HAWAIIAN HOLDINGS INC
Form 10-Q
October 24, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-31443
HAWAIIAN HOLDINGS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	71-0879698
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

3375 Koapaka Street, Suite G-350	
Honolulu, HI	96819
(Address of Principal Executive Offices)	(Zip Code)

(808) 835-3700
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes o No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ý Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
o Yes ý No

As of October 19, 2018, 49,403,496 shares of the registrant’s common stock were outstanding.

Hawaiian Holdings, Inc.
Form 10-Q
Quarterly Period ended September 30, 2018

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Hawaiian Holdings, Inc.
Consolidated Statements of Operations
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 (a)	2018	2017 (a)
	(unaudited)			
Operating Revenue:				
Passenger	$697,232	$668,643	$1,963,994	$1,856,401
Other	61,855	47,573	175,952	136,140
Total	759,087	716,216	2,139,946	1,992,541
Operating Expenses:				
Wages and benefits	176,642	161,059	516,906	466,772
Aircraft fuel, including taxes and delivery	162,932	110,111	449,404	316,423
Maintenance, materials and repairs	57,118	49,396	176,229	161,366
Aircraft and passenger servicing	42,063	37,533	117,207	107,459
Aircraft rent	31,768	35,195	93,533	102,883
Commissions and other selling	32,704	33,163	96,482	94,967
Other rentals and landing fees	33,227	30,989	95,226	86,763
Depreciation and amortization	36,373	28,447	101,537	83,787
Purchased services	32,509	24,736	95,104	79,428
Contract terminations expense	—	—	35,322	—
Special items	—	—	—	23,450
Other	37,925	36,585	117,977	101,371
Total	643,261	547,214	1,894,927	1,624,669
Operating Income	115,826	169,002	245,019	367,872
Nonoperating Income (Expense):				
Other nonoperating special items	—	(50,202)	—	(50,202)
Interest expense and amortization of debt discounts and issuance costs	(8,446)	(7,578)	(24,628)	(23,292)
Gains (losses) on fuel derivatives	3,495	3,282	27,064	(10,228)
Interest income	3,124	1,861	6,529	4,480
Capitalized interest	1,821	2,416	6,414	6,258
Other, net	937	(3,892)	(759)	(10,132)
Total	931	(54,113)	14,620	(83,116)
Income Before Income Taxes	116,757	114,889	259,639	284,756
Income tax expense	23,215	43,267	58,075	102,594
Net Income	$93,542	$71,622	$201,564	$182,162
Net Income Per Common Stock Share:				
Basic	$1.85	$1.35	$3.97	$3.41
Diluted	$1.84	$1.34	$3.96	$3.39
Weighted Average Number of Common Stock Shares Outstanding:				
Basic	50,594	53,185	50,807	53,456
Diluted	50,731	53,509	50,935	53,799
Cash Dividends Declared Per Common Stock Share	$0.12	$—	$0.36	$—

(a) Amounts adjusted due to the adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). See Note 2 to Consolidated Financial Statements contained in Part I, Item 1 of this report for additional information.

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
Consolidated Statements of Comprehensive Income
(in thousands)

	Three Months Ended September 30,	
	2018	2017 (a)
	(unaudited)	
Net Income	$93,542	$71,622
Other comprehensive income, net:		
Net change related to employee benefit plans, net of tax expense of $146 and $15,247 for 2018 and 2017, respectively	641	25,042
Net change in derivative instruments, net of tax expense of $1,396 and net of tax benefit of $198 for 2018 and 2017, respectively	4,292	(326)
Net change in available-for-sale investments, net of tax expense of $53 and $43 for 2018 and 2017, respectively	167	70
Total other comprehensive income	5,100	24,786
Total Comprehensive Income	$98,642	$96,408

	Nine Months Ended September 30,	
	2018	2017 (a)
	(unaudited)	
Net Income	$201,564	$182,162
Other comprehensive income, net:		
Net change related to employee benefit plans, net of tax expense of $478 and $17,040 for 2018 and 2017, respectively	1,668	27,900
Net change in derivative instruments, net of tax expense of $2,050 and net of tax benefit of $3,756 for 2018 and 2017, respectively	6,311	(6,162)
Net change in available-for-sale investments, net of tax benefit of $42 and net of tax expense of $115 for 2018 and 2017, respectively	(126)	188
Total other comprehensive income	7,853	21,926
Total Comprehensive Income	$209,417	$204,088

(a) Amounts adjusted due to the adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). See Note 2 to Consolidated Financial Statements contained in Part I, Item 1 of this report for additional information.

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
Consolidated Balance Sheets
(in thousands, except shares)

	September 30, 2018 (unaudited)	December 31, 2017 (a)
ASSETS		
Current Assets:		
Cash and cash equivalents	$346,041	$190,953
Restricted cash	—	1,000
Short-term investments	245,307	269,297
Accounts receivable, net	126,534	140,279
Spare parts and supplies, net	32,646	35,361
Prepaid expenses and other	95,292	79,186
Total	845,820	716,076
Property and equipment, less accumulated depreciation and amortization of $631,180 and $558,548 as of September 30, 2018 and December 31, 2017, respectively	2,116,204	1,842,263
Other Assets:		
Long-term prepayments and other	187,860	193,632
Intangible assets, less accumulated amortization of $22,340 and $21,561 as of September 30, 2018 and December 31, 2017, respectively	14,408	15,187
Goodwill	106,663	106,663
Total Assets	$3,270,955	$2,873,821
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$141,209	$140,805
Air traffic liability	653,113	589,093
Other accrued liabilities	136,820	147,593
Current maturities of long-term debt and capital lease obligations	105,451	59,470
Total	1,036,593	936,961
Long-Term Debt and Capital Lease Obligations	612,583	511,201
Other Liabilities and Deferred Credits:		
Accumulated pension and other post-retirement benefit obligations	169,484	220,788
Other liabilities and deferred credits	280,199	225,605
Deferred tax liability, net	188,895	134,141
Total	638,578	580,534
Commitments and Contingencies		
Shareholders' Equity:		
Special preferred stock, $0.01 par value per share, three shares issued and outstanding as of September 30, 2018 and December 31, 2017	—	—
Common stock, $0.01 par value per share, 49,961,321 and 51,173,453 shares outstanding as of September 30, 2018 and December 31, 2017, respectively	500	512
Capital in excess of par value	127,621	126,743
Accumulated income	922,491	793,134
Accumulated other comprehensive loss, net	(67,411)	(75,264)
Total	983,201	845,125
Total Liabilities and Shareholders' Equity	$3,270,955	$2,873,821

(a) Amounts adjusted due to the adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). See Note 2 to Consolidated Financial Statements contained in Part I, Item 1 of this report for additional information.

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Nine Months Ended September 30,	
	2018	2017
	(unaudited)	
Net cash provided by Operating Activities	$444,080	$295,477
Cash flows from Investing Activities:		
Additions to property and equipment, including pre-delivery payments	(386,098)	(212,535)
Proceeds from the sale and sale leaseback of aircraft and aircraft related equipment	117,143	33,511
Purchases of investments	(159,648)	(171,485)
Sales of investments	182,816	183,930
Net cash used in investing activities	(245,787)	(166,579)
Cash flows from Financing Activities:		
Long-term borrowings	86,500	—
Repayments of long-term debt and capital lease obligations	(53,741)	(52,463)
Dividend payments	(18,327)	—
Debt issuance costs	(1,108)	(188)
Repurchases of common stock	(53,894)	(50,486)
Other	(3,635)	(7,703)
Net cash used in financing activities	(44,205)	(110,840)
Net increase in cash and cash equivalents	154,088	18,058
Cash, cash equivalents, and restricted cash - Beginning of Period	191,953	330,991
Cash, cash equivalents, and restricted cash - End of Period	$346,041	$349,049

See accompanying Notes to Consolidated Financial Statements.

Hawaiian Holdings, Inc.
Notes to Consolidated Financial Statements (Unaudited)

1. Business and Basis of Presentation

Hawaiian Holdings, Inc. (the Company or Holdings) is a holding company incorporated in the State of Delaware. The Company's primary asset is its sole ownership of all issued and outstanding shares of common stock of Hawaiian Airlines, Inc. (Hawaiian). The accompanying unaudited financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (SEC). Accordingly, these interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying financial statements contain all adjustments, including normal recurring adjustments, necessary for the fair presentation of the Company's results of operations and financial position for the periods presented. Due to seasonal fluctuations, among other factors common to the airline industry, the results of operations for the periods presented are not necessarily indicative of the results of operations to be expected for the entire year. The accompanying unaudited Consolidated Financial Statements should be read in conjunction with the financial statements and the notes of the Company included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

2. Significant Accounting Policies

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, and created Accounting Standards Codification (ASC) Topic 606 (ASC 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASC 606 replaced most existing revenue recognition guidance in GAAP and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017.

The Company elected to adopt the full retrospective transition method as of January 1, 2018, resulting in the restatement of the prior periods as of the date of adoption. The overall decrease in equity as of January 1, 2016 was $76.0 million net of tax, with an offsetting change primarily in Other liabilities and deferred credits. Refer to Note 5 for additional revenue recognition discussion.

The most significant impact of the standard relates to the accounting for the Company's frequent flyer travel award program. This change, as well as other less significant changes, are described below:

- Frequent flyer - The standard requires the Company to account for miles earned by passengers in the HawaiianMiles program through flight activity as a component of the passenger revenue ticket transaction at the estimated selling price of the miles, effectively eliminating the incremental cost accounting previously applied. ASC 606 resulted in a significant increase to the deferred revenue liability on the Company's balance sheet, as the estimated selling price of the miles significantly exceeds the value previously recorded for incremental cost. The allocated value of miles earned through flights and sold to partners is recognized at the time the free travel or other award is redeemed by the passenger. Previously, the transportation element associated with sold miles was deferred and recognized as passenger revenue over the period when the transportation was expected to be provided (23 months).
- Passenger revenue - The standard requires the Company to make certain adjustments to its passenger revenue, most notably related to unused tickets, which represents unexercised passenger rights. The Company uses historical information to estimate the proportion of ticket revenue that will expire unused to be recognized at the scheduled flight date. Prior to the adoption of ASC 606, the Company recorded this revenue as the tickets expired unused. As of

the adoption date the adjustment due to passenger ticket expiration had the effect of reducing the air traffic liability but did not have a significant effect on revenue recognized. Ticket change fees were previously recognized at the time the fees were assessed; however, under ASC 606, the Company now defers the recognition of ticket change fees as a component of air traffic liability until the related transportation is provided. Further, the Company reclassified revenue items such as checked baggage, charter, ticket change and cancellation fees, in flight revenue, and other incidental sales to passenger revenue (from other operating revenue), as these items do not represent distinct performance obligations separate from the transportation provided to the passenger.

Selling Costs - Under ASC 606, the Company will capitalize selling costs associated with credit card fees, booking fees, and commissions, and recognize the associated expense at the ticketed flight date. Prior to ASC 606, the Company recognized the costs associated with credit card and booking fees as they were incurred.

Restated financial statement information, which reflects the adoption of the ASC 606 is below:

	Three Months Ended September 30, 2017		
	As Reported	Adjustments	As Restated
	(in thousands)		
Operating Revenue:			
Passenger	$634,475	$ 34,168	$668,643
Other	85,084	(37,511)	47,573
Total	$719,559	$ (3,343)	$716,216
Operating Expenses	545,808	1,406	547,214
Operating Income	173,751	(4,749)	169,002
Nonoperating Income (Expense)	(54,113)	—	(54,113)
Income tax expense	45,072	(1,805)	43,267
Net Income	$74,566	$ (2,944)	$71,622
Net Income Per Common Stock Share:			
Basic	$1.40	$ (0.05)	$1.35
Diluted	$1.39	$ (0.05)	$1.34

	Nine Months Ended September 30, 2017		
	As Reported	Adjustments	As Restated
	(in thousands)		
Operating Revenue:			
Passenger	$1,765,275	$ 91,126	$1,856,401
Other	243,804	(107,664)	136,140
Total	$2,009,079	$ (16,538)	$1,992,541
Operating Expenses	1,625,485	(816)	1,624,669
Operating Income	383,594	(15,722)	367,872
Nonoperating Income (Expense)	(83,116)	—	(83,116)
Income tax expense	108,567	(5,973)	102,594
Net Income	$191,911	$ (9,749)	$182,162
Net Income Per Common Stock Share:			
Basic	$3.59	$ (0.18)	$3.41
Diluted	$3.57	$ (0.18)	$3.39

Select consolidated balance sheet line items, which reflect the adoption of the new standard are as follows:

	December 31, 2017 Balance Sheet		
	As Reported	Adjustments	As Restated
	(in thousands)		
ASSETS			
Prepaid expenses and other	$65,196	$ 13,990	$ 79,186
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Air traffic liability	545,362	43,731	589,093
Other accrued liabilities	146,283	1,310	147,593
Noncurrent Liabilities:			
Other liabilities and deferred credits	95,636	129,969	225,605
Deferred tax liability	174,344	(40,203)	134,141
Shareholders' Equity:			
Accumulated income	913,951	(120,817)	793,134

There was no impact to the Company's net cash provided by operating activities on the Condensed Consolidated Statements of Cash Flows.

Recently Issued Accounting Pronouncements

In February 2018, the FASB issued 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASU 2018-02). The guidance allows reclassification from accumulated other comprehensive income to retained earnings of stranded taxes resulting from the Tax Cuts and Jobs Act (the Tax Act). In addition, under ASU 2018-02, certain disclosures regarding stranded tax effects are required. ASU 2018-02 is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company continues to evaluate the impact of ASU 2018-02 and the potential effects on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities (ASU 2017-02), which better aligns a company's risk management activities and financial reporting for hedging relationships and is intended to simplify hedge accounting requirements. ASU 2017-12 is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company does not expect that the adoption of ASU 2017-12 will have a significant impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases (with the exception of short-term leases) at the lease commencement date and recognize expenses similar to the current ASC 840, Leases (Topic 840). ASU 2016-02 is effective for fiscal years, and interim periods beginning after December 15, 2018, and early adoption is permitted. The Company currently plans to utilize the optional transition method for adoption of ASU 2016-02, which allows entities to continue to apply the legacy guidance in Topic 840, including its disclosure requirements, in the comparative periods presented in the year of adoption. The Company plans to adopt ASU 2016-02 on January 1, 2019, as required.

Under ASU 2016-02, the lease liability will be measured at the present value of remaining lease payments and the right-of-use asset will be derived from the calculation of the lease liability, adjusted for any historically recorded amounts under Topic 840 for rent leveling and certain other adjustments (ROU Asset). Lease payments, which are anticipated to be comparable to the minimum lease payments included in the Company's existing lease commitments disclosure, include fixed and in-substance fixed payments, variable payments based on an index or rate, reasonably certain purchase options, termination penalties and probable amounts the lessee will owe under a residual value guarantee. Lease payments exclude variable payments other than those based on an index or rate or any amount allocated to non-lease components. Variable lease payments will continue to be expensed as incurred. See Note 10 below which discusses the Company's undiscounted lease obligations as of September 30, 2018.

The Company is currently evaluating and implementing ASU 2016-02 and believes the most significant impact on its financial statements will be the consolidated balance sheet impact of recording the ROU Asset and lease liability for existing aircraft and engine operating leases. As of September 30, 2018, the Company will have 14 aircraft and 5 engines under operating lease in its fleet at the date of adoption, with an estimated net present value of future lease payments ranging between approximately $450.0 million to $500.0 million using current rates. The Company also has operating leases related to terminal operations, office, and hangar space, which are not included in the range provided. The Company is currently evaluating the impact of these leases on its consolidated balance sheet at adoption.

3. Accumulated Other Comprehensive Income (Loss)

Reclassifications out of accumulated other comprehensive income (loss) by component are as follows:

Details about accumulated other comprehensive (income) loss components	Three months ended September 30,		Nine months ended September 30,		Affected line items in the statement where net income is presented
	2018	2017	2018	2017	
	(in thousands)				
Derivatives designated as hedging instruments under ASC 815					
Foreign currency derivative losses (gains)	$(1,080)	$(449)	$1,025	$(2,141)	Passenger revenue
Total before tax	(1,080)	(449)	1,025	(2,141)	
Tax expense (benefit)	265	170	(250)	811	
Total, net of tax	$(815)	$(279)	$775	$(1,330)	
Amortization of defined benefit plan items					
Actuarial loss	$730	$2,277	$1,978	$6,733	Nonoperating Income (Expense), Other, net
Prior service cost	56	65	168	185	Nonoperating Income (Expense), Other, net
Partial settlement and curtailment loss	—	15,001	—	15,001	Other nonoperating special items
Loss on plan termination	—	35,201	—	35,201	Other nonoperating special items
Total before tax	786	52,544	2,146	57,120	
Tax benefit	(145)	(19,883)	(478)	(21,648)	
Total, net of tax	$641	$32,661	$1,668	$35,472	
Short-term investments					
Realized losses (gain) on sales of investments, net	$21	$(6)	$52	$(26)	Nonoperating Income (Expense), Other, net
Total before tax	21	(6)	52	(26)	
Tax expense (benefit)	(5)	2	(12)	10	
Total, net of tax	$16	$(4)	$40	$(16)	
Total reclassifications for the period	$(158)	$32,378	$2,483	$34,126	

A rollforward of the amounts included in accumulated other comprehensive income (loss), net of taxes, for the three and nine months ended September 30, 2018 and 2017 is as follows:

Three months ended September 30, 2018	Foreign Currency Derivatives	Defined Benefit Plan Items	Short-Term Investments	Total
	(in thousands)			
Beginning balance	$3,268	$(74,926)	$ (853)	$(72,511)
Other comprehensive income before reclassifications, net of tax	5,107	—	151	5,258
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	(815)	641	16	(158)
Net current-period other comprehensive income	4,292	641	167	5,100
Ending balance	$7,560	$(74,285)	$ (686)	$(67,411)

Three months ended September 30, 2017	Foreign Currency Derivatives	Defined Benefit Plan Items	Short-Term Investments	Total
	(in thousands)			
Beginning balance	$1,235	$(107,344)	$ (244)	$(106,353)
Other comprehensive income (loss) before reclassifications, net of tax	(47)	(7,619)	74	(7,592)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	(279)	32,661	(4)	32,378
Net current-period other comprehensive income (loss)	(326)	25,042	70	24,786
Ending balance	$909	$(82,302)	$ (174)	$(81,567)

Nine months ended September 30, 2018	Foreign Currency Derivatives	Defined Benefit Pension Items	Short-Term Investments	Total
	(in thousands)			
Beginning balance	$1,249	$(75,953)	$ (560)	$(75,264)
Other comprehensive income (loss) before reclassifications, net of tax	5,536	—	(166)	5,370
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	775	1,668	40	2,483
Net current-period other comprehensive income (loss)	6,311	1,668	(126)	7,853
Ending balance	$7,560	$(74,285)	$ (686)	$(67,411)

Nine months ended September 30, 2017	Foreign Currency Derivatives	Defined Benefit Pension Items	Short-Term Investments	Total
	(in thousands)			
Beginning balance	$7,071	$(110,202)	$ (362)	$(103,493)
Other comprehensive income (loss) before reclassifications, net of tax	(4,832)	(7,572)	204	(12,200)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	(1,330)	35,472	(16)	34,126
Net current-period other comprehensive income (loss)	(6,162)	27,900	188	21,926
Ending balance	$909	$(82,302)	$ (174)	$(81,567)

4. Earnings Per Share

Basic earnings per share, which excludes dilution, is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period.

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the three and nine months ended September 30, 2018 and 2017, anti-dilutive shares excluded from the calculation of diluted earnings per share were immaterial.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands, except for per share data)			
Numerator:				
Net Income	$93,542	$71,622	$201,564	$182,162
Denominator:				
Weighted average common stock shares outstanding - Basic	50,594	53,185	50,807	53,456
Assumed exercise of stock options and awards	137	324	128	343
Weighted average common stock shares outstanding - Diluted	50,731	53,509	50,935	53,799
Net Income Per Share				
Basic	$1.85	$1.35	$3.97	$3.41
Diluted	$1.84	$1.34	$3.96	$3.39

Stock Repurchase Program

In April 2017, the Company's Board of Directors approved the repurchase of up to $100 million of its outstanding common stock over a two-year period through May 2019 via the open market, established plans or privately negotiated transactions in accordance with all applicable securities laws, rules and regulations, which was completed in December 2017. In November 2017, the Company's Board of Directors approved a new stock repurchase program pursuant to which the Company may repurchase up to an additional $100 million of its outstanding common stock over a two-year period through December 2019. The stock repurchase program is subject to modification or termination at any time. The Company will repurchase shares of it's common stock subject to prevailing market conditions, and may discontinue such repurchases at any time. The Company spent $31.2 million and $53.9 million to repurchase and retire approximately 0.8 million shares and 1.4 million shares of the Company's common stock in open market transactions during the three and nine months ended September 30, 2018, respectively. The Company spent $46.2 million and $50.5 million to repurchase and retire approximately 1.1 million shares and 1.2 million shares of the Company's common stock in open market transactions during the three and nine months ended September 30, 2017, respectively. As of September 30, 2018, the Company had $46.1 million remaining to spend under its stock repurchase program.

Dividends

During the three months ended September 30, 2018, the Company declared a cash dividend of $0.12 per share for stockholders of record as of August 17, 2018, which was paid on August 31, 2018, totaling $6.1 million. During the nine months ended September 30, 2018, the Company paid total quarterly cash dividends of $18.3 million.

5. Revenue Recognition

The majority of our revenue is derived from transporting passengers on our aircraft. The Company accounts for revenue in accordance with ASC 606, which was adopted on January 1, 2018, using the full retrospective method. See Note 2 for further discussion of the adoption, including the impact on our previously issued financial statements.

The Company's primary operations are that of its wholly-owned subsidiary, Hawaiian. Principally all operations of Hawaiian

either originate and/or end in the State of Hawai'i. The management of such operations is based on a system-wide approach due
to the interdependence of Hawaiian's route structure in its various markets. As Hawaiian is engaged in only one significant line of business (i.e., air transportation), management has concluded that it has only one segment. The Company's operating revenues by geographic region (as defined by the Department of Transportation) are summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Geographic Information	(in thousands)			
Domestic	$535,155	$520,510	$1,555,833	$1,473,031
Pacific	223,932	195,706	584,113	519,510
Total operating revenue	$759,087	$716,216	$2,139,946	$1,992,541

Passenger & Other revenue - Generally, the Company's contracts with customers have two principal performance obligations, which are the promise to provide transportation to the passenger and the frequent flyer miles earned on the flight. In addition, the Company often charges additional fees for items such as baggage and in-flight entertainment. Such items are not capable of being distinct from the transportation provided because the customer can only benefit from the services during the flight. The transportation performance obligation, including the redemption of HawaiianMiles awards for flights, is satisfied, and revenue is recognized, as transportation is provided. In some instances, tickets sold by the Company can include a flight segment on another carrier which is referred to as an interline segment. In this situation, the Company acts as an agent for the other carrier and revenue is recognized net of cost in other revenue. Tickets sold by other airlines where the Company provides the transportation are recognized as passenger revenue at the estimated value to be billed to the other airline when travel is provided. Differences between amounts billed and the actual amounts may be rejected and rebilled or written off if the amount recorded was different from the original estimate.

Other operating revenue consists of cargo revenue, ground handling fees, commissions, and fees earned under certain joint marketing agreements with other companies. These amounts are recognized when the service is provided.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Passenger Revenue by Type	(in thousands)			
Passenger revenue, excluding frequent flyer	$658,886	$631,604	$1,855,247	$1,756,185
Frequent flyer revenue, transportation component	38,346	37,039	108,747	100,216
Passenger Revenue	$697,232	$668,643	$1,963,994	$1,856,401
Other revenue (e.g. cargo and other miscellaneous)	$43,046	$34,996	$123,275	$101,031
Frequent flyer revenue, marketing and brand component	18,809	12,577	52,677	35,109
Other Revenue	$61,855	$47,573	$175,952	$136,140

For the three months ended September 30, 2018 and 2017, the Company's total revenue was $759.1 million and $716.2 million, respectively. For the nine months ended September 30, 2018 and 2017, the Company's total revenue was $2.1 billion and $2.0 billion, respectively. As of September 30, 2018 and December 31, 2017, the Company's Air traffic liability balance as it relates to passenger tickets (excluding frequent flyer) was $477.9 million and $422.6 million, respectively, which represents future revenue that is expected to be realized over the next 12 months. During the three months ended September 30, 2018 and 2017, the amount of revenue recognized that was included in Air traffic liability as of the beginning of the respective period was $323.4 million and $322.7 million, respectively. During the nine months ended September 30, 2018 and 2017, the amount of revenue recognized that was included in Air traffic liability as of the beginning of the respective period was $357.4 million and $322.2 million, respectively.

Passenger revenue associated with unused tickets, which represent unexercised passenger rights, is recognized in proportion
to the pattern of rights exercised by related passengers (e.g. scheduled departure dates). To calculate the portion to be recognized as revenue in the period, the Company utilizes historical information and applies the trend rate to the current air traffic liability balances for that specific period.

Management has elected (via a practical expedient election) to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected from a customer, e.g., sales, use, value added, and certain excise taxes.
Frequent Flyer Revenue - Hawaiian's frequent flyer travel award program provides a variety of awards to program members based on accumulated mileage. ASC 606 requires the Company to account for miles earned by passengers in the HawaiianMiles program through flight activity as a component of the passenger revenue ticket transaction at the estimated selling price of the miles. Ticket consideration received is allocated between the performance obligations, primarily travel and

miles earned by passengers. The allocated value of the miles is deferred until the free travel or other award is used by the passenger, at which time it is included in passenger revenue. The value of the ticket used in the determination of the estimated selling price is based on the historical value of equivalent flights to those provided for loyalty awards and the related miles redeemed to obtain that award adjusted for breakage or fulfillment. The ETV includes a fulfillment discount (breakage) to reflect the value of the award ticket over the number of miles that, based on historical experience, will be needed to obtain the award. On a quarterly basis, the Company calculates the equivalent ticket value (ETV) by analyzing the fares of similar tickets for the prior 12 months, considering cabin class and geographic region.
The Company also sells mileage credits to companies participating in our frequent flyer program These contracts generally include multiple performance obligations, including the transportation that will ultimately be provided when the mileage credits are redeemed and marketing and brand related activities. The marketing and brand performance obligations are effectively provided each time a HawaiianMiles member uses the co-branded credit card and monthly access to customer lists and marketing is provided, which corresponds to the timing of when the Company issues or is obligated to issue the mileage credits to the HawaiianMiles member. Therefore, the Company recognizes revenue for the marketing and brand performance obligations when HawaiianMiles members use their co-brand credit card and the resulting mileage credits are issued to them, which best correlates with the Company’s performance in satisfying the obligation.

During the first quarter of 2018, we amended our partnership with Barclaycard US, Hawaiian's co-branded credit card partner. Management determined that the amendment should be accounted for as a termination of the existing contract and the creation of a new contract under ASC 606 and the relative selling price was determined for each performance obligation of the new agreement. The new agreement continues through 2024 and includes improved economics and enhanced product offerings for our Barclay's co-branded cardholders.

Accounting for frequent flyer revenue involves the use of various techniques to estimate revenue. To determine the total estimated transaction price, the Company forecasts future credit card activity using historical information. The relative selling price is determined using management’s standalone estimated selling price of each performance obligation. The objective of using the estimated selling price based methodology is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. Accordingly, the Company determines the best estimate of selling price by considering multiple inputs and methods including, but not limited to, discounted cash flows, brand value, published selling prices, number of miles awarded and number of miles redeemed. The Company estimates the selling price of miles using an ETV adjusted for a fulfillment discount as described above.

Miles expire after 18 months of member account inactivity. The Company reviews its breakage estimates annually based upon the latest available information regarding redemption and expiration patterns (e.g., credit card and non-credit card holders). The Company’s estimate of the expected expiration of miles requires significant management judgment. Current and future changes to expiration assumptions or to the expiration policy, or to program rules and program could affect the estimated value of a mile.

The Company's frequent flyer liability is recorded in Air traffic liability (short-term) and Other liabilities and deferred credits (long-term) in the Company's consolidated balance sheet based on estimated and expected redemption patterns using historical data and analysis. As of September 30, 2018 and December 31, 2017, the Company's contract liability balance was $372.6 million and $321.9 million, respectively.

Accounts Receivable - Accounts receivable primarily consist of amounts due from credit card companies, non-airline partners, and cargo transportation customers. The Company provides an allowance for uncollectible accounts equal to the estimated losses expected to be incurred based on historical chargebacks, write-offs, bankruptcies and other specific analyses. Bad debt expense was not material in any period presented.

Costs to obtain or fulfill a contract - In order for the Company to provide transportation to our customers we incur fulfillment costs which are generally: booking fees, credit card fees, and commission/selling costs. As of September 30, 2018 and December 31, 2017, the Company's asset balance associated with these costs were $17.9 million and $16.7 million, respectively. During the three months ended September 30, 2018 and 2017, expenses related to these costs totaled to $25.3 million and $25.1 million, respectively. During the nine months ended September 30, 2018 and 2017, expenses related to these costs totaled to $73.0 million and $72.0 million, respectively. To determine the amount to capitalize and expense at the end of each period, the Company uses historical sales data and estimates the amount associated with unflown tickets.

6. Short-Term Investments

Debt securities that are not classified as cash equivalents are classified as available-for-sale investments and are stated as current assets at fair value as these securities are available for use in current operations. Realized gains and losses on sales of investments are reflected in nonoperating income (expense) in the Company's unaudited Consolidated Statements of Operations. Unrealized gains and losses on available-for-sale debt securities are reflected as a component of Accumulated other comprehensive loss, net.

The following is a summary of short-term investments held as of September 30, 2018 and December 31, 2017:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2018	(in thousands)			
Corporate debt	$145,256	$ 14	$ (793)	$144,477
U.S. government and agency debt	49,850	—	(156)	49,694
Municipal bonds	13,503	—	(61)	13,442
Other fixed income securities	37,724	1	(31)	37,694
Total short-term investments	$246,333	$ 15	$ (1,041)	$245,307

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2017	(in thousands)			
Corporate debt	$165,610	$ 8	$ (535)	$165,083
U.S. government and agency debt	59,054	1	(215)	58,840
Municipal bonds	21,517	—	(104)	21,413
Other fixed income securities	23,973	1	(13)	23,961
Total short-term investments	$270,154	$ 10	$ (867)	$269,297

Contractual maturities of short-term investments as of September 30, 2018 are shown below.

	Under 1 Year	1 to 5 Years	Total
	(in thousands)		
Corporate debt	$68,381	$ 76,096	$144,477
U.S. government and agency debt	49,694	—	49,694
Municipal bonds	9,870	3,572	13,442
Other fixed income securities	29,780	7,914	37,694
Total short-term investments	$157,725	$ 87,582	$245,307

7. Fair Value Measurements

ASC Topic 820, Fair Value Measurement (ASC 820), defines fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term for the assets or liabilities; and

Level 3 — Unobservable inputs for which there is little or no market data and that are significant to the fair value of the assets or liabilities.

The tables below present the Company’s financial assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurements as of September 30, 2018			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Cash equivalents	$202,252	$139,303	$62,949	$ —
Short-term investments	245,307	—	245,307	—
Fuel derivative contracts:				
Crude oil call options	23,637	—	23,637	—
Foreign currency derivatives	9,187	—	9,187	—
Total assets measured at fair value	$480,383	$139,303	$341,080	$ —
Foreign currency derivatives	13	—	13	—
Total liabilities measured at fair value	$13	$—	$13	$ —

	Fair Value Measurements as of December 31, 2017			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Cash equivalents	$62,310	$27,807	$34,503	$ —
Restricted cash	1,000	1,000	—	—
Short-term investments	269,297	—	269,297	—
Fuel derivative contracts:				
Crude oil call options	20,272	—	20,272	—
Jet fuel swaps	336	—	336	—
Foreign currency derivatives	4,300	—	4,300	—
Total assets measured at fair value	$357,515	$28,807	$328,708	$ —
Foreign currency derivatives	1,713	—	1,713	—
Total liabilities measured at fair value	$1,713	$—	$1,713	$ —

Cash equivalents. The Company's level 1 cash equivalents consist of money market securities and the level 2 cash equivalents consist of U.S. agency bonds, mutual funds, and commercial paper. The instruments classified as level 2 are valued using quoted prices for similar assets in active markets.

Restricted cash. The Company’s restricted cash included collateral held by one of the Company's credit card processors.

Short-term investments. Short-term investments include U.S. and foreign government notes and bonds, U.S. agency bonds, variable-rate corporate bonds, asset backed securities, foreign and domestic corporate bonds, municipal bonds, and commercial paper. These instruments are valued using quoted prices for similar assets in active markets or other observable inputs.

Fuel derivative contracts. The Company’s fuel derivative contracts consist of crude oil call options and jet fuel swaps, which are not traded on a public exchange. The fair value of these instruments are determined based on inputs available or derived from public markets including contractual terms, market prices, yield curves, and measures of volatility among others.

Foreign currency derivatives. The Company’s foreign currency derivatives consist of Japanese Yen and Australian Dollar forward contracts and are valued primarily based upon data available or derived from public markets.

The table below presents the Company’s debt (excluding obligations under capital leases and financing obligations) measured at fair value:

Fair Value of Debt

September 30, 2018					December 31, 2017				
Carrying	Fair Value				Carrying	Fair Value			
Amount	Total	Level 1	Level 2	Level 3	Amount	Total	Level 1	Level 2	Level 3
(in thousands)									
$474,401	$473,282	$ —	$ —	$473,282	$433,072	$444,099	$ —	$ —	$444,099

The fair value estimates of the Company's debt were based on the discounted amount of future cash flows using the Company's current incremental rate of borrowing for similar instruments.

The carrying amounts of cash, other receivables, and accounts payable approximate fair value due to the short-term nature of these financial instruments.

8. Financial Derivative Instruments

The Company uses derivatives to manage risks associated with certain assets and liabilities arising from the potential adverse impact of fluctuations in global fuel prices and foreign currencies.

Fuel Risk Management

The Company's operations are inherently dependent upon the price and availability of aircraft fuel. To manage economic risks associated with fluctuations in aircraft fuel prices, the Company periodically enters into derivative financial instruments. During the three and nine months ended September 30, 2018, the Company primarily used crude oil call options and jet fuel swaps to hedge its aircraft fuel expense. These derivative instruments were not designated as hedges under ASC Topic 815, Derivatives and Hedging (ASC 815), for hedge accounting treatment. As a result, any changes in fair value of these derivative instruments are adjusted through other nonoperating income (expense) in the period of change.

The following table reflects the amount of realized and unrealized gains and losses recorded as nonoperating income (expense) in the Company's unaudited Consolidated Statements of Operations.

	Three months ended September 30,		Nine months ended September 30,	
Fuel derivative contracts	2018	2017	2018	2017
	(in thousands)			
Gains (losses) realized at settlement	$8,085	$(2,787)	$24,572	$(2,100)
Reversal of prior period unrealized amounts	(18,873)	6,251	(11,791)	(7,946)
Unrealized gains (losses) that will settle in future periods	14,283	(182)	14,283	(182)
Gains (losses) on fuel derivatives recorded as nonoperating income (expense)	$3,495	$3,282	$27,064	$(10,228)

Foreign Currency Exchange Rate Risk Management

The Company is subject to foreign currency exchange rate risk due to revenues and expenses that are denominated in foreign currencies, with the primary exposures being the Japanese Yen and Australian Dollar. To manage exchange rate risk, the Company executes its international revenue and expense transactions in the same foreign currency to the extent practicable. As discussed in more detail in Note 9, the Company also entered into two Japanese Yen denominated debt agreements during the nine month period ended September 30, 2018.

The Company enters into foreign currency forward contracts to further manage the effects of fluctuating exchange rates. The effective portion of the gain or loss of designated cash flow hedges is reported as a component of accumulated other comprehensive income (AOCI) and reclassified into earnings in the same period in which the related sales are recognized as passenger revenue. The effective portion of the foreign currency forward contracts represents the change in fair value of the hedge that offsets the change in the fair value of the hedged item. To the extent the change in the fair value of the hedge does not perfectly offset the change in the fair value of the hedged item, the ineffective portion of the hedge is immediately recognized as nonoperating income (expense). Foreign currency forward contracts that are not designated as cash flow hedges are recorded at fair value, and any changes in fair value are recognized as other nonoperating income (expense) in the period of change.

The Company believes that its foreign currency forward contracts that are designated as cash flow hedges will continue to be effective in offsetting changes in cash flow attributable to the hedged risk. The Company expects to reclassify a net gain of approximately $8.2 million into earnings over the next 12 months from AOCI based on the values at September 30, 2018.

The following tables present the gross fair value of asset and liability derivatives that are designated as hedging instruments under ASC 815 and derivatives that are not designated as hedging instruments under ASC 815, as well as the net derivative positions and location of the asset and liability balances within the Company's unaudited Consolidated Balance Sheets.

Derivative position as of September 30, 2018

	Balance Sheet Location	Notional Amount	Final Maturity Date	Gross fair value of assets	Gross fair value of (liabilities)	Net derivative position
		(in thousands)		(in thousands)		
Derivatives designated as hedges						
Foreign currency derivatives	Prepaid expenses and other	15,557,050 Japanese Yen 51,131 Australian Dollars	September 2019	7,625	(6)	7,619
	Long-term prepayments and other	4,537,300 Japanese Yen 8,963 Australian Dollars	September 2020	1,412	(6)	1,406
Derivatives not designated as hedges						
Foreign currency derivatives	Prepaid expenses and other	674,600 Japanese Yen 1,708 Australian Dollars	December 2018	150	(1)	149
Fuel derivative contracts	Prepaid expenses and other	91,182 gallons	September 2019	23,637	—	23,637

Derivative position as of December 31, 2017

	Balance Sheet Location	Notional Amount	Final Maturity Date	Gross fair value of assets	Gross fair value of (liabilities)	Net derivative position
		(in thousands)		(in thousands)		
Derivatives designated as hedges						
Foreign currency derivatives	Prepaid expenses and other	16,732,375 Japanese Yen 47,805 Australian Dollars	December 2018	3,737	(1,441)	2,296
	Long-term prepayments and other	4,666,700 Japanese Yen 9,180 Australian	December 2019	546	(195)	351

		Dollars				
Derivatives not designated as hedges						
Foreign currency derivatives	Other accrued liabilities	866,150 Japanese Yen 3,148 Australian Dollars	March 2018	17	(77)	(60)
Fuel derivative contracts	Prepaid expenses and other	94,332 gallons	December 2018	20,608	—	20,608

The following table reflects the impact of cash flow hedges designated for hedge accounting treatment and their location within the Company's unaudited Consolidated Statements of Comprehensive Income.

	(Gain) loss recognized in AOCI on derivatives (effective portion)		(Gain) loss reclassified from AOCI into income (effective portion)		(Gain) loss recognized in nonoperating (income) expense (ineffective portion)	
	Three months ended September 30,		Three months ended September 30,		Three months ended September 30,	
	2018	2017	2018	2017	2018	2017
	(in thousands)					
Foreign currency derivatives	$(6,769)	$ 75	$ (1,080)	$ (449)	$ —	$ —

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	(Gain) loss recognized in AOCI on derivatives (effective portion)		(Gain) loss reclassified from AOCI into income (effective portion)		(Gain) loss recognized in nonoperating (income) expense (ineffective portion)	
	Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017	2018	2017
	(in thousands)					
Foreign currency derivatives	$(7,338)	$7,780	$ 1,025	$ (2,141)	$ —	$ —

Risk and Collateral

Financial derivative instruments expose the Company to possible credit loss in the event the counterparties fail to meet their obligations. To manage such credit risks, the Company (1) selects its counterparties based on past experience and credit ratings, (2) limits its exposure to any single counterparty, and (3) regularly monitors the market position and credit rating of each counterparty. Credit risk is deemed to have a minimal impact on the fair value of the derivative instruments, as cash collateral would be provided by the counterparties based on the current market exposure of the derivative.

ASC 815 requires a reporting entity to elect a policy of whether to offset rights to reclaim cash collateral or obligations to return cash collateral against derivative assets and liabilities executed with the same counterparty under a master netting agreement, or present such amounts on a gross basis. The Company's accounting policy is to present its derivative assets and liabilities on a net basis, including any collateral posted with the counterparty. The Company had no collateral posted with counterparties as of September 30, 2018 and December 31, 2017.

The Company is also subject to market risk in the event these financial instruments become less valuable in the market. However, changes in the fair value of the derivative instruments will generally offset the change in the fair value of the hedged item, limiting the Company's overall exposure.

9. Debt

As of September 30, 2018, the expected maturities of long-term debt for the remainder of 2018 and the next four years, and thereafter, were as follows (in thousands):

Remaining months in 2018	$9,346
2019	80,810
2020	29,330
2021	56,312
2022	63,443
Thereafter	235,160
	$474,401

During the nine months ended September 30, 2018, the Company entered into two Japanese Yen denominated debt agreements for a total value of $86.5 million, which is collateralized by aircraft. Each such loan is for a term of 12 years at fixed installment coupon rates of 1.01% and 1.05%. The fluctuation in foreign exchange rates at each balance sheet date is reflected within the nonoperating income (expense) line item. During each of the three and nine months ended September 30, 2018, the Company recorded foreign currency unrealized gains of $2.3 million.

10. Leases

The Company leases aircraft, engines, and other assets under long-term lease arrangements. Other leased assets include real property, airport and terminal facilities, maintenance facilities, and general offices. Certain leases include escalation clauses and renewal options. When lease renewals are considered to be reasonably assured, the rental payments that will be due during the renewal periods are included in the determination of rent expense over the life of the lease.

In July 2018, the Company entered into a sale leaseback transaction with an independent third party for one A330-200 aircraft under an operating lease for a term of 12 years. Future minimum rental payments for this lease are reflected in the table below.

As of September 30, 2018, the scheduled future minimum rental payments under operating and capital leases with non-cancellable basic terms of more than one year were as follows:

	Capital & Financing Leases		Operating Leases	
	Aircraft	Other	Aircraft	Other
	(in thousands)			
Remaining in 2018	$6,213	$1,840	$28,414	$2,007
2019	24,850	6,561	106,382	7,751
2020	24,850	4,641	90,417	7,340
2021	24,850	4,566	74,315	6,695
2022	24,705	4,870	68,208	6,920
Thereafter	97,261	119,931	219,196	95,580
	202,729	142,409	$586,932	$126,293
Less amounts representing interest	(37,471)	(53,171)		
Present value of minimum capital lease payments	$165,258	$89,238		

11. Employee Benefit Plans

The components of net periodic benefit cost for the Company's defined benefit and other post-retirement plans included the following:

	Three months ended September 30,		Nine months ended September 30,	
Components of Net Period Benefit Cost	2018	2017	2018	2017
	(in thousands)			
Service cost	$2,275	$3,296	$6,199	$7,626
Other cost:				
Interest cost	5,145	5,983	15,163	14,518
Expected return on plan assets	(5,594)	(4,533)	(16,770)	(9,592)
Recognized net actuarial loss	786	2,342	2,146	4,574
Total other components of the net periodic benefit cost	337	3,792	539	9,500
Partial settlement and curtailment loss	—	15,001	—	15,001
Loss on plan termination	—	35,201	—	35,201
Net periodic benefit cost	$2,612	$57,290	$6,738	$67,328

Total other components of the net periodic benefit cost are recorded within the nonoperating income (expense), other, net line item.

During each of the three and nine months ended September 30, 2018, the Company made a discretionary contribution of $50.0 million to its defined benefit and other postretirement plans. During the three and nine months ended September 30, 2017, the Company contributed $14.2 million and $28.6 million, respectively, to its defined benefit and other post-retirement plans.

In August 2017, the Company completed the termination of the Hawaiian Airlines, Inc. Salaried & IAM Merged Pension Plan (the Merged Plan) by transferring the assets and liabilities to a third-party insurance company. At that time, the Company contributed a total of $18.5 million in cash to fully fund the plan and recognized a one-time financial loss of $35.2 million as other nonoperating special item in the Consolidated Statement of Operations.

In March 2017, the Company announced the ratification of a 63-month contract amendment with its pilots as represented by the Air Line Pilots Association (ALPA). In connection with the ratification of the agreement, the parties agreed to eliminate the post-65 post-retirement medical benefit for all active pilots, and replace the benefit with a health retirement account (HRA) managed by ALPA, which represented a curtailment and partial settlement of the pilots' other post-retirement benefit plan. In August 2017, the Company made a one-time cash payment of approximately $101.9 million to fund the HRA and settle the post-65 post-retirement medical plan obligation. The cash contributed was distributed to the trust funding the individual health retirement notional accounts of the participants. The Company recognized a one-time settlement loss of $15.0 million.

12. Commitments and Contingent Liabilities

Commitments

As of September 30, 2018, the Company had the following capital commitments consisting of firm aircraft and engine orders and purchase rights:

Aircraft Type	Firm Orders	Purchase Rights	Expected Delivery Dates
A321neo aircraft	9	9	Between 2018 and 2020
B787-9 aircraft	10	10	Between 2021 and 2025
Pratt & Whitney spare engines:			
A321neo spare engines	3	2	Between 2018 and 2019
General Electric GEnx spare engines:			
B787-9 spare engines	2	2	Between 2021 and 2025

In February 2018, the Company exercised its right to terminate its aircraft purchase agreement between the Company and Airbus for six Airbus A330-800neo aircraft and the purchase rights for an additional six Airbus A330-800neo aircraft. Refer to Note 13 below for discussion on the contract termination charge.

In July 2018, the Company entered into a purchase agreement for the purchase of 10 Boeing 787-9 "Dreamliner" aircraft with purchase rights for an additional 10 aircraft with scheduled delivery from 2021 to 2024. In October 2018, the Company entered into a definitive agreement for the selection of GEnx engines to power its Boeing 787-9 fleet. The agreement provides for the purchase of 20 GEnx engines, the right to purchase an additional 20 GEnx engines and the purchase of up to four spare engines. The committed expenditures under these agreements are reflected in the table below. The Company also intends to enter into additional related agreements in connection with the Boeing 787-9 purchases, including for the purchase of a flight simulator, spare parts and materials, and related services.

Committed capital and operating expenditures include escalation amounts based on estimates. Capital expenditures represent aircraft and aircraft related equipment commitments, and operating expenditures represent all other non-aircraft commitments the Company has entered into. The gross committed expenditures and committed payments for those deliveries as of September 30, 2018 are detailed below:

	Capital	Operating	Total Committed Expenditures
	(in thousands)		
Remaining in 2018	$98,658	$16,517	$ 115,175
2019	331,090	61,576	392,666
2020	162,749	56,052	218,801
2021	303,006	51,719	354,725
2022	417,828	51,918	469,746
Thereafter	710,948	216,064	927,012
	$2,024,279	$453,846	$ 2,478,125

Litigation and Contingencies

The Company is subject to legal proceedings arising in the normal course of its operations. Management does not anticipate that the disposition of any currently pending proceeding will have a material effect on the Company's operations, business or financial condition.

General Guarantees and Indemnifications

In the normal course of business, the Company enters into numerous aircraft financing and real estate leasing arrangements that have various guarantees included in such contracts. It is common in such lease transactions for the lessee to agree to indemnify the lessor and other related third-parties for tort liabilities that arise out of, or relate to, the lessee’s use of the leased aircraft or occupancy of the leased premises. In some cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by such parties' gross negligence or willful misconduct. Additionally, the lessee typically indemnifies such parties for any environmental liability that arises out of or relates to the lessee's use of the real estate leased premises. The Company believes that it is insured (subject to deductibles) for most of the tort liabilities and related indemnities described above with respect to the aircraft and real estate that it leases. The Company cannot reasonably estimate the potential amount of future payments, if any, under the foregoing indemnities and agreements.

Credit Card Holdback

Under the Company’s bank-issued credit card processing agreements, certain proceeds from advance ticket sales may be held back to serve as collateral to cover any possible chargebacks or other disputed charges that may occur. These holdbacks, which are included in restricted cash in the Company’s unaudited Consolidated Balance Sheets, totaled $1.0 million as of December 31, 2017. As of September 30, 2018, there were no holdbacks held with the Company's credit card processors.

In the event of a material adverse change in the Company's business, the holdback could increase to an amount up to 100% of the outstanding credit card amounts that is unflown (e.g. air traffic liability, excluding frequent flyer deferred revenue), which would also cause an increase in the level of restricted cash. If the Company is unable to obtain a waiver of, or otherwise mitigate the increase in the restriction of cash, it could have a material adverse impact on the Company's operations, business or financial condition.

13. Contract Terminations Expense and Special Items

Contract terminations expense

For the nine months ended September 30, 2018, the Company terminated two contracts which incurred a total of $35.3 million in contract terminations expense. The transactions are described below:

In February 2018, the Company exercised its right to terminate the aircraft purchase agreement between the Company and Airbus for six Airbus A330-800neo aircraft and the purchase rights for an additional six Airbus A330-800neo aircraft. To terminate the purchase agreement, the Company was obligated to repay Airbus for concessions received relating to a prior firm order, training credits, as well as forfeit the pre-delivery progress payments made towards the flight equipment. The Company recorded a contract terminations expense to reflect a portion of the termination penalty within the Consolidated Statements of Operations.

In January 2018, the Company entered into a transaction with its lessor to early terminate and purchase three Boeing 767-300 aircraft leases and concurrently entered into a forward sale agreement for the same three Boeing 767-300 aircraft, including two Pratt & Whitney 4060 engines for each aircraft. These aircraft were previously accounted for as operating leases. In order to exit the lease and purchase the aircraft, the Company agreed to pay a total of $67.1 million (net of all deposits) of which a portion was expensed immediately and recognized as a contract termination fee. The expensed amount represents the total purchase price amount over fair value of the aircraft purchased as of the date of the transaction.

Special items

In April 2017, the Company executed a sale leaseback transaction with an independent third party for three Boeing 767-300 aircraft. The lease term for the three aircraft commenced in April 2017 and run through November 2018, December 2018, and January 2019, respectively. During the nine months ended September 30, 2017, the Company recorded a loss on sale of aircraft of $4.8 million. During the three and nine months ended September 30, 2018, the Company delivered two of the aircraft and recorded an additional loss of $1.8 million as a result of final price adjustments. The Company expects to close the sale and deliver the third aircraft in the fourth quarter of 2018.

In March 2017, the Company received notice from ALPA that the tentative agreement covering the Company's pilots was ratified by ALPA's members and became effective on April 1, 2017. The agreement included, among other various benefits, a pay adjustment and ratification bonus computed based on previous service. During the nine months ended September 30, 2017, the Company expensed $18.7 million principally related to a one-time payment to reduce the Company's future 401K employer contribution for certain pilot groups, which was not recoverable once paid.

Nonoperating special items

In August 2017, the Company terminated the Merged Plan and settled a portion of it's pilots' other post-retirement medical plan liability. In connection with the reduction of these liabilities, the Company recorded one-time Other nonoperating special charges of $35.2 million related to the Merged Plan termination and $15.0 million related to the other post-retirement medical plan partial settlement. Refer to Note 11 for additional information.

14. Income Taxes

The Company’s effective tax rate was 19.9% and 37.7% for the three months ended September 30, 2018 and 2017, respectively and 22.4% and 36.0% for the nine months ended September 30, 2018 and 2017, respectively. The effective tax rate represents a blend of federal and state taxes and includes the impact of certain nondeductible items. The effective tax rate for the three and nine months ended September 30, 2018 reflects the reduced federal corporate income tax rate as a result of the enactment of the Tax Cuts and Jobs Act (the Tax Act) in December 2017. During the three and nine months ended September 30, 2018, the Company recorded a discrete item of $6.7 million to reflect the impact of the Tax Act on discretionary contributions made to its defined benefit and other postretirement plans related to its 2017 tax return. The Company adjusted its estimated liability under Staff Accounting Bulletin 118 (SAB 118) by reducing the prior year liability to reflect the tax benefit at a higher income tax rate for the additional contributions made. Further adjustments of other provisional estimates that were recorded at December 31, 2017 may be necessary as the Company finalizes its tax filings in the fourth quarter.

15. Supplemental Cash Flow Information

Non-cash investing and financing activities for the nine months ended September 30, 2018 and 2017 were as follows:

	Nine months ended September 30,	
	2018	2017
	(in thousands)	
Investing and Financing Activities Not Affecting Cash:		
Property and equipment acquired through a capital lease	$116,359	$ —

16. Condensed Consolidating Financial Information

The following condensed consolidating financial information is presented in accordance with Regulation S-X paragraph 210.3-10 because, in connection with the issuance by two pass-through trusts formed by Hawaiian (which is also referred to in this Note 16 as Subsidiary Issuer / Guarantor) of pass-through certificates, the Company (which is also referred to in this Note 16 as Parent Issuer / Guarantor) is fully and unconditionally guaranteeing the payment obligations of Hawaiian, which is a 100% owned subsidiary of the Company, under equipment notes issued by Hawaiian to purchase new aircraft.

The Company's condensed consolidating financial statements are presented in the following tables:

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)
Three months ended September 30, 2018

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Operating Revenue	$—	$756,314	$ 2,870	$ (97)	$ 759,087
Operating Expenses:					
Wages and benefits	—	176,642	—	—	176,642
Aircraft fuel, including taxes and delivery	—	162,932	—	—	162,932
Maintenance, materials and repairs	—	55,818	1,300	—	57,118
Aircraft and passenger servicing	—	42,063	—	—	42,063
Commissions and other selling	—	32,716	16	(28)	32,704
Aircraft rent	—	31,782	(14)	—	31,768
Other rentals and landing fees	—	33,146	81	—	33,227
Depreciation and amortization	—	34,849	1,524	—	36,373
Purchased services	43	32,298	183	(15)	32,509
Other	1,604	35,955	420	(54)	37,925
Total	1,647	638,201	3,510	(97)	643,261
Operating Income (Loss)	(1,647)	118,113	(640)	—	115,826
Nonoperating Income (Expense):					
Undistributed net income of subsidiaries	94,810	—	—	(94,810)	—
Interest expense and amortization of debt discounts and issuance costs	—	(8,400)	(46)	—	(8,446)
Interest income	41	3,083	—	—	3,124
Capitalized interest	—	1,821	—	—	1,821
Gains on fuel derivatives	—	3,495	—	—	3,495
Other, net	—	936	1	—	937
Total	94,851	935	(45)	(94,810)	931
Income (Loss) Before Income Taxes	93,204	119,048	(685)	(94,810)	116,757
Income tax expense (benefit)	(338)	23,696	(143)	—	23,215
Net Income (Loss)	$93,542	$95,352	$ (542)	$ (94,810)	$ 93,542
Comprehensive Income (Loss)	$98,642	$100,452	$ (542)	$ (99,910)	$ 98,642

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)
Three months ended September 30, 2017 [(a)]

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Operating Revenue	$—	$714,469	$ 1,853	$ (106)	$ 716,216
Operating Expenses:					
Aircraft fuel, including taxes and delivery	—	110,111	—	—	110,111
Wages and benefits	—	161,059	—	—	161,059
Aircraft rent	—	35,090	105	—	35,195
Maintenance, materials and repairs	—	48,987	409	—	49,396
Aircraft and passenger servicing	—	37,533	—	—	37,533
Commissions and other selling	17	33,158	19	(31)	33,163
Depreciation and amortization	—	27,491	956	—	28,447
Other rentals and landing fees	—	30,989	—	—	30,989
Purchased services	117	24,428	206	(15)	24,736
Other	1,498	34,678	469	(60)	36,585
Total	1,632	543,524	2,164	(106)	547,214
Operating Income (Loss)	(1,632)	170,945	(311)	—	169,002
Nonoperating Income (Expense):					
Undistributed net income of subsidiaries	72,524	—	—	(72,524)	—
Other nonoperating special items	—	(50,202)	—	—	(50,202)
Interest expense and amortization of debt discounts and issuance costs	—	(7,578)	—	—	(7,578)
Interest income	76	1,785	—	—	1,861
Capitalized interest	—	2,416	—	—	2,416
Gains on fuel derivatives	—	3,282	—	—	3,282
Other, net	—	(3,892)	—	—	(3,892)
Total	72,600	(54,189)	—	(72,524)	(54,113)
Income (Loss) Before Income Taxes	70,968	116,756	(311)	(72,524)	114,889
Income tax expense (benefit)	(654)	43,921	—	—	43,267
Net Income (Loss)	$71,622	$72,835	$ (311)	$ (72,524)	$ 71,622
Comprehensive Income (Loss)	$96,408	$97,621	$ (311)	$ (97,310)	$ 96,408

(a) Amounts adjusted due to the adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). See Note 2 to Consolidated Financial Statements contained in Part I, Item 1 of this report for additional information.

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)
Nine months ended September 30, 2018

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Operating Revenue	$—	$2,132,853	$ 7,390	$(297)	$2,139,946
Operating Expenses:					
Aircraft fuel, including taxes and delivery	—	449,404	—	—	449,404
Wages and benefits	—	516,906	—	—	516,906
Aircraft rent	—	93,547	(14)	—	93,533
Maintenance materials and repairs	—	172,780	3,449	—	176,229
Aircraft and passenger servicing	—	117,207	—	—	117,207
Commissions and other selling	(5)	96,537	61	(111)	96,482
Depreciation and amortization	—	98,026	3,511	—	101,537
Other rentals and landing fees	—	94,913	313	—	95,226
Purchased services	131	94,415	603	(45)	95,104
Contract termination expense	—	35,322	—	—	35,322
Other	5,284	110,513	2,321	(141)	117,977
Total	5,410	1,879,570	10,244	(297)	1,894,927
Operating Income (Loss)	(5,410)	253,283	(2,854)	—	245,019
Nonoperating Income (Expense):					
Undistributed net income of subsidiaries	205,719	—	—	(205,719)	—
Interest expense and amortization of debt discounts and issuance costs	(3)	(24,534)	(91)	—	(24,628)
Interest income	157	6,372	—	—	6,529
Capitalized interest	—	6,414	—	—	6,414
Gains on fuel derivatives	—	27,064	—	—	27,064
Other, net	(4)	(761)	6	—	(759)
Total	205,869	14,555	(85)	(205,719)	14,620
Income (Loss) Before Income Taxes	200,459	267,838	(2,939)	(205,719)	259,639
Income tax expense (benefit)	(1,105)	59,797	(617)	—	58,075
Net Income (Loss)	$201,564	$208,041	$ (2,322)	$(205,719)	$201,564
Comprehensive Income (Loss)	$209,417	$215,894	$ (2,322)	$(213,572)	$209,417

Condensed Consolidating Statements of Operations and Comprehensive Income (Loss)
Nine months ended September 30, 2017 [(a)]

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Operating Revenue	$—	$1,987,423	$ 5,436	$(318)	$1,992,541
Operating Expenses:					
Aircraft fuel, including taxes and delivery	—	316,423	—	—	316,423
Wages and benefits	—	466,772	—	—	466,772
Aircraft rent	—	102,408	475	—	102,883
Maintenance materials and repairs	—	158,417	2,949	—	161,366
Aircraft and passenger servicing	—	107,459	—	—	107,459
Commissions and other selling	42	94,976	57	(108)	94,967
Depreciation and amortization	—	80,927	2,860	—	83,787
Other rentals and landing fees	—	86,763	—	—	86,763
Purchased services	400	78,428	645	(45)	79,428
Special items	—	23,450	—	—	23,450
Other	3,957	96,128	1,451	(165)	101,371
Total	4,399	1,612,151	8,437	(318)	1,624,669
Operating Income (Loss)	(4,399)	375,272	(3,001)	—	367,872
Nonoperating Income (Expense):					
Undistributed net income of subsidiaries	183,830	—	—	(183,830)	—
Other nonoperating special items	—	(50,202)	—	—	(50,202)
Interest expense and amortization of debt discounts and issuance costs	—	(23,292)	—	—	(23,292)
Interest income	216	4,264	—	—	4,480
Capitalized interest	—	6,258	—	—	6,258
Losses on fuel derivatives	—	(10,228)	—	—	(10,228)
Other, net	—	(10,132)	—	—	(10,132)
Total	184,046	(83,332)	—	(183,830)	(83,116)
Income (Loss) Before Income Taxes	179,647	291,940	(3,001)	(183,830)	284,756
Income tax expense (benefit)	(2,514)	105,108	—	—	102,594
Net Income (Loss)	$182,161	$186,832	$ (3,001)	$(183,830)	$182,162
Comprehensive Income (Loss)	$204,088	$208,754	$ (3,001)	$(205,753)	$204,088

(a) Amounts adjusted due to the adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). See Note 2 to Consolidated Financial Statements contained in Part I, Item 1 of this report for additional information.

Condensed Consolidating Balance Sheets
September 30, 2018

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$9,706	$328,848	$ 7,487	$—	$ 346,041
Restricted cash	—	—	—	—	—
Short-term investments	—	245,307	—	—	245,307
Accounts receivable, net	25	125,602	1,065	(158)	126,534
Spare parts and supplies, net	—	32,646	—	—	32,646
Prepaid expenses and other	197	94,898	197	—	95,292
Total	9,928	827,301	8,749	(158)	845,820
Property and equipment at cost	—	2,656,671	90,713	—	2,747,384
Less accumulated depreciation and amortization	—	(616,828)	(14,352)	—	(631,180)
Property and equipment, net	—	2,039,843	76,361	—	2,116,204
Long-term prepayments and other	—	187,484	376	—	187,860
Deferred tax assets, net	—	—	—	—	—
Goodwill and other intangible assets, net	—	120,263	808	—	121,071
Intercompany receivable	—	403,074	—	(403,074)	—
Investment in consolidated subsidiaries	1,365,950	—	—	(1,365,950)	—
TOTAL ASSETS	$1,375,878	$3,577,965	$ 86,294	$(1,769,182)	$ 3,270,955
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$911	$138,685	$ 1,771	$(158)	$ 141,209
Air traffic liability	—	648,795	4,318	—	653,113
Other accrued liabilities	—	136,529	291	—	136,820
Current maturities of long-term debt, less discount, and capital lease obligations	—	105,414	37	—	105,451
Total	911	1,029,423	6,417	(158)	1,036,593
Long-term debt and capital lease obligations	—	607,975	4,608	—	612,583
Intercompany payable	391,766	—	11,308	(403,074)	—
Other liabilities and deferred credits:					=sum(C32:I32)
Accumulated pension and other post-retirement benefit obligations	—	169,484	—	—	169,484
Other liabilities and deferred credits	—	279,067	1,132	—	280,199
Deferred tax liabilities, net	—	188,895	—	—	188,895
Total	—	637,446	1,132	—	638,578
Shareholders' equity	983,201	1,303,121	62,829	(1,365,950)	983,201
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,375,878	$3,577,965	$ 86,294	$(1,769,182)	$ 3,270,955

Condensed Consolidating Balance Sheets
December 31, 2017 [(a)]

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$57,405	$125,861	$ 7,687	$—	$190,953
Restricted cash	—	1,000	—	—	1,000
Short-term investments	—	269,297	—	—	269,297
Accounts receivable, net	25	139,008	1,455	(209)	140,279
Spare parts and supplies, net	—	35,361	—	—	35,361
Prepaid expenses and other	171	78,933	82	—	79,186
Total	57,601	649,460	9,224	(209)	716,076
Property and equipment at cost	—	2,326,249	74,562	—	2,400,811
Less accumulated depreciation and amortization	—	(546,831)	(11,717)	—	(558,548)
Property and equipment, net	—	1,779,418	62,845	—	1,842,263
Long-term prepayments and other	—	193,449	183	—	193,632
Deferred tax assets, net	31,845	—	—	(31,845)	—
Goodwill and other intangible assets, net	—	120,695	1,155	—	121,850
Intercompany receivable	—	392,791	—	(392,791)	—
Investment in consolidated subsidiaries	1,137,941	—	—	(1,137,941)	—
TOTAL ASSETS	$1,227,387	$3,135,813	$ 73,407	$(1,562,786)	$2,873,821
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$622	$138,818	$ 1,574	$(209)	$140,805
Air traffic liability	—	584,366	4,727	—	589,093
Other accrued liabilities	32	147,211	350	—	147,593
Current maturities of long-term debt, less discount, and capital lease obligations	—	59,470	—	—	59,470
Total	654	929,865	6,651	(209)	936,961
Long-term debt and capital lease obligations	—	511,201	—	—	511,201
Intercompany payable	381,608	—	11,183	(392,791)	—
Other liabilities and deferred credits:					0
Accumulated pension and other post-retirement benefit obligations	—	220,788	—	—	220,788
Other liabilities and deferred credits	—	224,500	1,105	—	225,605
Deferred tax liabilities, net	—	165,986	—	(31,845)	134,141
Total	—	611,274	1,105	(31,845)	580,534
Shareholders' equity	845,125	1,083,473	54,468	(1,137,941)	845,125
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,227,387	$3,135,813	$ 73,407	$(1,562,786)	$2,873,821

(a) Amounts adjusted due to the adoption of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). See Note 2 to Consolidated Financial Statements contained in Part I, Item 1 of this report for additional information.

Condensed Consolidating Statements of Cash Flows
Nine months ended September 30, 2018

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Net Cash Provided By (Used In) Operating Activities	$(4,236)	$446,810	$ 1,506	$ —	$ 444,080
Cash Flows From Investing Activities:					
Net payments to affiliates	(11,300)	(39,980)	—	51,280	—
Additions to property and equipment, including pre-delivery deposits	—	(373,099)	(12,999)	—	(386,098)
Proceeds from the sale and sale leaseback of aircraft and aircraft related equipment	—	117,143	—	—	117,143
Purchases of investments	—	(159,648)	—	—	(159,648)
Sales of investments	—	182,816	—	—	182,816
Net cash used in investing activities	(11,300)	(272,768)	(12,999)	51,280	(245,787)
Cash Flows From Financing Activities:					
Long-term borrowings	—	86,500	—	—	86,500
Repayments of long-term debt and capital lease obligations	—	(53,734)	(7)	—	(53,741)
Debt issuance costs	—	(1,108)	—	—	(1,108)
Dividend payments	(18,327)	—	—	—	(18,327)
Net payments from affiliates	39,980	—	11,300	(51,280)	—
Repurchases of common stock	(53,894)	—	—	—	(53,894)
Other	78	(3,713)	—	—	(3,635)
Net cash provided by (used in) financing activities	(32,163)	27,945	11,293	(51,280)	(44,205)
Net increase (decrease) in cash and cash equivalents	(47,699)	201,987	(200)	—	154,088
Cash, cash equivalents, & restricted cash - Beginning of Period	57,405	126,861	7,687	—	191,953
Cash, cash equivalents, & restricted cash - End of Period	$9,706	$328,848	$ 7,487	$ —	$ 346,041

Condensed Consolidating Statements of Cash Flows
Nine months ended September 30, 2017

	Parent Issuer / Guarantor	Subsidiary Issuer / Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Net Cash Provided By (Used In) Operating Activities	$(3,491)	$300,820	$(1,852)	$ —	$295,477
Cash Flows From Investing Activities:					
Net payments to affiliates	(2,500)	(52,507)	—	55,007	—
Additions to property and equipment, including pre-delivery deposits	—	(208,759)	(3,776)	—	(212,535)
Proceeds from the sale and sale leaseback of aircraft and aircraft related equipment	—	33,511	—	—	33,511
Purchases of investments	—	(171,485)	—	—	(171,485)
Sales of investments	—	183,930	—	—	183,930
Net cash used in investing activities	(2,500)	(215,310)	(3,776)	55,007	(166,579)
Cash Flows From Financing Activities:					
Repayments of long-term debt and capital lease obligations	—	(52,463)	—	—	(52,463)
Debt issuance costs	—	(188)	—	—	(188)
Net payments from affiliates	52,507	—	2,500	(55,007)	—
Repurchases of Common Stock	(50,486)	—	—	—	(50,486)
Other	86	(7,789)	—	—	(7,703)
Net cash provided by (used in) financing activities	2,107	(60,440)	2,500	(55,007)	(110,840)
Net increase (decrease) in cash and cash equivalents	(3,884)	25,070	(3,128)	—	18,058
Cash, cash equivalents, & restricted cash - Beginning of Period	67,629	254,985	8,377	—	330,991
Cash, cash equivalents, & restricted cash - End of Period	$63,745	$280,055	$5,249	$ —	$349,049

Income Taxes

The income tax expense (benefit) is presented as if each entity that is part of the consolidated group files a separate return.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views with respect to certain current and future events and financial performance. Such forward-looking statements include, without limitation, statements related to our financial statements and results of operations; any expectations of operating expenses, deferred revenue, interest rates, tax rates, income taxes, deferred tax assets, valuation allowances or other financial items; expectations regarding industry capacity, our operating performance, available seat miles, operating revenue per available seat mile and operating cost per available seat mile for the fourth quarter of 2018; our expected fleet as of September 30, 2019; estimates of annual fuel expenses and measure of the effects of fuel prices on our business; the availability of financing; statements regarding our intention to pay quarterly dividends and the amounts thereof, if any; statements regarding our ability and intention to repurchase our shares; changes in our fleet plan and related cash outlays; committed capital expenditures; expected cash payments related to our post-retirement plan obligations; estimated financial charges; expected delivery of new aircraft and engines; the impact of accounting standards on our financial statements; the effects of any litigation on our operations or business; the effects of our fuel and currency risk hedging policies; the fair value and expected maturity of our debt obligations; our estimated contractual obligations; and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. Words such as "expects," "anticipates," "projects," "intends," "plans," "believes," "estimates," "could," "may," variations of such words, and expressions are also intended to identify such forward-looking statements. These forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and assumptions relating to our operations and business environment, all of which may cause our actual results to be materially different from any future results, expressed or implied, in these forward-looking statements.

Factors that could affect such forward-looking statements include, but are not limited to: our ability to accurately forecast quarterly and annual results; global economic volatility; macroeconomic developments; political developments; our dependence on the tourism industry; the price and availability of fuel; foreign currency exchange rate fluctuations; competitive pressures, including the potential impact of increasing industry capacity between North America and Hawai'i; fluctuations in demand for transportation in the markets in which we operate, including due to the occurrence of natural disasters, such as hurricanes, earthquakes and tsunamis; maintenance of privacy and security of customer-related information and compliance with applicable federal and foreign privacy or data security regulations or standards; our dependence on technology and automated systems; our reliance on third-party contractors; satisfactory labor relations; our ability to attract and retain qualified personnel and key executives; successful implementation of growth strategy and cost reduction goals; adverse publicity; risks related to the airline industry; our ability to obtain and maintain adequate facilities and infrastructure; seasonal and cyclical volatility; the effect of applicable state, federal and foreign laws and regulations; increases in insurance costs or reductions in coverage; the limited number of suppliers for aircraft, aircraft engines and parts; our existing aircraft purchase agreements; delays in aircraft or engine deliveries or other loss of fleet capacity; our ability to continue to generate sufficient cash flow to support the payment of a quarterly dividend; changes in our future capital needs; fluctuations in our share price; our financial liquidity; and our ability to implement our growth strategy. The risks, uncertainties, and assumptions referred to above that could cause our results to differ materially from the results expressed or implied by such forward-looking statements also include the risks, uncertainties, and assumptions discussed from time to time in our public filings and public announcements, including, but not limited to, our risk factors set out in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. All forward-looking statements included in this Report are based on information available to us as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this quarterly report. The following discussion and analysis should be read in conjunction with our unaudited Consolidated Financial Statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

Our Business

We are engaged in the scheduled air transportation of passengers and cargo amongst the Hawaiian Islands (the Neighbor Island routes), between the Hawaiian Islands and certain cities in the U.S. mainland (the North America routes and collectively with the Neighbor Island routes, referred to as our Domestic routes), and between the Hawaiian Islands and the South Pacific, Australia, and Asia (the International routes), collectively referred to as our “Scheduled Operations.” In addition, we operate various charter flights. We are the largest airline headquartered in the State of Hawai‘i and the tenth largest domestic airline in the United States based on revenue passenger miles reported by the Research and Innovative Technology Administration Bureau of Transportation Statistics for the month of June 2018, the latest available data. As of September 30, 2018, we had 7,152 active employees.

General information about us is available at https://www.hawaiianairlines.com. Information contained on our website is not incorporated by reference into, or otherwise to be regarded as part of, this Quarterly Report on Form 10-Q unless expressly noted. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the Securities and Exchange Commission.

Financial Highlights

- GAAP net income in the third quarter of $93.5 million, or $1.84 per diluted share.
- Adjusted net income in the third quarter of $96.7 million, or $1.91 per diluted share.
- Pre-tax margin for the third quarter of 15.4%.
- Unrestricted cash and cash equivalents and short-term investments of $591.3 million.

See “Results of Operations” below for further discussion of changes in revenue and operating expense. See “Non-GAAP Financial Measures” below for our reconciliation of non-GAAP measures.

Outlook

Looking ahead, industry capacity increases in North America and certain parts of our International network are expected to continue through the fourth quarter of 2018. We expect our available seat miles during the three months ending December 31, 2018 to increase by 4.5% to 6.5% compared to the prior year period. While demand for travel to Hawaii remains robust, impacts from weather-related disruptions and the current pricing environment result in our expectation of operating revenue per available seat mile to be between down 2.5% to up 0.5%. We expect operating cost per available seat mile during the three months ending December 31, 2018 to be up 2.3% to 5.8% compared to the prior year period.

Partnerships

Together with Japan Airlines, we filed an application with the U.S. Department of Transportation (DOT) and Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) seeking antitrust immunity to create a joint venture that promises significant consumer benefits and the opportunity for service expansion. We further enhanced our comprehensive partnership with Japan Airlines with the announcement of reciprocal frequent flyer benefits for HawaiianMiles and JAL Mileage Bank members, which became effective in October 2018. The joint venture and enhanced program are the first two phases of the comprehensive partnership launched in March 2018 with codeshare flights. The Company has not yet received approval and does not anticipate operations commencing under the joint venture until 2019.

Fleet Summary

In July 2018, we entered into an agreement for the purchase of 10 Boeing 787-9 "Dreamliner" aircraft with purchase rights for an additional 10 aircraft. We expect those aircraft to be delivered starting in 2021 and, thus, they are not reflected in the table below. The table below summarizes our total fleet as of September 30, 2017 and 2018, and expected fleet as of September 30, 2019 (based on existing executed agreements):

	September 30, 2018	September 30, 2019

	September 30, 2017								
Aircraft Type	Leased (2)	Owned	Total	Leased (2)	Owned	Total	Leased (2)	Owned	Total
A330-200	11	13	24						