

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, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Operating Revenue	\$ 535,748	\$ 448,015	\$ 1,528,508	\$ 1,309,902
Operating Expenses				
Salaries, wages and benefits	114,505	125,978	330,080	321,365
Aircraft fuel	74,048	65,409	239,966	189,982
Maintenance, materials and repairs	74,457	49,761	212,042	162,220
Depreciation and amortization	42,033	37,509	120,913	109,722
Travel	38,260	31,958	105,510	94,291
Aircraft rent	33,873	35,730	103,738	109,490
Navigation fees, landing fees and other rent	33,468	15,640	77,258	56,391
Passenger and ground handling services	28,491	21,673	77,187	64,571
Loss (gain) on disposal of aircraft	211	(11)	64	(11)
Special charge	-	-	-	6,631
Transaction-related expenses	1,092	3,905	3,403	21,486
Other	42,598	34,465	123,121	106,885
Total Operating Expenses	<u>483,036</u>	<u>422,017</u>	<u>1,393,282</u>	<u>1,243,023</u>
Operating Income	<u>52,712</u>	<u>25,998</u>	<u>135,226</u>	<u>66,879</u>
Non-operating Expenses (Income)				
Interest income	(1,688)	(1,316)	(4,286)	(4,325)
Interest expense	26,553	21,355	72,747	63,595
Capitalized interest	(1,922)	(1,059)	(5,633)	(2,106)
Loss on early extinguishment of debt	167	-	167	132
Unrealized loss (gain) on financial instruments	44,775	1,462	36,225	(25,013)
Other income	(1,165)	(180)	(357)	(372)
Total Non-operating Expenses (Income)	<u>66,720</u>	<u>20,262</u>	<u>98,863</u>	<u>31,911</u>
Income (loss) from continuing operations before income taxes	(14,008)	5,736	36,363	34,968
Income tax expense	10,187	13,237	21,479	21,079
Income (loss) from continuing operations, net of taxes	(24,195)	(7,501)	14,884	13,889
Income (loss) from discontinued operations, net of taxes	33	(445)	(859)	(790)
Net Income (Loss)	<u>\$ (24,162)</u>	<u>\$ (7,946)</u>	<u>\$ 14,025</u>	<u>\$ 13,099</u>
Earnings (loss) per share from continuing operations:				
Basic	<u>\$ (0.96)</u>	<u>\$ (0.30)</u>	<u>\$ 0.59</u>	<u>\$ 0.56</u>
Diluted	<u>\$ (0.96)</u>	<u>\$ (0.30)</u>	<u>\$ 0.58</u>	<u>\$ (0.49)</u>
Earnings (loss) per share from discontinued operations:				
Basic	<u>\$ 0.00</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>
Diluted	<u>\$ 0.00</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>
Earnings (loss) per share:				
Basic	<u>\$ (0.96)</u>	<u>\$ (0.32)</u>	<u>\$ 0.56</u>	<u>\$ 0.53</u>
Diluted	<u>\$ (0.96)</u>	<u>\$ (0.32)</u>	<u>\$ 0.54</u>	<u>\$ (0.52)</u>
Weighted average shares:				
Basic	<u>25,262</u>	<u>24,840</u>	<u>25,229</u>	<u>24,788</u>
Diluted	<u>25,262</u>	<u>24,840</u>	<u>25,822</u>	<u>25,116</u>

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 165,250	\$ 123,890
Short-term investments	10,676	4,313
Restricted cash	11,030	14,360
Accounts receivable, net of allowance of \$1,230 and \$997, respectively	172,205	166,486
Prepaid maintenance	13,181	4,418
Prepaid expenses and other current assets	77,434	44,603
Total current assets	<u>449,776</u>	<u>358,070</u>
Property and Equipment		
Flight equipment	4,267,704	3,886,714
Ground equipment	73,653	68,688
Less: accumulated depreciation	(670,443)	(568,946)
Flight equipment modifications in progress	228,040	154,226
Property and equipment, net	<u>3,898,954</u>	<u>3,540,682</u>
Other Assets		
Long-term investments and accrued interest	19,234	27,951
Deferred costs and other assets	210,611	204,647
Intangible assets, net and goodwill	108,727	116,029
Total Assets	<u><u>\$ 4,687,302</u></u>	<u><u>\$ 4,247,379</u></u>
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 62,540	\$ 59,543
Accrued liabilities	421,670	320,887
Current portion of long-term debt and capital lease	196,509	184,748
Total current liabilities	<u>680,719</u>	<u>565,178</u>
Other Liabilities		
Long-term debt and capital lease	1,908,835	1,666,663
Deferred taxes	318,171	298,165
Financial instruments and other liabilities	204,408	200,035
Total other liabilities	<u>2,431,414</u>	<u>2,164,863</u>
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; 30,090,510 and 29,633,605 shares issued, 25,283,100 and 25,017,242 shares outstanding (net of treasury stock), as of September 30, 2017 and December 31, 2016, respectively	301	296
Additional paid-in-capital	710,446	657,082
Treasury stock, at cost; 4,807,410 and 4,616,363 shares, respectively	(193,426)	(183,119)
Accumulated other comprehensive loss	(4,249)	(4,993)
Retained earnings	1,062,097	1,048,072
Total equity	<u>1,575,169</u>	<u>1,517,338</u>
Total Liabilities and Equity	<u><u>\$ 4,687,302</u></u>	<u><u>\$ 4,247,379</u></u>

¹ Balance sheet debt at September 30, 2017 totaled \$2,105.3 million, including the impact of \$105.1 million of unamortized discount and debt issuance costs of \$49.4 million.

² The face value of our debt at September 30, 2017 totaled \$2,259.8 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 Nine Months Ended	
	September 30, 2017	September 30, 2016
Operating Activities:		
Income (loss) from continuing operations, net of taxes	\$ 14,884	\$ 13,889
Less: Loss from discontinued operations, net of taxes	(859)	(790)
Net Income	14,025	13,099
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Depreciation and amortization	142,042	124,198
Accretion of debt securities discount	(892)	(968)
Provision for allowance for doubtful accounts	304	267
Special charge, net of cash payments	-	6,631
Loss on early extinguishment of debt	167	132
Unrealized loss (gain) on financial instruments	36,225	(25,013)
Loss (gain) on disposal of aircraft	64	(11)
Deferred taxes	21,106	20,794
Stock-based compensation expense	17,030	27,919
Changes in:		
Accounts receivable	(12,004)	32,767
Prepaid expenses, current assets and other assets	(53,343)	(19,287)
Accounts payable and accrued liabilities	30,382	(79,684)
Net cash provided by operating activities	195,106	100,844
Investing Activities:		
Capital expenditures	(66,395)	(36,872)
Payments for flight equipment and modifications	(338,524)	(237,093)
Acquisition of business, net of cash acquired	-	(107,498)
Proceeds from investments	3,247	8,843
Net cash used for investing activities	(401,672)	(372,620)
Financing Activities:		
Proceeds from debt issuance	447,865	84,790
Proceeds from revolving credit facility	150,000	-
Payment of revolving credit facility	(150,000)	-
Customer maintenance reserves and deposits received	22,006	11,172
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	(10,307)	(11,071)
Excess tax benefit from stock-based compensation expense	-	443
Payment of debt issuance costs	(11,146)	(1,078)
Payments of debt	(153,292)	(135,843)
Net cash provided by (used for) financing activities	244,596	(51,587)
Net increase (decrease) in cash, cash equivalents and restricted cash	38,030	(323,363)
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	\$ 176,280	\$ 115,568
Noncash Investing and Financing Activities:		
Acquisition of flight equipment included in Accounts payable and accrued liabilities	\$ 61,734	\$ 18,510
Acquisition of flight equipment under capital lease	\$ 32,380	\$ 10,650

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

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Operating Revenue:				
ACMI	\$ 258,109	\$ 206,310	\$ 687,982	\$ 600,772
Charter	243,583	212,040	743,302	616,794
Dry Leasing	30,804	25,907	86,120	79,165
Customer incentive asset amortization	(1,531)	(174)	(2,873)	(174)
Other	4,783	3,932	13,977	13,345
Total Operating Revenue	<u>\$ 535,748</u>	<u>\$ 448,015</u>	<u>\$ 1,528,508</u>	<u>\$ 1,309,902</u>
Direct Contribution:				
ACMI	\$ 51,647	\$ 51,607	\$ 141,134	\$ 121,837
Charter	34,808	32,948	88,877	78,580
Dry Leasing	10,245	7,413	29,629	24,699
Total Direct Contribution for Reportable Segments	<u>96,700</u>	<u>91,968</u>	<u>259,640</u>	<u>225,116</u>
Unallocated income and expenses, net	(64,463)	(80,876)	(183,418)	(186,923)
Loss on early extinguishment of debt	(167)	-	(167)	(132)
Unrealized loss (gain) on financial instruments	(44,775)	(1,462)	(36,225)	25,013
Special charge	-	-	-	(6,631)
Transaction-related expenses	(1,092)	(3,905)	(3,403)	(21,486)
Loss (gain) on disposal of aircraft	(211)	11	(64)	11
Income (loss) from continuing operations before income taxes	<u>(14,008)</u>	<u>5,736</u>	<u>36,363</u>	<u>34,968</u>
Add back (subtract):				
Interest income	(1,688)	(1,316)	(4,286)	(4,325)
Interest expense	26,553	21,355	72,747	63,595
Capitalized interest	(1,922)	(1,059)	(5,633)	(2,106)
Loss on early extinguishment of debt	167	-	167	132
Unrealized loss (gain) on financial instruments	44,775	1,462	36,225	(25,013)
Other income	(1,165)	(180)	(357)	(372)
Operating Income	<u>\$ 52,712</u>	<u>\$ 25,998</u>	<u>\$ 135,226</u>	<u>\$ 66,879</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 the 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	
	September 30, 2017	September 30, 2016
Net Cash Provided by Operating Activities	\$ 82,299	\$ 53,600
Less:		
Capital expenditures	21,158	9,633
Capitalized interest	1,922	1,059
Free Cash Flow¹	\$ 59,219	\$ 42,908

	For the Nine Months Ended	
	September 30, 2017	September 30, 2016
Net Cash Provided by Operating Activities	\$ 195,106	\$ 100,844
Less:		
Capital expenditures	66,395	36,872
Capitalized interest	5,633	2,106
Free Cash Flow¹	\$ 123,078	\$ 61,866

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>2017</u>	<u>September 30,</u> <u>2016</u>	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>
Income (loss) from continuing operations, net of taxes	\$ (24,195)	\$ (7,501)	\$ 14,884	\$ 13,889
Income tax expense	10,187	13,237	21,479	21,079
Income (loss) from continuing operations before income taxes	(14,008)	5,736	36,363	34,968
Noncash expenses and income, net ¹	5,474	2,081	11,537	5,807
Gain on disposal of aircraft	211	(11)	64	(11)
Special charge ²	-	-	-	6,631
Costs associated with transactions ³	1,355	30,074	3,666	47,655
Accrual for legal matters and professional fees	1,264	(210)	1,600	6,777
Charges associated with refinancing debt	167	-	167	132
Unrealized loss (gain) on financial instruments	44,775	1,462	36,225	(25,013)
Adjusted pretax income	39,238	39,132	89,622	76,946
Interest (income) expense, net ⁴	19,473	17,669	55,707	53,320
Other non-operating income	(1,165)	(180)	(357)	(372)
Adjusted operating income	57,546	56,621	144,972	129,894
Depreciation and amortization	42,033	37,509	120,913	109,722
EBITDA, as adjusted⁵	\$ 99,579	\$ 94,130	\$ 265,885	\$ 239,616
Income tax expense	\$ 10,187	\$ 13,237	\$ 21,479	\$ 21,079
Income tax effect of reconciling items ⁶	643	1,531	(1,061)	(535)
Adjusted income tax expense	9,544	11,706	22,540	21,614
Adjusted pretax income	\$ 39,238	\$ 39,132	\$ 89,622	\$ 76,946
Adjusted effective tax rate	<u>24.3%</u>	<u>29.9%</u>	<u>25.2%</u>	<u>28.1%</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 2016 primarily represented a loss on engines held for sale.

³ 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.

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

⁵ Adjusted EBITDA: Earnings before interest, taxes, depreciation, amortization, noncash interest expenses and income, net, gain on disposal of aircraft, special charge, transaction-related expenses, 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)

	<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>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
Block Hours						
ACMI	50,243	39,448	10,795	133,978	108,839	25,139
Charter						
Cargo	8,680	9,797	(1,117)	30,908	26,698	4,210
Passenger	5,447	4,474	973	14,903	12,753	2,150
Other	467	456	11	1,452	1,349	103
Total Block Hours	<u>64,837</u>	<u>54,175</u>	<u>10,662</u>	<u>181,241</u>	<u>149,639</u>	<u>31,602</u>
Revenue Per Block Hour						
ACMI	\$ 5,137	\$ 5,230	\$ (93)	\$ 5,135	\$ 5,520	\$ (385)
Charter	\$ 17,242	\$ 14,858	\$ 2,384	\$ 16,225	\$ 15,634	\$ 591
Cargo	\$ 17,660	\$ 13,926	\$ 3,734	\$ 16,258	\$ 14,878	\$ 1,380
Passenger	\$ 16,577	\$ 16,899	\$ (322)	\$ 16,159	\$ 17,218	\$ (1,059)
Average Utilization (block hours per day)						
ACMI ¹	9.0	8.7	0.3	9.0	8.7	0.3
Charter						
Cargo	9.9	8.9	1.0	9.6	8.5	1.1
Passenger	8.8	8.1	0.7	8.0	8.6	(0.6)
All Operating Aircraft ^{1,2}	<u>9.1</u>	<u>8.8</u>	<u>0.3</u>	<u>9.0</u>	<u>8.8</u>	<u>0.2</u>
Fuel						
Charter						
Average fuel cost per gallon	\$ 1.84	\$ 1.61	\$ 0.23	\$ 1.85	\$ 1.69	\$ 0.16
Fuel gallons consumed (000s)	40,275	40,718	(443)	129,420	112,248	17,172

¹ ACMI and All Operating Aircraft averages in the third quarter and first nine 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)

	<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>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
Segment Operating Fleet (average aircraft equivalents during the period)						
ACMI¹						
747-8F Cargo	9.5	7.9	1.6	8.1	8.2	(0.1)
747-400 Cargo	15.1	12.9	2.2	14.0	13.0	1.0
747-400 Dreamlifter	3.1	2.8	0.3	3.1	2.9	0.2
777-200 Cargo	5.0	5.0	-	5.0	3.2	1.8
767-300 Cargo	12.2	4.6	7.6	8.7	4.0	4.7
767-200 Cargo	9.0	9.0	-	9.0	9.0	-
737-400 Cargo	5.0	5.0	-	5.0	3.2	1.8
747-400 Passenger	1.0	1.0	-	1.0	1.0	-
767-200 Passenger	1.0	1.0	-	1.0	1.0	-
Total	60.9	49.2	11.7	54.9	45.5	9.4
Charter						
747-8F Cargo	0.5	2.1	(1.6)	1.9	1.8	0.1
747-400 Cargo	9.0	9.8	(0.8)	9.9	9.7	0.2
747-400 Passenger	1.9	2.0	(0.1)	2.0	2.0	-
767-300 Passenger	4.8	4.0	0.8	4.8	3.4	1.4
Total	16.2	17.9	(1.7)	18.6	16.9	1.7
Dry Leasing						
777-200 Cargo	6.0	6.0	-	6.0	6.0	-
767-300 Cargo	8.6	2.6	6.0	6.0	2.0	4.0
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	17.6	11.6	6.0	15.0	11.0	4.0
Less: Aircraft Dry Leased to CMI customers	(8.6)	(2.6)	(6.0)	(6.0)	(2.0)	(4.0)
Total Operating Average Aircraft Equivalents	86.1	76.1	10.0	82.5	71.4	11.1

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