

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Operating Revenue	\$ 656,607	\$ 535,748	\$ 1,912,766	\$ 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	-	211	-	64
Special charge	-	-	9,374	-
Transaction-related expenses	765	1,092	1,275	3,403
Other	46,318	42,598	143,663	123,121
Total Operating Expenses	602,137	483,036	1,756,781	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	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)
Total Non-operating Expenses (Income)	(16,702)	66,720	79,514	98,863
Income (loss) from continuing operations before income taxes	71,172	(14,008)	76,471	36,363
Income tax expense	34	10,187	16,828	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	\$ 2.78	\$ (0.96)	\$ 2.34	\$ 0.59
Diluted	\$ 0.84	\$ (0.96)	\$ 2.27	\$ 0.58
Loss per share from discontinued operations:				
Basic	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.03)
Diluted	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.03)
Earnings (loss) per share:				
Basic	\$ 2.78	\$ (0.96)	\$ 2.33	\$ 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)

	September 30, 2018	December 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 and December 31, 2017, respectively	306	301
Additional paid-in-capital	731,106	715,735
Treasury stock, at cost; 4,992,278 and 4,812,194 shares, respectively	(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	\$ 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)
(Unaudited)

	For the Nine Months Ended	
	September 30, 2018	September 30, 2017
Operating Activities:		
Income from continuing operations, net of taxes	\$ 59,643	\$ 14,884
Less: Loss from discontinued operations, net of taxes	(50)	(859)
Net Income	59,593	14,025
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Depreciation and amortization	189,682	142,042
Accretion of debt securities discount	(719)	(892)
Provision for allowance for doubtful accounts	40	304
Special charge, net of cash payments	9,374	-
Loss on early extinguishment of debt	-	167
Unrealized loss (gain) on financial instruments	11,691	36,225
Loss on disposal of aircraft	-	64
Deferred taxes	16,453	21,106
Stock-based compensation	15,376	17,030
Changes 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 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)
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:		
Acquisition of flight equipment included in Accounts payable and accrued liabilities	\$ 42,826	\$ 61,734
Acquisition of flight equipment under capital lease	\$ -	\$ 32,380

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2018	September 30, 2017¹	September 30, 2018	September 30, 2017¹
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	4,892	4,783	14,437	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 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	-	(167)	-	(167)
Unrealized gain (loss) on financial instruments	46,080	(44,775)	(11,691)	(36,225)
Special charge	-	-	(9,374)	-
Transaction-related expenses	(765)	(1,092)	(1,275)	(3,403)
Loss on disposal of aircraft	-	(211)	-	(64)
Income (loss) from continuing operations before 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 the Three Months Ended		
	September 30, 2018	September 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	<u>28,478</u>	<u>27,399</u>	
Adjusted Diluted EPS from continuing operations, net of taxes	\$ 1.54	\$ 1.08	42.6%
	For the Nine Months Ended		
	September 30, 2018	September 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	<u>28,163</u>	<u>27,016</u>	
Adjusted Diluted EPS from continuing operations, net of taxes	\$ 4.17	\$ 2.48	68.1%

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	
	September 30, 2018	September 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 Flow¹	\$ 57,064	\$ 59,219

	For the Nine Months Ended	
	September 30, 2018	September 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 Flow¹	\$ 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)

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>
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 adjusted⁵	<u>\$ 124,836</u>	<u>\$ 99,579</u>	<u>\$ 344,094</u>	<u>\$ 265,885</u>
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	<u>\$ 43,813</u>	<u>\$ 39,238</u>	<u>\$ 131,460</u>	<u>\$ 89,622</u>
Adjusted effective tax rate	<u>0.0%</u>	<u>24.3%</u>	<u>10.7%</u>	<u>25.2%</u>

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)

	For the Three Months Ended		Increase/ (Decrease)	For the Nine Months Ended		Increase/ (Decrease)
	September 30, 2018	September 30, 2017		September 30, 2018	September 30, 2017	
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	<u>73,672</u>	<u>64,837</u>	<u>8,835</u>	<u>212,827</u>	<u>181,241</u>	<u>31,586</u>

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}	<u>8.5</u>	<u>9.1</u>	<u>(0.6)</u>	<u>8.7</u>	<u>9.0</u>	<u>(0.3)</u>

Fuel

Charter						
Average fuel cost per gallon	\$ 2.43	\$ 1.84	\$ 0.59	\$ 2.34	\$ 1.85	\$ 0.49
Fuel gallons consumed (000s)	49,206	40,275	8,931	147,664	129,420	18,244

¹ ACMI 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)

	<u>For the Three Months Ended</u>		<u>Increase/</u>	<u>For the Nine Months Ended</u>		<u>Increase/</u>
	<u>September 30,</u>	<u>September 30,</u>	<u>(Decrease)</u>	<u>September 30,</u>	<u>September 30,</u>	<u>(Decrease)</u>
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
Segment Operating Fleet						
(average aircraft equivalents during the period)						
ACMI¹						
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	<u>72.9</u>	<u>60.9</u>	<u>12.0</u>	<u>68.9</u>	<u>54.9</u>	<u>14.0</u>
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	<u>21.6</u>	<u>16.2</u>	<u>5.4</u>	<u>20.2</u>	<u>18.6</u>	<u>1.6</u>
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	<u>28.6</u>	<u>17.6</u>	<u>11.0</u>	<u>25.9</u>	<u>15.0</u>	<u>10.9</u>
Less: Aircraft Dry Leased to CMI customers	(19.6)	(8.6)	(11.0)	(16.9)	(6.0)	(10.9)
Total Operating Average Aircraft Equivalents	<u><u>103.5</u></u>	<u><u>86.1</u></u>	<u><u>17.4</u></u>	<u><u>98.1</u></u>	<u><u>82.5</u></u>	<u><u>15.6</u></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.