ROCKY MOUNTAIN CHOCOLATE FACTORY INC
Form 4
January 20, 2015

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
Jeremy M Kinney
(Last) (First) (Middle)
265 TURNER DRIVE
(Street)
DURANGO, CO 81303
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ROCKY MOUNTAIN CHOCOLATE FACTORY INC [RMCF]

3. Date of Earliest Transaction (Month/Day/Year)
01/16/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP Finance

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common	01/16/2015		S		2,000	D	$ 13.03	28,699	D	
Common	01/20/2015		S		200	D	$ 13.2	28,499	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Jeremy M Kinney 265 TURNER DRIVE DURANGO, CO 81303			VP Finance	

Signatures

/s/ Jeremy M Kinney	01/20/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. "2">

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this Report), as well as other reports, releases and written and oral communications issued or made from time to time by or on behalf of Atlas Air Worldwide Holdings, Inc. (AAWW), contain statements that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those statements are based on management s beliefs, plans, expectations and assumptions, and on information currently available to management. Generally, the words will, may, should, expect, anticipate, intend, plan, continue, believe, seek, project, estimate and similar expressions used in this Report that do not relate to his are intended to identify forward-looking statements.

The forward-looking statements in this Report are not representations or guarantees of future performance and involve certain risks, uncertainties and assumptions. Such risks, uncertainties and assumptions include, but are not limited to, those described in Item 1A, Risk Factors. Many of such factors are beyond AAWW s control and are difficult to predict. As a result, AAWW s future actions, financial position, results of operations and the market price for shares of AAWW s common stock could differ materially from those expressed in any forward-looking statements. Readers are therefore cautioned not to place undue reliance on forward-looking statements. AAWW does not intend to publicly update any forward-looking statements that may be made from time to time by, or on behalf of, AAWW, whether as a result of new information, future events or otherwise, except as required by law.

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PART I

ITEM 1. ***BUSINESS***
Glossary

The following represents terms and statistics specific to our business and industry. They are used by management to evaluate and measure operations, results, productivity and efficiency.

Block Hour	The time interval between when an aircraft departs the terminal until it arrives at the destination terminal.
C Check	High-level or heavy airframe maintenance checks, which are more intensive in scope than Line Maintenance and are generally performed between 18 and 24 months depending on aircraft type.
D Check	High-level or heavy airframe maintenance checks, which are the most extensive in scope and are generally performed every six and eight years depending on aircraft type.
Heavy Maintenance	Scheduled maintenance activities, which are the most extensive in scope and are primarily based on time intervals, including, but not limited to, C Checks, D Checks and engine overhauls.
Line Maintenance	Unscheduled maintenance to rectify events occurring during normal day-to-day operations.
Non-heavy Maintenance	Discrete maintenance activities for the overhaul and repair of specific aircraft components.
Yield	The average amount a customer pays to fly one tonne of cargo one mile.

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Overview

AAWW is a holding company with a principal operating subsidiary, Atlas Air, Inc. (Atlas), which is wholly-owned. It also maintains a 49% interest in Global Supply Systems Limited (GSS) and has a 51% economic interest and 75% voting interest in Polar Air Cargo Worldwide, Inc. (Polar). AAWW is also the parent company of several wholly-owned subsidiaries related to our dry leasing services (collectively referred to as Titan). When used in this Report, the terms we, us, our, and the Company refer to AAWW and all entities in our consolidated financial statements.

We are a leading global provider of outsourced aircraft and aviation operating services. As such, we manage and operate the world s largest fleet of 747 freighters. We provide unique value to our customers by giving them access to highly reliable new production freighters that deliver the lowest unit cost in the marketplace combined with outsourced aircraft operating services that we believe lead the industry in terms of quality and global scale. Our customers include airlines, express delivery providers, freight forwarders, the U.S. military and charter brokers. We provide global services with operations in Africa, Asia, Australia, Europe, the Middle East, North America and South America.

Our primary service offerings include the following:

ACMI, whereby we provide outsourced cargo and passenger aircraft operating solutions, including the provision of an aircraft, crew, maintenance and insurance, while customers assume fuel, demand and Yield risk;

CMI, which is part of our ACMI business segment, whereby we provide outsourced cargo and passenger aircraft operating solutions including the provision of crew, maintenance and insurance, while customers provide the aircraft and assume fuel, demand and Yield risk;

AMC Charter, whereby we provide cargo and passenger aircraft charter services for the U.S. Military Air Mobility Command (AMC). The AMC pays a fixed charter fee that includes fuel, insurance, landing fees, overfly and all other operational fees and costs;

Commercial Charter, whereby we provide cargo and passenger aircraft charter services to customers, including brokers, cruise-ship operators, freight forwarders, direct shippers and airlines. The customer pays a fixed charter fee that includes fuel, insurance, landing fees, overfly and all other operational fees and costs; and

Dry Leasing, whereby we provide aircraft and engine leasing solutions.

We believe that the scale, scope and quality of our outsourced services are unparalleled in our industry. The relative operating cost efficiency of our current 747-8F, 747-400F and 777-200LRF aircraft, including their superior fuel efficiency, range, capacity and loading capabilities, creates a compelling value proposition for our customers and positions us well for future growth.

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We are focused on the further enhancement of our ACMI market position with our new 747-8F aircraft. During 2013, we took delivery of two 747-8F aircraft from The Boeing Company (Boeing), completing our order for nine aircraft. We are currently the only operator offering these aircraft to the ACMI market. We also hold rights to purchase an additional 13 747-8F aircraft, providing us with flexibility to further expand our fleet in response to market conditions. We believe that our current fleet, which also includes our 747-400F aircraft, represents one of the most efficient, reliable freighter fleets in the market. Our primary placement for these aircraft will continue to be long-term ACMI outsourcing contracts with high-credit-quality customers.

During 2013, we significantly expanded our Dry Leasing business with the acquisition of three 777-200LRF aircraft. We also acquired an additional three 777-200LRF aircraft in January 2014. All six aircraft are Dry Leased to customers on a long-term basis. The addition of the 777 freighters further diversifies our business mix and enhances our predictable, long-term revenue and earnings streams.

AAWW was incorporated in Delaware in 2000. Our principal executive offices are located at 2000 Westchester Avenue, Purchase, New York 10577, and our telephone number is (914) 701-8000.

Operations

Introduction. We currently operate our service offerings through the following reportable segments: ACMI, AMC Charter, Commercial Charter and Dry Leasing. All reportable business segments are directly or indirectly engaged in the business of air transportation services but have different commercial and economic characteristics, which are separately reviewed by management. Financial information regarding our reportable segments can be found in Note 11 to our consolidated financial statements included in Item 8 of Part II of this Report (the Financial Statements).

ACMI. Historically, the core of our business has been providing cargo aircraft outsourcing services to customers on an ACMI basis in exchange for guaranteed minimum revenues at predetermined levels of operation for defined periods of time. ACMI provides a predictable annual revenue and cost base by minimizing the risk of fluctuations such as Yield, fuel and demand risk in the air cargo business. Our ACMI revenues and most of our costs under ACMI and CMI contracts are denominated in U.S. dollars, minimizing currency risks associated with international business.

We also offer CMI cargo and passenger services to customers, which is similar to ACMI flying except that the customer provides the aircraft. In 2013, we continued to expand our CMI business with the addition of services for two 767-300 cargo aircraft and a VIP configured 767-200 passenger aircraft. We currently provide CMI services for fourteen customer-owned aircraft. The aircraft are generally operated under the traffic rights of the customer. Certain direct operating expenses, such as fuel, overfly and landing fees and ground handling, are generally borne by the customer, which also bears the commercial risk for revenue.

All of our ACMI and CMI contracts provide that the aircraft remain under our exclusive operating control, possession and direction at all times. These contracts further provide that both the contracts and the routes to be operated may be subject to prior and/or periodic approvals of the U.S. or foreign governments.

As a percentage of our operating revenue, ACMI revenue represented 45.6% in 2013, 41.4% in 2012 and 45.2% in 2011. As a percentage of our operated Block Hours, ACMI represented 72.6% in 2013, 70.2% in 2012 and 74.9% in 2011. We recognize ACMI revenue, which includes CMI, as we operate the actual Block Hours on behalf of a customer or according to the guaranteed minimum Block Hours defined in contracts. The original length of these contracts generally ranges from two to twenty years, although we do offer contracts of shorter duration. In addition, we have also operated short-term, ACMI cargo and passenger services and we expect to continue to provide such services.

AMC Charter. Our AMC Charter business primarily provides full planeload passenger and cargo aircraft to the AMC. We participate in the U.S. Civil Reserve Air Fleet (CRAF) Program under contracts with the AMC,

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which typically cover a one-year period. We have made a substantial number of our aircraft available for use by the U.S. Military in support of their operations and we operate such flights pursuant to cost-plus contracts. Atlas bears all direct operating costs for both passenger and cargo aircraft, which include fuel, insurance, overfly, landing and ground handling expenses. However, the price of fuel used during AMC flights is fixed by the U.S. Military. The contracted charter rates (per mile) and fuel prices (per gallon) are fixed by the AMC generally for twelve-month periods. We receive reimbursements from the AMC each month if the price of fuel paid by us to vendors for the AMC Charter flights exceeds the fixed price. If the price of fuel paid by us is less than the fixed price, then we pay the difference to the AMC.

Airlines may participate in the CRAF Program either alone or through a teaming arrangement. We are a member of the team led by FedEx Corporation (FedEx). We pay a commission to the FedEx team, based on the revenues we receive under our AMC contracts. The AMC buys cargo capacity on two bases: a fixed basis, which is awarded both annually and quarterly, and expansion flying, which is awarded on an as-needed basis throughout the contract term. While the fixed business is predictable, Block Hour levels for expansion flying are difficult to predict and thus are subject to fluctuation. We also earn commissions on subcontracting certain flying of oversized cargo and less than full planeload missions, or in connection with flying cargo into areas of military conflict where we cannot perform these services ourselves.

We began flying passenger charters for the AMC in 2011. Since then, we have expanded our passenger fleet with the purchase of two 747-400 and three 767-300ER passenger aircraft. In addition to AMC flying, we use these aircraft to fly passengers for private charter customers, charter brokers and other airlines.

As a percentage of our operating revenue, AMC Charter revenue represented 21.5% in 2013, 29.7% in 2012 and 31.7% in 2011. As a percentage of our operated Block Hours, AMC Charter represented 10.7% in 2013, 14.7% in 2012 and 14.0% in 2011.

Commercial Charter. Our Commercial Charter business segment provides full planeload cargo and passenger capacity to customers for one or more flights based on a specific origin and destination. The Commercial Charter business is generally booked on a short-term, as-needed, basis. In addition, Atlas provides limited airport-to-airport cargo services to select markets, including several cities in South America. The Commercial Charter business is similar to the AMC Charter business in that we are responsible for all direct operating costs as well as the commercial revenue risk. Atlas also bears direct sales costs incurred through our own sales force and through commissions paid to general sales agents.

As a percentage of our operating revenue, Commercial Charter revenue represented 29.9% in 2013, 27.4% in 2012 and 21.4% in 2011. As a percentage of our operated Block Hours, Commercial Charter represented 16.0% in 2013, 14.4% in 2012 and 10.1% in 2011.

Dry Leasing. Our Dry Leasing business provides a specific aircraft or engine without crew, maintenance or insurance to a customer for compensation that is typically based on a fixed monthly amount. This business is primarily operated by Titan, which is principally a cargo aircraft dry lessor, but also owns and manages aviation assets such as passenger narrow-body aircraft, engines and related equipment. Titan also markets its expertise in asset management, passenger-to-freighter conversion and other aviation-related technical services. As a percentage of our operating revenue, Dry Leasing revenue represented 2.1% in 2013, 0.7% in 2012 and 0.7% in 2011.

Global Supply Systems

AAWW holds a 49% interest in GSS, a private company, which is accounted for as a consolidated subsidiary of AAWW (see Note 2 to our Financial Statements). Atlas Dry Leases three of our 747-8F aircraft to GSS, which pays for rent and a provision for maintenance costs associated with the aircraft. GSS, in turn, provides ACMI services for these aircraft to British Airways Plc (British Airways). In January 2014, British Airways notified us that they would be terminating our ACMI agreement and returning three 747-8F aircraft in April 2014.

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DHL Investment and Polar

DHL Network Operations (USA), Inc. (DHL) holds a 49% equity interest and a 25% voting interest in Polar (see Note 3 to our Financial Statements). AAWW owns the remaining 51% equity interest and 75% voting interest. Under a 20-year blocked space agreement (the BSA), Polar provides air cargo capacity to DHL. In addition, Atlas and Polar have a flight services agreement, whereby Atlas is compensated by Polar on a per Block Hour basis, subject to a monthly minimum Block Hour guarantee, at a predetermined rate that escalates annually. Under the flight services agreement, Atlas provides Polar with crew, maintenance and insurance for the aircraft. Under separate agreements, Atlas and Polar supply administrative, sales and ground support services to one another. Deutsche Post AG (DP) has guaranteed DHL s (and Polar s) obligations under the various agreements described above. AAWW has agreed to indemnify DHL for and against various obligations of Polar and its affiliates. Collectively, these agreements are referred to in this Report as the DHL Agreements . The DHL Agreements provide us with a minimum guaranteed annual revenue stream from 747-400 aircraft that have been dedicated to Polar for DHL and other customers freight over the life of the agreements.

Polar provides full flying for DHL s trans-Pacific express network and DHL provides financial support and also assumes the risks and rewards of the operations of Polar. In addition to its trans-Pacific routes, Polar also flies between the Asia Pacific regions, the Middle East and Europe on behalf of DHL and other customers.

Polar operates six 747-400 freighter aircraft and two 747-8F aircraft that are subleased from us. Atlas operates one additional 747-400 aircraft to support the Polar network and DHL through an alliance agreement whereby Atlas provides ACMI services to Polar. We also provide incremental charter capacity to Polar on an as-needed basis.

We began CMI flying five 767-200 freighters owned by DHL in their North American network in 2012. During 2013, we expanded our CMI flying in DHL s intra-Asia network with two new 767-300ERF aircraft owned by them.

Long-Term Revenue Commitments

The following table sets forth the guaranteed minimum revenues expected to be received from our existing ACMI (including CMI) and Dry Leasing customers for the years indicated (in thousands):

2014	$ 533,817
2015	404,163
2016	315,145
2017	249,159
2018	197,322
Thereafter	957,696
Total	$ 2,657,302

Sales and Marketing

We have regional sales offices in the United States, England, Hong Kong and Singapore, which cover the Americas, Europe, Africa, the Middle East and the Asia Pacific regions. These offices market our ACMI (including CMI) and Dry Leasing services directly to other airlines and logistic companies. They also market our cargo and passenger Commercial Charter services to charter brokers, cruise-ship operators, freight forwarders, direct shippers and airlines. Additionally, we have a dedicated Government and Defense Group that directly manages our military cargo and passenger operations.

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Maintenance

Maintenance represented our third-largest operating expense for the year ended December 31, 2013. Primary maintenance activities include scheduled and unscheduled work on airframes and engines. Scheduled maintenance activities encompass those activities specified in a carrier s maintenance program approved by the U.S. Federal Aviation Administration (FAA) and the U.K. Civil Aviation Authority (CAA). The costs necessary to adhere to these maintenance programs may increase over time, based on the age of the equipment or due to FAA or CAA airworthiness directives (ADs).

Scheduled airframe maintenance includes daily and weekly checks, as well as heavy maintenance checks, involving more complex activities that can generally take from one to four weeks to complete. Unscheduled maintenance, known as Line Maintenance, rectifies events occurring during normal day-to-day operations. Scheduled maintenance activities such as C and D Checks, are progressively higher in scope and duration than Line Maintenance, and are considered heavy airframe maintenance checks. All lettered checks are currently performed by third-party service providers that are compensated on a time-and-material basis as we believe they provide the most reliable and efficient means of maintaining our aircraft fleet.

Our FAA and CAA-approved maintenance programs allow our engines to be maintained on an on condition basis. Under this arrangement, engines are sent to third-party maintenance providers for repair based on life-limited parts and/or performance deterioration.

Under the ADs issued pursuant to the FAA s Aging Aircraft Program, we are subject to extensive aircraft examinations and may be required to undertake structural modifications to our fleet from time to time to address any problems of corrosion and structural fatigue. As part of the FAA s overall Aging Aircraft Program, it has issued increased inspection and maintenance requirements depending on aircraft type and ADs requiring certain additional aircraft modifications. We believe all aircraft in our fleet are in compliance with all existing ADs. It is possible, however, that additional ADs applicable to the types of aircraft or engines included in our fleet could be issued in the future and that the cost of complying with such ADs could be substantial.

Insurance

We maintain insurance of the types and in amounts deemed adequate and consistent with current industry standards. Principal coverage includes: liability for injury to members of the public, including passengers; damage to our property and that of others; and loss of, or damage to, flight equipment, whether on the ground or in flight.

Since the terrorist attacks of September 11, 2001, we and other airlines have been unable to obtain coverage for claims resulting from acts of terrorism, war or similar events (war-risk coverage) at reasonable rates from the commercial insurance market. We have, as have most other U.S. airlines, purchased our war-risk coverage through a special program administered by the U.S. government. The FAA is currently providing war-risk coverage for hull, passenger, cargo loss, crew and third-party liability insurance through September 30, 2014. Unless the U.S. Congress enacts legislation extending the program, U.S. federal government coverage will end on that date. It is possible that the U.S. Congress will fail to vote to extend the program or will extend it only in more limited form. If the federal war-risk coverage program is terminated or extended with significantly less coverage in the future, we could face a significant increase in the cost of war-risk coverage, and because of competitive pressures in the industry, our ability to pass this additional cost on to customers may be limited.

Governmental Regulation

General. Atlas and Polar are subject to regulation by the U.S. Department of Transportation (DOT) and the FAA, among other U.S. and foreign government agencies. The DOT primarily regulates economic issues affecting air service, such as certification, fitness and citizenship, competitive practices, insurance and consumer protection. The DOT has the authority to investigate and institute proceedings to enforce its economic regulations

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and may assess civil penalties, revoke operating authority or seek criminal sanctions. Atlas and Polar each hold DOT-issued certificates of public convenience and necessity plus exemption authority to engage in scheduled air transportation of property and mail in domestic, as well as enumerated international markets, and charter air transportation of passengers, property and mail on a worldwide basis.

The DOT conducts periodic evaluations of each air carrier s fitness and citizenship. In the area of fitness, the DOT seeks to ensure that a carrier has the managerial competence, compliance disposition and financial resources needed to conduct the operations for which it has been certificated. Additionally, each U.S. air carrier must remain a U.S. citizen by (i) being organized under the laws of the United States or a state, territory or possession thereof; (ii) requiring its president and at least two-thirds of its directors and other managing officers to be U.S. citizens; (iii) allowing no more than 25% of its voting stock to be owned or controlled, directly or indirectly, by foreign nationals and (iv) not being otherwise subject to foreign control. The DOT broadly interprets control to exist when an individual or entity has the potential to exert substantial influence over airline decisions through affirmative action or the threatened withholding of consents and/or approvals. We believe the DOT will continue to find Atlas and Polar s fitness and citizenship favorable and conclude that Atlas and Polar are in material compliance with the DOT requirements described above.

In addition to holding the DOT-issued certificate and exemption authority, each U.S. air carrier must hold a valid FAA-issued air carrier certificate and FAA-approved operations specifications authorizing operation in specific regions with specified equipment under specific conditions and is subject to extensive FAA regulation and oversight. The FAA is the U.S. government agency primarily responsible for regulation of flight operations and, in particular, matters affecting air safety, such as airworthiness requirements for aircraft, operating procedures, mandatory equipment and the licensing of pilots, mechanics and dispatchers. The FAA monitors compliance with maintenance, flight operations and safety regulations and performs frequent spot inspections of aircraft, employees and records. The FAA also has the authority to issue ADs and maintenance directives and other mandatory orders relating to, among other things, inspection of aircraft and engines, fire retardant and smoke detection devices, increased security precautions, collision and windshear avoidance systems, noise abatement and the mandatory removal and replacement of aircraft parts that have failed or may fail in the future. In addition, the FAA mandates certain record-keeping procedures. The FAA has the authority to modify, temporarily suspend or permanently revoke an air carrier s authority to provide air transportation or that of its licensed personnel, after providing notice and a hearing, for failure to comply with FAA rules, regulations and directives. The FAA is empowered to assess civil penalties for such failures or institute proceedings for the imposition and collection of monetary fines for the violation of certain FAA regulations and directives. The FAA is also empowered to modify, suspend or revoke an air carrier s authority on an emergency basis, without providing notice and a hearing, where significant safety issues are involved. We believe Atlas and Polar are in material compliance with applicable FAA rules and regulations and maintain all documentation required by the FAA.

In December 2011, the FAA adopted a rule to impose new flight and duty time requirements with the stated goal of reducing pilot fatigue. The rule took effect on January 14, 2014. The rule applies to our passenger operations but not to our all-cargo operations. The Independent Pilots Association, representing United Parcel Service, Inc. (UPS) pilots, have filed a judicial appeal, in which they are challenging the FAA decision not to include all-cargo operations in the rule. Should the appeal be successful or the FAA decide on its own initiative to change the final rule to include all-cargo operations, that would result in material increased crew costs for Atlas and Polar, as well as air carriers that predominately fly nighttime and long-haul flights. It could also have a material impact on our business, results of operations and financial condition by limiting crew scheduling flexibility and increasing operating costs, especially with respect to long-range flights.

International. Air transportation in international markets (the vast majority of markets in which Atlas, Polar and GSS operate) is subject to extensive additional regulation. The ability of Atlas, Polar and GSS to operate in other countries is governed by aviation agreements between the United States and the respective countries (in the case of Europe, the European Union (the EU)) or, in the absence of such an agreement, by

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principles of reciprocity. Sometimes, as in the case of Japan and China, aviation agreements restrict the number of carriers that may operate, their frequency of operation, or the routes over which they may fly. This makes it necessary for the DOT to award route and operating rights to U.S. air carrier applicants through competitive route proceedings. International aviation agreements are periodically subject to renegotiation, and changes in U.S. or foreign governments could result in the alteration or termination of such agreements, diminish the value of existing route authorities or otherwise affect Atlas and Polar s international operations. Foreign government authorities also impose substantial licensing and business registration requirements and, in some cases, require the advance filing and/or approval of schedules or rates. Moreover, the DOT and foreign government agencies typically regulate alliances and other commercial arrangements between U.S. and foreign air carriers, such as the ACMI and CMI arrangements that Atlas maintains. Approval of these arrangements is not guaranteed and may be conditional. In addition, approval during one time period does not guarantee approval in future periods.

A foreign government s regulation of its own air carriers can also affect our business. For instance, the EU places limits on the ability of EU carriers to use ACMI aircraft operated by airlines of non-EU member states. The regulations have a negative impact on our ACMI business opportunities. Similarly, the European Aviation Safety Agency (EASA) has proposed new rules that would prohibit EU airlines from providing ACMI and CMI services through non-EU airlines without first satisfying their regulators that the aircraft to be used adhere to both international and EASA-imposed requirements. Finalization of the proposed regulations could increase costs and inhibit business opportunities.

Airport Access. The ability of Atlas, Polar and our ACMI and CMI customers to operate is dependent on their ability to gain access to airports of their choice at commercially desirable times and on acceptable terms. In some cases, this is constrained by the need for the assignment of takeoff and landing slots or comparable operational rights. Like other air carriers, Atlas and Polar are subject to such constraints at slot-restricted airports in cities such as Chicago and a variety of foreign locations (e.g., Tokyo, Shanghai and Incheon). The availability of slots is not assured and the inability of Polar or Atlas other ACMI customers to obtain additional slots could inhibit efforts to provide expanded services in certain international markets. In addition, nighttime flight restrictions have been imposed or proposed by various airports in Europe, Canada and the U. S. Depending on their severity, these could have an adverse operational impact.

Access to the New York airspace presents an additional challenge. Because of congestion in the New York area, especially at John F. Kennedy International Airport (JFK), the FAA imposes hourly limits on JFK operations of those carriers offering scheduled services.

As a further means to address congestion, the FAA allows U.S. airports to raise landing fees to defray the costs of airfield facilities under construction or reconstruction. Any landing fee increases implemented would have an impact on airlines generally.

Security. The U.S. Transportation Security Administration (TSA) extensively regulates aviation security through rules, regulations and security directives that are designed to prevent unauthorized access to passenger and freighter aircraft and the introduction of prohibited items including firearms and explosives onto an aircraft. Atlas and Polar currently operate pursuant to a TSA-approved risk-based security program that, we believe, adequately maintains the security of all aircraft in the fleet. We work closely with the TSA to ensure that we have available security research and intelligence information to assist us. There can be no assurance, however, that we will remain in compliance with the existing and any additional security requirements imposed by TSA or by U.S. Congress without incurring substantial costs, which may have a material adverse effect on our operations. To mitigate any such increase, we are working closely with the Department of Homeland Security and other government agencies to ensure that a risk-based management approach is utilized to target specific at-risk cargo. This approach will limit any exposure to regulation that would require 100% screening of all cargo at an excessive cost. Additionally, foreign governments and regulatory bodies (such as the European Commission) impose their own aviation security requirements and have increasingly tightened such requirements. This may have an adverse impact on our operations, especially to the extent the new requirements may necessitate redundant or costly measures or be in conflict with TSA requirements.

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Environmental. We are subject to various federal, state and local laws relating to the protection of the environment, including the discharge or disposal of materials and chemicals and the regulation of aircraft noise, which are administered by numerous state, local and federal agencies. For instance, the DOT and the FAA have authority under the Aviation Safety and Noise Abatement Act of 1979 and under the Airport Noise and Capacity Act of 1990 to monitor and regulate aircraft engine noise. We believe that all aircraft in our fleet materially comply with current DOT, FAA and international noise standards.

We are also subject to the regulations of the U.S. Environmental Protection Agency (the EPA) regarding air quality in the United States. All of our aircraft meet or exceed applicable EPA fuel venting requirements and smoke emissions standards.

There is significant U.S. and international government interest in implementing measures to respond to the problem of climate change and greenhouse gas emissions. Various governments, including the United States, are pursuing measures to regulate climate change and greenhouse gas emissions.

In October 2013, the International Civil Aviation Organization (ICAO) reached a non-binding agreement to address climate change by developing global-market-based measures to assist in achieving carbon neutral growth beginning in 2020. ICAO will direct the effort in the hope of securing a definitive agreement in 2016. Additionally, the European Union (EU) continues to pursue a parallel track through its Emissions Trading Scheme (ETS). Under the EU mechanism, airlines serving the EU must report flight activity on an ongoing basis. Following the end of every year, the legislation requires each airline to tender the number of carbon emissions allowances corresponding to carbon emissions generated by its flight activity during the year. If the airline s flight activity during the year has produced carbon emissions exceeding the number of carbon emissions allowances that it has been awarded, the airline must acquire carbon emissions allowances from other airlines in the open market. For 2013, in recognition of ICAO s ongoing work, the EU suspended application of the ETS except as it applies to intra-EU flying. The suspension expired by its terms at the end of 2013. Unless the EU acts, the ETS will be applicable to all flights to or from Europe in 2014. Proposals have been made to limit applicability of the ETS during 2014, but there can be no assurance that they will be adopted or, if adopted, that they will be as favorable to airlines as the 2013 ETS suspension.

In the United States, various constituencies have continued to advocate for controls on greenhouse gas emissions. Previously, both houses of the U.S. Congress passed legislation to impose a carbon-related tax on fuel sold to airlines and other entities. However, that bill has not been signed into law. Also, at the urging of states and environmental organizations, the EPA has taken steps that could lead to EPA regulation of greenhouse gas emissions from aircraft.

Other Regulations. Air carriers are also subject to certain provisions of the Communications Act of 1934 because of their extensive use of radio and other communication facilities and are required to obtain an aeronautical radio license from the Federal Communications Commission. Additionally, we are subject to U.S. and foreign antitrust requirements and international trade restrictions imposed by U.S. presidential determination and U.S. government agency regulation, including the Office of Foreign Assets Control of the U.S. Department of the Treasury. We endeavor to comply with such requirements at all times. We are also subject to state and local laws and regulations at locations where we operate and at airports that we serve. Our operations may become subject to additional international, U.S. federal, state and local requirements in the future. We believe that we are in material compliance with all currently applicable laws and regulations.

Civil Reserve Air Fleet. Atlas and Polar both participate in the CRAF Program, which permits the U.S. Department of Defense to utilize participants aircraft during national emergencies when the need for military airlift exceeds the capability of military aircraft. Participation in the CRAF Program could adversely restrict our commercial business in times of national emergency.

Future Regulation. The U.S. Congress, the DOT, the FAA, the TSA and other government agencies are currently considering, and in the future may consider, adopting new laws, regulations and policies regarding a wide variety of matters that could affect, directly or indirectly, our operations, ownership and profitability. It is impossible to predict what other matters might be considered in the future and to judge what impact, if any, the implementation of any future proposals or changes might have on our businesses.

Competition

The market for ACMI services is competitive. We believe that the most important basis for competition in the ACMI market is the efficiency and cost effectiveness of the aircraft assets and the scale, scope and quality of the outsourced operating services provided. Atlas is currently the only provider of ACMI services with the modern 747-8F aircraft. The primary providers presently in the 747-400F and 747-400 BCF/SF ACMI markets include the following: Atlas; Air Atlanta Icelandic; Kalitta Air, LLC; Southern Air, Inc.; and Global Aviation Holdings, Inc. (its subsidiaries, World Airways, Inc. and North American Airlines, Inc., are both currently in Chapter 11 bankruptcy). In addition, Southern Air, Inc. provides 777 aircraft in the ACMI market.

While our AMC Charter business has been profitable each year since 2004, the formation of additional competing teaming arrangements, increased participation of other independent carriers, an increase by other air carriers in their commitment of aircraft to the CRAF program, the withdrawal of any of our current team members, or a reduction of the number of aircraft pledged to the CRAF program by our team, and the uncertainty of future demand for commercial airlift by the U.S. Military, could adversely affect the amount of AMC business awarded to us in the future. To the extent that we receive a reduction in our awards or expansion business, we intend to redeploy the available aircraft to our other business segments.

The Commercial Charter market is highly competitive, with a number of operators that include Kalitta Air, LLC; Southern Air, Inc.; and passenger airlines providing similar services utilizing both 747-400s and 747-200s. We believe that we offer a superior aircraft in the 747-400, and we will continue to develop new opportunities in the Commercial Charter market for 747-400 aircraft not otherwise deployed in our ACMI or AMC business.

The Dry Leasing business is competitive. We believe that we have an advantage over other cargo aircraft lessors in this business as a result of our relationships in the cargo market and our insights and expertise as an operator of aircraft. Titan also competes in the passenger aircraft leasing market to develop key customer relationships, enter strategic geographic markets, and/or acquire feedstock aircraft for future freighter conversion. The primary competitors in the aircraft leasing market include GE Capital Aviation Services; International Lease Finance Corp.; AWAS; Guggenheim Aviation Partners, LLC; CIT Aerospace; Aviation Capital Group Corp.; Air Castle Ltd.; AerCap Holdings N.V.; and RBS Aviation Capital, among many others.

Fuel

Historically, aircraft fuel is one of the most significant expenses for us. During 2013, 2012 and 2011, fuel costs represented 27.9%, 30.8%, and 31.2%, respectively, of our total operating expenses. Fuel prices and availability are subject to wide price fluctuations based on geopolitical issues, supply and demand, which we can neither control nor accurately predict. The following table summarizes our total fuel consumption and costs:

	2013	2012	2011
Gallons consumed (in thousands)	124,949	131,012	111,848
Average price per gallon, including tax	$ 3.28	$ 3.33	$ 3.47
Cost (in thousands)	$ 410,353	$ 436,618	$ 388,579
Fuel burn gallons per Block Hour (excluding ACMI)	2,867	2,875	3,255

Our exposure to fluctuations in fuel price is limited to a portion of our Commercial Charter business only. For this business, we shift a portion of the burden of price increases to customers by imposing a surcharge. While we believe that fuel price volatility in 2013, 2012 and 2011 was partly reduced as a result of increased fuel

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surcharges, these surcharges did not completely offset the impact of the underlying increases in fuel prices on our Commercial Charter business. The ACMI segment has no direct fuel price exposure because ACMI and CMI contracts require our customers to pay for aircraft fuel. Similarly, we generally have no fuel price risk in the AMC business because the price is set under our contract, and we receive or make payments to adjust for price increases and decreases from the contractual rate. AMC fuel expense was $150.5 million in 2013, $194.9 million in 2012 and $221.3 million in 2011.

In the past, we have not experienced significant difficulties with respect to fuel availability. Although we do not currently anticipate a significant reduction in the availability of aircraft fuel, a number of factors, such as geopolitical uncertainties in oil-producing nations and shortages of and disruptions to refining capacity or transportation of aircraft fuel from refining facilities, make accurate predictions unreliable. For example, hostilities and political turmoil in oil-producing nations could lead to disruptions in oil production and/or to substantially increased oil prices. Any inability to obtain aircraft fuel at competitive prices would materially and adversely affect our results of operation and financial condition.

Employees

Our business depends on highly qualified management, operations and flight personnel. As a percentage of our consolidated operating expenses, salaries, wages and benefits accounted for approximately 20.3% in 2013, 20.7% in 2012 and 21.0% in 2011. As of December 31, 2013, we had 1,792 employees, 959 of whom were pilots. We maintain a comprehensive training program for our pilots in compliance with FAA requirements, in which each pilot regularly attends recurrent training programs.

Pilots and flight dispatchers of Atlas and Polar are represented by the International Brotherhood of Teamsters (the IBT). These employees represented approximately 53.5% of our workforce as of December 31, 2013. We are subject to risks of work interruption or stoppage as permitted by the Railway Labor Act of 1926 (the Railway Labor Act), and may incur additional administrative expenses associated with union representation of our employees.

In September 2011, we completed, and have since implemented, a five-year collective bargaining agreement (CBA) with our pilots, which will not become amendable until September 2016. The terms of the CBA result in a single pilot workforce that serves both Atlas and Polar.

In November 2012, we completed, and have since implemented, a five-year collective bargaining agreement with the Atlas and Polar dispatchers. These dispatchers have been represented by the IBT since 2009.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and all amendments to those reports, filed with or furnished to the Securities and Exchange Commission (the SEC), are available free of charge through our corporate internet website, www.atlasair.com, as soon as reasonably practicable after we have electronically filed such material with, or furnished it to, the SEC.

The public may read and copy any materials that we file with SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

The information on our website is not, and shall not be deemed to be, part of this Report or incorporated into any other filings we make with the SEC.

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ITEM 1A. ***RISK FACTORS***

You should carefully consider each of the following Risk Factors and all other information in this Report. These Risk Factors are not the only ones facing us. Our operations could also be impaired by additional risks and uncertainties. If any of the following risks and uncertainties develops into actual events, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATED TO OUR BUSINESS

Risks Related to Our Business Generally

Continued slowness or deterioration in the airfreight market, global economic conditions or financial markets could adversely affect our business, results of operations, financial condition, liquidity and ability to access capital markets.

Airfreight demand has historically been highly dependent on global economic conditions. Although global economic conditions have recently improved, the airfreight market has not returned to historical levels of growth. If demand for our services, Yields or lease rates fail to improve, it could have a material adverse effect on our business, results of operations and financial condition. We cannot accurately predict the effect and duration of any airfreight market or economic slowdown or the timing and strength of a subsequent recovery.

In addition, we may face significant challenges if conditions in the financial markets deteriorate. Our business is capital intensive and growth depends on the availability of capital for new aircraft, among other things. If today s capital availability deteriorates, we may be unable to raise the capital necessary to finance business growth or other initiatives. Our ability to access the capital markets may be restricted at a time when we would like, or need, to do so, which could have an impact on our flexibility to react to changing economic and business conditions.

We could be adversely affected if any of our existing aircraft are underutilized or we fail to redeploy or deploy aircraft with customers at favorable rates. We could also be adversely affected from the loss of one or more of our aircraft for an extended period of time.

Our operating revenues depend on our ability to effectively deploy all the aircraft in our fleet and maintain high utilization of our aircraft at favorable rates. If we have underutilized aircraft, we would seek to redeploy those aircraft in our other lines of business or sell them. If we are unable to successfully redeploy our existing aircraft at favorable rates or sell them on favorable terms, it could have a material adverse effect on our business, results of operations and financial condition. In addition, if one or more of our aircraft are out of service for an extended period of time, our operating revenues would decrease and we may have difficulty fulfilling our obligations under one or more of our existing contracts. The loss of revenue resulting from any such business interruption, and the cost, long lead time and difficulties in sourcing a replacement aircraft, could have a material adverse effect on our business, results of operations and financial condition.

Our substantial lease and debt obligations, including aircraft lease and other obligations, could impair our financial condition and adversely affect our ability to raise additional capital to fund our operations or capital requirements, all of which could limit our financial resources and ability to compete, and may make us more vulnerable to adverse economic events.

As of December 31, 2013, we had total debt obligations of approximately $1.7 billion and total aircraft operating leases and other lease obligations of $1.3 billion. These obligations have increased significantly and will increase further if we enter into financing arrangements for future aircraft purchases. Our outstanding financial obligations could have negative consequences, including:

- making it more difficult to satisfy our debt and lease obligations;

- requiring us to dedicate a substantial portion of our cash flows from operations for interest, principal and lease payments and reducing our ability to use our cash flows to fund working capital and other general corporate requirements;

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- increasing our vulnerability to general adverse economic and industry conditions; and

- limiting our flexibility in planning for, or reacting to, changes in our business and in our industry.

Our ability to service our debt and meet our lease and other obligations as they come due is dependent on our future financial and operating performance. This performance is subject to various factors, including factors beyond our control, such as changes in global and regional economic conditions, changes in our industry, changes in interest or currency exchange rates, the price and availability of aircraft fuel and other costs, including labor and insurance. Accordingly, we cannot provide assurance that we will be able to meet our debt service, lease and other obligations as they become due and our business, results of operations and financial condition could be adversely affected under these circumstances.

Certain of our debt obligations contain a number of restrictive covenants. In addition, many of our debt and lease obligations have cross default and cross acceleration provisions.

Restrictive covenants in certain of our debt and lease obligations, under certain circumstances, could impact our ability to:

- pay certain dividends or repurchase stock;

- consolidate or merge with or into other companies or sell substantially all our assets;

- expand significantly into lines of businesses beyond existing business activities or those which are cargo-related and/or aviation-related and similar businesses; and/or

- modify the terms of debt or lease financing arrangements.

In certain circumstances, a covenant default under one of our debt instruments could cause us to be in default of other obligations as well. Any unremedied defaults could lead to an acceleration of the amounts owed and potentially could cause us to lose possession or control of certain aircraft.

Our financial condition may suffer if we experience unanticipated costs as a result of ongoing lawsuits, claims and investigations related to alleged improper matters related to use of fuel surcharges and other rate components for air cargo services.

The Company, Polar and Polar LLC (Old Polar), formerly Polar Air Cargo, Inc., have been named defendants, along with a number of other cargo carriers, in several class actions in the United States arising from allegations about the pricing practices of a number of air cargo carriers that have now been consolidated for pretrial purposes in the United States District Court for the Eastern District of New York. The consolidated complaint alleges, among other things, that the defendants, including the Company, Polar and Old Polar, manipulated the market price for air cargo services sold domestically and abroad through the use of fuel and other surcharges, in violation of U.S. Federal, state and EU antitrust laws. The suit seeks treble damages and injunctive relief.

The Company and Old Polar, along with a number of other cargo carriers, have also been named in two civil class action suits in the provinces of Ontario and Quebec, Canada, which are substantially similar to the U.S. class action suits described above. Moreover, we have submitted relevant information and documentation to certain foreign regulators in connection with investigations initiated by such authorities into pricing practices of certain international air cargo carriers. These proceedings are continuing, and additional investigations and proceedings may be commenced and charges may be brought in these and other jurisdictions. Other parties may be added to these proceedings, and authorities may request additional information from us. If Old Polar or the Company were to incur an unfavorable outcome in connection with one or more of the related investigations or the litigation described above, it could have a material adverse effect on our business, results of operations and financial condition.

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In addition to the litigation and investigations described above, we are subject to a number of Brazilian customs claims, as well as other claims, lawsuits and pending actions which we consider to be routine and incidental to our business (see Note 12 to our Financial Statements). If we were to receive an adverse ruling or decision on any such claims, it could have an adverse effect on our business, results of operations and financial condition.

Global trade flows are typically seasonal, and our business segments, including our ACMI customers business, experience seasonal variations.

Global trade flows are typically seasonal in nature, with peak activity occurring during the retail holiday season, which generally begins in September / October and lasts through mid-December. Our ACMI contracts have contractual utilization minimums that typically allow our customers to cancel an agreed-upon percentage of the guaranteed hours of aircraft utilization over the course of a year. Our ACMI customers often exercise those cancellation options early in the first quarter of the year, when the demand for air cargo capacity is historically low following the seasonal holiday peak in the fourth quarter of the previous year. While our revenues typically fluctuate seasonally as described above, a significant proportion of the costs associated with our business, such as aircraft rent, depreciation and facilities costs, are fixed and cannot easily be reduced to match the seasonal drop in demand. As a result, our net operating results are typically subject to a high degree of seasonality.

As a U.S. government contractor, we are subject to a number of procurement and other rules and regulations that affect our business. A violation of these rules and regulations could lead to termination or suspension of our government contracts and could prevent us from entering into contracts with government agencies in the future.

To do business with government agencies, including the AMC, we must comply with, and are affected by, many rules and regulations, including those related to the formation, administration and performance of U.S. government contracts. These rules and regulations, among other things:

- require, in some cases, procurement from small businesses;
- require disclosure of all cost and pricing data in connection with contract negotiations;
- give rise to U.S. government audit rights;
- impose accounting rules that dictate how we define certain accounts, define allowable costs and otherwise govern our right to reimbursement under certain cost-based U.S. government contracts;
- establish specific health, safety and doing-business standards; and
- restrict the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

These rules and regulations affect how we do business with our customers and, in some instances, impose added costs on our business. A violation of these rules and regulations could result in the imposition of fines and penalties or the termination of our contracts. In addition, the violation of certain other generally applicable rules and regulations could result in our suspension or debarment as a government contractor.

Fuel price volatility and fuel availability could adversely affect our business and operations.

The price of aircraft fuel is unpredictable and can be volatile. While we have been able to reduce our exposure to fuel risk significantly, we do bear some risk of fuel exposure for our Commercial Charter operations.

In addition, while our ACMI contracts require our customers to pay for aircraft fuel, if fuel costs increase significantly, our customers may reduce the volume and frequency of cargo shipments or find less costly alternatives for cargo delivery, such as land and sea carriers. Such instances could have a material adverse impact on our business, results of operations and financial condition.

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In the past, we have not experienced significant difficulties with respect to fuel availability. Although we do not currently anticipate a significant reduction in the availability of aircraft fuel, a number of factors, such as geopolitical uncertainties in oil-producing nations and shortages of and disruptions to refining capacity, make accurate predictions unreliable. For example, hostilities and political turmoil in oil-producing nations could lead to disruptions in oil production and/or to substantially increased oil prices. Any inability to obtain aircraft fuel at competitive prices could have a material adverse impact on our business, results of operations and financial condition.

We are party to a collective bargaining agreement covering our U.S. pilots and a collective bargaining agreement covering our U.S. dispatchers, which could result in higher labor costs than those faced by some of our non-unionized competitors. This could put us at a competitive disadvantage and/or result in a work interruption or stoppage.

Atlas pilots are represented by the IBT under a five-year collective bargaining agreement signed in 2011. Atlas and Polar dispatchers are represented by the IBT under a five-year collective bargaining agreement signed in 2012. We are subject to risks of increased labor costs associated with having a partially unionized workforce, as well as a greater risk of work interruption or stoppage. We cannot provide assurance that disputes, including disputes with certified collective bargaining representatives of our employees, will not arise in the future or that any outcome of such disputes will result in an agreement on terms satisfactory to us.

Insurance coverage may become more expensive and difficult to obtain and may not be adequate to insure all of our risks. In addition, if our Dry Lease customers have inadequate insurance coverage or fail to fulfill their indemnification obligations, it could have a material adverse impact on our business, results of operations and financial condition.

Aviation insurance premiums historically have fluctuated based on factors that include the loss history of the industry in general, and the insured carrier in particular. Future terrorist attacks and other adverse events involving aircraft could result in increases in insurance costs and could affect the price and availability of such coverage. We have, as have most other U.S. airlines, purchased our war-risk coverage through a special program administered by the U.S. federal government. The FAA is currently providing war-risk hull and cargo loss, crew and third-party liability insurance through September 30, 2014. Unless the U.S. Congress enacts legislation extending the program, U.S. federal government coverage will end on that date. It is possible that the U.S. Congress will fail to vote to extend the program or will extend it only in more limited form. If the federal war-risk coverage program is terminated or extended with significantly less coverage in the future, we could face an increase in the cost of war-risk coverage, and because of competitive pressures in the industry, our ability to pass this additional cost on to customers may be limited. We may also be unable to secure the same scope of war-risk insurance coverage as we have today.

We participate in an insurance pooling arrangement with DHL and its partners. This allows us to obtain aviation hull and liability and hull deductible coverage at reduced rates. If we are no longer included in this arrangement for any reason or if other pool members have coverage incidents, we may incur higher insurance costs.

There can be no assurance that we will be able to maintain our existing coverage on terms favorable to us, that the premiums for such coverage will not increase substantially or that we will not bear substantial losses and lost revenue from accidents or other adverse events. Substantial claims resulting from an accident in excess of related insurance coverage or a significant increase in our current insurance expense could have a material adverse effect on our business, results of operations and financial condition. Additionally, while we carry insurance against the risks inherent to our operations, which we believe are consistent with the insurance arrangements of other participants in our industry, we cannot provide assurance that we are adequately insured against all risks.

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Lessees are required under our Dry Leases to indemnify us for, and insure against, liabilities arising out of the use and operation of the aircraft, including third-party claims for death or injury to persons and damage to property for which we may be deemed liable. Lessees are also required to maintain public liability, property damage and all-risk hull and war-risk hull insurance on the aircraft at agreed upon levels. If our lessees insurance is not sufficient to cover all types of claims that may be asserted against us or if our lessees fail to fulfill their indemnification obligations, we would be required to pay any amounts in excess of our insurance coverage, which could have a material adverse impact on our business, results of operations and financial condition.

We rely on third party service providers. If these service providers do not deliver the high level of service and support required in our business, we may lose customers and revenue.

We rely on third parties to provide certain essential services on our behalf, including maintenance, ground handling and flight attendants. In certain locations, there may be very few sources, or sometimes only a single source, of supply for these services. If we are unable to effectively manage these third parties, they may provide inadequate levels of support which could harm our customer relationships and have an adverse impact on our operations and the results thereof. Any material problems with the efficiency and timeliness of our contracted services, or an unexpected termination of those services, could have a material adverse effect on our business, results of operations and financial condition.

Some of our aircraft are periodically deployed in potentially dangerous situations, which may result in harm to our passengers, employees or contractors and/or damage to our aircraft/cargo.

Some of our aircraft are deployed in potentially dangerous locations and carry hazardous cargo incidental to the services we provide in support of our customers activities. Some areas through which our flight routes pass are subject to geopolitical instability, which increases the risk of death or injury to our passengers, employees or contractors or a loss of, or damage to, our aircraft and/or its cargo. While we maintain insurance to cover injury to our passengers, employees and contractors as well as the loss/damage of aircraft/cargo, except for limited situations, we do not have insurance against the loss arising from business interruption. It may be difficult to replace lost or substantially damaged aircraft due to the high capital requirements and long delivery lead times for new aircraft or to locate appropriate in-service aircraft for lease or sale. Any injury to passengers, employees or contractors or loss/damage of aircraft/cargo could have a material adverse impact on our business, results of operations and financial condition.

We could be adversely affected by a failure or disruption of our computer, communications or other technology systems.

We are heavily and increasingly dependent on technology to operate our business. The computer and communications systems on which we rely could be disrupted due to various events, some of which are beyond our control, including natural disasters, power failures, terrorist attacks, equipment failures, software failures and computer viruses and hackers. We have taken certain steps to implement business resiliency to help reduce the risk of some of these potential disruptions. There can be no assurance, however, that the measures we have taken are adequate to prevent or remedy disruptions or failures of these systems. Any substantial or repeated failure of these systems could impact our operations and customer service, result in the loss of important data, loss of revenues, and increased costs, and generally harm our business. Moreover, a failure of certain of our vital systems could limit our ability to operate our flights for an extended period of time, which would have a material adverse impact on our business and operations.

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Risks Related to Our ACMI Business

We depend on a limited number of significant customers for our ACMI business, and the loss of one or more of such customers could materially adversely affect our business, results of operations and financial condition.

Our ACMI business depends on a limited number of customers, which has typically averaged between six and eight. In addition, as a percentage of our total operating revenue, Polar accounted for 17.8% in 2013, 16.5% in 2012 and 17.2% in 2011. We typically enter into long-term ACMI contracts with our customers. The terms of our existing contracts are scheduled to expire on a staggered basis. There is a risk that any one of our significant ACMI customers may not renew their ACMI contracts with us on favorable terms or at all, perhaps due to reasons beyond our control. For example, certain of our airline ACMI customers may not renew their ACMI contracts with us because they decide to exit the dedicated cargo business or as they take delivery of new aircraft in their own fleet. Select customers have the opportunity to terminate their long-term agreements in advance of the expiration date, following a significant amount of notice to allow for remarketing of the aircraft. Such agreements generally contain a significant early termination fee paid by the customer.

Entering into ACMI contracts with new customers generally requires a long sales cycle, and as a result, if our ACMI contracts are not renewed, and there is a resulting delay in entering into new contracts, it could have a material adverse impact on our business, results of operations and financial condition.

Our agreements with several ACMI customers require us to meet certain performance targets, including certain departure/arrival reliability standards. Failure to meet these performance targets could adversely affect our financial results.

Our ability to derive the expected economic benefits from our transactions with certain ACMI customers depends substantially on our ability to successfully meet strict performance standards and deadlines for aircraft and ground operations, which become increasingly stringent over time. If we do not meet these requirements, we may not be able to achieve the projected revenues and profitability from these contracts, and we could be exposed to certain remedies, including termination of the BSA in the most extreme of circumstances, as described below.

Risks Related to the BSA with DHL

Our agreements with DHL confer certain termination rights to them which, if exercised or triggered, may result in our inability to realize the full benefits of the BSA with DHL.

The BSA gives DHL the option to terminate the agreements for convenience by giving notice to us before the tenth or fifteenth anniversary of the agreement s commencement date. Further, DHL has a right to terminate the BSA for cause following a specified management resolution process if we default on our performance or we are unable to perform for reasons beyond our control. If DHL exercises any of these termination rights, we would not be able to earn the revenues and profitability from these contracts.

Risks Related to Our AMC Charter Business

We derive a significant portion of our revenues from our AMC Charter business, and a substantial portion of these revenues have been generated pursuant to expansion flying, as opposed to fixed contract arrangements with the AMC. We expect the revenues from our AMC Charter business to continue to decline from current levels.

As a percentage of our operating revenue, revenue derived from our AMC Charter business was approximately 21.5% in 2013, 29.7% in 2012 and 31.7% in 2011. Historically, the revenues derived from expansion flights for the AMC significantly exceeded the value of the fixed flight component of our AMC contract.

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Future revenues and profitability from this business are expected to continue to decline from historic levels as a result of reduced AMC demand. Revenues and profitability from our AMC Charter business are derived from one-year contracts with the AMC. Our current AMC contract runs from October 1, 2013 through September 30, 2014. Changes in national and international political priorities can significantly affect the volume of our AMC Charter business. Any decrease in U.S. military activity could reduce our AMC Charter business. In addition, our share of the total AMC Charter business depends on several factors, including the total fleet size we commit to the CRAF program and the total number of aircraft deployed by our teaming arrangement partners and competitors in the program.

The AMC also holds all carriers to certain on-time performance requirements as a percentage of flights flown and, as a result of reduced AMC demand, it may become more difficult to comply with those requirements. To the extent that we fail to meet those performance requirements or if we fail to pass bi-annual AMC audits, revenues and profitability from our AMC Charter business could decline through a suspension or termination of our AMC contract. Our revenues and profitability could also decline due to a reduction in the revenue rate we are paid by the AMC, a greater reliance by the AMC on its own fleet or a reduction in our allocation of AMC flying. Any reduction in our AMC flying could also negatively impact our Commercial Charter revenue from trips related to one-way AMC missions. We expect revenues and profitability from our AMC Charter business to continue to decline from current levels as the U.S. Military continues to withdraw troops from areas of conflict around the world. If we are unable to effectively deploy the resultant capacity, it could have a material adverse effect on our business, results of operations and financial condition.

Our AMC Charter business is sensitive to teaming arrangements which affect our relative share of AMC flying and the associated profitability. If one of our team members reduces its commitments or withdraws from the program, and/or if other carriers on other teams commit additional aircraft to this program, our share of AMC flying may decline. In addition, any changes made to the commissions that we pay and/or receive for AMC flying or changes to the CRAF contracting mechanism could impact the revenues and/or profitability of this business.

Each year, the AMC allocates its air capacity requirements to different teams of CRAF participating airlines based on a mobilization value point system that is determined by the amount and types of aircraft that each team of airlines pledges to the CRAF program. We participate in the CRAF program through a teaming arrangement with other airlines, led by FedEx. Our team is one of three major teams participating in the CRAF program during our current contract year. Several factors could adversely affect the amount of AMC flying that is allocated to us, including:

- changes in the CRAF contracting mechanism;

- the formation of new competing teaming arrangements;

- the withdrawal of any of our team s current partners, especially FedEx;

- a reduction of the number of aircraft pledged to the CRAF program by us or other members of our team; or

- increased participation of other carriers on other teams in the CRAF program.

Any changes to the CRAF program that would result in a reduction in our share of, or profitability from, AMC flying could have a material adverse effect on our business, results of operations and financial condition.

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RISKS RELATED TO OUR INDUSTRY

The market for air cargo services is highly competitive and if we are unable to compete effectively, we may lose current customers or fail to attract new customers. We could also be adversely affected if a large number of long-haul freighter aircraft or freighter aircraft of different equipment types are introduced into the market.

Each of the markets we participate in is highly competitive and fragmented. We offer a broad range of aviation services and our competitors vary by geographic market and type of service and include other international and domestic contract carriers, regional and national ground handling and logistics companies, internal cargo units of major airlines and third party cargo providers. Competition in the air cargo and transportation market is influenced by several key factors, including quality, price and availability of assets and services. Some of our competitors have filed for bankruptcy protection under Chapter 11 and have emerged or could emerge from bankruptcy in a stronger, more competitive position. Regulatory requirements to operate in the U.S. domestic air cargo market have been reduced, facilitating the entry into domestic markets by non-U.S. air cargo companies. If we were to lose any major customers and/or fail to attract customers, it could have an adverse effect on our business, results of operations and financial condition.

Additionally, an increase in the number of aircraft in the freight market could cause Yields and rates to fall and/or could negatively affect our customer base. If either circumstance were to occur, our business, results of operations and financial condition could be materially and adversely affected.

We are subject to extensive governmental regulations and failure to comply with these regulations in the U.S. and abroad, or the adoption of any new laws, policies or regulations or changes to such regulations, may have an adverse effect on our business.

Our operations and our lessees operations are subject to complex aviation and transportation laws and regulations, including Title 49 of the U.S. Code, under which the DOT and the FAA exercise regulatory authority over air carriers. In addition, our business activities and our lessees business activities fall within the jurisdiction of various other federal, state, local and foreign authorities, including the U.S. Department of Defense, the TSA, U.S. Customs and Border Protection, the U.S. Treasury Department s Office of Foreign Assets Control and the U.S. EPA. In addition, other countries in which we operate have similar regulatory regimes to which we are subjected. These laws and regulations may require us to maintain and comply with the terms of a wide variety of certificates, permits, licenses, noise abatement standards, maintenance and other requirements and our failure to do so could result in substantial fines or other sanctions. These U.S. and foreign aviation regulatory agencies have the authority to modify, amend, suspend or revoke the authority and licenses issued to us for failure to comply with provisions of law or applicable regulations and may impose civil or criminal penalties for violations of applicable rules and regulations. Such fines or sanctions, if imposed, could have a material adverse effect on our mode of conducting business, results of operations and financial condition. In addition, U.S. and foreign governmental authorities may adopt, amend or interpret accounting standards, tax laws, regulations or treaties that could require us to take additional and potentially costly compliance steps or result in the grounding of some of our aircraft, which could increase our operating costs or result in a loss of revenues.

International aviation is increasingly subject to requirements imposed or proposed by foreign governments. This is especially true in the areas of transportation security, aircraft noise and emissions control, and greenhouse gas emissions. These may be duplicative of, or incompatible with U.S. government requirements, resulting in increased compliance efforts and expense. Even standing alone, foreign government requirements can be burdensome.

Foreign governments also place temporal and other restrictions on the ability of their own airlines to use aircraft operated by other airlines. For example, as a result of EU regulations finalized in 2008, EU airlines generally secure aircraft capacity from U.S. and other non-EU airlines for a maximum of two seven-month periods. This restriction could negatively impact our revenue and profitability. Additionally, the EASA is

considering a proposal to require EU airlines to establish to the satisfaction of their regulatory agencies that the

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aircraft capacity secured from and operated by U.S. and other non-EU airlines meet internationally set standards and additional EASA requirements. These and other similar regulatory developments could have a material adverse effect on our business, results of operations and financial condition.

Initiatives to address global climate change may adversely affect our business and increase our costs.

To address climate change, governments continue to pursue various means to reduce aviation-related greenhouse gas emissions. Measures that are ultimately adopted could result in substantial costs for us.

In October 2013, the ICAO reached a non-binding agreement to address climate change by developing global-market-based measures to assist in achieving carbon neutral growth beginning in 2020. ICAO will direct the effort in the hope of securing a definitive agreement in 2016. Additionally, the EU continues to pursue a parallel track through its ETS. Under the EU mechanism, airlines serving the EU must report flight activity on an ongoing basis. Following the end of every year, the legislation requires each airline to tender the number of carbon emissions allowances corresponding to the carbon emissions generated by its flight activity during the year. If the airline s flight activity during the year has produced carbon emissions exceeding the number of carbon emissions allowances that it has been awarded, the airline must acquire carbon emissions allowances from other airlines in the open market. For 2013, in recognition of ICAO s ongoing work, the EU suspended application of the ETS except as it applies to intra-EU flying. The suspension expired at the end of 2013. Unless the EU acts, the ETS will be applicable to all flights to or from Europe in 2014. Proposals have been made to limit applicability of the ETS during 2014, but there can be no assurance that they will be adopted or, if adopted, that they will be as favorable to airlines as the 2013 ETS suspension.

In the United States, various constituencies have continued to advocate for controls on greenhouse gas emissions. Previously, both houses of the U.S. Congress passed legislation to impose a carbon-related tax on fuel sold to airlines and other entities. However, a bill has not been signed into law. Also, at the urging of States and environmental organizations, the EPA has taken steps that could lead to EPA regulation of greenhouse gas emissions from aircraft.

Regardless of the outcome of these activities, it is possible that some type of climate change measures ultimately will be imposed in a manner adversely affecting airlines. The costs of complying with potential new environmental laws or regulations could have a material adverse effect on our business, results of operations and financial condition.

The airline industry is subject to numerous security regulations and rules that increase costs. Imposition of more stringent regulations and rules than those that currently exist could materially increase our costs.

The TSA has increased security requirements in response to increased levels of terrorist activity, and has adopted comprehensive new regulations governing air cargo transportation, including all-cargo services, in such areas as cargo screening and security clearances for individuals with access to cargo. Additional measures, including a requirement to screen cargo, have been proposed, which, if adopted, may have an adverse impact on our ability to efficiently process cargo and would increase our costs and those of our customers. The cost of compliance with increasingly stringent regulations could have a material adverse effect on our business, results of operations and financial condition.

Our future operations might be constrained by new FAA flight and duty time rules.

In 2009, following expressions of concern about pilot fatigue on certain long-range flights, the FAA convened an Aviation Rulemaking Committee (ARC) comprised of various aviation stakeholders to recommend changes to the flight and duty time rules applicable to pilots. This was followed in 2010 by FAA issuance of a notice of proposed rulemaking containing new proposed flight and duty time rules. In December 2011, following the completion of a lengthy rulemaking process intended to reduce pilot fatigue, the FAA adopted a final rule containing new flight and duty time limitations and rest requirements. The rule went into effect in January 2014, resulting in more stringent scheduling requirements for pilots operating our passenger flights.

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Finding that the costs of applying the new rule to all-cargo flights would greatly exceed the benefits, the FAA decided not to apply the rule to all-cargo operations. The Independent Pilots Association, representing UPS pilots, filed a judicial appeal of the FAA decision to exclude all-cargo operations from the rule. The appeal was suspended to allow the FAA to complete revisions to its cost-benefit analysis but remains pending. Legislation to require the FAA to apply the rule to all-cargo operations has also been introduced in Congress. Application of the new flight and duty time rule to all-cargo operations pursuant to a court, FAA or Congressional directive would result in materially increased crew costs, as well as air carriers that predominantly fly nighttime and long-haul flights, and could have a material impact on our business, results of operations and financial condition by limiting crew scheduling flexibility and increasing operating costs, especially with respect to long-haul flights.

RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK

U.S. citizenship requirements may limit common stock voting rights.

Under U.S. federal law and DOT requirements, we must be owned and actually controlled by citizens of the United States, a statutorily defined term requiring, among other things, that not more than 25% of our issued and outstanding voting stock be owned and controlled, directly or indirectly, by non-U.S. citizens. The DOT periodically conducts airline citizenship reviews and, if it finds that this requirement is not met, may require adjustment of the rights attendant to the airline s issued shares.

As one means to effect compliance, our certificate of incorporation and by-laws provide that the failure of non-U.S. citizens to register their shares on a separate stock record, which we refer to as the Foreign Stock Record, results in a suspension of their voting rights. Our by-laws further limit the number of shares of our capital stock that may be registered on the Foreign Stock Record to 25% of our issued and outstanding shares. Registration on the Foreign Stock Record is made in chronological order based on the date we receive a written request for registration. As a result, if a non-U.S. citizen acquires shares of our common stock and does not or is not able to register those shares on our Foreign Stock Record, they may lose their ability to vote those shares.

Provisions in our restated certificate of incorporation and by-laws and Delaware law might discourage, delay or prevent a change in control of the Company and, therefore, depress the trading price of our common stock.

Provisions of our restated certificate of incorporation, by-laws and Delaware law may render more difficult or discourage any attempt to acquire our company, even if such acquisition may be believed to be favorable to the interests of our stockholders. These provisions may also discourage bids for our common stock at a premium over market price or adversely affect the market price of our common stock.

Our common stock share price has been subject to fluctuations in value.

The trading price of our common shares is subject to material fluctuations in response to a variety of factors, including quarterly variations in our operating results, conditions of the air freight market and global economic conditions or other events and factors that are beyond our control.

In the past, following periods of significant volatility in the overall market and in the market price of a company s securities, securities class action litigation has been instituted against these companies in some circumstances. If this type of litigation were instituted against us following a period of volatility in the market price for our common stock, it could result in substantial costs and a diversion of our management s attention and resources, which could have a material adverse effect on our business, results of operations and financial condition.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

None.

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ITEM 2. ***PROPERTIES***
Aircraft

The following tables provide information about AAWW s aircraft and customer-provided aircraft, not including retired or permanently parked aircraft, as of December 31, 2013:

AAWW Aircraft

Aircraft Type	Tail #	Configuration	Ownership	Financing Type
ACMI, AMC Charter and Commercial Charter Segments				
747-8F	N850GT	Freighter	Owned	Notes
747-8F	N851GT	Freighter	Owned	Notes
747-8F	N852GT	Freighter	Owned	Notes
747-8F	N853GT	Freighter	Owned	Notes
747-8F	N854GT	Freighter	Owned	Term Loan
747-8F	N855GT	Freighter	Owned	Notes
747-8F	G-GSSD	Freighter	Owned	Term Loan
747-8F	G-GSSE	Freighter	Owned	Term Loan
747-8F	G-GSSF	Freighter	Owned	Term Loan
747-400	N409MC	Freighter	Owned	Enhanced Equipment Trust Certificates
747-400	N475GT	Freighter	Owned	Enhanced Equipment Trust Certificates
747-400	N493MC	Freighter	Owned	Enhanced Equipment Trust Certificates
747-400	N477GT	Freighter	Owned	Enhanced Equipment Trust Certificates
747-400	N476GT	Freighter	Owned	Enhanced Equipment Trust Certificates
747-400	N496MC	Freighter	Owned	Enhanced Equipment Trust Certificates
747-400	N499MC	Freighter	Owned	Enhanced Equipment Trust Certificates
747-400	N408MC	Freighter	Leased	Enhanced Equipment Trust Certificates
747-400	N412MC	Freighter	Leased	Enhanced Equipment Trust Certificates
747-400	N492MC	Freighter	Leased	Enhanced Equipment Trust Certificates
747-400	N497MC	Freighter	Leased	Enhanced Equipment Trust Certificates
747-400	N498MC	Freighter	Leased	Enhanced Equipment Trust Certificates
747-400	N415MC	Freighter	Leased	Operating Lease
747-400	N416MC	Freighter	Leased	Operating Lease
747-400	N418MC	Freighter	Leased	Operating Lease
747-400	N450PA	Freighter	Leased	Operating Lease
747-400	N451PA	Freighter	Leased	Operating Lease
747-400	N452PA	Freighter	Leased	Operating Lease
747-400	N453PA	Freighter	Leased	Operating Lease
747-400	N454PA	Freighter	Leased	Operating Lease
747-400	N419MC	Freighter	Owned	None
747-400	N429MC	Converted Freighter	Owned	None
747-400	N464MC	Passenger	Owned	Term Loan
747-400	N465MC	Passenger	Owned	Term Loan
767-300ER	N640GT	Passenger	Owned	Term Loan
767-300ER	N641GT	Passenger	Owned	Term Loan
767-300ER	N642GT	Passenger	Owned	Term Loan
Dry Leasing Segment				
777-200LRF	36200	Freighter	Owned	Term Loan
777-200LRF	36201	Freighter	Owned	Term Loan
777-200LRF	35606	Freighter	Owned	Notes
757-200	B-2808	Freighter	Owned	Term Loan
737-800	29681	Passenger	Owned	Term Loan
737-800	35071	Passenger	Owned	None
737-300	26284	Freighter	Owned	None

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The following table summarizes AAWW s aircraft as of December 31, 2013:

Aircraft Type	Configuration	Owned	Operating Leased	Total	Average Age Years
ACMI, AMC Charter and Commercial Charter Segments					
747-8F	Freighter	9		9	1.4
747-400	Freighter	8	13	21	13.9
747-400	Converted Freighter	1		1	20.5
747-400	Passenger	2		2	21.7
767-300ER	Passenger	3		3	20.6
Total		23	13	36	12.2
Dry Leasing Segment					
777-200LRF	Freighter	3		3	3.8
757-200	Freighter	1		1	24.4
737-800	Passenger	2		2	6.5
737-300	Freighter	1		1	21.1
Total		7		7	10.0
Total Fleet		**30**	**13**	**43**	**11.8**

Lease expirations for our operating leased aircraft included in the above tables range from February 2020 to February 2025.

Customer-provided Aircraft for our CMI Business

The following table summarizes customer-provided aircraft as of December 31, 2013:

Aircraft Type	Tail #	Configuration	Ownership
747-400	263	Passenger	Sonangol*
747-400	322	Passenger	Sonangol*
747-400	718	Dreamlifter	Boeing
747-400	747	Dreamlifter	Boeing
747-400	249	Dreamlifter	Boeing
747-400	780	Dreamlifter	Boeing
767-200	650	Freighter	DHL
767-200	651	Freighter	DHL
767-200	652	Freighter	DHL
767-200	653	Freighter	DHL
767-200	655	Freighter	DHL
767-200	767	Passenger	MLW**
767-300	643	Freighter	DHL
767-300	644	Freighter	DHL

* Aircraft owned by the Sonangol Group, the multinational energy company of Angola.
** Aircraft owned by MLW Air, LLC (MLW Air).

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Ground Facilities

Our principal office is located in Purchase, New York, where we lease approximately 120,000 square feet under a long-term lease, for which the current term expires in 2017. This office includes both operational and administrative support functions, including flight and crew operations, maintenance and engineering, material management, human resources, legal, sales and marketing, finance and information technology. In addition, we lease a variety of smaller offices and ramp space at various station and regional locations on a short-term basis.

ITEM 3. ***LEGAL PROCEEDINGS***

The information required in response to this Item is set forth in Note 12 to our Financial Statements, and such information is incorporated herein by reference. Such description contains all of the information required with respect hereto.

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

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PART II

ITEM 5. ***MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

Market Information

Since 2006, our common stock has been traded on The NASDAQ Global Select Market under the symbol AAWW .

Market Price of Common Stock

The following table sets forth the closing high and low sales prices per share of our common stock for the periods indicated.

	High	Low
2013 Quarter Ended		
December 31	$ 49.64	$ 36.40
September 30	$ 48.50	$ 42.43
June 30	$ 47.10	$ 37.40
March 31	$ 47.89	$ 40.76
2012 Quarter Ended		
December 31	$ 54.99	$ 40.23
September 30	$ 56.98	$ 42.07
June 30	$ 52.26	$ 40.68
March 31	$ 52.11	$ 38.70

The last reported sale price of our common stock on The NASDAQ National Market on December 31, 2013 was $41.15 per share. As of February 3, 2014, there were approximately 25.0 million shares of our common stock issued and outstanding, and 52 holders of record of our common stock.

In 2008, we established a stock repurchase program, which authorizes the repurchase of up to $100.0 million of our common stock. Purchases may be made at our discretion from time to time on the open market, through negotiated transactions, block purchases, accelerated share repurchase programs or exchange or non-exchange transactions. During 2013, we actively repurchased $72.1 million of shares of our common stock under two accelerated stock repurchase programs. As of December 31, 2013, we have repurchased a total of 2,423,820 shares of our common stock for approximately $91.0 million, at an average cost of $37.55 per share under our stock repurchase program. In November 2013, we announced an increase of $51.0 million to our stock repurchase program, resulting in $60.0 million of available authorization remaining at December 31, 2013.

Equity Compensation Plans

See Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters for information regarding our equity compensation plans as of December 31, 2013.

Dividends

We have never paid a cash dividend with respect to our common stock and we do not anticipate paying a dividend in the foreseeable future. Moreover, certain of our financing arrangements contain financial covenants that could limit our ability to pay cash dividends.

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Foreign Ownership Restrictions

Under our by-laws, U.S. federal law and DOT regulations, we must be controlled by U.S. citizens. In this regard, our President and at least two-thirds of our board of directors and officers must be U.S. citizens and not more than 25% of our outstanding voting common stock may be held by non-U.S. citizens. We believe that, during the period covered by this Report, we were in compliance with these requirements.

Performance Graph

The following graph compares the performance of AAWW common stock to the Standard & Poor s 500 Stock Index, the Russell 2000 Index and the AMEX Airline Index for the period beginning December 31, 2008 and ending on December 31, 2013. The comparison assumes $100 invested in each of our common stock, the Standard & Poor s 500 Stock Index, the Russell 2000 Index and the AMEX Airline Index and reinvestment of all dividends.

Total Return Between 12/31/08 and 12/31/13

Cumulative Return	12/31/08	12/31/09	12/31/10	12/30/11	12/31/12	12/31/13
AAWW	$100.00	$197.09	$295.40	$203.33	$234.50	$217.72
Russell 2000 Index	$100.00	$125.22	$156.90	$148.35	$170.06	$232.98
S&P 500	$100.00	$123.45	$139.23	$139.23	$157.90	$204.63
AMEX Airline Index	$100.00	$139.32	$193.82	$133.72	$182.40	$287.51

ITEM 6. ***SELECTED FINANCIAL DATA***

The selected balance sheet data as of December 31, 2013 and 2012 and the selected statements of operations data for the years ended December 31, 2013, 2012 and 2011 have been derived from our audited Financial Statements included elsewhere in this Report. The selected balance sheet data as of December 31, 2011, 2010 and 2009, and selected statements of operations data for the years ended December 31, 2010 and 2009 have been derived from our audited Financial Statements not included in this Report.

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Effective April 8, 2009, we began reporting GSS on a consolidated basis. Our Operating Statistics, Operating Revenue and Operating Expenses reflect the consolidation of GSS as of that date. Previously, GSS was accounted for under the equity method. In the following table, all amounts are in thousands, except for per share data.

	2013	2012	2011	2010	2009
Statement of Operations Data:					
Total operating revenues	$ 1,656,900	$ 1,646,032	$ 1,398,216	$ 1,337,774	$ 1,061,546
Total operating expenses	1,470,110	1,419,541	1,247,116	1,109,888	911,539
Operating income / (loss)	186,790	226,491	151,100	227,886	150,007
Net income	93,989	129,714	96,309	142,956	76,156
Less: Net income / (loss) Attributable to noncontrolling interests	152	(213)	226	1,146	(1,620)
Net income Attributable to Common Stockholders	$ 93,837	$ 129,927	$ 96,083	$ 141,810	$ 77,776
Earnings per share (Basic)	$ 3.67	$ 4.92	$ 3.66	$ 5.50	$ 3.59
Earnings per share (Diluted)	$ 3.66	$ 4.89	$ 3.64	$ 5.44	$ 3.56
Balance Sheet Data:					
Total assets	$ 3,718,259	$ 3,152,685	$ 2,390,998	$ 1,936,102	$ 1,740,873
Long-term debt (less current portion)*	$ 1,539,139	$ 1,149,282	$ 680,009	$ 391,036	$ 526,680
Total equity	$ 1,322,125	$ 1,288,104	$ 1,141,375	$ 1,050,090	$ 888,757

* See Note 7 to our Financial Statements for further discussion.

ITEM 7. ***MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***
The following discussion should be read in conjunction with the Financial Statements included in Item 8 of this report.

Business Overview

We are a leading global provider of outsourced aircraft and aviation operating services. As such, we manage and operate the world s largest fleet of Boeing 747 freighters. We provide unique value to our customers by giving them access to highly reliable new production freighters that deliver the lowest unit cost in the marketplace combined with outsourced aircraft operating services that we believe lead the industry in terms of quality and global scale. Our customers include airlines, express delivery providers, freight forwarders, the U.S. military and charter brokers. We provide global services with operations in Africa, Asia, Australia, Europe, the Middle East, North America and South America.

We believe that the following competitive strengths will allow us to capitalize on opportunities that exist in the global airfreight industry:

Market leader with leading-edge technology and innovative, value-creating solutions:

We manage the world s largest fleet of 747 freighters. The new 747-8F is the largest and most efficient long-haul commercial freighter currently available and we are currently the only operator offering these aircraft to the ACMI market. Our current cargo fleet includes nine 747-8F aircraft, twenty-two 747-400 freighter aircraft and our CMI customers provide us with two 747-400 passenger aircraft, five 767-200 cargo aircraft, two 767-300 cargo aircraft, four Dreamlifters and one VIP-configured 767-200 passenger aircraft, which are included in our operating fleet statistics. In addition, we also have two 747-400 and three 767-300ER passenger aircraft. Our operating model deploys our aircraft to drive maximum utilization and value from our fleet. The scale of our fleet enables us to have aircraft available globally to respond to our customers needs, both on a planned and ad hoc basis. We believe that this provides us with a commercial advantage over our competitors that operate with smaller and less flexible fleets.

Since November of 2011, we have taken delivery of nine new 747-8F aircraft, which have improved operating performance relative to the 747-400. The new aircraft create additional operating leverage to drive growth and to help us maintain our industry leading position for the foreseeable future. Both the 747-8F and 747-400, the current core of our ACMI segment, are industry leaders for operating performance in the intercontinental air freighter market due to cost and capacity advantages over other freighters.

During 2013, we significantly expanded our Dry Leasing business with the acquisition of three 777-200LRF aircraft. We also acquired an additional three 777-200LRF aircraft in January 2014. All six aircraft are Dry Leased to customers on a long-term basis. The addition of the 777 freighters further diversifies our business mix with leading-edge technology.

Stable base of contractual revenue and reduced operational risk:

Our focus on providing long-term contracted aircraft and operating solutions to customers stabilizes our revenues and reduces our operational risk. Typically, ACMI and CMI contracts with customers generally range from two to five years, although some contracts have shorter or longer durations. Under ACMI, CMI and Dry Leasing, our customers assume fuel, Yield and demand risk resulting in reduced operational risk for AAWW. ACMI, CMI and Dry Leasing contracts typically provide us with a guaranteed minimum level of revenue and target level of profitability.

Our contract with DHL includes the allocation of blocked space capacity on a long-term basis for up to 20 years. This arrangement eliminates Yield and demand risks, similar to the rest of our ACMI business, for a minimum of six 747-400 aircraft, with an additional two 747-8F aircraft and one 747-400 aircraft under separate ACMI agreements.

Our AMC Charter services are typically operated under an annual contract with the U.S. military, whereby the military assumes Yield and fuel price risk.

Focus on asset optimization:

By managing the largest fleet of 747 freighter aircraft, we achieve significant economies of scale in areas such as aircraft maintenance, crew efficiency, crew training, inventory management and purchasing. We believe the addition of the 747-8F aircraft further enhances our efficiencies as these new aircraft have operational, maintenance and spare parts commonality with our existing fleet of 747-400s, as well as a common pilot-type rating.

Our mix of aircraft is closely aligned with our customer needs. We believe that our new 747-8F aircraft and our existing 747-400 fleet are well-suited to meet the current and anticipated requirements of our customers.

We continually evaluate our fleet to ensure that we offer the most efficient and effective mix of aircraft. Our service model is unique in that we offer a portfolio of operating solutions that complement our freighter aircraft businesses. We believe this allows us to improve the returns we generate from our asset base by allowing us to flexibly redeploy aircraft to meet changing market conditions, ensuring the maximum utilization of our fleet. Our

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AMC and Commercial Charter services complement our ACMI services by allowing us to increase aircraft utilization during open time and to react to changes in demand and Yield in these segments. We have employees situated around the globe who closely monitor demand for commercial charter services in each region, enabling us to redeploy available aircraft quickly. We also endeavor to manage our portfolio to stagger contract terms to mitigate our remarketing risks and aircraft down time.

Long-term strategic customer relationships and unique service offerings:

We combine the global scope and scale of our efficient aircraft fleet with high quality, cost-effective operations and premium customer service to provide unique, fully integrated and reliable solutions for our customers. We believe this approach results in customers that are motivated to seek long-term relationships with us. This has historically allowed us to command higher prices than our competitors in several key areas. These long-term relationships help us to build resilience into our business model.

Our customers have access to our solutions, such as inter-operable crews, flight scheduling, fuel efficiency planning, and maintenance spare coverage, which, we believe, set us apart from other participants in the aircraft operating solutions market. Furthermore, we have access to valuable operating rights to restricted markets such as Brazil, Japan and China. We believe our freighter services allow our customers to effectively expand their capacity and operate dedicated freighter aircraft without simultaneously taking on exposure to fluctuations in the value of owned aircraft and, in the case of our ACMI and CMI contracts, long-term expenses relating to crews and maintenance. Dedicated freighter aircraft enable schedules to be driven by cargo rather than passenger demand (for those customers that typically handle portions of their cargo operations via belly capacity on passenger aircraft), which we believe allows our customers to drive higher contribution from cargo operations.

We are focused on providing safe, secure and reliable services. Both Atlas and Polar successfully completed the International Air Transport Association s Operational Safety Audit (IOSA), a globally recognized safety and quality standard.

We provide outsourced aviation services and solutions to some of the world s premier airlines and largest freight forwarders. We will take advantage of opportunities to maintain and expand our relationships with our existing customers, while seeking new customers and new geographic markets.

***Experienced management team*:**

Our management team has extensive operating and leadership experience in the airfreight, airline, aircraft leasing and logistics industries at companies such as United Airlines, US Airways, Lufthansa Cargo, GE Capital Aviation Services, Air Canada, Ansett Worldwide Aviation Services, Canadian Airlines, Continental Airlines, SH&E Air Transport Consultancy, ASTAR Air Cargo and KLM Cargo, as well as the United States Navy, Air Force and Federal Air Marshal Service. Our management team is led by William J. Flynn, who has over 30 years of experience in freight and transportation and has held senior management positions with several transportation companies. Prior to joining AAWW, Mr. Flynn was President and CEO of GeoLogistics, a global transportation and logistics enterprise.

Business Strategy

Our strategy includes the following:

Aggressively manage our fleet with a focus on leading-edge aircraft:

We continue to actively manage our fleet of leading-edge wide-body freighter aircraft to meet customer demands. The 747-8F aircraft are primarily utilized in our ACMI business while our 747-400s are utilized in our

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ACMI, AMC and Commercial Charter business. We aggressively manage our fleet and will evaluate potential opportunities for adding incremental aircraft to ensure that we provide our customers with the most efficient aircraft to meet their needs.

We have expanded our Dry Leasing business with the recent addition of six modern, efficient 777-200LRF aircraft and will continue to explore opportunities to invest in additional aircraft.

Focus on securing long-term contracts:

We will continue to focus on securing long-term contracts with customers, which provide us with stable revenue streams and predictable margins. In addition, these agreements limit our direct exposure to fuel and other costs and mitigate the risk of fluctuations in both Yield and demand in the airfreight business, while also improving the overall utilization of our fleet.

Drive significant and ongoing efficiencies and productivity improvements:

We continue to enhance our organization through an initiative called Continuous Improvement. We created a separate department to drive the process and to involve all areas of the organization in the effort to reexamine, redesign and improve the way we do business.

Our Continuous Improvements efforts during 2013 have reduced costs, compared to 2012, in the following areas: Maintenance, from our engine and spare part purchase programs rather than incurring more expensive repairs for existing parts; Passenger and ground handling, from reduced catering rates; Travel, from reduced rates negotiated with vendors; and rate reductions on various other operating expenses through procurement initiatives.

Selectively pursue and evaluate future acquisitions and alliances:

From time to time, we explore business combinations and alliances with other cargo airlines, services providers, dry leasing and other companies to enhance our competitive position, geographic reach and service portfolio.

Business Developments

Our ACMI results for 2013, compared to 2012, were positively impacted by the following events:

- Between March and November 2012, we began CMI flying five 767-200 freighters owned by DHL.

- In May and July 2012, we took delivery of two 747-8F aircraft that we placed in service with Panalpina Air & Ocean Ltd (Panalpina) under an ACMI agreement, which replaced two 747-400F aircraft.

- In June 2012, we began ACMI flying a 747-400F aircraft for Etihad Airways (Etihad), which was the first 747-400F aircraft in its global network.

- In July 2012, we began ACMI flying an additional 747-400F aircraft for Polar and DHL, which increased the size of our fleet flying for DHL from eight to nine aircraft.

- In October and December 2012, we took delivery of two 747-8F aircraft that we placed into ACMI service with Polar and DHL, replacing two 747-400 aircraft.

- In January and February 2013, we began CMI flying two new 767-300ERF aircraft owned by DHL.

In April 2013, we began ACMI flying a 747-400F aircraft for Chapman Freeborn Airchartering Ltd. (Chapman Freeborn), which was the first dedicated 747-400F aircraft in its network.

In May 2013, we took delivery of a 747-8F aircraft that we placed into ACMI service with Etihad, which was the first 747-8F aircraft in its global network.

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In July 2013, we began CMI flying a VIP-configured 767-200 passenger aircraft owned by MLW Air. MLW Air s 767-200 is the only all-first class 767 commercial charter aircraft with worldwide operations registered with the FAA.

In September 2013, we began ACMI flying a 747-400F for Astral Aviation Limited (Astral Aviation), which was the first 747-400F aircraft in its global network.

In December 2013, we signed an ACMI agreement for a 747-8F aircraft with BST Logistics (Hong Kong) Company Limited, a business partner of Navitrans International Freight Forwarding Co., Ltd. Service is expected to begin in February 2014.

In January 2014, British Airways notified us that they would be terminating our ACMI agreement and returning three 747-8F aircraft in April 2014. As a result, British Airways is required to pay early termination fees. We expect to deploy these aircraft in profitable revenue operations once redelivered to us.

AMC Charter Cargo and Passenger Block Hours have been negatively impacted by reduced demand from the AMC, which continued to decline during 2013 and is expected to decline further in 2014.

Commercial Charter Block Hours increased significantly during 2013, reflecting our redeployment of 747-400 aircraft from ACMI during remarketing periods and the deployment of a 747-8F aircraft until its placement with an ACMI customer. However, Commercial Charter Yields have been negatively impacted by softer demand and excess capacity in the air cargo market for most of 2013. In addition, Commercial Charter has been negatively impacted by a reduction in the number of one-way AMC missions and a change in the proportion of those missions from outbound U.S. to inbound U.S. These changes reduced the opportunity to use return legs for Commercial Charters.

As a result of changes in AMC and Commercial Charter demand, we continually assess opportunities for our 747-400 freighter aircraft and will make adjustments to our capacity as necessary. Some of these actions may involve grounding or disposing of aircraft, which could result in asset impairments or other charges in future periods. In December 2013, we permanently parked two 747-400BCF aircraft that we leased due to 747-8F aircraft delivery delays. With the completed deliveries of our 747-8F aircraft and the reduction in AMC and Commercial Charter demand, these two aircraft are no longer needed. As a result, we recorded a special charge of $17.8 million related to the early termination of the operating leases.

In March and July 2013, Titan purchased three recently-manufactured Boeing 777-200LRF aircraft that are Dry Leased to customers on a long-term basis.

In January 2014, Titan purchased three additional recently-manufactured Boeing 777-200LRF aircraft that are Dry Leased to a customer on a long-term basis.

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Results of Operations

Years Ended December 31, 2013 and 2012

Operating Statistics

The following discussion should be read in conjunction with our Financial Statements and notes thereto and other financial information appearing and referred to elsewhere in this report.

The table below sets forth selected Operating Statistics in:

	2013	2012	Increase / (Decrease)	Percent Change
Block Hours				
ACMI	115,358	107,130	8,228	7.7%
AMC Charter:				
Cargo	6,331	10,423	(4,092)	(39.3)%
Passenger	10,718	12,024	(1,306)	(10.9)%
Commercial Charter	25,480	21,965	3,515	16.0%
Other	1,050	1,165	(115)	(9.9)%
Total Block Hours	158,937	152,707	6,230	4.1%
Revenue Per Block Hour				
ACMI	$ 6,545	$ 6,368	$ 177	2.8%
AMC Charter	$ 20,901	$ 21,743	$ (842)	(3.9)%
Cargo	$ 22,299	$ 23,677	$ (1,378)	(5.8)%
Passenger	$ 20,075	$ 20,066	$ 9	NM
Commercial Charter	$ 19,471	$ 20,500	$ (1,029)	(5.0)%
Fuel				
AMC				
Average fuel cost per gallon	$ 3.57	$ 3.35	$ 0.22	6.6%
Fuel gallons consumed (000s)	42,164	58,178	(16,014)	(27.5)%
Commercial Charter				
Average fuel cost per gallon	$ 3.14	$ 3.32	$ (0.18)	(5.4)%
Fuel gallons consumed (000s)	82,785	72,834	9,951	13.7%
Segment Operating Fleet (average aircraft equivalents during the period)				
ACMI*				
747-8F Cargo	7.8	4.3	3.5	81.4%
747-400 Cargo	14.4	16.4	(2.0)	(12.2)%
767-300 Cargo	1.8		1.8	NM
767-200 Cargo	5.0	2.5	2.5	100.0%
747-400 Passenger	1.3	1.1	0.2	18.2%
767-300 Passenger	0.2	0.1	0.1	100.0%
767-200 Passenger	0.5		0.5	NM
Total	31.0	24.4	6.6	27.0%
AMC Charter				
747-400 Cargo	2.5	2.9	(0.4)	(13.8)%
747-200 Cargo		0.2	(0.2)	(100.0)%
747-400 Passenger	1.5	1.7	(0.2)	(11.8)%
767-300 Passenger	2.6	2.3	0.3	13.0%
Total	6.6	7.1	(0.5)	(7.0)%

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	2013	2012	Increase / (Decrease)	Percent Change
Commercial Charter				
747-8F Cargo	0.6		0.6	NM
747-200 Cargo		0.2	(0.2)	(100.0)%
747-400 Cargo	7.8	5.8	2.0	34.5%
747-400 Passenger	0.2	0.2		NM
767-300 Passenger	0.2	0.2		NM
Total	8.8	6.4	2.4	37.5%
Dry Leasing				
777-200 Cargo	1.7		1.7	NM
757-200 Cargo	1.0	1.0		NM
737-300 Cargo	1.0	0.4	0.6	150.0%
737-800 Passenger	2.0	2.0		NM
Total	5.7	3.4	2.3	67.6%
Total Operating Aircraft	52.1	41.3	10.8	26.2%
Out-of-service**	0.9		0.9	NM

* ACMI average fleet excludes spare aircraft provided by CMI customers.
** All of our out-of-service aircraft are completely unencumbered.
NM represents year-over-year changes are not meaningful.

Operating Revenue

The following table compares our Operating Revenue (in thousands):

	2013	2012	Increase / (Decrease)	Percent Change
Operating Revenue				
ACMI	$ 755,008	$ 682,189	$ 72,819	10.7%
AMC Charter	356,340	488,063	(131,723)	(27.0)%
Commercial Charter	496,112	450,277	45,835	10.2%
Dry Leasing	35,168	11,843	23,325	197.0%
Other	14,272	13,660	612	4.5%
Total Operating Revenue	$ 1,656,900	$ 1,646,032	$ 10,868	0.7%

ACMI revenue increased $72.8 million, or 10.7%, primarily due to the entry of 747-8F aircraft into service and increased CMI flying, partially offset by the redeployment of 747-400 aircraft into other segments. ACMI Block Hours were 115,358 in 2013, compared to 107,130 in 2012, an increase of 8,228 Block Hours, or 7.7%. The increase in Block Hours was primarily driven by the start-up of ACMI 747-8F flying for DHL in October 2012 and Etihad in May 2013, as well as the start-up of ACMI 747-400 flying for Chapman Freeborn in April 2013 and Etihad in June 2012. The increase in Block Hours was also driven by the start-up of CMI flying of two 767-300 cargo aircraft for DHL in the first quarter of 2013, five 767-200 cargo aircraft for DHL during 2012 and one 767-200 passenger aircraft for MLW Air in July 2013, as well as an increase in CMI flying for Boeing. In addition, we utilized our passenger aircraft to provide short-term ACMI flying for other airlines. Partially offsetting these increases was the deployment of certain 747-400 cargo aircraft to other segments. ACMI Revenue per Block Hour was $6,545 for 2013, compared to $6,368 in 2012, an increase of $177 per Block Hour,

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or 2.8%. The increase in Revenue per Block Hour primarily reflects the impact of higher rates on an increased number of 747-8F aircraft, partially offset by lower rates on increased CMI flying.

AMC Charter revenue decreased $131.7 million, or 27.0%, primarily driven by a reduction in both AMC Charter Cargo and Passenger flying. AMC Charter Block Hours were 17,049 in 2013 compared to 22,447 in 2012, a decrease of 5,398 Block Hours, or 24.0%. The decrease in AMC Charter Block Hours was primarily driven by reduced cargo and passenger demand from the AMC. AMC Charter Revenue per Block Hour was $20,901 in 2013 compared to $21,743 in 2012, a decrease of $842 per Block Hour, or 3.9%, primarily due to a higher proportion of Block Hours flown on passenger aircraft and a change in the number and direction of one-way AMC missions. Partially offsetting these decreases was an increase in the average pegged fuel price during 2013. For 2013, the AMC average pegged fuel price was $3.57 per gallon compared to $3.35 in 2012. The pegged fuel price is set by the AMC and the impact to revenue from changes in the pegged fuel price is generally offset by a corresponding impact to fuel expense.

Commercial Charter revenue increased $45.8 million, or 10.2%, due to an increase in Block Hours, partially offset by a decrease in Revenue per Block Hour. Commercial Charter Block Hours were 25,480 in 2013, compared to 21,965 in 2012, representing an increase of 3,515 Block Hours, or 16.0%. The increase in Block Hours was primarily due to the deployment of 747-400 and a 747-8F cargo aircraft during ACMI marketing periods and a change in the number and direction of one-way AMC missions. Revenue per Block Hour was $19,471 for 2013, compared to $20,500 in 2012, a decrease of $1,029 per Block Hour, or 5.0%. This reflects the impact of lower Yields from softer demand and excess capacity in the air cargo market, lower fuel prices and the impact of a reduction in Commercial Charter return legs of one-way AMC missions. Partially offsetting these decreases were higher rates on 747-8F aircraft and passenger charters for sporting events, concert tours, VIP and other private charters.

Dry Leasing revenue increased $23.3 million, or 197.0%, primarily due to the acquisition of one 777-200LRF aircraft in March 2013 and two 777-200LRF aircraft in July 2013 that are leased to customers on a long-term basis.

Operating Expenses

The following table compares our Operating Expenses (in thousands):

	2013	2012	Increase / (Decrease)	Percent Change
Operating Expenses				
Aircraft fuel	$ 410,353	$ 436,618	$ (26,265)	(6.0)%
Salaries, wages and benefits	299,136	293,881	5,255	1.8%
Maintenance, materials and repairs	162,972	165,069	(2,097)	(1.3)%
Aircraft rent	160,415	154,968	5,447	3.5%
Navigation fees, landing fees and other rent	90,733	71,698	19,035	26.5%
Depreciation and amortization	86,389	62,475	23,914	38.3%
Passenger and ground handling services	72,503	69,886	2,617	3.7%
Travel	61,420	56,461	4,959	8.8%
Loss (gain) on disposal of aircraft	351	(2,417)	(2,768)	(114.5)%
Special charge	18,642		18,642	NM
Other	107,196	110,902	(3,706)	(3.3)%
Total Operating Expenses	$ 1,470,110	$ 1,419,541		

Aircraft fuel decreased $26.3 million, or 6.0%, primarily due to reduced AMC fuel consumption and fuel price decreases in Commercial Charter, partially offset by increases in Commercial Charter fuel consumption and AMC fuel prices. AMC fuel consumption decreased by 16.0 million gallons, or 27.5%, reflecting the decrease in

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Block Hours operated and a higher proportion of Block Hours flown on smaller 767 passenger aircraft. The average fuel price per gallon for the AMC Charter business was $3.57 for 2013, compared to $3.35 in 2012, an increase of 6.6%. Commercial Charter fuel consumption increased by 10.0 million gallons, or 13.7%, primarily driven by the increase in Block Hours operated. The average fuel price per gallon for the Commercial Charter business was $3.14 for 2013, compared to $3.32 in 2012, a decrease of 5.4%. We do not incur fuel expense in our ACMI or Dry Leasing businesses as the cost of fuel is borne by the customer.

Salaries, wages and benefits increased $5.3 million, or 1.8%, primarily driven by costs to support additional aircraft operating in 2013.

Maintenance, materials and repairs decreased by $2.1 million, or 1.3%, primarily driven by a decrease of $19.6 million for 747-400 aircraft, partially offset by increases of $13.4 million for 747-8F aircraft and $5.5 million for 767 aircraft. Heavy Maintenance expense on 747-400 aircraft decreased approximately $6.0 million primarily due to a reduction in D Checks and engine overhauls compared to 2012. Heavy Maintenance expense on 767 aircraft increased approximately $2.6 million primarily due to an increase in the number of C Checks in 2013. Non-heavy Maintenance expense on 747-400 aircraft decreased $1.9 million. Line Maintenance expense increased $11.2 million for 747-8F aircraft and $2.8 million for 767 aircraft primarily driven by increased flying. Line Maintenance expense decreased $11.7 million for 747-400 aircraft primarily driven by decreased flying. Heavy airframe maintenance events and engine overhauls for 2013 and 2012 were:

Heavy Maintenance Events	2013	2012	Increase / (Decrease)
747-8F C Checks	3		3
747-400 C Checks	12	11	1
747-400 D Checks	1	3	(2)
767 C Checks	3		3
CF6-80 engine overhauls	12	14	(2)

Aircraft rent increased $5.4 million, or 3.5%, primarily due to return condition obligations incurred prior to permanently parking two leased 747-400BCFs in December 2013.

Navigation fees, landing fees and other rent increased $19.0 million, or 26.5%, primarily due to an increase in purchased capacity from subcontracting certain Commercial Charter flights and a higher proportion of flying to commercial airports relative to military bases during 2013. We reclassified purchased capacity from Aircraft rent to Navigation fees, landing fees, and other rent and reclassified previously reported amounts to conform to the current period s presentation.

Depreciation and amortization increased $23.9, or 38.3%, primarily due to additional operating aircraft in 2013.

Passenger and ground handling services increased $2.6 million, or 3.7%, primarily due to higher rates for ground handling from Commercial Charter flying to more expensive locations, partially offset by a reduction in rates for passenger catering during 2013.

Travel increased $5.0 million, or 8.8%, primarily due to increased travel for crew related to increased flying during 2013.

Special charge in 2013 represents a lease termination charge of $17.8 million related to two leased 747-400BCFs that were permanently parked in December 2013 and an impairment charge of $0.8 million related to a customer relationship intangible asset (see Note 4 to our Financial Statements).

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Other decreased $3.7 million, or 3.3%, primarily due to a decrease in commission expense on lower AMC Charter revenue.

Non-operating Expenses (Income)

The following table compares our Non-operating Expenses (Income) (in thousands):

	2013	2012	Increase / (Decrease)	Percent Change
Non-operating Expenses (Income)				
Interest income	$ (19,813)	$ (19,636)	$ 177	0.9%
Interest expense	83,659	64,532	19,127	29.6%
Capitalized interest	(2,350)	(18,727)	(16,377)	(87.5)%
Loss on early extinguishment of debt	5,518	576	4,942	NM
Other expense (income), net	1,954	(5,529)	7,483	NM

Interest expense increased $19.1 million, or 29.6%, primarily due to an increase in our average debt balances related to the financing of aircraft purchases throughout 2012 and 2013.

Capitalized interest decreased $16.4 million, or 87.5%, resulting from 747-8F aircraft that entered service.

Loss on early extinguishment of debt was primarily related to the refinancing of term loans with lower rate notes (see Note 7 to our Financial Statements).

Other expense (income), net increased $7.5 million, primarily due to an insurance gain of $6.3 million related to flood damage at a warehouse in 2012.

Income taxes. Our effective income tax rates were 20.2% in 2013 and 36.8% in 2012. During 2013, we recognized income tax benefits related to extraterritorial income (ETI) from certain of our aircraft based on a decision in a court case and also related to our assertion to indefinitely reinvest the net earnings of certain foreign subsidiaries outside the U.S. That assertion is expected to provide an ongoing benefit to our effective income tax rate. In addition, the reduction in the effective rate reflected the net impact of resolution of income tax liabilities in both periods.

Segments

We use an economic performance metric (Direct Contribution) representing Income (loss) before taxes excluding Special charges, pre-operating expenses, nonrecurring items, gains and losses on the disposal of aircraft, Loss on early extinguishment of debt, unallocated revenue and unallocated costs, which shows the profitability of each segment after allocation of direct operating and ownership costs. The following table compares the Direct Contribution for our reportable segments (see Note 11 to our Financial Statements for the reconciliation to Operating income) (in thousands):

	2013	2012	Increase / (Decrease)	Percent Change
Direct Contribution:				
ACMI	$ 227,829	$ 191,497	$ 36,332	19.0%
AMC Charter	52,489	99,591	(47,102)	(47.3)%
Commercial Charter	57	32,079	(32,022)	(99.8)%
Dry Leasing	14,017	4,598	9,419	204.8%
Total Direct Contribution	$ 294,392	$ 327,765	$ (33,373)	(10.2)%
Unallocated income and expenses, net	$ 152,059	$ 124,331	$ 27,728	22.3%

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ACMI Segment

ACMI Direct Contribution increased $36.3 million, or 19.0%, primarily due to higher profitability on our new 747-8F aircraft and increased CMI flying for DHL and Boeing during 2013, partially offset by the redeployment of 747-400 aircraft into other segments.

AMC Charter Segment

AMC Charter Direct Contribution decreased $47.1 million, or 47.3%, primarily due to a decrease in Block Hours resulting from lower AMC cargo demand and lower rates from a change in the number and direction of one-way AMC missions. In addition, AMC Charter Direct Contribution was impacted by a reduction in passenger demand.

Commercial Charter Segment

Commercial Charter Direct Contribution decreased $32.0 million, primarily due to a reduction in Revenue per Block Hour driven by softer demand, excess capacity in the air cargo market and a reduction in Commercial Charter return legs of one-way AMC missions. Partially offsetting these items was an increase in Block Hours, primarily due to the redeployment of 747-400 and 747-8F aircraft during ACMI marketing periods, and higher rates on 747-8F aircraft and passenger charters for sporting events, concert tours, VIP and other private charters. In addition, Commercial Charter Direct Contribution was negatively impacted by increased aircraft ownership costs from the deployment of 747-400 cargo aircraft into this segment, increases in volume-driven operating expenses, higher costs from flying to more expensive locations and increased heavy maintenance expense.

Dry Leasing Segment

Dry Leasing Direct Contribution increased $9.4 million, primarily due the addition of one 777-200LRF aircraft in March 2013 and two 777-200LRF aircraft in July 2013 that are being leased to customers on a long-term basis.

Unallocated income and expenses, net

Unallocated income and expenses, net increased $27.7 million, or 22.3%, primarily due to a reduction in capitalized interest of $16.4 million on 747-8F aircraft that entered service, an insurance gain related to flood damage at a warehouse in 2012 and an increase in employee costs to support additional aircraft.

Years Ended December 31, 2012 and 2011

Operating Statistics

The following discussion should be read in conjunction with our Financial Statements and notes thereto and other financial information appearing and referred to elsewhere in this report.

The table below sets forth selected Operating Statistics in:

	2012	2011	Increase/ (Decrease)	Percent Change
Block Hours				
ACMI	107,130	102,695	4,435	4.3%
AMC Charter:				
Cargo	10,423	17,840	(7,417)	(41.6)%
Passenger	12,024	1,368	10,656	NM
Commercial Charter	21,965	13,879	8,086	58.3%
Other	1,165	1,273	(108)	(8.5)%

Total Block Hours	152,707	137,055	15,652	11.4%

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	2012	2011	Increase/ (Decrease)	Percent Change
Revenue Per Block Hour				
ACMI	$ 6,368	$ 6,159	$ 209	3.4%
AMC Charter	$ 21,743	$ 23,049	$ (1,306)	(5.7)%
Cargo	$ 23,677	$ 22,739	$ 938	4.1%
Passenger	$ 20,066	$ 27,086	$ (7,020)	(25.9)%
Commercial Charter	$ 20,500	$ 21,581	$ (1,081)	(5.0)%
Fuel				
AMC				
Average fuel cost per gallon	$ 3.35	$ 3.63	$ (0.28)	(7.7)%
Fuel gallons consumed (000s)	58,178	60,976	(2,798)	(4.6)%
Commercial Charter				
Average fuel cost per gallon	$ 3.32	$ 3.29	$ 0.03	0.9%
Fuel gallons consumed (000s)	72,834	50,872	21,962	43.2%
Segment Operating Fleet (average aircraft equivalents during the period)				
ACMI*				
747-8F Cargo	4.3	0.2	4.1	NM
747-400 Cargo	16.4	20.3	(3.9)	(19.2)%
747-200 Cargo		0.2	(0.2)	NM
767-200 Cargo	2.5		2.5	NM
747-400 Passenger	1.1	1.0	0.1	10.0%
767-300 Passenger	0.1		0.1	NM
Total	24.4	21.7	2.7	12.4%
AMC Charter				
747-400 Cargo	2.9	1.6	1.3	81.3%
747-200 Cargo	0.2	3.5	(3.3)	(94.3)%
747-400 Passenger	1.7	0.8	0.9	112.5%
767-300 Passenger	2.3		2.3	NM
Total	7.1	5.9	1.2	20.3%
Commercial Charter				
747-400 Cargo	5.8	2.0	3.8	190.0%
747-200 Cargo	0.2	1.7	(1.5)	(88.2)%
747-400 Passenger	0.2		0.2	NM
767-300 Passenger	0.2		0.2	NM
Total	6.4	3.7	2.7	73.0%
Dry Leasing				
757-200 Cargo	1.0	1.0		NM
737-300 Cargo	0.4		0.4	NM
737-800 Passenger	2.0	1.2	0.8	66.7%
Total	3.4	2.2	1.2	54.5%
Total Operating Aircraft	41.3	33.5	7.8	23.3%
Out-of-service**		0.4	(0.4)	NM

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

** All of our out-of-service aircraft are completely unencumbered.

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Operating Revenue

The following table compares our Operating Revenue (in thousands):

	2012	2011	Increase/ (Decrease)	Percent Change
Operating Revenue				
ACMI	$ 682,189	$ 632,509	$ 49,680	7.9%
AMC Charter	488,063	442,725	45,338	10.2%
Commercial Charter	450,277	299,528	150,749	50.3%
Dry Leasing	11,843	9,695	2,148	22.2%
Other	13,660	13,759	(99)	(0.7)%
Total Operating Revenue	$ 1,646,032	$ 1,398,216	$ 247,816	17.7%

ACMI revenue increased $49.7 million, or 7.9%, primarily due to the entry of our 747-8F aircraft into service and increased CMI flying, partially offset by the redeployment of 747-400 aircraft into other segments. ACMI Block Hours were 107,130 in 2012, compared to 102,695 in 2011, an increase of 4,435 Block Hours, or 4.3%. The increase in Block Hours was primarily driven by the start-up of CMI flying of five 767 cargo aircraft for DHL during 2012 and an increase in CMI flying for Boeing. Partially offsetting these increases were the return of 747-400 cargo aircraft during 2012, which were temporarily redeployed to other segments. Two of these aircraft were subsequently redeployed in ACMI to Etihad in June 2012 and DHL in July 2012. ACMI Revenue per Block Hour was $6,368 in 2012, compared to $6,159 in 2011, an increase of $209 per Block Hour, or 3.4%. The increase in Revenue per Block Hour primarily reflects the impact of higher rates for 747-8F aircraft, which began flying during the fourth quarter of 2011, with additional aircraft beginning to fly in the second, third and fourth quarters of 2012. Partially offsetting this increase was the impact of lower rates for CMI flying in 2012.

AMC Charter revenue increased $45.3 million, or 10.2%, driven by increased AMC Charter Passenger flying that began in May 2011, partially offset by a reduction in AMC Charter Cargo revenue. AMC Charter Block Hours were 22,447 in 2012 compared to 19,208 in 2011, an increase of 3,239 Block Hours, or 16.9%. The increase in AMC Charter Block Hours was due to 10,656 incremental AMC Charter Passenger Block Hours from flying four additional passenger aircraft in 2012 resulting in $204.2 million of increased revenue, partially offset by a decrease of 7,417 AMC Charter Cargo Block Hours driven by reduced cargo demand from the AMC. AMC Charter Revenue per Block Hour was $21,743 in 2012 compared to $23,049 in 2011, a decrease of $1,306 per Block Hour, or 5.7%, due to a higher volume of passenger flying on smaller 767 aircraft, a decrease in the average pegged fuel price and a reduction in the number of one-way AMC missions. Partially offsetting these items were premiums earned on flying additional, more efficient 747-400 cargo aircraft during 2012 in place of less efficient 747-200 aircraft in 2011. During 2012, the AMC average pegged fuel price was $3.35 per gallon compared to $3.63 in 2011. The pegged fuel price is set by the AMC and the impact to revenue from changes in the pegged fuel price is generally offset by a corresponding impact to fuel expense.

Commercial Charter revenue increased $150.7 million, or 50.3%, due to an increase in Block Hours, partially offset by a decrease in Revenue per Block Hour. Commercial Charter Block Hours were 21,965 in 2012, compared to 13,879 in 2011, representing an increase of 8,086 Block Hours, or 58.3%. The increase in Block Hours was primarily due to the redeployment of 747-400 aircraft from ACMI during remarketing periods and the deployment of an additional 747-400 cargo aircraft in South America. In addition, we were able to utilize our passenger aircraft for sporting event, concert tour, VIP and other private charters. Revenue per Block Hour was $20,500 in 2012, compared to $21,581 in 2011, a decrease of $1,081 per Block Hour, or 5.0%, which reflects the impact of lower Yields on increased air cargo capacity and softer demand during 2012 compared to 2011 and the impact of a reduction in Commercial Charter return legs due to fewer AMC one-way missions.

Dry Leasing revenue was relatively unchanged.

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Operating Expenses

The following table compares our Operating Expenses (in thousands):

	2012	2011	Increase / (Decrease)	Percent Change
Operating Expenses				
Aircraft fuel	$ 436,618	$ 388,579	$ 48,039	12.4%
Salaries, wages and benefits	293,881	261,844	32,037	12.2%
Maintenance, materials and repairs	165,069	167,749	(2,680)	(1.6)%
Aircraft rent	154,968	159,362	(4,394)	(2.8)%
Navigation fees, landing fees and other rent	71,698	54,786	16,912	30.9%
Depreciation and amortization	62,475	39,345	23,130	58.8%
Passenger and ground handling services	69,886	31,460	38,426	122.1%
Travel	56,461	44,037	12,424	28.2%
Gain on disposal of aircraft	(2,417)	(364)	2,053	NM
Special charge		5,441	(5,441)	NM
Other	110,902	94,877	16,025	16.9%
Total Operating Expenses	$ 1,419,541	$ 1,247,116		

Aircraft fuel increased $48.0 million, or 12.4%, due to approximately $66.5 million in increased consumption, partially offset by $18.5 million from lower fuel prices. Commercial Charter fuel consumption increased by 22.0 million gallons, or 43.2%, primarily driven by the increase in Block Hours operated, partially offset by the use of more efficient 747-400 aircraft during 2012 in comparison to less efficient 747-200 aircraft used in 2011. The average fuel price per gallon for the Commercial Charter business was $3.32 in 2012, compared to $3.29 in 2011, an increase of 0.9%. AMC fuel consumption decreased by 2.8 million gallons, or 4.6%, reflecting the use of more efficient, twin-engine 767 passenger aircraft and 747-400 cargo aircraft during 2012 in place of less efficient 747-200 cargo aircraft in 2011, partially offset by the increase in Block Hours operated. The average fuel price per gallon for the AMC Charter business was $3.35 in 2012, compared to $3.63 in 2011, a decrease of 7.7%. We do not incur fuel expense in our ACMI or Dry Leasing businesses as the cost of fuel is borne by the customer.

Salaries, wages and benefits increased $32.0 million, or 12.2%, primarily driven by higher Block Hours, increased wages for crew and hiring additional employees to support our new aircraft.

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Maintenance, materials and repairs decreased by $2.7 million, or 1.6%, driven by a reduction in maintenance expense of $27.8 million for 747-200 aircraft, partially offset by increases of $11.0 million for 747-400 aircraft and $14.1 million for other aircraft. Heavy Maintenance expense on 747-400 aircraft increased approximately $3.5 million due to an increase in the number of C Checks and additional maintenance expense on engines, partially offset by a reduction in D Checks compared to 2011. Heavy Maintenance expense on 747-200 aircraft decreased approximately $16.5 million due to the retirement of this fleet during the first quarter of 2012. Non-heavy Maintenance expense on 747-400 aircraft decreased $1.2 million. Line Maintenance expense increased $8.7 million for 747-400 aircraft and $14.1 million for 747-8F and 767 aircraft. Line Maintenance expense decreased $11.3 million on 747-200 aircraft due to the retirement of this fleet during the first quarter of 2012. The following table compares our heavy maintenance events and engine overhauls for 2012 and 2011:

Heavy Maintenance Events	2012	2011	Increase / (Decrease)
747-400 C Checks	11	6	5
747-400 D Checks	3	5	(2)
747-200 C Checks		4	(4)
CF6-80 engine overhauls	14	12	2
CF6-50 engine overhauls		2	(2)

Aircraft rent decreased $4.4 million, or 2.8%, primarily due to subcontracting certain Commercial Charter and AMC flights with our ACMI customers during the second and third quarters of 2012, partially offset by the purchase of engines in 2012 that were previously leased.

Navigation fees, landing fees and other rent increased $16.9 million, or 30.9%, primarily due to increased flying during 2012.

Depreciation and amortization increased $23.1, or 58.8%, primarily due to additional operating aircraft in 2012.

Passenger and ground handling services increased $38.4 million, or 122.1%, primarily due to increased AMC passenger catering and contract services for flight attendants related to increased passenger flying, which began in May 2011. We reclassified passenger catering and contract services for flight attendants from Other operating expenses to Passenger and ground handling services and reclassified previously reported amounts to conform to the current period s presentation.

Travel increased $12.4 million, or 28.2%, primarily due to increased travel for flight attendants and pilots related to increased flying during 2012.

Gain on disposal of aircraft resulted from the sale of retired 747-200 airframes and engines during 2012.

Special charge in 2011 represents a fleet retirement charge of $5.4 million, related to employee termination benefits and the write-down of the 747-200 fleet, including related engines, rotable inventory, expendable parts and other equipment to their estimated fair value or scrap value, as appropriate. See Note 4 to our Financial Statements.

Other increased $16.0 million, or 16.9%, primarily due to increases in commissions for higher AMC Charter Revenue, taxes on domestic passenger flights and increased insurance due to additional operating aircraft.

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Non-operating Expenses (Income)

The following table compares our Non-operating Expenses (Income) (in thousands):

	2012	2011	Increase / (Decrease)	Percent Change
Non-operating Expenses (Income)				
Interest income	$ (19,636)	$ (20,193)	$ (557)	(2.8)%
Interest expense	64,532	42,120	22,412	53.2%
Capitalized interest	(18,727)	(27,636)	(8,909)	(32.2)%
Loss on early extinguishment of debt	576		576	NM
Other expense (income), net	(5,529)	(180)	5,349	NM

Interest expense increased $22.4 million, or 53.2%, primarily due to an increase in our average debt balances related to the financing of three 747-8F aircraft during the fourth quarter of 2011 and four 747-8F aircraft throughout 2012.

Capitalized interest decreased $8.9 million, or 32.2%, resulting from 747-8F aircraft that entered service.

Other expense (income), net increased $5.3 million, primarily due to an insurance gain of $6.3 million related to flood damage at a warehouse in 2012, partially offset by an unrealized loss on a foreign currency denominated deposit in Brazil (see Note 12 to our Financial Statements).

Income taxes. Our effective income tax rates were 36.8% in 2012 and 38.6% in 2011. During 2012, we resolved income tax examinations in Hong Kong for the periods 2001 through 2010. In addition, the statute of limitations expired for certain income tax benefits claimed on our U.S. federal income tax returns for prior periods. Both of these items favorably impacted the effective income tax rate for 2012.

Segments

The following table compares the Direct Contribution for our reportable segments (see Note 11 to our Financial Statements for the reconciliation to Operating income) (in thousands):

	2012	2011	Increase / (Decrease)	Percent Change
Direct Contribution:				
ACMI	$ 191,497	$ 148,320	$ 43,177	29.1%
AMC Charter	99,591	86,962	12,629	14.5%
Commercial Charter	32,079	40,200	(8,121)	(20.2)%
Dry Leasing	4,598	4,631	(33)	(0.7)%
Total Direct Contribution	$ 327,765	$ 280,113	$ 47,652	17.0%
Unallocated income and expenses	$ 124,331	$ 118,047	$ 6,284	5.3%

ACMI Segment

Direct Contribution related to the ACMI segment increased $43.2 million, or 29.1%, primarily due to higher profitability on our new 747-8F aircraft and increased CMI flying for Boeing and DHL during 2012. Partially offsetting these improvements was an increase in crew costs.

AMC Charter Segment

Direct Contribution related to the AMC Charter segment increased $12.6 million, or 14.5%, primarily due to increased passenger Block Hours, as well as lower Heavy Maintenance from the deployment of 747-400 aircraft

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into this segment in place of 747-200 aircraft flown during 2011. Partially offsetting these items was a decrease in cargo Block Hours resulting from lower AMC cargo demand, a reduction in the number of one-way AMC missions and increases in crew costs and volume-driven operating expenses. In addition, AMC Charter Direct Contribution was negatively impacted by increases in aircraft ownership costs from the deployment of 747-400 aircraft into this segment in place of 747-200 aircraft.

Commercial Charter Segment

Direct Contribution related to the Commercial Charter segment decreased $8.1 million, or 20.2%, primarily due to a reduction in Revenue per Block Hour driven by an increase in global air cargo capacity combined with softer demand, a reduction in Commercial Charter return legs due to fewer AMC one-way missions and the higher cost of operating an inefficient 747-200 fleet size during the first quarter of 2012. Partially offsetting these items was an increase in Block Hours, primarily due to the redeployment of 747-400 aircraft from ACMI during remarketing periods and deployment of an additional 747-400 cargo aircraft in South America. In addition, Commercial Charter Direct Contribution was negatively impacted by increases in aircraft ownership costs (from the deployment of 747-400 aircraft into this segment in place of 747-200 aircraft) and higher crew costs.

Dry Leasing Segment

Direct Contribution related to the Dry Leasing segment was relatively unchanged.

Unallocated income and expenses

Unallocated income and expenses increased $6.3 million, or 5.3%, primarily due to a reduction in capitalized interest on 747-8F aircraft that entered service, an increase in ground staff costs to support the expansion of our aircraft operating fleet and incremental employee costs related to the retirement of our 747-200 fleet, partially offset by a reduction in pre-operating expense related to the introduction of new aircraft types in 2011 and an insurance gain related to flood damage at a warehouse in 2012.

Reconciliation of GAAP to non-GAAP Financial Measures

To supplement our Financial Statements presented in accordance with accounting principles generally accepted in the United States of America (GAAP), we present certain non-GAAP financial measures to assist in the evaluation of our business performance. These non-GAAP financial measures include Adjusted Net Income Attributable to Common Stockholders and adjusted diluted earnings per share (Adjusted Diluted EPS), which exclude certain items that impact year-over-year comparisons of our results. These non-GAAP financial measures may not be comparable to similarly titled measures used by other companies and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

We use these non-GAAP financial measures in assessing the performance of our ongoing operations and in planning and forecasting future periods. We believe that these adjusted measures provide meaningful information to assist investors and analysts in understanding our business results and assessing our prospects for future performance.

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The following is a reconciliation of Net Income Attributable to Common Stockholders and Diluted EPS to the corresponding non-GAAP financial measures (in thousands, except per share data):

	2013	2012	Percent Change
Net Income Attributable to Common Stockholders	$ 93,837	$ 129,927	(27.8%)
After-tax impact from:			
Special charge (a)	11,714		
Loss on early extinguishment of debt (b)	5,160	367	
Fleet retirement costs (c)		2,252	
ETI tax benefit	(14,160)		
Insurance gain (d)		(4,032)	
Loss (gain) on disposal of aircraft	224	(1,540)	
Adjusted Net Income Attributable to Common Stockholders	$ 96,775	$ 126,974	(23.8%)
Diluted EPS	$ 3.66	$ 4.89	(25.2%)
After-tax impact from:			
Special charge (a)	0.46		
Loss on early extinguishment of debt (b)	0.20	0.01	
Fleet retirement costs (c)		0.08	
ETI tax benefit	(0.55)		
Insurance gain (d)		(0.15)	
Loss (gain) on disposal of aircraft	0.01	(0.06)	
Adjusted Diluted EPS	$ 3.78	$ 4.78	(20.9%)

	2012	2011	Percent Change
Net Income Attributable to Common Stockholders	$ 129,927	$ 96,083	35.2%
After-tax impact from:			
Fleet retirement costs (c)	2,252		
Pre-operating expenses (e)		9,455	
Special charge (a)		3,466	
Loss on early extinguishment of debt	367		
Insurance gain (d)	(4,032)		
Gain on disposal of aircraft	(1,540)	(232)	
Adjusted Net Income Attributable to Common Stockholders	$ 126,974	$ 108,772	16.7%
Diluted EPS	$ 4.89	$ 3.64	34.3%
After-tax impact from:			
Fleet retirement costs (c)	0.08		
Pre-operating expenses (e)		0.36	
Special charge (a)		0.13	
Loss on early extinguishment of debt	0.01		
Insurance gain (d)	(0.15)		
Gain on disposal of aircraft	(0.06)	(0.01)	
Adjusted Diluted EPS	$ 4.78	$ 4.12	16.0%

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Items do not sum due to rounding.

a) Included in Special charge in 2013 were lease termination charges related to two leased 747-400BCFs and an impairment charge for a customer relationship intangible asset. Included in Special charge in 2011 were asset impairment and employee termination charges related to the retirement of the 747-200 fleet.

b) Loss on early extinguishment of debt was related to the financing of 747-8F and 777-200LRF aircraft.

c) Fleet retirement costs included incremental employee costs related to the retirement of our 747-200 fleet.

d) Insurance gain was related to flood damage at a warehouse.

e) Pre-operating expenses in 2011 were related to the introduction of new aircraft types and included incremental costs incurred due to 747-8F aircraft delivery delays.

Liquidity and Capital Resources

Significant liquidity events in 2013 were as follows:

Treasury Stock Transactions

Between February and April 2013, we repurchased 903,301 shares for $36.5 million under an accelerated share repurchase program (ASR) agreement. Between May and August 2013, we repurchased 820,276 shares for $35.6 million under a second ASR agreement. See Note 15 to our Financial Statements for a discussion of our stock repurchase program.

Debt Transactions

In January 2013, we prepaid $40.2 million for the amounts outstanding under two term loans, which were due in the third quarter of 2013.

In March 2013, we entered into a term loan for $119.5 million to finance the purchase of a 777-200LRF aircraft that is Dry Leased to a customer on a long-term basis.

In March 2013, we entered into a bridge loan for $105.4 million to finance the delivery of our eighth 747-8F aircraft.

In May 2013, we entered into a note guaranteed by the Export-Import Bank of the United States (Ex-Im Bank) for $143.0 million to finance the delivery of our ninth 747-8F aircraft.

In July 2013, we assumed a term loan for $90.5 million to finance the purchase of a 777-200LRF aircraft that is Dry Leased to a customer on a long-term basis. In September 2013, we refinanced that term loan through the issuance of fixed-rate notes.

In July 2013, we entered into a term loan for $110.0 million to finance the purchase of a 777-200LRF aircraft that is Dry Leased to a customer on a long-term basis.

Operating Activities. Net cash provided by operating activities for 2013 was $305.0 million, compared to $258.5 million for 2012. The increase primarily reflects changes in the timing of working capital.

Investing Activities. Net cash used for investing activities was $590.0 million for 2013, consisting primarily of $573.4 million of purchase deposit and delivery payments for flight equipment, which included $2.4 million of capitalized interest, and $29.5 million of core capital expenditures, excluding flight equipment. Partially offsetting these investing activities were $9.1 million of proceeds from insurance. Purchase deposit and delivery payments for flight equipment were primarily related to the purchase of two 747-8F cargo aircraft, three 777-200LRF cargo aircraft, and spare engines. All capital expenditures for 2013 were funded through working

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capital, except for the aircraft financed as discussed above. Net cash used for investing activities was $547.8 million for 2012, consisting primarily of $520.8 million of purchase deposit and delivery payments for flight equipment, which included $18.7 million of capitalized interest on our 747-8F aircraft order, $31.3 million of core capital expenditures and $6.7 million from investments in debt securities. Partially offsetting these investing activities were $4.3 million of proceeds from short-term investments, $3.3 million of proceeds from insurance and $3.2 million of proceeds from disposal of aircraft.

Financing Activities. Net cash provided by financing activities was $197.0 million for 2013, which primarily reflected the proceeds from debt issuance of $709.5 million and a $21.9 million refund from prepayments for the two ASRs, partially offset by $412.2 million of payments on debt obligations, $81.0 million related to the purchase of treasury stock, $21.9 million related to prepayments under the two ASRs and $19.8 million of debt issuance costs. The proceeds from debt issuance and payments of debt obligations reflect the refinancing of $231.0 million in term loans with two Ex-Im Bank guaranteed notes. Net cash provided by financing activities was $512.0 million for 2012, which primarily reflected the proceeds from debt issuance of $1,211.6 million, partially offset by $662.6 million of payments on debt obligations and $34.1 million of debt issuance costs. The proceeds from debt issuance and payments of debt obligations reflect the refinancing of $570.7 million in term loans under an Ex-Im Bank facility with four Ex-Im Bank guaranteed notes.

We consider Cash and cash equivalents, Short-term investments, Restricted cash and Net cash provided by operating activities to be sufficient to meet our debt and lease obligations, to fund capital expenditures for 2014 and to repurchase shares of our stock. Core capital expenditures for 2014 are expected to be approximately $50.0 million, which excludes flight equipment and capitalized interest. In January 2014, we entered into six term loans in the aggregate amount of $432.0 million to finance the purchase of three 777-200LRF aircraft that are Dry Leased to a customer on a long-term basis. In addition, we refinanced the bridge loan for our eighth 747-8F with an Ex-Im Bank guaranteed note for $140.6 million in January 2014.

We may access external sources of capital from time to time depending on our cash requirements, assessments of current and anticipated market conditions, and the after-tax cost of capital. To that end, we filed a shelf registration statement with the SEC in 2012 that enables us to sell a yet to be determined amount of debt and/or equity securities over the subsequent three years, depending on market conditions, our capital needs and other factors. Our access to capital markets can be adversely impacted by prevailing economic conditions and by financial, business and other factors, some of which are beyond our control. Additionally, our borrowing costs are affected by market conditions and may be adversely impacted by a tightening in credit markets.

Two 747-8F aircraft delivered to us in 2013 qualified for 50% bonus tax deprecation. As a result of bonus tax depreciation claimed on aircraft delivered to us, we do not expect to pay any significant U.S. federal income tax until 2017 or later. Our business operations are subject to income tax in several non-U.S. jurisdictions. We expect GSS to pay U.K. cash income taxes commensurate with its earnings. We do not expect to pay cash income taxes in any other jurisdiction for at least several years. We currently do not intend to repatriate cash from certain foreign subsidiaries that is indefinitely reinvested outside the U.S. Any repatriation of cash from these subsidiaries or certain changes in U.S. tax laws could result in additional tax expense and payment of U.S. federal and certain state taxes.

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Contractual Obligations

The table below provides details of our balances available under credit agreements and future cash contractual obligations as of December 31, 2013 (in millions):

	Available Credit	Total Obligations	Payments Due by Period 2014	2015 - 2016	2017 - 2018	Thereafter
Debt (1)	$ 151.1	$ 1,738.0	$ 266.5	$ 318.6	$ 328.0	$ 824.9
Interest on debt (2)		319.0	63.2	103.0	74.9	77.9
Aircraft operating leases		1,251.9	131.3	260.9	260.4	599.3
Other operating leases		13.7	4.6	8.2	0.3	0.6
Total Contractual Obligations	$ 151.1	$ 3,322.6	$ 465.6	$ 690.7	$ 663.6	$ 1,502.7

(1) Debt reflects gross amounts (see Note 7 to our Financial Statements for a discussion of the related unamortized discount).

(2) Amount represents interest on fixed and floating rate debt at December 31, 2013.

We maintain a non-current liability for unrecognized income tax benefits. To date, we have not resolved the ultimate cash settlement of this liability. As a result, we are not in a position to estimate with reasonable certainty the date upon which this liability would be payable.

Description of Our Debt Obligations

See Note 7 to our Financial Statements for a description of our debt obligations.

Off-Balance Sheet Arrangements

Thirteen of our forty-three operating aircraft are under operating leases (this excludes aircraft provided by CMI customers). Five are leased through trusts established specifically to purchase, finance and lease aircraft to us. These leasing entities meet the criteria for variable interest entities. All fixed price options reflect a fair market value purchase option, and as such, we are not the primary beneficiary of the leasing entities. We are generally not the primary beneficiary of the leasing entities if the lease terms are consistent with market terms at the inception of the lease and the leases do not include a residual value guarantee, fixed-price purchase option or similar feature that would obligate us to absorb decreases in value or entitle us to participate in increases in the value of the aircraft. We have not consolidated any of the aircraft-leasing trusts because we are not the primary beneficiary. In addition, we reviewed the other ten Atlas aircraft that are under operating leases but not financed through a trust and determined that none of them would be consolidated upon the application of accounting for consolidations. Our maximum exposure under all operating leases is the remaining lease payments, which amounts are reflected in the future lease commitments above and described in Note 8 to our Financial Statements.

There were no changes in our off-balance sheet arrangements during the fiscal year ended December 31, 2013.

Critical Accounting Policies and Estimates

General Discussion of Critical Accounting Policies and Estimates

An appreciation of our critical accounting policies and estimates is important to understand our financial results. Our Financial Statements are prepared in conformity with GAAP. Our critical policies require management to make estimates and judgments that affect the amounts reported. Actual results may differ significantly from those estimates. The following is a brief description of our current critical accounting policies involving significant management judgment:

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Accounting for Long-Lived Assets

We record our property and equipment at cost, and once assets are placed in service, we depreciate them on a straight-line basis over their estimated useful lives to their estimated residual values over periods not to exceed forty years for flight equipment (from date of original manufacture) and three to five years for ground equipment.

We record impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired, the undiscounted cash flows estimated to be generated by those assets are less than their carrying amount and the net book value of the assets exceeds their estimated fair value. In making these determinations, we use certain assumptions, including, but not limited to: (i) estimated fair value of the assets and (ii) estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, revenue generated, associated costs, length of service and estimated residual values. To conduct impairment testing, we group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. For flight equipment used in our ACMI, AMC Charter and Commercial Charter segments, assets are grouped at the operating fleet level. For flight equipment used in our Dry Leasing segment, assets are grouped on an individual basis.

In developing these estimates for flight equipment, we use industry data for the equipment types and our anticipated utilization of the assets.

Heavy Maintenance

We account for heavy maintenance costs for airframes and engines used in our ACMI, AMC Charter and Commercial Charter segments using the direct expense method. Under this method, heavy maintenance costs are charged to expense upon induction, based on our best estimate of the costs. This method can result in expense volatility between quarterly and annual periods, depending on the number and type of heavy maintenance events performed.

We account for heavy maintenance costs for airframes and engines used in our Dry Leasing segment using the deferral method. Under this method, we capitalize the cost of heavy maintenance events, which are depreciated on a straight-line basis over the estimated period until the next maintenance event is required.

Income Taxes

Deferred income taxes are recognized for the tax consequences of reporting items in our income tax returns at different times than the items are reflected in our financial statements. These temporary differences result in deferred tax assets and liabilities that are calculated by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. If necessary, deferred income tax assets are reduced by a valuation allowance to an amount that is determined to be more likely than not recoverable. We must make significant estimates and assumptions about future taxable income and future tax consequences when determining the amount, if any, of the valuation allowance.

In addition, we establish tax reserves when we believe that certain tax positions are subject to challenge and may not be sustained on audit. These reserves are based on subjective estimates and assumptions involving the relative filing positions and the potential exposure from audits and litigation.

Business Combinations and Intangible Assets

We account for business combinations using the purchase method. Under the purchase method, we record net assets acquired and liabilities assumed at their estimated fair value on the date of acquisition. The determination of the fair value of the assets acquired and liabilities assumed requires us to make estimates and

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assumptions that affect our financial statements. Intangible assets acquired in connection with business combinations that have finite lives are amortized over their estimated useful lives. The estimated useful lives are based on estimates of the period during which the assets are expected to generate revenue. Intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may no longer be recoverable. If an evaluation of the undiscounted future cash flows indicates impairment, the asset is written down to its estimated fair value, which is based on either its appraised value or its discounted future cash flows.

Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. We record an allowance for doubtful accounts as our best estimate of the probable amount of credit losses resulting from the inability or unwillingness of our customers to make required payments. We review the allowance at least monthly and charge off account balances when we determine that it is probable that the receivable will not be recovered.

Legal and Regulatory Matters

We are party to legal and regulatory proceedings with respect to a variety of matters. We evaluate the likelihood of an unfavorable outcome of these proceedings each quarter. Our judgments are subjective and are based on the status of the legal or regulatory proceedings, the merits of our defenses and consultation with legal counsel. Due to the inherent uncertainties of the legal and regulatory proceedings in the multiple jurisdictions in which we operate, our judgments may be different from the actual outcomes.

Recent Accounting Pronouncements

See Note 2 to our Financial Statements for a discussion of recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We currently do not hedge against foreign currency fluctuations or aircraft fuel. The potential loss arising from adverse changes to the price and availability of aircraft fuel and interest rates is discussed below. The sensitivity analyses presented herein do not consider the effects that such adverse changes might have on our overall financial performance, nor do they consider additional actions we may take to mitigate our exposure to such changes. Variable rate leases are not considered market-sensitive financial instruments and, therefore, are not included in the interest rate sensitivity analysis below.

Aircraft Fuel. Our results of operations are affected by changes in the price and availability of aircraft fuel. Market risk is estimated at a hypothetical 20% increase or decrease in the 2013 average cost per gallon of fuel. Based on actual 2013 fuel consumption for the Commercial Charter business segment, such an increase would have resulted in an increase to aircraft fuel expense of approximately $52.0 million in 2013. We have limited fuel risk on our Commercial Charter business. In the AMC Charter Segment, the contracted fuel prices are established and fixed by the AMC. We receive reimbursements from the AMC each month if the price of fuel paid by us to vendors for the AMC Charter flights exceeds the fixed price; if the price of fuel paid by us is less than the fixed price, then we pay the difference to the AMC. Therefore, we have limited exposure to changes in fuel prices in the AMC Charter Segment. ACMI and Dry Leasing do not create an aircraft fuel market risk, as the cost of fuel is borne by the customer.

Variable Interest Rates. Our earnings are affected by changes in interest rates due to the impact those changes have on interest expense from variable rate debt instruments and on interest income generated from our cash and investment balances. As of December 31, 2013, approximately $216.5 million of our debt at face value had variable interest rates. If interest rates would have increased or decreased by a hypothetical 20% in the underlying rate as of December 31, 2013, our annual interest expense would have changed in 2013 by approximately $1.3 million.

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Fixed Rate Debt. On December 31, 2013, we had approximately $1.5 billion of fixed rate long-term debt. If interest rates were 20% lower than the stated rate, the fair value of this debt would have been $64.1 million higher as of December 31, 2013.

Foreign Currency. We are exposed to market risk from changes in foreign currency exchange rates, interest rates and equity prices that could affect our results of operations and financial condition. Our largest exposure comes from the Brazilian real, the British pound and the Japanese yen.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

Atlas Air Worldwide Holdings, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Atlas Air Worldwide Holdings, Inc. and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule appearing under Item 15(a) (2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework* (1992 Edition) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey

February 12, 2014

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Atlas Air Worldwide Holdings, Inc.

Consolidated Balance Sheets

(in thousands, except share data)

	December 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 321,816	$ 409,763
Short-term investments	10,904	10,119
Restricted cash	6,491	
Accounts receivable, net of allowance of $1,402 and $3,172, respectively	132,159	127,704
Prepaid maintenance	31,620	22,293
Deferred taxes	54,001	26,390
Prepaid expenses and other current assets	36,962	36,726
Total current assets	593,953	632,995
Property and Equipment		
Flight equipment	2,969,379	2,209,782
Ground equipment	46,951	39,230
Less: accumulated depreciation	(256,685)	(185,419)
Purchase deposits for flight equipment	69,320	147,946
Property and equipment, net	2,828,965	2,211,539
Other Assets		
Long-term investments and accrued interest	130,267	140,498
Deposits and other assets	131,216	132,120
Intangible assets, net	33,858	35,533
Total Assets	$ 3,718,259	$ 3,152,685
Liabilities and Equity		
Current Liabilities		
Accounts payable	$ 65,367	$ 20,789
Accrued liabilities	194,292	152,467
Current portion of long-term debt	157,486	154,760
Total current liabilities	417,145	328,016
Other Liabilities		
Long-term debt	1,539,139	1,149,282
Deferred taxes	371,655	315,949
Other liabilities	68,195	71,334
Total other liabilities	1,978,989	1,536,565
Commitments and contingencies		
Equity		
Stockholders Equity		
Preferred stock, $1 par value; 10,000,000 shares authorized; no shares issued		
Common stock, $0.01 par value; 50,000,000 shares authorized; 28,200,213 and 27,672,924 shares issued, 25,038,629 and 26,443,441, shares outstanding (net of treasury stock), as of December 31, 2013 and December 31, 2012, respectively	282	277
Additional paid-in-capital	561,481	544,421
Treasury stock, at cost; 3,161,584 and 1,229,483 shares, respectively	(125,826)	(44,850)
Accumulated other comprehensive loss	(10,677)	(14,263)
Retained earnings	892,513	798,676
Total stockholders equity	1,317,773	1,284,261

Noncontrolling interest	4,352	3,843
Total equity	1,322,125	1,288,104
Total Liabilities and Equity	$ 3,718,259	$ 3,152,685

See accompanying Notes to Consolidated Financial Statements

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Atlas Air Worldwide Holdings, Inc.

Consolidated Statements of Operations

(in thousands, except per share data)

	For the Years Ended December 31, 2013	2012	2011
Operating Revenue			
ACMI	$ 755,008	$ 682,189	$ 632,509
AMC charter	356,340	488,063	442,725
Commercial charter	496,112	450,277	299,528
Dry leasing	35,168	11,843	9,695
Other	14,272	13,660	13,759
Total Operating Revenue	1,656,900	1,646,032	1,398,216
Operating Expenses			
Aircraft fuel	410,353	436,618	388,579
Salaries, wages and benefits	299,136	293,881	261,844
Maintenance, materials and repairs	162,972	165,069	167,749
Aircraft rent	160,415	154,968	159,362
Navigation fees, landing fees and other rent	90,733	71,698	54,786
Depreciation and amortization	86,389	62,475	39,345
Passenger and ground handling services	72,503	69,886	31,460
Travel	61,420	56,461	44,037
Loss (gain) on disposal of aircraft	351	(2,417)	(364)
Special charge	18,642		5,441
Other	107,196	110,902	94,877
Total Operating Expenses	1,470,110	1,419,541	1,247,116
Operating Income	186,790	226,491	151,100
Non-operating Expenses (Income)			
Interest income	(19,813)	(19,636)	(20,193)
Interest expense	83,659	64,532	42,120
Capitalized interest	(2,350)	(18,727)	(27,636)
Loss on early extinguishment of debt	5,518	576	
Other expense (income), net	1,954	(5,529)	(180)
Total Non-operating Expenses (Income)	68,968	21,216	(5,889)
Income before income taxes	117,822	205,275	156,989
Income tax expense	23,833	75,561	60,680
Net Income	93,989	129,714	96,309
Less: Net income (loss) attributable to noncontrolling interests	152	(213)	226
Net Income Attributable to Common Stockholders	$ 93,837	$ 129,927	$ 96,083
Earnings per share:			
Basic	$ 3.67	$ 4.92	$ 3.66

Diluted	$ 3.66	$ 4.89	$ 3.64
Weighted average shares:			
Basic	25,541	26,419	26,227
Diluted	25,627	26,549	26,422

See accompanying Notes to Consolidated Financial Statements

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Atlas Air Worldwide Holdings, Inc.

Consolidated Statements of Comprehensive Income

(in thousands)

	For the Years Ended December 31,		
	2013	**2012**	**2011**
Net Income	$ 93,989	$ 129,714	$ 96,309
Other comprehensive income (loss):			
Interest rate derivatives:			
Net change in fair value	1,386	(713)	(24,887)
Reclassification into earnings	3,064	2,652	
Income tax benefit (expense)	(1,207)	(704)	9,034
Foreign currency translation:			
Translation adjustment	700	256	(42)
Income tax benefit (expense)		122	22
Accumulated Postretirement Benefit Obligation:			
Amortization			(442)
Income tax benefit (expense)			164
Other comprehensive income (loss)	3,943	1,613	(16,151)
Comprehensive Income	97,932	131,327	80,158
Less: Comprehensive income (loss) attributable to noncontrolling interests	509	(20)	216
Comprehensive Income Attributable to Common Stockholders	$ 97,423	$ 131,347	$ 79,942

See accompanying Notes to Consolidated Financial Statements

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Atlas Air Worldwide Holdings, Inc.

Consolidated Statements of Cash Flows

(in thousands)

	For the Years Ended December 31,		
	2013	2012	2011
Operating Activities:			
Net Income Attributable to Common Stockholders	$ 93,837	$ 129,927	$ 96,083
Net income (loss) attributable to noncontrolling interests	152	(213)	226
Net Income	93,989	129,714	96,309
Adjustments to reconcile Net Income to net cash provided by operating activities:			
Depreciation and amortization	101,671	72,194	47,313
Accretion of debt securities discount	(8,889)	(8,560)	(8,341)
Provision for allowance for doubtful accounts	178	837	335
Special charge	18,642		5,441
Loss on early extinguishment of debt	5,518	576	
Loss (gain) on disposal of aircraft	351		