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ATSG
Air Transport Services Group, Inc.

The global leader in midsize wide-body leasing and operating solutions

Quint Turner
CFO

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Cautionary Statement Regarding Forward-Looking Statements

Except for historical information contained herein, the matters discussed in this presentation contain forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties that are inherently difficult to predict. Words such as “projects,” “believes,” “anticipates,” “will,” “estimates,” “plans,” “expects,” “intends” and similar words and expressions are intended to identify forward-looking statements. These forward-looking statements are based on expectations, estimates and projections as of the date of this presentation and address activities events or developments that we expect, believe or anticipate will or may occur in the future. Although we believe our estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management’s assumptions about future events may prove to be inaccurate. We caution all readers that the forward-looking statements contained in this presentation are not guarantees of future performance, and we cannot assure any reader that those statements will be realized or the forward-looking events and circumstances will occur.

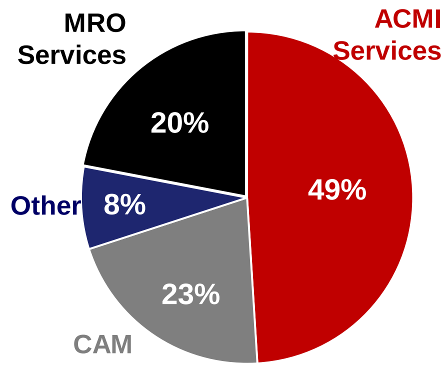
There are a number of important factors that could cause Air Transport Services Group's ("ATSG's") actual results to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to, changes in market demand for our assets and services; our operating airlines' ability to maintain on-time service and control costs; the cost and timing with respect to which we are able to purchase and modify aircraft to a cargo configuration; fluctuations in ATSG's traded share price, which may result in mark-to-market charges on certain financial instruments; the number, timing and scheduled routes of our aircraft deployments to customers, uncertainty of the expected financial performance of the combined company following completion of the Omni Air acquisition; failure to realize the anticipated benefits of the acquisition; difficulties and delays in achieving synergies of the combined company; inability to retain key personnel; changes in general economic and/or industry specific conditions; and other factors (including those listed under the heading “Risk 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.

ATSG at a Glance – Pre-Acquisition

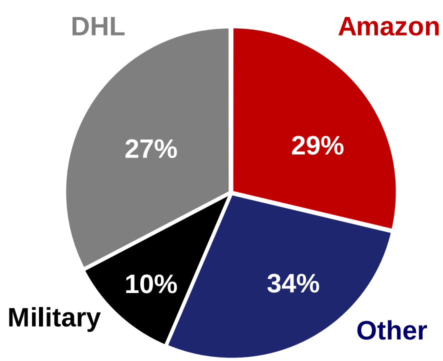
Business Overview

- ATSG is a leading provider of aircraft leasing and air cargo transportation and related services to domestic and foreign air carriers and other companies that outsource their air cargo lift requirements
- In-service fleet of 73 at 3Q2018: 767s, 757s and 737s
- Key Business Segments:
  - Cargo Aircraft Management (CAM): dry-leasing cargo aircraft
  - ACMI (Aircraft, Crew, Maintenance & Insurance) Services: CMI and ACMI services agreements
  - MRO (Maintenance, Repair & Overhaul) Services: aircraft maintenance and freighter conversion services
- Business segments work in collaboration to deliver holistic operational solutions to customers
- End markets include air cargo transportation and package delivery industries (for both commercial and government entities)
- Founded in 1980 and headquartered in Wilmington, OH, with 3,400 employees

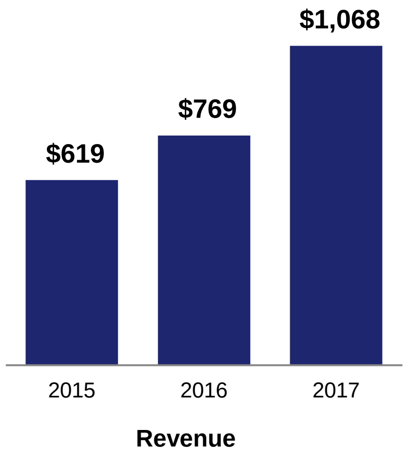
Revenue By Segment[1]

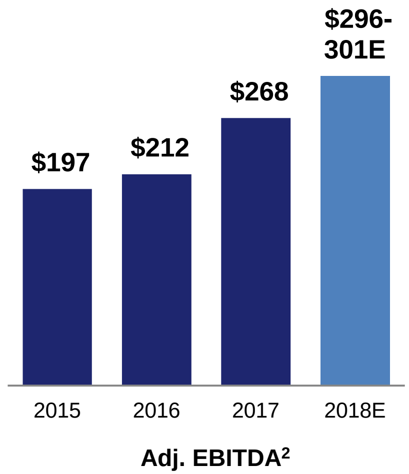


Revenue By Customer[1]



Strong Financial Performance ($M)





1. Segment revenue before elimination of internal revenues and revenue by customer percentages are calculated based on results for the first nine months of 2018, and exclude Omni.
2. Non-GAAP metric. See table at end of this presentation for reconciliation to nearest GAAP results for Adjusted EBITDA. All references in the presentation to “Adjusted EBITDA” refer to Adjusted EBITDA from Continuing Operations. The 2018E Adjusted EBITDA projection reflects guidance as of the date of ATSG’s 3Q 18 earnings call, and excludes Omni Air contributions.

2018 Accomplishments

- **Freighter fleet expansion:** Nine Boeing 767-300 freighters entered service in 2018, with eight to ten more 767 freighters due in 2019 based on current commitments. More than 80% of 767s in service at year-end are dry-leased.
- **New lease customers:** Dry-lease deliveries of 767s to Northern Air Cargo, Air Incheon, and SkyTaxi in 2018 expanded lease-customer base. Additional leases also to major customers Amerijet and CargoJet.
- **Labor agreement reached with ATI pilots:** Adds four years and market-competitive terms for pilots flying ATSG's 767 and 757 aircraft under CMI and ACMI agreements.
- **Diversifying via Omni acquisition:** Adds $400+ million revenue stream and strong cash flow from charter passenger operations for DoD and others, plus Boeing 777 platform, giving ATSG more comprehensive custom solution capabilities.
- **More feedstock 767s secured:** Twenty 767-300s sourced via Jetran from American Airlines fleet to be acquired, converted and leased. Will help ATSG meet strong e-commerce-driven demand for express-network cargo aircraft into 2021, perhaps augmenting Omni's passenger fleet before conversion.
- **Agreements with Amazon extended and expanded:** Deal provides for ten more 767 leases over two years, or thirty total 767s leased to Amazon by end of 2020. Multi-year lease extensions for twenty existing 767s, and for agreement covering ATSG airlines that operate the aircraft. Additional warrants granted to Amazon to acquire about 33.2% of ATSG shares, and options for more warrants based on additional aircraft leases.

ATSG: Bundled Services for Turnkey Solutions

Omni Air adds passenger service and 777 capability to ATSG's already unique service offerings

Leasing	Cargo CMI-ACMI	Passenger CMI-ACMI	Aircraft Maintenance & Conversion	Other

Leasing
- **Dry Leasing**
- **Engine Leasing**
- **Engine PBC Services**

Cargo CMI-ACMI / Passenger CMI-ACMI
- **CMI Services**
- **ACMI Services**
- **Wet2Dry transitioning**
- **On-Demand Charter**

Aircraft Maintenance & Conversion
- **Heavy and Line Maintenance**
- **Component Services**
- **Engineering Services**
- **Passenger to Freighter Conversions**
- **Boeing and Airbus Capability**

Other
- **Sort & Gateway Operations**
- **GSE Leasing**
- **Facility Services**
- **MHE Services**

In-service cargo fleet: 73

Aircraft-3Q2018	Count
767-300 Freighter	29
767-200 Freighter	34
757-200 Freighter	4
757-200 Combi	4
737-400 Freighter	2

Passenger Fleet: 13

Aircraft-3Q2018	Count
777-200 Passenger	3
767-300 Passenger	7
767-200 Passenger	3

ATSG Customers - Bundled Services Profile

Lessee	Dry Lease	ACMI CMI	Maintenance	Logistics Svcs
Amazon	✈	✈	✈	✈
DHL	✈	✈	✈	✈
Amerijet	✈	✈	✈	
Cargojet	✈		✈	
West Atlantic	✈	✈	✈	
Northern Aviation	✈	✈	✈	✈

Omni Air Acquisition Overview

On November 9, ATSG acquired Omni Air, a leading provider of passenger service to the U.S. government and commercial customers

Strategic Overview

- Omni Air International, LLC. is a worldwide provider of passenger airlift operations and transportation services and a leading provider of passenger airlift services to the U.S. Department of Defense (DoD) via the Civil Reserve Air Fleet (CRAF) program
- ATSG and Omni Air, on a combined basis, produced an estimated $1.4 billion of revenue and more than $420 million of adjusted EBITDA[1] for the twelve-month period ended August 31, 2018
- Strategic acquisition invests ATSG capital into growth (13.2% CAGR in Omni Air revenue, FY2016 to FY2018E)
- Expands ATSG's relationship with the DoD while diversifying its revenue base, adding the Boeing 777 platform, and growing the Boeing 767 fleet

Financial Overview

- $845 million cash purchase price, prior to working capital adjustments, inclusive of ~$85 million NPV of tax benefits
  - After adjusting for the NPV of tax benefits, purchase multiple is 5.8x LTM August 2018 Adjusted EBITDA
- Omni Air brings more than $430 million of annual revenue to ATSG (trailing 12 months through August 2018); strong operating margins and sustained cash flow
- Potential synergies derived from shared corporate services, aircraft maintenance, and fleet planning
- The acquisition exceeds ATSG's investment hurdle and is expected to be accretive to Adjusted EPS[2] starting in 2019.
- The transaction was funded through an expansion of existing term loan debt and utilization of the revolving credit facility. At close, total debt to annual adjusted EBITDA of the combined entity was approximately 3.4 times.

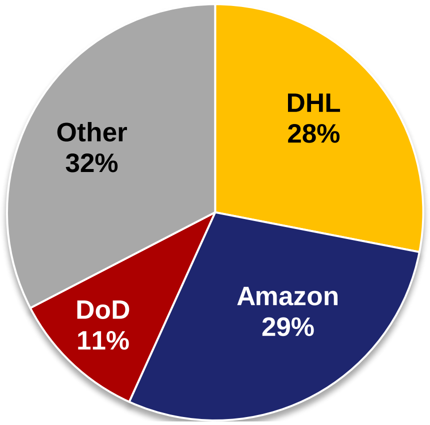
1. Adjusted EBITDA is a non-GAAP financial measure.
2. Adjusted EPS defined as ATSG's GAAP Earnings Per Share excludes transaction-related costs (amortization), effects of Amazon warrants, and the Company's share of the A321 joint venture development costs.

Omni Air - Strategic Rationale and Key Opportunities

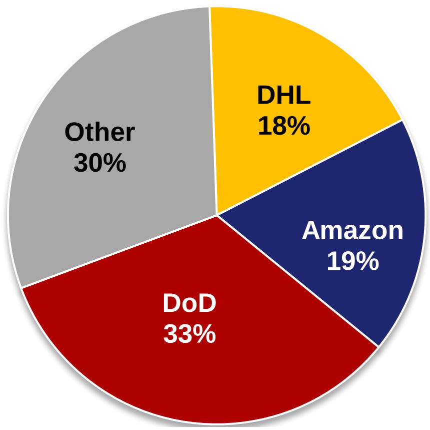
Highly Complementary Business Combination

- Strong financial profile with stable revenue base, attractive margins and excellent recurring cash flow generation
- Customer revenue diversification and expansion of DoD relationship. DoD accounts for about 70% of Omni revenue
- Strategically reinvesting strong cash flows into growth opportunities
- Immediate scale into passenger transport with 767 and 777 operations
- Potential addition of cargo capability at Omni Air
- Minimal fuel price exposure for either entity
- Collective bargaining agreements recently amended with both pilots and flight attendants; through March 2022 and November 2022, respectively
- Longer term, potential pipeline for 767 conversion feedstock
- Highly experienced management team, similar culture
- Immediately accretive to ATSG's Adjusted EPS in 2019

1H18 ATSG Revenue Mix



1H18 Pro Forma Revenue Mix[1]



1. Reported 2018 six-month revenues for ATSG and Omni Air

ATSG and Omni Air Fleets at Sept. 30, 2018

ATSG – 73 Operating Aircraft

Boeing 767-300F – 29 in service

- Twenty-five dry-leased to DHL, Amazon, NAC, Amerijet, Air Incheon, Cargojet, 6-10 yr. terms
- Five more deployed in 4Q2018

Boeing 767-200F – 34 in service

- Twenty-seven dry-leased to Amazon, DHL, Amerijet, Cargojet, Raya, West Atlantic, 3-7 year terms

Boeing 757s – 8 in service

- Four 757-200 combis under ACMI agreements with U.S. Military, four 757-200Fs under ACMI agreements with DHL

Boeing 737-400Fs – 2 in service

- Two dry leased to West Atlantic, 5-year term

Omni Air – 13 Operating Aircraft

Boeing 767-300P – 7 in service

- Commercial, DoD, and U.S. and allied governments

Boeing 767-200P – 3 in service

- Commercial ACMI/Charter, DoD

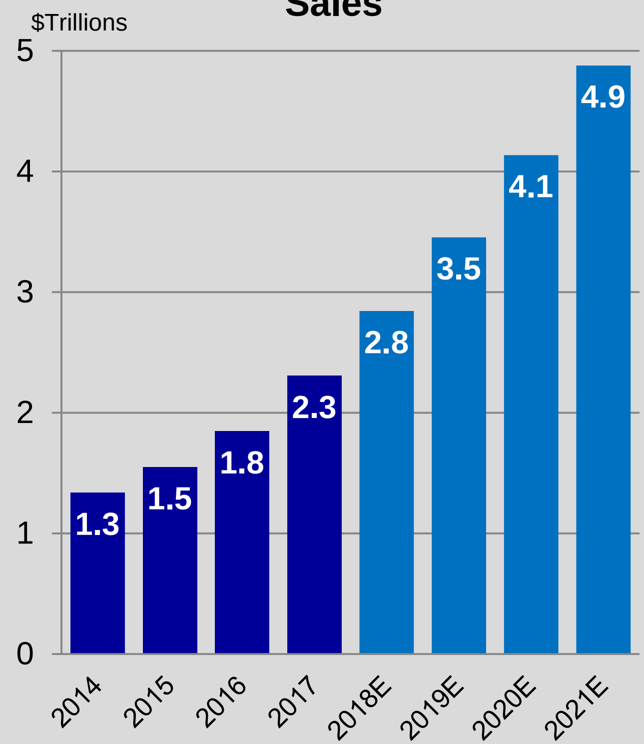
Boeing 777-200P – 3 in service

- Commercial ACMI/Charter, DoD

Focused on the Converted Freighter Growth Opportunity

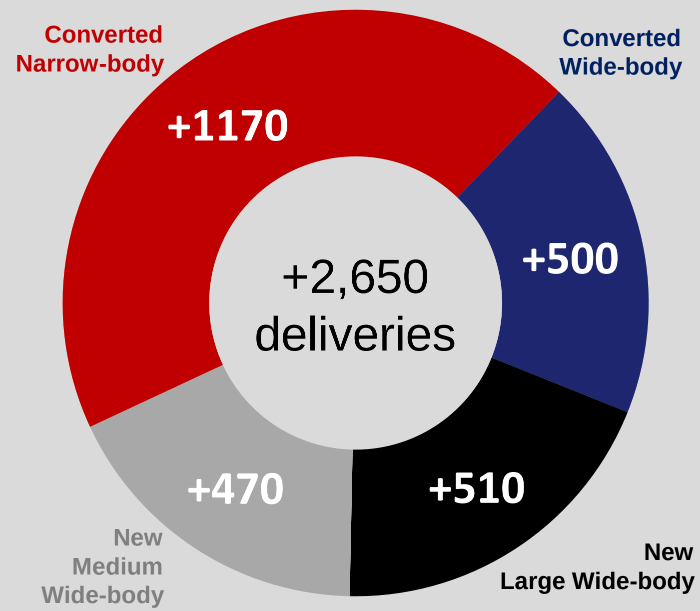
E-Commerce Market Demand Favors Lower-Investment Converted Midsize & Standard Freighters

Global Retail E-commerce Sales



Source: Statista.com

Global Freighter Deliveries 2018-2037



Source: Boeing Commercial Market Outlook-2018

ATSG Fleet

In Service

Converted Wide-body

Boeing 767-300F
Boeing 767-200F

Converted Narrow-body

Boeing 737-400F
(PEMCO conversions)

Boeing 757F & Combi

Under Development

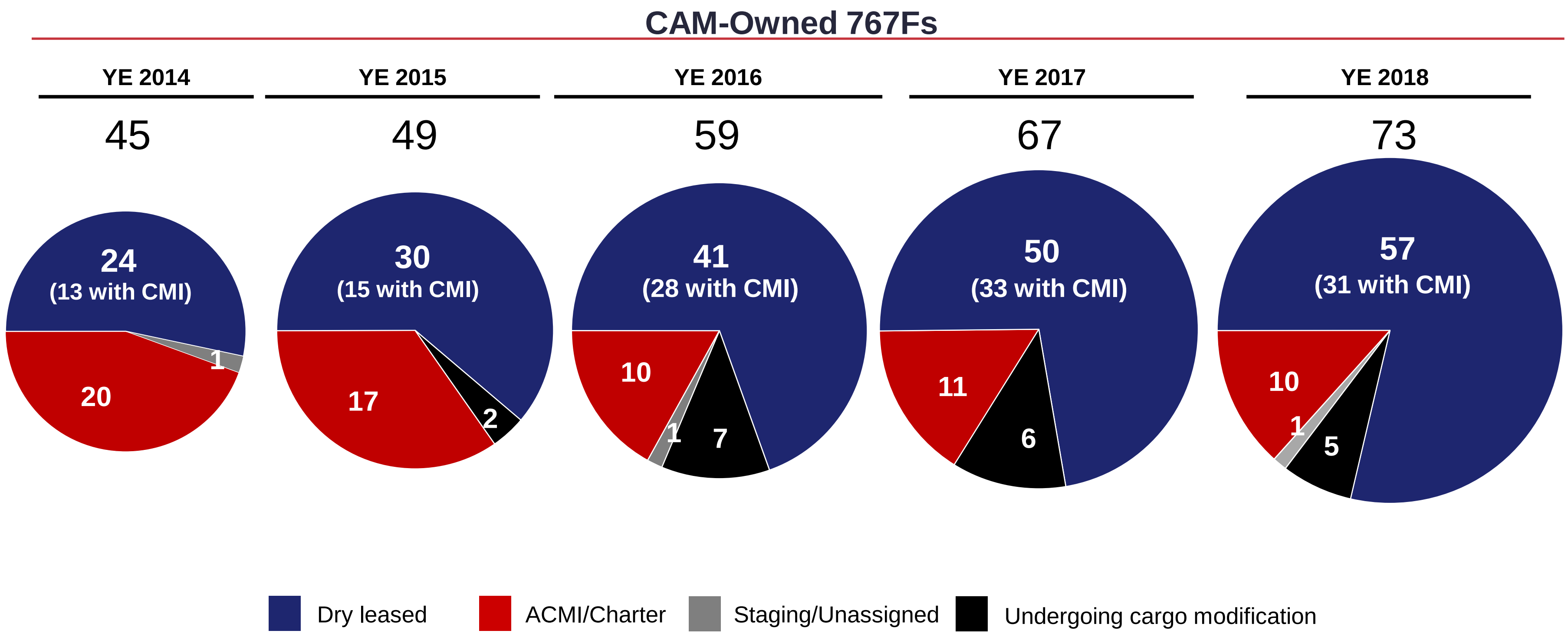
Converted Narrow-body

Boeing 737-700
(PEMCO under development)

Airbus A321-200
(ATSG/Precision JV under development)

767F Fleet Exceeded 80% Dry Leased at YE2018

Demand from regional air networks drives doubling of our dry-leased midsize 767 freighter fleet since 2014, longer-term leases, and more CMI, maintenance and logistics support.



Extended and Expanded Amazon Agreement

Amazon: "Capacity to quickly and efficiently deliver packages to customers for years to come"

Aircraft Leases and Operating Agreement

	2016 Agreement	2018 Agreement
Twelve Orig. 767-200s	Five-year leases through 2021	Seven-year leases through 2023, 3 year extension option
Eight Orig. 767-300s	Seven-year leases through 2023-24	Ten-year leases through 2026-27, 3 year extension option
Ten Added 767-300s		Ten-year leases, five starting 2H 2019; five starting 2H 2020, 3 year extension option
Additional Lease Options		Amazon may opt to lease up to 17 additional freighters under mutually acceptable terms, Jan. 2019 to Jan. 2026
Operating Agreement	Five years through March 2021	Ten years through March 2026, 3 year extension option

Warrant Agreements

	2016 Agreement	2018 Agreement
Warrants	14.4M warrants vested. Commitment for warrants equal to 19.9% of ATSG common @ Sept. 2020. Exercise price $9.73; cashless exercise option Expire March 2021.	Warrants to Amazon increase to ~33.2% of ATSG shares for ten new 767 leases, twenty lease and operating agreement extensions. Exercise price $21.53 per share; cashless exercise option. Expire 7 years from issuance. Option for additional warrants for additional aircraft leases.

Long-term Relationships with Key Customers

U.S. Government / Department of Defense

- Leading CRAF provider of passenger airlift services to the U.S. DoD, leader of CRAF Patriot team
- Charter passenger service to other government agencies, including Dept. of Homeland Security, Immigration & Customs Enforcement
- ATI: B757 Combi service to military for 20+ years, contracted through December 2021

Amazon

- CAM provides 20 dedicated leased 767s for Amazon's proprietary domestic express network
- ABX and ATI airlines operate and AMES maintains 767s in Amazon network
- LGSTX Services provides gateway services
- Amazon support began Fall 2015 with trial network. Extended in December 2018 to at least 30 aircraft by end of 2020
- Amazon to hold warrants for purchase of ~33.2% of ATSG shares

DHL

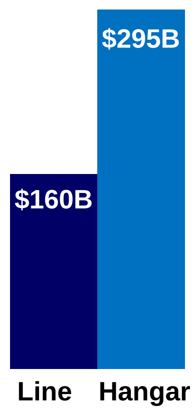
- Long-term contracts since August 2003
- CAM leases sixteen B767 freighter aircraft under long-term and short-term leases
- ACMI and CMI agreements to operate B757 and B767 aircraft
- Americas Region remains fastest growing region for DHL Express; 3Q 2018 revenues up 12% in Americas ex currency effects

Other Businesses

MRO Services

- 6 large hangars, 600,000+ sq. ft. in OH & FL
- Heavy maintenance
- Narrowbody / widebody support of Boeing, Airbus & regional aircraft types
- Established relationships with major carriers in U.S. and abroad
- Contracts with Delta, American & Frontier for fleet maintenance

Aircraft MRO Market
Total Spending 2018-2038



Source: Boeing Services Market Outlook 2018-2037

P-to-F Conversions

PEMCO

- Pax to Freighter 737 Conversions: -300s, -400s
- 70% China market share in B737s
- B737-700 Next Gen P-to-F under development

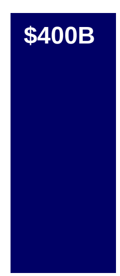
Precision Joint Venture

- Developing for Airbus A321 supplemental type certificate
- B757 capacity, B737 efficiency
- Projecting STC approval in 1H2020
- Prospects: CAM, other carriers

Other Activities

- Ongoing ground support for selected Amazon gateway facilities in U.S.
- Ground support equipment leasing
- Facility Support Services
- MHE Service

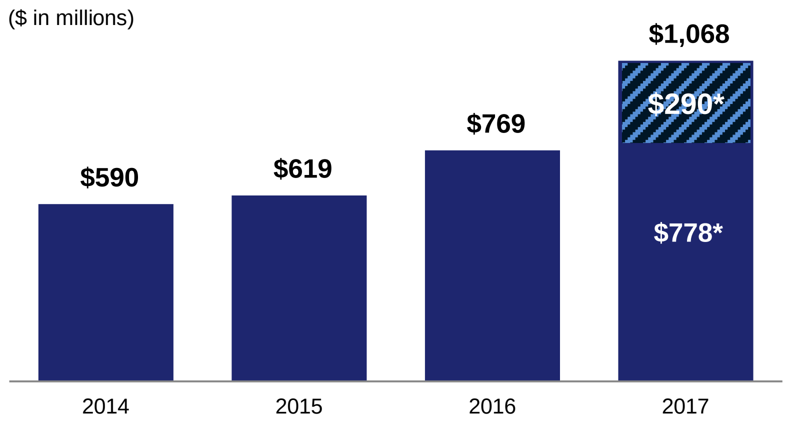
Cargo Operations Market
Total Spending 2018-2038



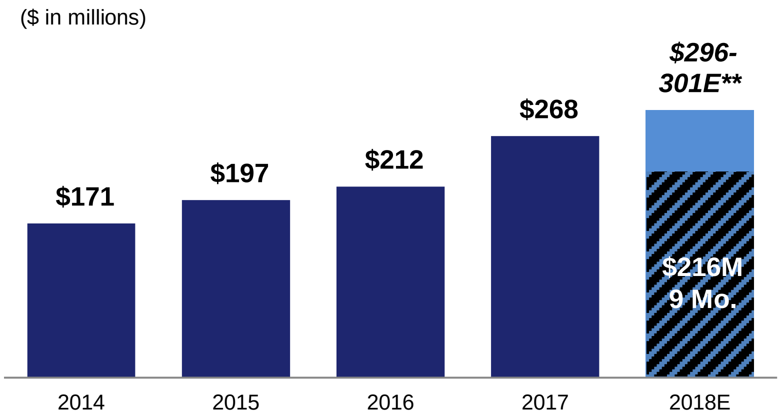
Source: Boeing Services Market Outlook 2018-2037

Historical Financial Performance

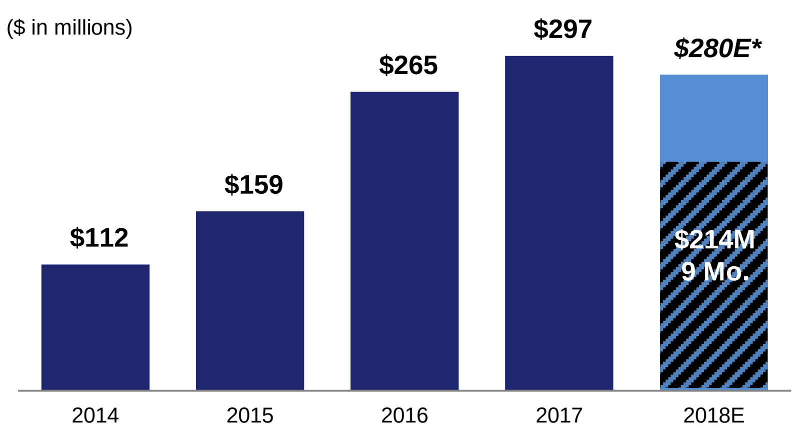
Revenues



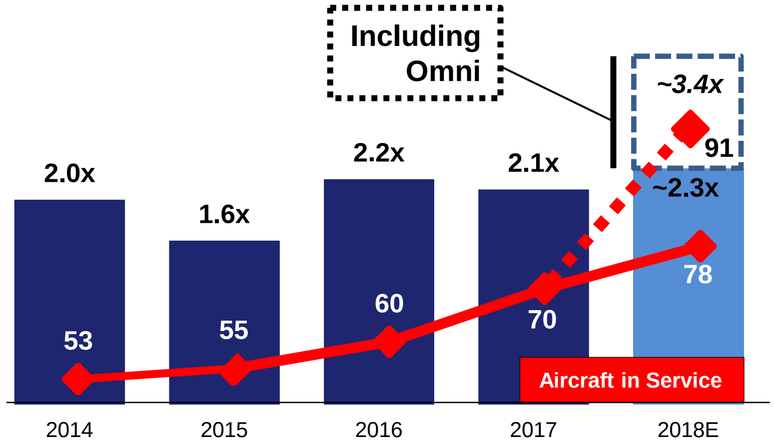
Adjusted EBITDA**



Capital Expenditures



Debt Obligations/Adjusted EBITDA**

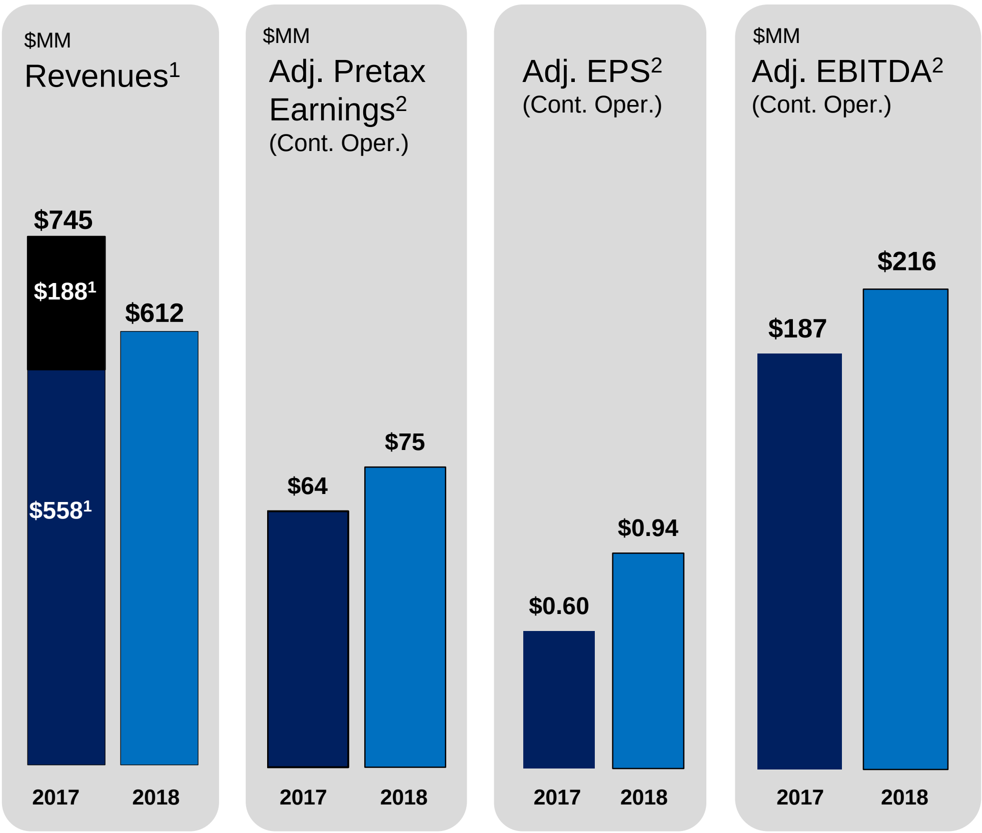


* Pro-forma adjustment to 2017 revenues to illustrate the effect of changes in revenue recognition rules effective 1/1/18 as if they were in effect on 1/1/17. 2018E The 2018E Capital Expenditures projection reflects guidance as of the date of ATSG's 3Q 18 earnings call, and excludes Omni Air contributions.

** Adjusted EBITDA is a non-GAAP metric. Debt Obligations, fleet totals are as of end of period. See table at end of this presentation for reconciliation to nearest GAAP results. 2018E The 2018E Adjusted EBITDA projection reflects guidance as of the date of ATSG's 3Q 18 earnings call, and excludes Omni Air contributions.

Nine Months 2018 - Reported

Higher fleet utilization, maintenance and logistics services, drove revenue and cash flow growth



- 10% revenue gain excl. 2017 reimbursables driven by additional 767 leases, Amazon CMI support.
- ACMI Services $5.0M pretax, up vs. 9 Mo. 2017 loss of $3.0M.
- CAM pretax $49.9M, up $4.3M. Increase due to more leased freighters, offset by higher depreciation and interest.
- Adjusted Pre-tax Earnings exclude non-cash effects of Amazon warrants, pension charge, non-consolidating affiliate charge, gain/loss in other financial instruments.
- Adjusted EPS excludes effects of the Amazon warrants and the company's share of the Airbus A321 joint venture development costs.

1. 2018 revenues related to costs that are directly reimbursed to ATSG and controlled by the customer are reported net of the corresponding expenses. Corresponding 9 Mo. 2017 revenues included $188M of such reimbursements.
2. Non-GAAP metrics. See tables at end of this presentation for reconciliation to nearest GAAP results for Adjusted Pretax Earnings, Adjusted EPS, and Adjusted EBITDA.

Conclusion - Investment Highlights

Strong Sustainable Cash Flow From Aircraft Lease Portfolio and DoD Contracts

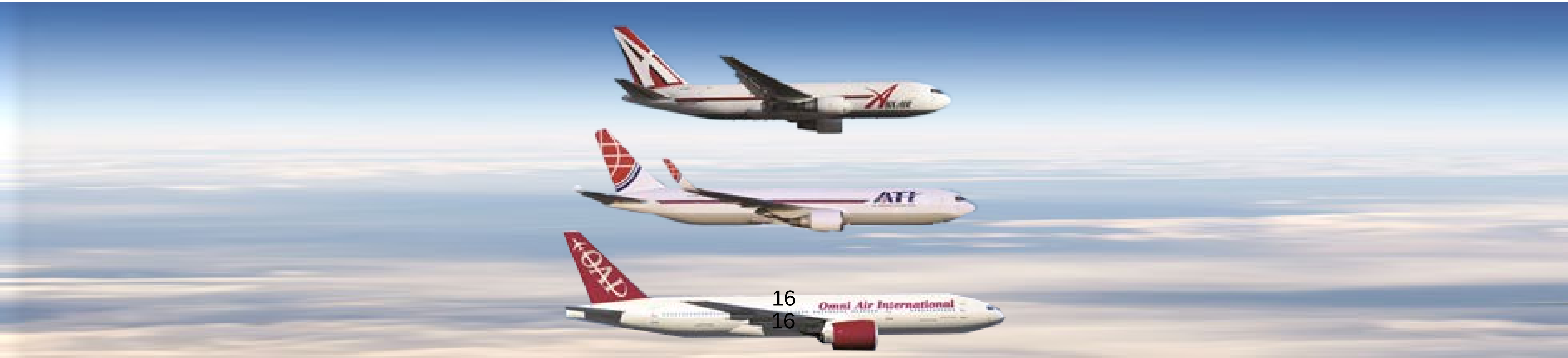
Solid Balance Sheet and Cash Flows Back Future Growth Initiatives

Air Transport Services Group, Inc.

Unmatched Mix of Services for Cargo, Passenger Markets

Increased Revenue Diversification With Blue-Chip Customers

767 Feedstock Secured; Array of Aircraft Options: 737/757/767/777



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EPS Adjustments Reflect Warrant Valuation

	Three Months Ended				Nine Months Ended			
	September 30, 2018		September 30, 2017		September 30, 2018		September 30, 2017	
	$	$ Per Share	$	$ Per Share	$	$ Per Share	$	$ Per Share
Earnings (loss) from Continuing Operations - basic (GAAP)	$ 32,933		$ (28,229)		$ 73,079		$ (72,351)	
Gain from warrant revaluation, net tax	(16,801)		—		(24,274)		—	
Earnings (loss) from Continuing Operations - diluted (GAAP)	16,132	$ 0.24	(28,229)	$ (0.48)	48,805	$ 0.71	(72,351)	$ (1.23)
Adjustments, net of tax								
Loss from warrant revaluation	—	—	33,158	0.52	—	—	95,015	1.53
Lease incentive amortization	3,272	0.04	6,368	0.11	9,816	0.14	13,708	0.23
Pension settlement charge	—	—	3,400	0.06	—	—	3,400	0.06
Loss from joint venture	2,049	0.03	602	0.01	5,883	0.09	602	0.01
Adj. Earnings from Continuing Operations (non-GAAP)	$ 21,453	**$ 0.31**	$ 15,299	**$ 0.22**	$ 64,504	**$ 0.94**	$ 40,374	**$ 0.60**
	Shares		**Shares**		**Shares**		**Shares**	
Weighted Average Shares - diluted	68,323		58,733		68,629		58,965	
Additional weighted average shares	—		9,861		—		8,066	
Adjusted Shares (non-GAAP)	**68,323**		**68,594**		**68,629**		**67,031**	

- ATSG's GAAP Earnings from Continuing Operations for 2017 and future periods reflect:
  - Incremental gain or loss in financial instruments each quarter, net of tax, based on effect of mark-to-market changes in ATSG stock price on value of warrant liability
  - Non-cash lease revenue reduction associated with the amortization of value for warrants
- Items above are excluded from Adjusted EPS from Continuing Operations. Adjusted EPS includes additional shares related to warrant dilution

Non-GAAP Reconciliation Statement

Reconciliation Stmt. ($ in 000s except Ratios)	2014	2015	2016	2017	9Mo 2017	9Mo 2018
GAAP Pre-Tax Earnings (Loss) from Cont. Oper.	**$ 51,776**	**$ 62,563**	**$ 34,454**	**$ (6,536)**	**$ (53,107)**	**$ 89,418**
Non-service components retiree benefit costs, net	(1,452)	(1,040)	6,815	6,105	5,883	(6,135)
Non-consolidating affiliate charges	-	-	1,229	3,135	945	7,600
Lease Incentive Amortization	-	-	4,506	13,986	9,760	12,678
Financial Instruments Loss (Gain)	(1,096)	(920)	18,107	79,789	100,213	(28,707)
Adjusted Pre-tax Earnings from Cont. Operations	49,228	60,603	65,111	96,479	63,694	74,854
Interest Income	(92)	(85)	(131)	(116)	(85)	(144)
Interest Expense	13,937	11,232	11,318	17,023	11,658	16,336
Depreciation and amortization	108,254	125,443	135,496	154,556	111,828	124,825
Adjusted EBITDA from Cont. Oper.	**$ 171,327**	**$ 197,193**	**$ 211,794**	**$ 267,942**	**$ 187,095**	**$ 215,871**
Debt Obligations - end of period	$ 344,094	$ 317,658	$ 458,721	$ 570,117		
Debt Obligations/Adjusted EBITDA Ratio	**2.01**	**1.61**	**2.17**	**2.13**		

- Adjusted Pre-Tax Earnings from Continuing Operations is defined as Earnings from Continuing Operations Before Income Taxes plus pension settlement costs, certain charges from non-consolidating affiliates, and lease incentive amortization. It excludes the net effect of financial instrument gains and losses, and of non-service components of retiree benefit costs
- Adjusted EBITDA from Continuing Operations is defined as Earnings from Continuing Operations Before Income Taxes plus net interest expense, depreciation and amortization expense, pension settlement costs, charges from non-consolidating affiliates, and lease incentive amortization. It excludes the net effect of financial instrument gains and losses, and of non-service components of retiree benefit costs
- Debt Obligations / Adjusted EBITDA Ratio is defined as Debt Obligations (Long-term Debt Obligations plus Current Portion of Debt Obligations plus Convertible Note Obligations at end of period) divided by Adjusted EBITDA from Continuing Operations, rolling four quarters.
- Adjusted EBITDA from Continuing Operations, Debt Obligations / Adjusted EBITDA Ratio, and Adjusted Pre-Tax Earnings from Continuing Operations are non-GAAP financial measures and should not be considered alternatives to net income or any other performance measure derived in accordance with GAAP. Management uses Adjusted EBITDA from Continuing Operations, Debt Obligations/Adjusted EBITDA Ratio, and Adjusted Pre-Tax Earnings from Continuing Operations to assess the performance of its operating results among periods. These measures should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP, or as an alternative measure of liquidity