
EBITDA, as adjusted ⁵	\$	124,836	\$	99,579	\$	344,094	\$	265,885	
Income tax expense	\$	34	\$	10,187	\$	16,828	\$	21,479	
Income tax effect of reconciling items ⁶		47		643		2,699		(1,061)	
Adjusted income tax expense (benefit)		(13)		9,544		14,129		22,540	
Adjusted pretax income	\$	43,813	\$	39,238	\$	131,460	\$	89,622	
Adjusted effective tax rate		0.0%		24.3%		10.7%		25.2%	

¹ Reflects impact of noncash expenses and income related to convertible notes, debt and investments, and amortization of customer incentive related to outstanding warrants.

² Special charge in 2018 primarily represented a loss on engines held for sale.

³ Costs associated with transactions include a ratification bonus related to an interim agreement with the Southern Air pilots and other costs associated with our acquisition of Southern Air.

⁴ Reflects impact of noncash expenses and income related to convertible notes, debt and investments.

⁵ Adjusted EBITDA: Earnings before interest, taxes, depreciation, amortization, noncash interest expenses and income, net, loss 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.

⁶ See Non-GAAP reconciliation of Adjusted income from continuing operations, net of taxes.

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

(Unaudited)

		or the Three Ende	d	Increase/	For the Nine Mo		
	Septe	ember 30, So 2018	eptember 30, 2017	(Decrease)	September 30, So 2018	eptember 30, 2017	(Decrease)
Block Hours							
ACMI		56,571	50,243	6,328	159,662	133,978	25,684
Charter							
Cargo		12,690	8,680	4,010	37,968	30,908	7,060
Passenger		3,952	5,447	(1,495)	13,717	14,903	(1,186)
Other		459	467	(8)	1,480	1,452	28
Total Block Hours		73,672	64,837	8,835	212,827	181,241	31,586
Revenue Per Block Hour							
ACMI	\$	5,102 \$	5,137	\$ (35)	\$ 5,216 \$	5,135	\$ 81
Charter	\$	19,394 \$	17,242	\$ 2,152	\$ 18,472 \$	16,225	\$ 2,247
Cargo	\$	19,180 \$	17,660	\$ 1,520	\$ 18,569 \$	16,258	\$ 2,311
Passenger	\$	20,079 \$	16,577	\$ 3,502	\$ 18,204 \$	16,159	\$ 2,045
Average Utilization (block hours per day)							
ACMI ¹		8.4	9.0	(0.6)	8.5	8.9	(0.4)
Charter				. ,			. ,
Cargo		9.8	9.9	(0.1)	10.2	9.6	0.6
Passenger		5.7	8.8	(3.1)	7.7	8.0	(0.3)
All Operating Aircraft ^{1,2}		8.5	9.1	(0.6)	8.7	9.0	(0.3)
Fuel							
Charter							
Average fuel cost per gallon Fuel gallons consumed (000s)	\$	2.43 \$ 49,206	1.84 40,275	\$ 0.59 8,931	\$ 2.34 \$ 147,664	1.85 129,420	\$ 0.49 18,244

¹ACMI and All Operating Aircraft averages in the third quarter and first nine months of 2018 reflect the impact of increases in the number of CMI aircraft and amount of CMI flying compared with the same periods 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/ For the Nine Mont		Months Ended	ths Ended Increase/
	September 30, 2018	September 30, 2017	(Decrease)	September 30, 2018	September 30, 2017	(Decrease)
gment Operating Fleet verage aircraft equivalents uring the period) ACMI ¹						
747-8F Cargo	8.9	9.5	(0.6)	9.0	8.1	0.9
747-400 Cargo	16.8	15.1	1.7	16.2	14.0	2.2
747-400 Dreamlifter	3.0	3.1	(0.1)	3.1	3.1	-
777-200 Cargo	5.9	5.0	0.9	5.3	5.0	0.3
767-300 Cargo	23.3	12.2	11.1	20.0	8.7	11.3
767-200 Cargo	9.0	9.0	-	9.0	9.0	-
737-400 Cargo	5.0	5.0	-	5.0	5.0	-
747-400 Passenger	-	1.0	(1.0)	0.3	1.0	(0.7)
767-200 Passenger	1.0	1.0	-	1.0	1.0	-
Total	72.9	60.9	12.0	68.9	54.9	14.0
Charter						
747-8F Cargo	1.1	0.5	0.6	1.0	1.9	(0.9)
747-400 Cargo	13.0	9.0	4.0	12.4	9.9	2.5
767-300 Cargo	-	-		0.3	-	0.3
747-400 Passenger	3.5	1.9	1.6	2.5	2.0	0.5
767-300 Passenger	4.0	4.8	(0.8)	4.0	4.8	(0.8)
Total	21.6	16.2	5.4	20.2	18.6	1.6
Dry Leasing						
777-200 Cargo	7.9	6.0	1.9	7.1	6.0	1.1
767-300 Cargo	17.7	8.6	9.1	15.8	6.0	9.8
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	28.6	17.6	11.0	25.9	15.0	10.9
Less: Aircraft Dry Leased to CMI customers	(19.6)	(8.6)	(11.0)	(16.9)	(6.0)	(10.9)
Total Operating Average	(1).0)	(0.0)	(11.0)	(10.9)	(0.0)	(10.7)
Aircraft Equivalents	103.5	86.1	17.4	98.1	82.5	15.6

Out of Service²

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

² Out of service aircraft temporarily parked during the period.

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