# *Annual Meeting of Stockholders*

# *May 10, 2013*

# Safe Harbor Statement

*Except for historical information contained herein, the matters discussed in this presentation contain forward-looking statements that involve risks and uncertainties. There are a number of important factors that could cause Air Transport Services Group's ("ATSG's") actual results to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to, changes in market demand for our assets and services, the cost and timing associated with the modification of Boeing 767 and 757 aircraft, the availability and costs to acquire used passenger aircraft for freighter conversion, ABX Air's ability to maintain on-time service and control costs under its operating agreement with DHL, and other factors that are contained from time to time in ATSG's filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Readers should carefully review this presentation and should not place undue reliance on ATSG's forward-looking statements. These forward-looking statements were based on information, plans and estimates as of the date of this presentation. ATSG undertakes no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.*

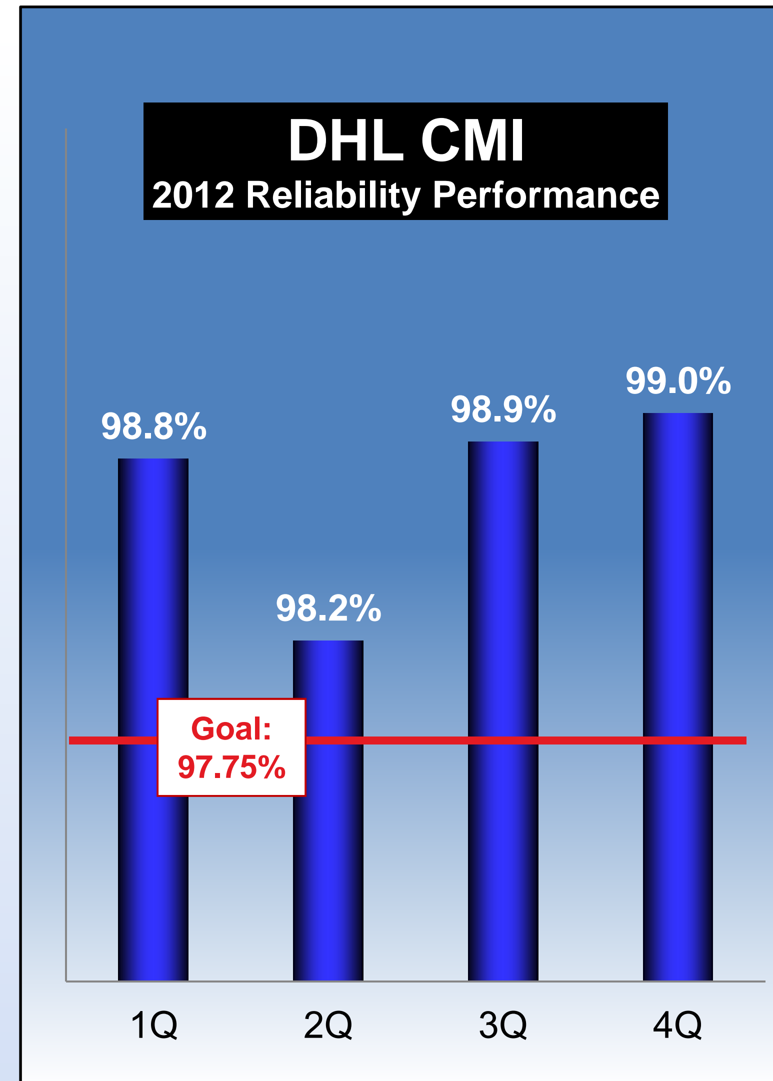
# *2012 Review & Strategy*

## *Joe Hete*

President & CEO

# 2012 Accomplishments

- Consolidated CCIA and ATI operations
- Awarded two-year combi agreement with military
- Bought two 767-300s, one 757-200 combi
- Completed mod of four 767s
- Agreed to expand AMES hangar facilities in Wilmington
- Established new dedicated sales presence in Asia, Europe
- Retired all DC-8 and 727 freighters to create all-767/757 freighter fleet
- Extended credit agreement, expanded revolver
- Provided outstanding service for DHL and other customers



# First Quarter 2013 Accomplishments

- Completed CCIA-ATI merger
- Agreed to add three 767s, one 757 to DHL's U.S. network
- Extended agreements for DHL Mideast service
- Completed purchase of two 757 combis from National Air Cargo
- Launched FAA certification for 757 combis
- Started construction of new AMES hangar facilities

# Business Units

# ATSG Strategy – It Starts With The Lease

**Foundation of ATSG's economic model**

- Cargo Aircraft Management (CAM) purchases passenger aircraft, manages extensive modification and upgrade process
- Completed aircraft offered for dry lease at market rates to yield 10%+ unlevered ROIC
- Dry leases typically have 5-7 year term; customers assume operating risk
- ATSG subsidiary airlines compete with third-party lessees for access to assets
- Incremental returns from maintenance and other custom services

# ATSG Strategy – ACMI or CMI Operations

***We crew, maintain and insure our aircraft types for incremental (CMI) or package (A+CMI) price***

- ABX Air and ATI provide ACMI services for cargo transport companies worldwide
- Customer accepts fuel-price risk
- ACMI generates incremental operating return above market lease rates
- CMI services available for customer aircraft – incremental return without capital investment

# ATSG Strategy – Customized Support

***The world's only source of complete turnkey solutions for customers seeking midsized freighter air network services***

**Maintenance**

**Airborne Maintenance & Engineering Services**

- Heavy & line maintenance, component overhaul, engineering, manufacturing
- Customers include major airlines, private operators
- Expanding facilities to serve more 3rd party fleets

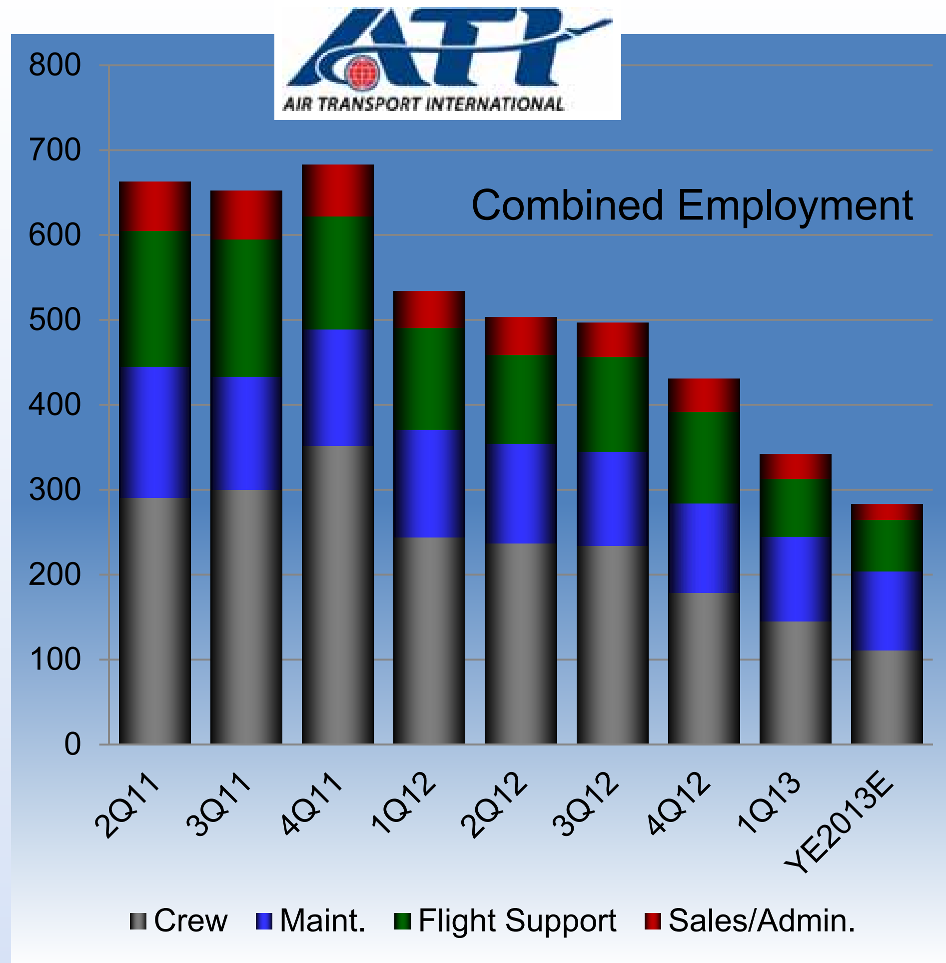
**LGSTX Services, Inc.**

- Equipment leasing, and equipment/facility maintenance
- Customers: major airlines, regional airports
- Logistics support services
- Sort management services for USPS

**Logistics**

# Merger Complete – Savings Accruing

## Projecting $5-6 Million in Annualized Cost Savings




- ✓ Merger Plan Submitted July 23, 2012
- ✓ FAA Acceptance of Manuals
- ✓ Maintenance and Flight Operations Training
- ✓ Operations Control Centers transitioned from Little Rock & Orlando to Wilmington
- ✓ Aircraft Conformity/ Table Top Exercise completed– 3/1/2013
- ✓ Proving Flights completed- 3/8/2013
- ✓ FAA Approval of Merger/Ops Specs/Fleet Integration- 3/8/2013
- ✓ Merger Complete - CCIA certificate surrendered - 3/8/2013
- ❑ Purchasing, accounting units moving to Wilmington during 2Q and 3Q
- ❑ Headcount reductions continue through 2013

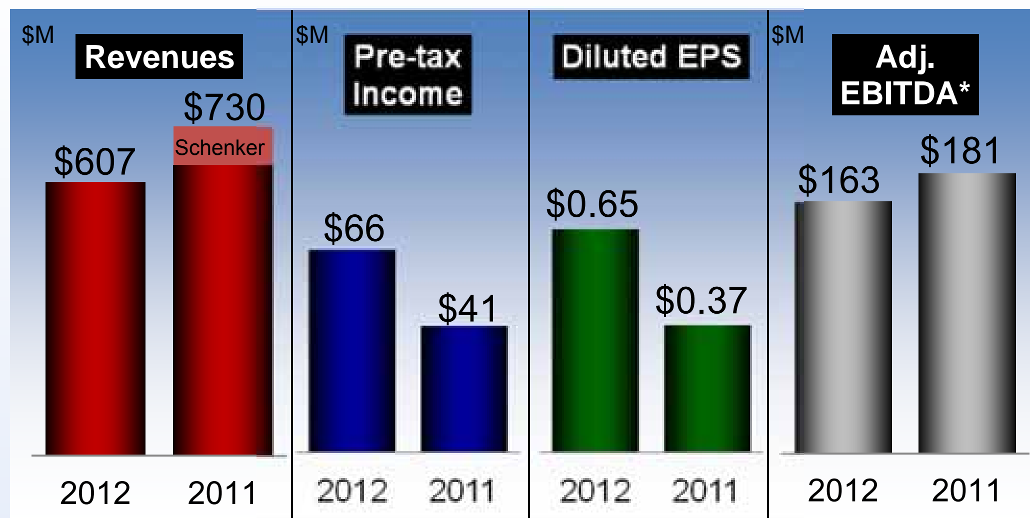
# Financial Review

## Quint Turner

Chief Financial Officer

# 2012 Results

***ATSG's 2012 results, strong financial position demonstrate the core strength of its business model: low risk with strong cash-generating power***



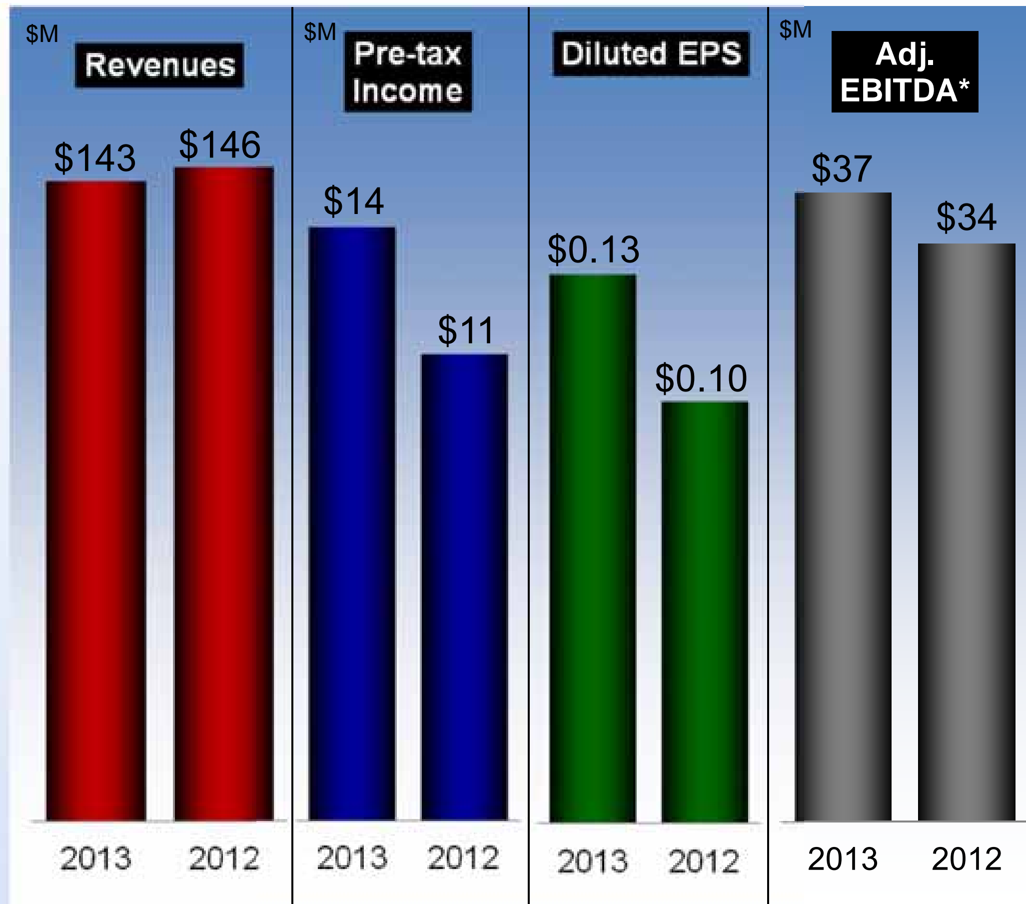

| ($M, except ratios) | 12/31/2012 | 12/31/2011 |
|---|---|---|
| Cash & Cash Equivalents | $ 15.4 | $ 30.5 |
| Total Debt | 364.5 | 346.9 |
| EBITDA* | 165.0 | 145.9 |
| Adjusted EBITDA* | 163.2 | 180.8 |
| Adjusted Net Leverage Ratio* | 2.14 | 1.75 |

- Revenues increased 10% excluding Schenker, reimbursables
- CAM pre-tax earnings up 29%
- ACMI Services loss of $15 million in 2012 due to delayed deploy-ments, Schenker-related costs
- Salaries, wages & benefits down $4 million, pension expense up $6 million in 2012
- 2011 pre-tax, EPS included $27 million of impairment, $7 million refinancing charges
- Low balance sheet leverage offers capacity for growth

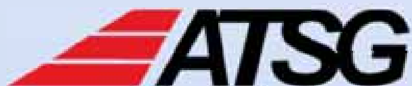
* Non-GAAP metric. See table at end of this presentation for reconciliation to nearest GAAP results

# First Quarter 2013 Results

***Income Growth On Track As Cost-Control Initiatives Take Effect***



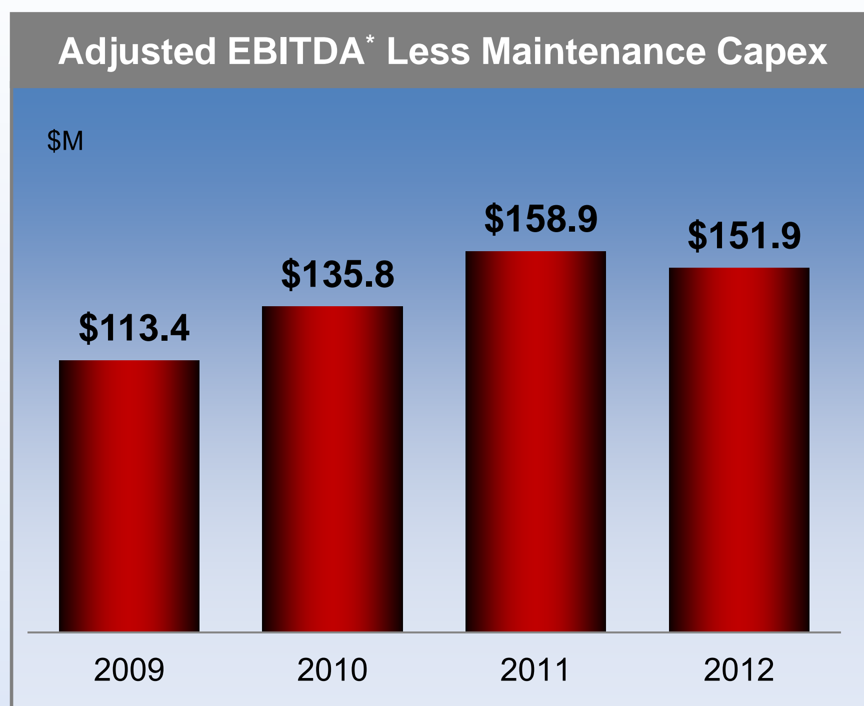

- ACMI Services margins improve year-over-year
- CAM pre-tax earnings flat
- Salaries, wages & benefits decline another $4 million
- Maintenance expense down $1 million
- Adjusted EBITDA* consistent with targets

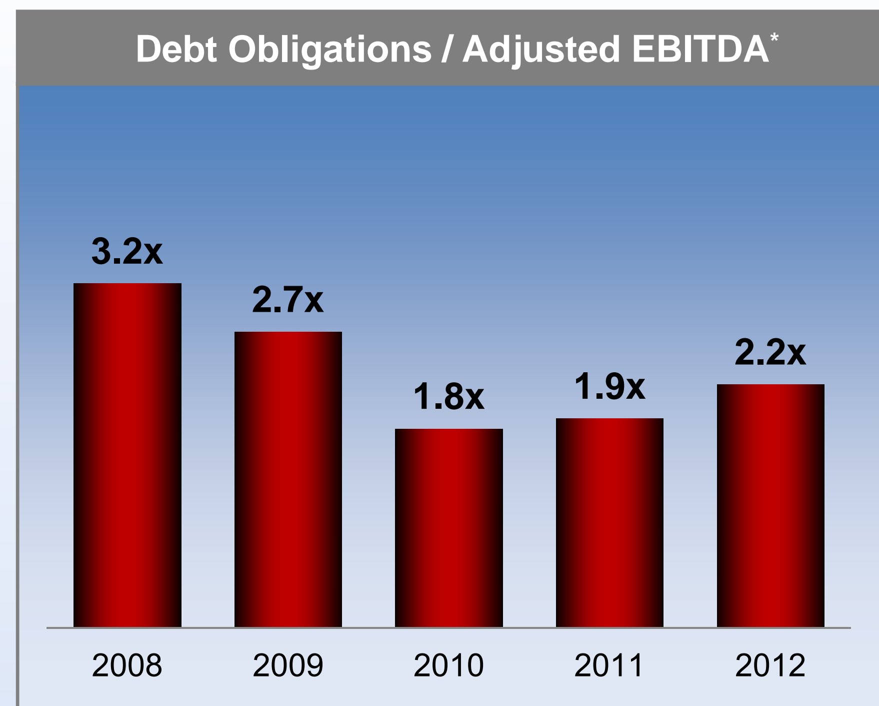



* Non-GAAP metric. See table at end of this presentation for reconciliation to nearest GAAP results

# Capital Base to Support Growth

***Strong Adjusted EBITDA generation, moderate financial leverage and minimal off-balance sheet liabilities provide capacity for further growth***



* Adjusted EBITDA is a non-GAAP metric. Debt Obligations are as of end of year. See table at end of this presentation for reconciliation to nearest GAAP results

# Market Outlook

## Rich Corrado

Chief Commercial Officer

# Global Industry Facing Challenges

- Demand stagnant since 2010
- Overcapacity
  - New large widebody freighters
  - Passenger belly space
- Modal shift
- Lower yields
- Fuel prices remain high
- Price competition from faster growing Middle East, Asian freight carriers

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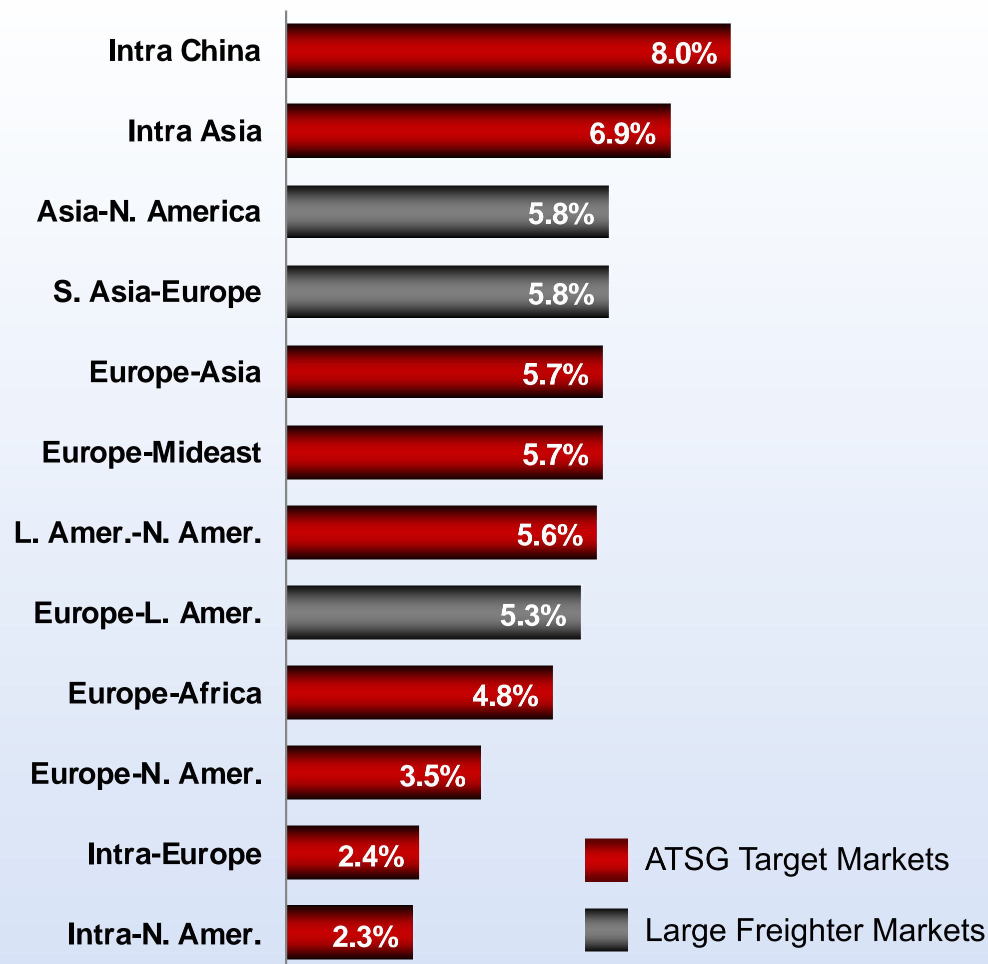
# ATSG's Global Opportunities




Source: Boeing World Air Cargo Forecast 2012-13

## ATSG's Current Opportunities

**Intra Asia**

- Rapid economic growth
- Manufacturing moving inland China and to Emerging Markets, i.e. Vietnam, Thailand
- China becoming consumer nation, to/from China
- Ideal 767 range/payload fit as feeder aircraft

**Middle East**

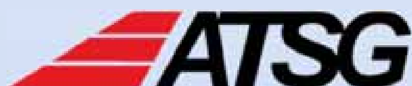
- Strong growth
- Aging, unreliable Airbus fleets due for replacement

**Americas**

- Strong growth
- ATSG has Miami hub
- Ideal 767 range/payload fit for north-south routes

**Dry Lease Only**

- Large domestic growth
- Intra-China
- Intra-Brazil



# Current 767 Freighter Deployments

## 41 CAM-Owned 767Fs in Service

### 20 External Leases

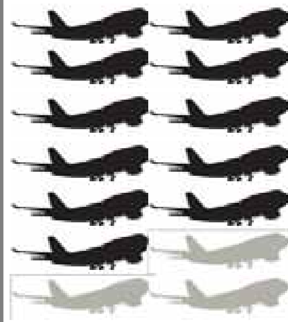
**13 DHL - U.S.**

Seven-year leases running thru 2017-18

Piloted by ABX Air crews under CMI agreement

### 21 Internal Leases (ACMI)

**14 ABX Air**



**7 ATI**

### 6 Leased From Others

4 leased from DHL; ABX operates them in U.S. under CMI agreement

2 leased 767-300s in ACMI service

### 7 Other External Leases

3 Amerijet thru 2017-18

2 CargoJet thru 2015

1 RIO thru 2016

1 FirstAir thru 2015

### Geographic Distribution

6 in Latin America

2 in Europe

3 in Middle East

10 in North America

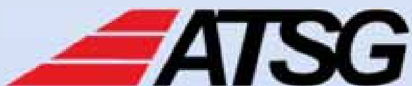
### 2 CAM-Owned 767-300s in Mod

**In-service Targets:**

1 in 2Q 2013

1 in 3Q 2013

Note: Reflects in-service aircraft as of May 2013



767-200

767-300

# How we win in challenging markets

***Our aircraft assets, and our business model, emphasize flexibility***

**Midsize Boeing 767-300 freighter particularly valuable as yields soften**

- 767-300 range covers five of the eight largest-volume transcontinental routes normally served by large freighters without refueling
- Operating cost for 767-300 significantly less than large freighters,
- New manufacturing centers in Africa, Asia and S. America driving major freight integrators to expand regional hub and spoke networks

**Midsize freighter market less vulnerable to aggregate demand swings**

- Competitive network need protects air network spokes through down markets
- ACMI, lease contracts not directly volume sensitive

**Business model supports unique, flexible solutions for customers as market turns**

- Rapid response with aircraft, crew, and maintenance support to replace parked assets
- Connect freight companies that can jointly, but not separately, fill 767 under block-space agreements
- WET2DRY - low-risk transition from other aircraft into 767

# *Outlook, Q&A*

## *Joe Hete*

President & CEO

# 2013 Outlook

- 2013 Adjusted EBITDA* from continuing operations projected to be $175-180 million from baseline business, with 8-10% potential upside
- Two 767-300 freighters in conversion; no more airframe purchases in 2013 without customer commitment
- Four 757-200 combis will replace remaining DC-8 combis in mid-2013, yielding all-767/757 fleet
- Factors impacting guidance:
  - Progress in 767 freighter deployment
  - Reductions in overhead, operating expense from merger of ATI and CCIA
  - Benefits in maintenance, crew, and other operating expenses from all-767/757 fleet

* Non-GAAP metric. See table at end of this presentation for reconciliation to nearest GAAP results

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# *Questions?*

# Non-GAAP Reconciliation Statement

| Reconciliation Stmt. ($ in 000s except Ratios) | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| **GAAP Pre-tax Earnings (Loss) from Continuing Operations** | **$ (56,619)** | **$ 45,358** | **$ 63,317** | **$ 40,860** | **$ 66,320** |
| Impairment Charges | 91,241 | - | - | 27,144 | - |
| Severance & Retention Activities | (816) | (16,727) | (3,549) | - | - |
| Net Deriv. Loss and Credit Agrmt Termination | | | | 7,767 | (1,879) |
| **Adjusted Pre-tax Earnings from Continuing Operations*** | **$ 33,806** | **$ 28,631** | **$ 59,768** | **$ 75,771** | **$ 64,441** |
| Interest Income | (2,335) | (449) | (316) | (179) | (136) |
| Interest Expense | 37,002 | 26,881 | 18,675 | 14,181 | 14,383 |
| Depreciation and amortization | 93,752 | 83,964 | 87,594 | 91,063 | 84,477 |
| **Adjusted EBITDA from Continuing Operations*** | **$ 162,225** | **$ 139,027** | **$ 165,721** | **$ 180,836** | **$ 163,165** |
| Debt Obligations - end of period | $ 512,486 | $ 377,427 | $ 302,528 | $ 346,904 | $ 364,481 |
| **Debt Obligations/Adjusted EBITDA Ratio*** | **3.16** | **2.71** | **1.83** | **1.92** | **2.23** |
| Cash & Cash Equivalents, end of period | | | | $30,503 | $15,442 |
| **Adjusted Net Leverage Ratio** | | | | **1.75** | **2.14** |

| Reconciliation Stmt. ($ in 000s) | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 1Q13 |
|---|---|---|---|---|---|
| **GAAP Pre-tax Earnings from Continuing Operations** | **$ 10,743** | **$ 18,171** | **$ 18,959** | **$ 18,447** | **$ 13,592** |
| Derivative Gain | (460) | (202) | (294) | (923) | (290) |
| **Adj. Pre-tax Earnings - Cont. Oper.** | **$ 10,283** | **$ 17,969** | **$ 18,665** | **$ 17,524** | **$ 13,302** |
| Interest Income | (28) | (38) | (38) | (32) | (21) |
| Interest Expense | 3,547 | 3,671 | 3,668 | 3,497 | 3,132 |
| Depreciation and amortization | 20,300 | 21,514 | 21,057 | 21,606 | 20,920 |
| **Adjusted EBITDA from Continuing Operations** | **$ 34,102** | **$ 43,116** | **$ 43,352** | **$ 42,595** | **$ 37,333** |

* Adjusted Pre-Tax Earnings from Continuing Operations, Adjusted EBITDA from Continuing Operations, Debt Obligations/Adjusted EBITDA Ratio and Adjusted Net Leverage Ratio are non-GAAP financial measures and should not be considered alternatives to net income or any other performance measure derived in accordance with GAAP. Adjusted Pre-Tax Earnings from Continuing Operations excludes pre-tax earnings from the severance and retention agreement with DHL that ended in 2010, unrealized gains or losses from derivative instruments, impairment charges for aircraft, goodwill & intangibles, and costs from termination of credit agreements. Adjusted EBITDA from Continuing Operations is defined as EBITDA (Pretax Earnings (loss) from Continuing Operations Before Income Taxes minus Interest Income, plus Interest Expense and plus Depreciation and Amortization) excluding results from Severance & Retention Activities, unrealized gains or losses in derivative instruments, impairment charges for aircraft, goodwill & intangibles, and costs from termination of credit agreements. Debt Obligations/Adjusted EBITDA Ratio is defined as Debt Obligations (Long-term Debt Obligations plus Current Portion of Debt Obligations at end of period) divided by Adjusted EBITDA from Continuing Operations. Adjusted Net Leverage Ratio is defined as Debt Obligations minus Cash and Cash Equivalents, divided by Adjusted EBITDA from Continuing Operations.

Management uses these adjusted financial measures in conjunction with GAAP finance measures to monitor and evaluate its performance, including as a measure of financial strength. Adjusted Pre-tax Earnings, Adjusted EBITDA and Debt Obligations/Adjusted EBITDA Ratio should not be considered in isolation or as a substitute for analysis of the Company’s results as reported under GAAP, or as alternative measures of liquidity.