ATLAS AIR WORLDWIDE HOLDINGS INC
Form 10-K
February 18, 2016
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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, DC 20549**

# FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended December 31, 2015**

**OR**

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 001-16545**

## Atlas Air Worldwide Holdings, Inc.

*(Exact name of registrant as specified in its charter)*

| **Delaware** | **13-4146982** |
|---|---|
| *(State or other jurisdiction of incorporation or organization)* | *(IRS Employer Identification No.)* |
| **2000 Westchester Avenue,** | **10577** |
| **Purchase, New York** | *(Zip Code)* |
| *(Address of principal executive offices)* | |

Registrant s telephone number, including area code: **(914) 701-8000**

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

| **Title of Each Class** | **Name of Each Exchange on Which Registered** |
|---|---|
| **Common Stock, $0.01 Par Value** | **The NASDAQ Global Select Market** |

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:**

None

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form l0-K or any amendment to this Form 10-K. x

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the registrant s Common Stock held by non-affiliates based upon the closing price of Common Stock as reported on The NASDAQ Global Select Market as of June 30, 2015 was approximately $1,139,283,867. In determining this figure, the registrant has assumed that all directors, executive officers and persons known to it to beneficially own ten percent or more of such Common Stock are affiliates. This assumption shall not be deemed conclusive for any other purpose. As of February 11, 2016, there were 24,636,651 shares of the registrant s Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Certain portions of the registrant s Proxy Statement relating to the 2016 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission, are incorporated by reference into Part III.

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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 or usage intervals, including, but not limited to, C Checks, D Checks and engine overhauls. In addition, unscheduled engine repairs involving the removal of the engine from the aircraft are considered to be Heavy Maintenance. Heavy Maintenance can generally take from one to eight weeks to complete. |
| 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, including landing gear, auxiliary power units and engine thrust reversers. |
| 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 wholly owned operating subsidiary, Atlas Air, Inc. ( Atlas ). It also 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 AAWW and all entities in our consolidated financial statements.

We are a leading global provider of outsourced aircraft and aviation operating services, operating the world s largest fleet of 747 freighters, as well as operating 747 and 767 passenger aircraft and 767 freighters. We also own and dry lease a portfolio of aircraft, including six 777 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. In addition, customers are responsible for landing, navigation and most other operational fees and costs;

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, but not the aircraft. Customers assume fuel, demand and Yield risk. In addition, customers are responsible for landing, navigation and most other operational fees and costs;

Charter, whereby we provide cargo and passenger aircraft charter services to customers, including the U.S. Military Air Mobility Command ( AMC ), brokers, freight forwarders, direct shippers, airlines, sports teams and fans, and private charter customers. The customer pays a fixed charter fee that includes fuel, insurance, landing fees, navigation fees and most other operational fees and costs; and

Dry Leasing, whereby we provide cargo and passenger aircraft and engine leasing solutions. The customer operates, and is responsible for insuring and maintaining, the flight equipment.

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 in the markets we operate.

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We are focused on the further enhancement of our market-leading ACMI position. We are currently the only operator offering 747-8F aircraft to the ACMI market and we have the flexibility to expand our fleet in response to market conditions. In November 2015, we purchased and took delivery of our 10th 747-8F aircraft which we placed in Charter service until its placement with an ACMI customer. 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.

Our Dry Leasing business is primarily focused on a portfolio of six 777-200LRF aircraft that are Dry Leased to customers on a long-term basis. The 777 freighters further diversify our business mix and enhance our predictable, long-term revenue and earnings streams. During 2015, we expanded our Dry Leasing portfolio through the acquisition of two 767-300 passenger aircraft that have been converted to freighters. One entered service in December 2015, while the other will enter service during the first quarter of 2016. Both aircraft are subject to long-term Dry Lease and CMI agreements.

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.

**Recent Developments**

On January 15, 2016, we entered into an Agreement and Plan of Merger to acquire Southern Air Holdings, Inc., ( Southern Air ) (the Merger ). Total consideration valued at approximately $110.0 million is expected to be paid using available cash on hand, subject to customary working capital and other adjustments. The acquisition of Southern Air provides us with immediate entry into 777 and 737 aircraft operating platforms, with the potential for developing additional business with existing and new customers of both companies. The platforms provided by these aircraft will augment our ability to offer customers the broadest array of aircraft and operating services for domestic, regional and international applications. Southern Air currently flies five 777-200F and five 737-400F aircraft under CMI agreements for DHL Express. The Merger is expected to close during the first half of 2016 and is subject to customary closing conditions including, but not limited to, approval by the U.S. Department of Transportation (the DOT ).

**Operations**

*Introduction.* Our business is organized into three operating segments based on our service offerings: ACMI, Charter and Dry Leasing. All segments are directly or indirectly engaged in the business of air transportation services but have different commercial and economic characteristics. Each operating segment is separately reviewed by our chief operating decision maker to assess operating results and make resource allocation decisions. Additional 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.* The core of our business is providing cargo aircraft outsourcing services to customers on an ACMI and CMI basis in exchange for guaranteed minimum revenues at predetermined levels of operation for defined periods of time. ACMI and CMI contracts provide 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 revenues and most of our costs under ACMI and CMI contracts are denominated in U.S. dollars, minimizing currency risks associated with international business.

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 periodic approvals of the U.S. or foreign governments. Revenue from ACMI and CMI contracts is typically recognized as the Block Hours are operated on behalf of a customer during a given month, as defined contractually. If a customer flies below the minimum contracted Block Hour

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guarantee, the contracted minimum revenue amounts are recognized as revenue. 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.

As a percentage of our operating revenue, ACMI segment revenue represented 43.4% in 2015, 43.2% in 2014 and 45.6% in 2013. As a percentage of our operated Block Hours, ACMI represented 70.9% in 2015, 71.4% in 2014 and 72.6% in 2013.

*Charter.* Our Charter business primarily provides full planeload cargo and passenger aircraft to customers, including the AMC, brokers, freight forwarders, direct shippers, airlines, sports teams and fans, and private charter customers. Charters are for one or more flights based on a specific origin and destination. Atlas also provides limited airport-to-airport cargo services to select markets, including several cities in South America. In addition, we earn revenue on subcontracted Charter flights. Atlas typically bears all direct operating costs for both cargo and passenger charters, which include fuel, insurance, landing and navigation fees, and most other operational fees and costs.

As a percentage of our operating revenue, Charter segment revenue, which includes fuel and other operational costs, represented 49.9% in 2015, 50.4% in 2014 and 51.4% in 2013. As a percentage of our operated Block Hours, Charter represented 28.2% in 2015, 27.7% in 2014 and 26.7% in 2013.

*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 (a Dry Lease ). 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 segment revenue represented 5.9% in 2015, 5.6% in 2014 and 2.1% in 2013.

*Other Revenue.* As a percentage of our operating revenue, Other revenue represented 0.8% in 2015, 0.8% in 2014 and 0.9% in 2013.

**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 that expires in 2027 (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 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 transpacific express network and DHL provides financial support and also assumes the risks and rewards of the operations of Polar. In addition to transpacific routes, Polar also flies between the Asia Pacific region, the Middle East and Europe on behalf of DHL and other customers.

Polar operates six 747-400 freighter aircraft and four 747-8F aircraft that are subleased from us. Atlas operates two additional 747-8F and one additional 747-400 aircraft to support the Polar network and DHL

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through commercial agreements whereby Atlas provides ACMI services to Polar. As such, we have a total of seven 747-400 freighter aircraft and six 747-8F aircraft in ACMI service for DHL and Polar. Atlas also provides incremental charter capacity to Polar on an ad hoc basis.

We fly CMI service for three 767-300 aircraft, two of which are owned by DHL and one that is Dry Leased by Titan to DHL, and nine 767-200 freighters owned by DHL. The twelve 767 CMI aircraft support both DHL s North American and intra-Asian networks.

**Long-Term Revenue Commitments**

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

| | |
|---|---|
| 2016 | $ 484,750 |
| 2017 | 335,237 |
| 2018 | 247,263 |
| 2019 | 119,957 |
| 2020 | 90,710 |
| Thereafter | 186,936 |
| Total | $ 1,464,853 |

**Sales and Marketing**

We have regional sales offices in various locations, including the United States, Hong Kong, England and Singapore, which cover the Americas, Asia Pacific, Europe, Africa and the Middle East. These offices market our ACMI, CMI and Dry Leasing services directly to other airlines and logistics companies. They also market our cargo and passenger Charter services to charter brokers, the U.S. military, freight forwarders, direct shippers and airlines.

**Fuel**

Historically, aircraft fuel is one of the most significant expenses for us. During 2015, 2014 and 2013, fuel costs represented 19.6%, 24.9%, and 27.9%, 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:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Gallons consumed (in thousands) | 147,081 | 131,787 | 124,949 |
| Average price per gallon, including tax | $ 2.27 | $ 3.07 | $ 3.28 |
| Cost (in thousands) | $ 333,390 | $ 404,263 | $ 410,353 |

Our exposure to fluctuations in fuel price is limited to the commercial portion of our Charter business only. For this business, we shift a portion of the burden of price increases to commercial customers by imposing a surcharge, when applicable. While we believe that fuel price volatility is partly reduced as a result of fuel surcharges, these surcharges do not completely offset the impact of any underlying increases in fuel prices in our 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 for AMC charters because the price is set under our contract with the AMC, and we receive or make payments to adjust for price increases and decreases from the contractual rate.

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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 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 20.7% in 2015, 19.2% in 2014 and 20.3% in 2013. As of December 31, 2015, we had 1,998 employees, 1,185 of whom were pilots. We maintain a comprehensive training program for our pilots in compliance with U.S. Federal Aviation Administration ( 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 60.3% of our workforce as of December 31, 2015. 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.

We have a five-year collective bargaining agreement with our pilots, which will become amendable in September 2016. The terms of the agreement provide for a single pilot workforce that serves both Atlas and Polar.

We have a five-year collective bargaining agreement with the Atlas and Polar dispatchers, which will become amendable in November 2017.

**Maintenance**

Maintenance represented our third-largest operating expense for the year ended December 31, 2015. Primary maintenance activities include scheduled and unscheduled work on airframes and engines. Scheduled maintenance activities encompass those activities specified in our maintenance program approved by the FAA. The costs necessary to adhere to these maintenance programs may increase over time, based on the age of the equipment or due to FAA airworthiness directives ( ADs ).

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. The FAA 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.

Under our FAA-approved maintenance programs, all Heavy Maintenance is 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.

**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; injury

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to crewmembers and ground staff; damage to our property and that of others; and loss of, or damage to, flight equipment, whether on the ground or in flight.

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. 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 participate in an insurance pooling arrangement with DHL and its partners. This allows us to obtain aviation hull and liability, war-risk hull and cargo loss, crew, third-party liability insurance and hull deductible coverage at reduced rates from the commercial insurance providers. If we are no longer included in this arrangement for any reason or if pool members have coverage incidents, we may incur higher insurance costs.

**Governmental Regulation**

*General*. Atlas and Polar are subject to regulation by 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 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 property and mail on a worldwide basis. Atlas additionally holds worldwide passenger charter authority.

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.

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.

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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 the pilots of United Parcel Service, Inc. ( UPS ), have filed a judicial appeal, in which they are challenging the FAA decision not to include all-cargo operations in the rule. On December 8, 2014, after completing a supplemental analysis, the FAA issued a final supplemental regulatory evaluation showing an even greater disparity between costs and benefits than an initial analysis. The appeal is still pending and a decision is expected in 2016. Should the appeal be successful or should the FAA decide either on its own initiative or pursuant to Congressional directive to change the final rule to include all-cargo operations, it could result in a material increase in 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 and Polar operate) is subject to extensive additional regulation. The ability of Atlas and Polar 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 principles of reciprocity. Sometimes, 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.

*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 and has proposed to place limits on Charter flights.

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

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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 utilize the TSA, the intelligence community and the private sector as sources for our aggressive threat-based risk-management program. There can be no assurance, however, that we will remain in compliance with existing or 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. We have successfully implemented all European Commission security programs allowing us unimpeded access to European markets.

*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 nonbinding agreement to address climate change by developing global-market-based measures to assist in achieving carbon-neutral growth beginning in 2020. The ICAO is directing the effort in the hope of securing a definitive agreement in 2016. Additionally, the EU continues to pursue a parallel track through its Emissions Trading Scheme ( ETS ), which, in recognition of the ongoing ICAO effort, has been suspended with respect to flights to/from the EU and currently applies only to intra-EU flying. Following the end of every year, to the extent the ETS applies, each airline must tender the number of carbon emissions allowances ( 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 Allowances that it has been awarded, the airline must acquire Allowances from other airlines in the open market. There can be no assurance that the EU will maintain the current suspension of the ETS to all flights except intra-EU flying or that the ICAO will not ultimately adopt a similarly costly measure.

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.

*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

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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.* As part of our Charter business, Atlas and Polar both participate in the U.S. Civil Reserve Air Fleet ( 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. Under the CRAF Program, contracts with the AMC 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-based 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 periodically. 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.

*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 and CMI services is competitive. We believe that the most important basis for competition in this 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 ACMI and CMI providers for 747-400 and 767 aircraft include the following: Atlas; Air Atlanta Icelandic; Air Transport Services Group, Inc.; Kalitta Air, LLC; Nippon Cargo Airlines; and Western Global Airlines. As previously noted, Southern Air operates 777 aircraft in the CMI market.

The Charter market is competitive, with a number of cargo operators that include Cargolux; Kalitta Air, LLC; Nippon Cargo Airline; National Air Cargo; 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 Charter market for 747-400 aircraft not otherwise deployed in our ACMI business.

The Dry Leasing business is also 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.

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Our primary competitors in the aircraft leasing market include GE Capital Aviation Services; AWAS; Guggenheim Aviation Partners, LLC; CIT Aerospace; Aviation Capital Group Corp.; Aircastle Ltd.; AerCap Holdings N.V.; Fly Leasing; and RBS Aviation Capital, among many others.

**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.

## 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**

***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, which remain volatile. If demand for our services, Yields or lease rates deteriorate, it could have a material adverse effect on our business, results of operations and financial condition.

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 or to repay our debt when it matures. 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 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

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under one or more of our existing contracts. The loss of revenue resulting from any such business interruption, and the cost and potentially 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 financial condition may suffer if we experience unanticipated costs as a result of ongoing lawsuits, claims and investigations related to alleged pricing practices.***

In the United Kingdom, several groups of named claimants have brought suit against British Airways Plc ( British Airways ) in connection with alleged improper matters related to the use of fuel surcharges and other rate components for air cargo services and are seeking damages allegedly arising from that conduct. British Airways has filed claims in the lawsuit against Polar Air Cargo LLC ( Old Polar ), formerly Polar Air Cargo, Inc., and other carriers for contribution should British Airways be found liable to claimants.

In the Netherlands, Stichting Cartel Compensation, successor in interest to claims of various shippers, has filed suit in the district court in Amsterdam against British Airways, KLM, Martinair, Air France, Lufthansa and Singapore Airlines seeking recovery for damages purportedly arising from the same pricing practices at issue in the proceeding described above. In response, British Airways, KLM, Martinair, Air France and Lufthansa filed third-party indemnification lawsuits against Old Polar and Polar seeking indemnification in the event the defendants are found to be liable in the main proceedings.

If Old Polar, Polar or the Company were to incur an unfavorable outcome in the litigation described above or in similar litigation or a related investigation, it could have a material adverse effect on our business, results of operations and financial condition.

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, including our ACMI customers business, experiences 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 most of December. Our ACMI and CMI 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 and CMI 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.

***The Southern Air acquisition is subject to DOT approvals and authorizations, which may not be granted on a timely basis or at all.***

The Southern Air acquisition is subject to DOT approvals and authorizations, which may not be granted on a timely basis or at all. We have agreed in the Merger agreement to use commercially reasonable efforts, subject to certain limitations, to obtain the required authorizations and approvals. Failure to obtain the required approvals and authorizations on a timely basis, or at all, could reduce the anticipated benefits of the acquisition and negatively impact the market price of our common stock.

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***We may fail to realize the benefits of or successfully integrate the planned acquisition of Southern Air, which could adversely affect our business, results of operations and financial condition, including the market price of our common stock.***

Realization of the anticipated benefits of the Southern Air acquisition will depend, among other things, upon our ability to integrate the acquired business successfully with our other operations in a timely manner. However, there can be no assurance that the Southern Air acquisition will provide the benefits that we anticipated when we entered into the Agreement and Plan of Merger.

In addition, the Southern Air acquisition may expose us to operational challenges and risks, which could cause actual results to differ materially from anticipated results, including but not limited to: the diversion of management s attention from our existing business; the assumption of unknown liabilities of the acquired business; the potential impairment of acquired identifiable intangible assets, including goodwill; the ability to effectively operate the 777 and 737 platforms or grow our business; the ability of the companies to maintain contracts that are important to our operations; the ability of the companies to fund and execute our business plans; our ability to attract, motivate and retain key employees; and our ability to attract and retain customers. If we fail to realize the benefits described above or successfully integrate the acquisition of Southern Air, it could adversely affect our business, results of operations and financial condition, including the market price of our common stock.

***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, add costs to 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 availability and price volatility 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 Charter operations.

In addition, while our ACMI and CMI 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 nonunionized competitors. This could put us at a competitive disadvantage and/or result in a work interruption or stoppage.***

Our pilots are represented by the IBT under a five-year collective bargaining agreement signed in 2011, which becomes amendable in September 2016. Our dispatchers are represented by the IBT under a five-year collective bargaining agreement signed in 2012, which becomes amendable in November 2017. 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. Adverse events involving aircraft could result in increased insurance costs and could affect the price and availability of such coverage.

We participate in an insurance pooling arrangement with DHL and its partners. This allows us to obtain aviation hull and liability, war-risk hull and cargo loss, crew, third-party liability and hull deductible coverage at reduced rates from the commercial insurance providers. If we are no longer included in this arrangement for any reason or if 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, including coverage for weapons of mass destruction.

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.

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***We rely on third parties to provide certain essential services. 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 quality 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, computer viruses, security breaches and cyber attacks. We have taken numerous steps to implement business resiliency and cybersecurity 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.

***Our ability to utilize net operating loss carryforwards for U.S. income tax purposes may be limited. In addition, we operate in multiple jurisdictions and may become subject to a wide range of income and other taxes.***

As of December 31, 2015, we had $951.6 million of federal net operating loss carryforwards for U.S. income tax purposes, net of unrecognized tax benefits and valuation allowance, which will expire through 2035, if not utilized. Section 382 of the Internal Revenue Code ( Section 382 ) imposes an annual limitation on the amount of a corporation s U.S. federal taxable income that can be offset by net operating losses ( NOLs ) if it experiences an ownership change , as defined by Section 382. We experienced ownership changes, as defined by Section 382, in 2004 and 2009. Accordingly, the use of our NOLs generated prior to these ownership changes is subject to an annual limitation. If certain changes in our ownership occur prospectively, there could be an additional annual limitation on the amount of utilizable carryforwards, which could have a material adverse impact on our business, results of operations and financial condition.

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We operate in multiple jurisdictions and may become subject to a wide range of income and other taxes. If our operations become subject to significant income and other taxes, this could have a material adverse impact on our business, results of operations and financial condition.

**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 21.9% in 2015, 18.1% in 2014 and 17.8% in 2013. We typically enter into long-term ACMI and CMI 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 or CMI customers may not renew their 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 notice to allow for remarketing of the aircraft.

Entering into ACMI and CMI contracts with new customers generally requires a long sales cycle, and as a result, if our 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 and CMI 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 and CMI 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 with DHL 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, which was October 27, 2008. 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 Charter Business**

***We derive a significant portion of our revenues from the AMC, and a substantial portion of these revenues have been generated pursuant to expansion flying, as opposed to fixed contract arrangements with the AMC. Revenues from the AMC are volatile and may decline from current levels.***

As a percentage of our total operating revenue, revenue derived from the AMC was approximately 23.0% in 2015, 18.7% in 2014 and 21.5% in 2013. 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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Revenues from the AMC are typically derived from one-year contracts. Our AMC contract generally runs from October 1 through September 30 of each year. Changes in national and international political priorities can significantly affect the volume of business from the AMC. Any decrease in U.S. military activity could reduce revenue from the AMC. In addition, our share of the total business from the AMC 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 AMC demand volatility, it has 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 biannual AMC audits, revenues from our business with the AMC could decline through a suspension or termination of our AMC contract. Our revenues 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 Charter revenue from commercial customers for trips related to one-way AMC missions. We expect revenues and profitability from our business with the AMC to continue to remain volatile as the U.S. military continues to move troops and cargo to and 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 business with the AMC is sensitive to teaming arrangements which affect our relative share of AMC flying and the associated revenue. If one of our team members reduces its commitments or withdraws from the program, or if other carriers on other teams commit additional aircraft, our share of AMC flying may decline. In addition, any changes made to the commissions that we pay or receive for AMC flying or changes to the contracting mechanism could impact the revenues or profitability of this business.***

Each year, the AMC allocates its air capacity requirements to different teams of 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 program. We participate in the program through a teaming arrangement with other airlines, led by FedEx. Our team is one of two major teams participating in the 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 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 by us or other members of our team; or
- increased participation of other carriers on other teams.

Any changes 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.

**Risks Related to Our Dry Leasing Business**

***Any default by our Dry Lease customers, including (but not limited to) failure to make timely payments or failure to properly maintain our aircraft, could adversely affect our financial results***

Our Dry Leasing business depends on the ability of our customers to satisfy their obligations under our leases, which may be affected by factors outside our control, including but not limited to: supply and demand of aircraft; competition; economic conditions; the price and availability of jet fuel; government regulations; the availability and cost of financing; and their overall financial condition and cash flow. Any default by our customers can result in reduced cash flow, termination of the lease and repossession of the related aircraft, any of which could have a material adverse effect on our business, results of operations and financial condition.

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Dry Leasing customers are primarily responsible for maintaining our aircraft. Although we require many of our customers to pay us supplemental maintenance revenue, failure of a customer to perform required maintenance during the lease term could result in higher maintenance costs, a decrease in the value of our aircraft, the inability to re-lease aircraft at favorable rates, if at all, or impairment charges, which could have a material adverse effect on our business, results of operations and financial condition.

**RISKS RELATED TO OUR INDUSTRY**

***The market for air cargo services is 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 in which we participate is 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. 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 customers 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 customers 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.

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Foreign governments also place temporal and other restrictions on the ability of their own airlines to use aircraft operated by other airlines. For example, the European Aviation Safety Agency ( EASA ) requires that the aircraft capacity secured from and operated by 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 nonbinding agreement to address climate change by developing global-market-based measures to assist in achieving carbon-neutral growth beginning in 2020. The ICAO is directing the effort in the hope of securing a definitive agreement in 2016. If an agreement is reached, it may result in the imposition of additional costs related to aviation carbon emissions after 2020. Additionally, the EU continues to pursue a parallel track through its ETS, which, in recognition of the ongoing ICAO effort, has been suspended with respect to flights to/from the EU and currently applies only to intra-EU flying. Following the end of every year, to the extent the ETS applies, each airline must tender the number of 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 additional allowances from other airlines in the open market. There can be no assurance that the EU will maintain the current suspension of the ETS to all flights except intra-EU flying or that the ICAO will not ultimately adopt a similarly costly measure.

In the U.S., 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 proposed certain findings under the Clean Air Act 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 if FAA flight and duty time rules are expanded to apply to all-cargo operations.***

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 and applies to our passenger operations but not to our all-cargo operations.

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The Independent Pilots Association, representing the pilots of UPS, has filed a judicial appeal, in which they are challenging the FAA decision not to include all-cargo operations in the rule. On December 8, 2014, after completing a supplemental analysis, the FAA issued a final supplemental regulatory evaluation showing an even greater disparity between costs and benefits. The appeal is still pending and a decision is expected in 2016. Should the appeal be successful or should the FAA decide either on its own initiative or pursuant to Congressional directive to change the final rule to include all-cargo operations, it could result in a material increase in our crew costs. 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.

**RISKS RELATED TO OUR DEBT**

***Our substantial lease and debt obligations, including aircraft leases 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 vulnerable to adverse economic events.***

As of December 31, 2015, we had total debt obligations of approximately $2.0 billion and total aircraft operating leases and other lease obligations of $1.0 billion. These obligations 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;

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.

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***We may not have the ability to raise the funds necessary to settle conversions of our convertible notes or to repurchase the convertible notes upon either a fundamental change or a make-whole fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the convertible notes.***

We issued convertible senior notes in June 2015 (the Convertible Notes ), which contain conditional conversion features that allow the holders of the Convertible Notes the option to convert if certain trading conditions are met or upon the occurrence of specified corporate events. In the event a conditional conversion feature of the Convertible Notes is triggered, holders of Convertible Notes will be entitled to convert the Convertible Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes as current on the balance sheet instead of as noncurrent, which could result in a material reduction of our net working capital.

The holders of the Convertible Notes also may require us to repurchase their Convertible Notes upon the occurrence of a fundamental change (as defined in the indenture governing the Convertible Notes) at a price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any. However, we may not have enough available cash to fund these obligations or be able to obtain financing on favorable terms, or at all, at the time we are required to make repurchases of Convertible Notes surrendered or Convertible Notes being converted. Our failure to repurchase Convertible Notes at a time when the repurchase is required by the indenture or to pay any cash payable on future conversions of the Convertible Notes as required by the indenture would constitute a default under the indenture, which could result in acceleration of the principal amount of the notes and additional funding obligations by us.

In addition, if a make-whole fundamental change (as defined in the indenture governing the Convertible Notes), including specified corporate transactions, occurs prior to the maturity date, under certain circumstances, it will increase the conversion rate. The increase in the conversion rate will be determined based on the date on which the specified corporate transaction becomes effective and the price paid (or deemed to be paid) per share of our common stock in such transaction, but in no event will increase to greater than 17.8922 shares of common stock per $1,000 of principal, subject to adjustment in the same manner as the conversion rate. The increase in the conversion rate for Convertible Notes converted in connection with a make-whole fundamental change may result in us having to pay out additional cash in respect of the Convertible Notes upon conversion, or result in additional dilution to our shareholders if the conversion is settled, at our election, in shares.

***The Convertible Note hedge and warrant transactions may affect the value of our common stock.***

In connection with the pricing of the notes, we entered into Convertible Note hedge transactions with option counterparties. The Convertible Note hedge transactions are expected generally to reduce the potential dilution to our common stock upon any conversion of notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes, as the case may be. We also entered into warrant transactions with the option counterparties. However, the warrant transactions could separately have a dilutive effect on our earnings per share to the extent that the market price per share of our common stock exceeds the applicable strike price of the warrants. Accordingly, when the Convertible Note hedge transactions and the warrant transactions are taken together, the extent to which the Convertible Note hedge transactions reduce the potential dilution to our common stock (or the cash payments in excess of the principal amount of the notes) upon conversion of the notes is effectively capped by the warrant transaction at the strike price of the warrant.

The option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various hedging transactions, including (without limitation) derivatives, with respect to our common

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stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the notes (and are likely to do so during any observation period related to a conversion of notes). This activity could cause or avoid an increase or a decrease in the market price of our common stock.

**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 voting rights of 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 airfreight 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 as of December 31, 2015:

**AAWW Aircraft**

| Aircraft Type | Tail # | Configuration | Ownership | Financing Type |
|---|---|---|---|---|
| ***ACMI and 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 | Notes |
| 747-8F | N855GT | Freighter | Owned | Notes |
| 747-8F | N856GT | Freighter | Owned | Term Loan |
| 747-8F | N857GT | Freighter | Owned | Term Loan |
| 747-8F | N858GT | Freighter | Owned | Term Loan |
| 747-8F | N859GT | Freighter | Owned | Term Loan |
| 747-400 | N409MC | Freighter | Owned | None |
| 747-400 | N475MC | Freighter | Owned | None |
| 747-400 | N493MC | Freighter | Owned | None |
| 747-400 | N477MC | Freighter | Owned | None |
| 747-400 | N476MC | Freighter | Owned | None |
| 747-400 | N496MC | Freighter | Owned | None |
| 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 | Operating Lease |
| 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 | |
| 747-400 | N451PA | Freighter | Leased | |

| | | | | |
|---|---|---|---|---|
| 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 |
| 747-400BCF | N429MC | Converted Freighter | Owned | None |
| 747-400BCF | N473MC | Converted Freighter | Leased | Operating Lease |
| 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 | N645GT | Passenger | Owned | None |
| 767-300ER | N649GT | Passenger | Owned | None |
| ***Dry Leasing Segment*** | | | | |
| 777-200LRF | 38969 | Freighter | Owned | Term Loan |
| 777-200LRF | 37138 | Freighter | Owned | Term Loan |
| 777-200LRF | 39286 | Freighter | Owned | Term Loan |
| 777-200LRF | 36200 | Freighter | Owned | Term Loan |
| 777-200LRF | 36201 | Freighter | Owned | Term Loan |
| 777-200LRF | 35606 | Freighter | Owned | Notes |
| 767-300BDSF | N642GT | Converted Freighter* | Owned | None |
| 767-300BDSF | N647GT | Converted Freighter** | Owned | Term Loan |
| 757-200 | B-2808 | Freighter | Owned | None |
| 737-800 | 29681 | Passenger | Owned | Term Loan |
| 737-300 | 26284 | Freighter | Owned | None |

* Aircraft undergoing passenger-to-freighter conversion as of December 31, 2015.
** Aircraft also operated for a customer under CMI service.

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The following table summarizes AAWW s aircraft as of December 31, 2015:

| Aircraft Type | Configuration | Owned | Operating Leased | Total | Average Age Years |
|---|---|---|---|---|---|
| ***ACMI and Charter Segments*** | | | | | |
| 747-8F | Freighter | 10 | | 10 | 3.1 |
| 747-400 | Freighter | 8 | 13 | 21 | 15.9 |
| 747-400BCF | Converted Freighter | 1 | 1 | 2 | 23.7 |
| 747-400 | Passenger | 2 | | 2 | 24.7 |
| 767-300ER | Passenger | 3 | | 3 | 23.6 |
| **Total** | | 24 | 14 | 38 | 14.4 |
| ***Dry Leasing Segment*** | | | | | |
| 777-200LRF | Freighter | 6 | | 6 | 5.1 |
| 767-300BDSF | Converted Freighter | 2 | | 2 | 21.5 |
| 757-200 | Freighter | 1 | | 1 | 26.4 |
| 737-800 | Passenger | 1 | | 1 | 7.9 |
| 737-300 | Freighter | 1 | | 1 | 23.1 |
| **Total** | | 11 | | 11 | 11.9 |
| **Total Fleet** | | **35** | **14** | **49** | **13.5** |

Lease expirations for our operating leased aircraft included in the above tables range from July 2017 to February 2025.

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**Customer-provided Aircraft for CMI Service**

The following table summarizes customer-provided aircraft as of December 31, 2015:

| Aircraft Type | Tail # | Configuration | Ownership |
|---|---|---|---|
| 747-400 | N263SG | Passenger | Sonangol* |
| 747-400 | N322SG | Passenger | Sonangol* |
| 747-400 | N718BA | Dreamlifter | Boeing** |
| 747-400 | N747BC | Dreamlifter | Boeing** |
| 747-400 | N249BA | Dreamlifter | Boeing** |
| 747-400 | N780BA | Dreamlifter | Boeing** |
| Total 6 | | | |
| 767-200 | N650GT | Freighter | DHL |
| 767-200 | N651GT | Freighter | DHL |
| 767-200 | N652GT | Freighter | DHL |
| 767-200 | N653GT | Freighter | DHL |
| 767-200 | N655GT | Freighter | DHL |
| 767-200 | N656GT | Freighter | DHL |
| 767-200 | N657GT | Freighter | DHL |
| 767-200 | N658GT | Freighter | DHL |
| 767-200 | N659GT | Freighter | DHL |
| 767-200 | N767MW | Passenger | MLW*** |
| Total 10 | | | |
| 767-300 | N643GT | Freighter | DHL |
| 767-300 | N644GT | Freighter | DHL |
| Total 2 | | | |

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

**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 with certain renewal options. 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 airport and regional locations generally 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 |
|---|---|---|
| **2015 Quarter Ended** | | |
| December 31 | $ 43.77 | $ 34.98 |
| September 30 | $ 54.88 | $ 34.22 |
| June 30 | $ 59.42 | $ 42.26 |
| March 31 | $ 49.97 | $ 43.02 |
| **2014 Quarter Ended** | | |
| December 31 | $ 49.30 | $ 31.40 |
| September 30 | $ 37.64 | $ 32.00 |
| June 30 | $ 39.58 | $ 34.23 |
| March 31 | $ 43.85 | $ 30.13 |

The last reported sale price of our common stock on The NASDAQ National Market on February 11, 2016 was $36.31 per share. As of February 11, 2016, there were approximately 24.6 million shares of our common stock issued and outstanding, and 49 holders of record of our common stock.

See Note 15 to our Financial Statements for a discussion of our stock repurchase program.

**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, 2015.

**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.

**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.

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**Performance Graph**

The following graph compares the performance of AAWW common stock to the Russell 2000 Index, the Dow Jones Transportation Average and the NYSE Airline Index for the period beginning December 31, 2010 and ending on December 31, 2015. The comparison assumes $100 invested in each of our common stock, the Russell 2000 Index and the Dow Jones Transportation Average and reinvestment of all dividends.

**Total Return Between 12/31/10 and 12/31/15**

| Cumulative Return | 12/31/10 | 12/31/11 | 12/30/12 | 12/31/13 | 12/31/14 | 12/31/15 |
|---|---|---|---|---|---|---|
| AAWW | $100.00 | $68.83 | $79.38 | $73.71 | $88.30 | $74.02 |
| Russell 2000 Index | $100.00 | $94.55 | $108.38 | $148.49 | $153.73 | $144.95 |
| Dow Jones Transportation Average | $100.00 | $98.30 | $103.92 | $144.92 | $178.98 | $147.02 |

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

The selected statements of operations data for the years ended December 31, 2015, 2014 and 2013 and the selected balance sheet data as of December 31, 2015 and 2014 have been derived from our audited Financial Statements included elsewhere in this Report. The selected balance sheet data as of December 31, 2013, 2012 and 2011, and selected statements of operations data for the years ended December 31, 2012 and 2011 have been derived from our audited Financial Statements not included in this Report.

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In the following table, all amounts are in thousands, except for per share data.

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Statement of Operations Data:** | | | | | |
| Total operating revenues | $ 1,822,659 | $ 1,799,198 | $ 1,656,900 | $ 1,646,032 | $ 1,398,216 |
| Total operating expenses | 1,699,154 | 1,623,226 | 1,470,110 | 1,419,541 | 1,247,116 |
| Operating income | 123,505 | 175,972 | 186,790 | 226,491 | 151,100 |
| Net income | 7,286 | 102,227 | 93,989 | 129,714 | 96,309 |
| Less: Net income / (loss) Attributableto noncontrolling interests | | (4,530) | 152 | (213) | 226 |
| Net income Attributable to Common Stockholders | $ 7,286 | $ 106,757 | $ 93,837 | $ 129,927 | $ 96,083 |
| Earnings per share (Basic) | $ 0.29 | $ 4.26 | $ 3.67 | $ 4.92 | $ 3.66 |
| Earnings per share (Diluted) | $ 0.29 | $ 4.25 | $ 3.66 | $ 4.89 | $ 3.64 |
| **Balance Sheet Data:** | | | | | |
| Total assets* | $ 4,164,403 | $ 4,007,277 | $ 3,617,371 | $ 3,086,239 | $ 2,372,039 |
| Long-term debt (less current portion) * | $ 1,739,496 | $ 1,736,747 | $ 1,499,607 | $ 1,115,274 | $ 672,740 |
| Total equity | $ 1,454,183 | $ 1,417,795 | $ 1,322,125 | $ 1,288,104 | $ 1,141,375 |

* See Note 2 to our Financial Statements for discussion of the reclassification of debt issuance costs and deferred tax balances.

**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, operating the world s largest fleet of 747 freighters, as well as operating 747 and 767 passenger aircraft and 767 freighters. We also own and Dry Lease a portfolio of aircraft, including six 777 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:***

The 747-8F is the most efficient long-haul wide-body commercial freighter currently available and we are currently the only operator offering these aircraft to the ACMI market. 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 this provides us with a commercial advantage over our competitors that operate smaller and less flexible fleets.

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The operating performance of our ten modern 747-8F aircraft helps us maintain our industry-leading position. Both the 747-8F and 747-400, the core of our ACMI segment, are industry leaders for operating performance in the intercontinental air freight market due to cost and capacity advantages over other freighters.

Our Dry Leasing business is primarily focused on a portfolio of six 777-200LRF aircraft that are Dry Leased to customers on a long-term basis. The 777 freighters further diversify our business mix and enhance our predictable, long-term revenue and earnings streams. We will continue to explore opportunities to invest in additional aircraft, including 767 aircraft. During 2015, we expanded our Dry Leasing portfolio through the acquisition of two 767-300 passenger aircraft that have been converted to freighters. One entered service in December 2015, while the other will enter service during the first quarter of 2016. Both aircraft are subject to long-term Dry Lease and CMI agreements.

***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. ACMI and CMI contracts with customers generally range from two to five years, although some contracts have shorter or longer durations. Dry Leasing contracts with customers generally range from five to twelve years. Under ACMI, CMI and Dry Leasing, our customers assume fuel, demand and Yield 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, through Polar, includes the allocation of blocked-space capacity on a long-term basis. This arrangement eliminates fuel, demand and Yield risks, similar to the rest of our ACMI business, for a minimum of six 747-400 aircraft, with an additional six 747-8F aircraft and one 747-400 aircraft under separate agreements. In addition, we also provide CMI service for nine 767-200 and three 767-300 cargo aircraft.

***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.

Our mix of aircraft is closely aligned with our customer needs. We believe that our 747-8F and 747-400 aircraft 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 to meet our customers needs. 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 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, which mitigates 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.

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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 outsourced aircraft and aviation operating services 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 aircraft and aviation services 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, Cathay Pacific, Continental Airlines, ICF International, Seabury Group LLC, 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 35 years of experience in freight and transportation and has held senior management positions with several transportation companies. Prior to joining AAWW nine years ago, Mr. Flynn was President and CEO of GeoLogistics, a global transportation and logistics enterprise.

**Business Strategy**

Our strategy includes the following:

***Focus on securing long-term customer 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.

***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 ACMI and 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.

Our Dry Leasing business is primarily focused on a portfolio of six modern, efficient 777-200LRF aircraft and we will continue to explore opportunities to invest in additional aircraft, including 767 aircraft.

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***Drive significant and ongoing productivity improvements:***

We continue to enhance our organization through a cost and productivity 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.

***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.

***Appropriately managing capital allocation and returning capital to shareholders:***

Reflecting our commitment to shareholder value, we have bought back more than 10% of our outstanding shares over the past three years. Our capital allocation strategy is dedicated to creating, enhancing and returning value to our shareholders.

**Business Developments**

Our ACMI results for 2015, compared with 2014, were impacted by the following events:

In February 2014, we began ACMI flying a 747-8F aircraft with BST Logistics (Hong Kong) Company Limited, a business partner of Navitrans International Freight Forwarding Co., Ltd. Service, which was the first 747-8F aircraft in its network.

In April and early May 2014, British Airways returned three 747-8F aircraft. In May and October 2014, the three 747-8F aircraft were placed in ACMI service for DHL, replacing one 747-400F aircraft.

In October 2014, we began ACMI flying one additional 747-400F aircraft for DHL, increasing the number of 747 freighter aircraft in ACMI service for DHL to twelve.

In November 2014, we began ACMI flying a 747-400F aircraft for Etihad Airways, which was the second 747-400F aircraft in its global network.

In March 2015, we began ACMI flying one additional 747-8F aircraft for DHL following its transition from Panalpina Air & Ocean Ltd. The aircraft initially replaced a 747-400F aircraft.

In the first quarter of 2015, we began CMI flying three additional 767-200 freighters owned by DHL in its North American network. A fourth 767-200 freighter began CMI flying in April 2015.

In July 2015, we began ACMI flying one additional 747-400F aircraft for DHL, increasing the number of 747 freighter aircraft in ACMI service for DHL to thirteen.

In December 2015, we began CMI flying for DHL the first of two 767-300BDSF aircraft, Dry Leased from Titan, in DHL s North American network, increasing the number of freighter aircraft in CMI service for DHL to twelve. The second will begin CMI flying during the first quarter of 2016.

In January 2016, we entered into an agreement to acquire Southern Air, which currently operates five 777-200F and five 737-400F aircraft under CMI agreements for DHL Express. The Merger is expected to close during the first half of 2016.

Charter Block Hours increased during 2015, reflecting increased cargo and passenger demand from the AMC and stronger commercial cargo demand, which was enhanced by the U.S. West Coast port disruption in early 2015. In June 2015, based on this demand, we returned to active service a 747-400BCF that had been temporarily parked. We also entered into a short-term operating lease beginning in late June for a second 747-400 converted freighter. This lease, with terms that are more favorable to us, replaced a similar aircraft, with a lease that expired in June 2015.

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In November 2015, we purchased and took delivery of our 10th 747-8F aircraft which we placed in Charter service until its placement with an ACMI customer.

During 2015, we Dry Leased a 757-200 freighter to DHL on a long-term basis, following the conclusion of a previous customer lease. In addition, we acquired two 767-300 passenger aircraft for conversion to freighters to be Dry Leased to DHL on a long-term basis. One entered service in December 2015, while the other will enter service during the first quarter of 2016.

**Results of Operations**

***Years Ended December 31, 2015 and 2014***

**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:

| | 2015 | 2014 | Increase / (Decrease) | Percent Change |
|---|---|---|---|---|
| **Block Hours** | | | | |
| ACMI | 126,206 | 115,042 | 11,164 | 9.7% |
| Charter: | | | | |
| Cargo | 35,463 | 31,612 | 3,851 | 12.2% |
| Passenger | 14,776 | 13,085 | 1,691 | 12.9% |
| Other | 1,615 | 1,351 | 264 | 19.5% |
| Total Block Hours | 178,060 | 161,090 | 16,970 | 10.5% |
| **Revenue Per Block Hour** | | | | |
| ACMI | $ 6,271 | $ 6,764 | $ (493) | (7.3)% |
| Charter: | | | | |
| Cargo | $ 17,655 | $ 20,217 | $ (2,562) | (12.7)% |
| Passenger | $ 19,130 | $ 20,449 | $ (1,319) | (6.5)% |
| **Charter Fuel** | | | | |
| Average fuel cost per gallon | $ 2.27 | $ 3.07 | $ (0.80) | (26.1)% |
| Fuel gallons consumed (000s) | 147,081 | 131,787 | 15,294 | 11.6% |
| **Segment Operating Fleet (average aircraft equivalents during the period)** | | | | |
| **ACMI*** | | | | |
| 747-8F Cargo | 8.9 | 8.5 | 0.4 | |
| 747-400 Cargo | 12.6 | 12.0 | 0.6 | |
| 747-400 Dreamlifter | 3.0 | 3.1 | (0.1) | |
| 767-300 Cargo | 2.1 | 2.0 | 0.1 | |
| 767-200 Cargo | 8.3 | 5.0 | 3.3 | |
| 747-400 Passenger | 1.2 | 1.2 | | |
| 767-200 Passenger | 1.0 | 1.0 | | |
| Total | 37.1 | 32.8 | 4.3 | |
| **Charter** | | | | |
| 747-8F Cargo | 0.2 | 0.5 | (0.3) | |
| 747-400 Cargo | 9.4 | 9.0 | 0.4 | |
| 747-400 Passenger | 1.8 | 1.7 | 0.1 | |
| 767-300 Passenger | 2.9 | 2.9 | | |

| | | | |
|---|---|---|---|
| Total | 14.3 | 14.1 | 0.2 |

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| | 2015 | 2014 | Increase / (Decrease) |
|---|---|---|---|
| **Dry Leasing** | | | |
| 777-200 Cargo | 6.0 | 6.0 | |
| 757-200 Cargo | 1.0 | 1.0 | |
| 737-300 Cargo | 1.0 | 1.0 | |
| 737-800 Passenger | 1.2 | 2.0 | (0.8) |
| Total | 9.2 | 10.0 | (0.8) |
| **Total Operating Aircraft** | 60.6 | 56.9 | 3.7 |
| **Out-of-service** | 0.4 | 1.0 | (0.6) |

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

**Operating Revenue**

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

| | 2015 | 2014 | Increase / (Decrease) | Percent Change |
|---|---|---|---|---|
| **Operating Revenue** | | | | |
| ACMI | $ 791,442 | $ 778,091 | $ 13,351 | 1.7% |
| Charter | 908,753 | 906,676 | 2,077 | 0.2% |
| Dry Leasing | 107,218 | 100,059 | 7,159 | 7.2% |
| Other | 15,246 | 14,372 | 874 | 6.1% |
| Total Operating Revenue | $ 1,822,659 | $ 1,799,198 | $ 23,461 | 1.3% |

*ACMI revenue* increased $13.4 million, or 1.7%, primarily due to increased flying, partially offset by reduced Revenue per Block Hour. ACMI Block Hours were 126,206 for 2015, compared with 115,042 in 2014, an increase of 11,164 Block Hours, or 9.7%. The increase in Block Hours was primarily driven by one incremental 747-8F aircraft and one incremental 747-400F aircraft entering ACMI service, four incremental 767-200F aircraft entering CMI service and improvements in ACMI aircraft utilization. ACMI Revenue per Block Hour was $6,271 for 2015, compared with $6,764 in 2014, a decrease of $493 per Block Hour, or 7.3%. The decrease in Revenue per Block Hour reflects the impact of higher Revenue per Block Hour in 2014 resulting from customers that flew below their contractual minimums, payments received in 2014 related to a customer s return of aircraft, and the impact of increased CMI flying in 2015.

*Charter revenue* increased $2.1 million, or 0.2%, primarily driven by an increase in both cargo and passenger flying, partially offset by a decrease in Revenue per Block Hour. Charter Block Hours were 50,239 for 2015 compared with 44,697 in 2014, an increase of 5,542 Block Hours, or 12.4%. The increase in Charter Block Hours was primarily driven by increased cargo and passenger demand from the AMC and increased commercial cargo demand, which was enhanced by the U.S. West Coast port disruption in early 2015. Charter Revenue per Block Hour was $18,089 for 2015 compared with $20,285 in 2014, a decrease of $2,196 per Block Hour, or 10.8%. This decrease was primarily driven by the impact of lower fuel prices, partially offset by higher Yields, excluding fuel.

*Dry Leasing revenue* increased $7.2 million, or 7.2%, primarily due to revenue from maintenance payments related to the scheduled returns of a 737-800 passenger aircraft in February 2015 and a 757-200 cargo aircraft in April 2015, partially offset by a reduction in the number of Dry Leased aircraft following the sale of the returned 737-800 passenger aircraft during the first quarter of 2015.

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**Operating Expenses**

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

| | 2015 | 2014 | Increase / (Decrease) | Percent Change |
|---|---|---|---|---|
| **Operating Expenses** | | | | |
| Salaries, wages and benefits | $ 351,372 | $ 311,143 | $ 40,229 | 12.9% |
| Aircraft fuel | 333,390 | 404,263 | (70,873) | (17.5)% |
| Maintenance, materials and repairs | 202,337 | 203,567 | (1,230) | (0.6)% |
| Aircraft rent | 145,031 | 140,390 | 4,641 | 3.3% |
| Depreciation and amortization | 128,740 | 120,793 | 7,947 | 6.6% |
| Travel | 102,755 | 79,199 | 23,556 | 29.7% |
| Navigation fees, landing fees and other rent | 99,345 | 131,138 | (31,793) | (24.2)% |
| Passenger and ground handling services | 83,185 | 86,820 | (3,635) | (4.2)% |
| Loss on disposal of aircraft | 1,538 | 14,679 | (13,141) | (89.5)% |
| Special charge | 17,388 | 15,114 | 2,274 | 15.0% |
| Other | 234,073 | 116,120 | 117,953 | 101.6% |
| Total Operating Expenses | $ 1,699,154 | $ 1,623,226 | | |

*Salaries, wages and benefits* increased $40.2 million, or 12.9%, primarily driven by increases to crewmember and ground staff costs due to higher Block Hours, crew training related to our investment in fleet growth and key initiatives.

*Aircraft fuel* decreased $70.9 million, or 17.5%, primarily due to fuel price decreases, partially offset by increased fuel consumption. The average fuel price per gallon for the Charter business was $2.27 for 2015, compared with $3.07 in 2014, a decrease of 26.1%. Fuel consumption increased by 15.3 million gallons, or 11.6%, reflecting the increase in Charter Block Hours operated. We do not incur fuel expense in our ACMI or Dry Leasing businesses as the cost of fuel is borne by the customer.

*Maintenance, materials and repairs* decreased by $1.2 million, or 0.6%, reflecting a decrease of $12.6 million for 747-400 aircraft, partially offset by an increase of $7.5 million for 747-8F aircraft and $3.9 million for 767 aircraft. Heavy Maintenance expense on 747-400 aircraft decreased approximately $22.5 million due to a decrease in the number of C and D Checks, and the number of engine overhauls, partially offset by an increase of $6.1 million in Non-heavy Maintenance. Heavy Maintenance expense on 747-8F aircraft increased $5.1 million primarily due to an increase in unscheduled engine repairs, partially offset by a decrease in the number of C Checks. Heavy Maintenance expense on 767 aircraft decreased $1.6 million primarily due to a decrease in the number of C Checks. Line Maintenance increased by $5.5 million on 767 aircraft, $3.9 million on 747-400 aircraft and $2.4 million on 747-8F aircraft due to increased flying. Heavy airframe maintenance events and engine overhauls for 2015 and 2014 were:

| Heavy Maintenance Events | 2015 | 2014 | Increase / (Decrease) |
|---|---|---|---|
| 747-8F C Checks | 4 | 5 | (1) |
| 747-400 C Checks | 5 | 11 | (6) |
| 747-400 D Checks | 4 | 6 | (2) |
| 767 C Checks | 1 | 3 | (2) |
| CF6-80 engine overhauls | 10 | 14 | (4) |

*Aircraft rent* increased $4.6 million, or 3.3%, primarily due to a leased 747-400BCF aircraft that entered service in June 2015.

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*Depreciation and amortization* increased $7.9 million, or 6.6%, primarily due to increased scrapping of rotable parts related to our engine and spare parts purchase program, which avoids more expensive repairs, and additional aircraft operating in 2015.

*Travel* increased $23.6 million, or 29.7%, primarily due to higher rates related to crewmember travel to higher cost locations and increased flying.

*Navigation fees, landing fees and other rent* decreased $31.8 million, or 24.2%, primarily due to a reduction in purchased capacity from the subcontracting of certain Charter flights.

*Passenger and ground handling services* decreased $3.6 million, or 4.2%, primarily due to lower rates related to ground handling for Charters, partially offset by increased flying.

*Loss on disposal of aircraft* in 2014 resulted from the trade-in of used spare engines for new engines as part of our engine acquisition program.

*Special charge* in 2015 primarily represents an $8.3 million loss on engines held for sale and a $7.7 million charge for the early termination of high-rate operating leases for two engines. Special charge in 2014 represents a $6.2 million loss on an aircraft held for sale, a $4.7 million loss related to a consolidated subsidiary s receivable for a loan made to its then 51% U.K. shareholder and a $3.8 million expense recorded for termination benefits for certain employees (see Note 4 to our Financial Statements).

*Other* increased $118.0 million, or 101.6%, primarily due to the settlement of the U.S. class action litigation and related legal fees (see Note 12 to our Financial Statements), increased commission expense on higher revenue from the AMC and increased professional fees to support key initiatives.

**Non-operating Expenses (Income)**

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

| | 2015 | 2014 | Increase / (Decrease) | Percent Change |
|---|---|---|---|---|
| **Non-operating Expenses (Income)** | | | | |
| Interest income | $ (12,554) | $ (18,480) | $ (5,926) | (32.1)% |
| Interest expense | 96,756 | 104,252 | (7,496) | (7.2)% |
| Capitalized interest | (1,027) | (453) | 574 | 126.7% |
| Loss on early extinguishment of debt | 69,728 | | 69,728 | NM |
| Gain on investments | (13,439) | | 13,439 | NM |
| Other expense (income), net | 1,261 | 1,104 | 157 | 14.2% |

*NM represents year-over-year changes are not meaningful.*

*Interest income* decreased $5.9 million, or 32.1%, primarily due to a decrease in our investments in Pass-Through Trust Certificates ( PTCs ). See Note 10 to our Financial Statements for further discussion.

*Interest expense* decreased $7.5 million, or 7.2%, primarily due to a decrease in interest rates resulting from the refinancing of higher-rate enhanced equipment trust certificates ( EETCs ) with lower-rate Convertible Notes (see Note 7 to our Financial Statements for further discussion) and a reduction in our average debt balances, reflecting payments of debt.

*Loss on early extinguishment of debt* was related to the refinancing of five EETCs with lower-rate Convertible Notes and the refinancing of two 747-8F term loans during 2015. See Note 7 to our Financial Statements for further discussion.

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*Gain on investments* was related to the early redemption of certain PTC investments resulting from the refinancing of five EETCs with lower-rate Convertible Notes during 2015. See Notes 7 and 10 to our Financial Statements for further discussion.

*Income taxes*. Our effective income tax rates were benefits of 142.3% for 2015 and 14.2% for 2014. The effective income tax rate for 2015 differed from the U.S. federal statutory rate primarily due to an increase in income from our Dry Leasing business taxed at lower rates and income tax benefits related to extraterritorial income ( ETI ) (see Note 9 to our Financial Statements). The effective income tax rate for 2014 differed from the U.S. federal statutory rate primarily due to an income tax benefit of $34.8 million, net of reserves, related to ETI. The effective income tax rates for both periods benefit from our intention to indefinitely reinvest the net earnings of certain foreign subsidiaries outside the U.S.

**Segments**

We use an economic performance metric ( Direct Contribution ) representing Income (loss) before taxes excluding special charges, gain on investments, gains and losses on the disposal of aircraft, loss on early extinguishment of debt and unallocated income and expenses, net. Direct Contribution shows the profitability of each segment after allocation of direct operating and ownership costs. We operate our service offerings through the following reportable segments: ACMI, Charter and Dry Leasing. 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):

| | 2015 | 2014 | Increase / (Decrease) | Percent Change |
|---|---|---|---|---|
| **Direct Contribution:** | | | | |
| ACMI | $ 185,615 | $ 200,489 | $ (14,874) | (7.4)% |
| Charter | 124,808 | 47,245 | 77,563 | 164.2% |
| Dry Leasing | 42,023 | 33,224 | 8,799 | 26.5% |
| Total Direct Contribution | $ 352,446 | $ 280,958 | $ 71,488 | 25.4% |
| Unallocated income and expenses, net | $ 294,451 | $ 161,616 | $ 132,835 | 82.2% |

***ACMI Segment***

ACMI Direct Contribution decreased $14.9 million, or 7.4%, primarily due to increases in crew costs due to crew training related to our investment in fleet growth, the impact of customers that flew below their contractual minimums in 2014 and payments received in 2014 related to a customer s return of aircraft. Partially offsetting these decreases was a reduction in Heavy Maintenance expense and lower aircraft ownership costs from the refinancing of EETCs with lower-rate Convertible Notes.

***Charter Segment***

Charter Direct Contribution increased $77.6 million or 164.2%, primarily due to higher Yields, excluding fuel, increased cargo and passenger flying, as well as higher aircraft utilization, which was enhanced by the U.S. West Coast port disruption in early 2015. In addition, Charter Direct Contribution benefited from a reduction in Heavy Maintenance expense and lower aircraft ownership costs from the refinancing of EETCs with lower-rate Convertible Notes. Partially offsetting these improvements was an increase in crew costs due to crew training related to our investment in fleet growth.

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***Dry Leasing Segment***

Dry Leasing Direct Contribution increased $8.8 million, or 26.5%, primarily due to revenue from maintenance payments related to the scheduled returns of a 737-800 passenger aircraft in February 2015 and a 757-200 cargo aircraft in April 2015, partially offset by a reduction in the number of Dry Leased aircraft following the sale of the returned 737-800 passenger aircraft during the first quarter of 2015.

***Unallocated income and expenses, net***

Unallocated income and expenses, net increased $132.8 million, or 82.2%, primarily due to the settlement of the U.S. class action litigation and related legal fees, increases in noncash expenses related to our Convertible Notes and the refinancing of debt and professional fees to support key initiatives.

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***Years Ended December 31, 2014 and 2013***

**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:

| | 2014 | 2013 | Increase / (Decrease) | Percent Change |
|---|---|---|---|---|
| **Block Hours** | | | | |
| ACMI | 115,042 | 115,358 | (316) | (0.3)% |
| Charter: | | | | |
| Cargo | 31,612 | 30,816 | 796 | 2.6% |
| Passenger | 13,085 | 11,713 | 1,372 | 11.7% |
| Other | 1,351 | 1,050 | 301 | 28.7% |
| Total Block Hours | 161,090 | 158,937 | 2,153 | 1.4% |
| **Revenue Per Block Hour** | | | | |
| ACMI | $ 6,764 | $ 6,545 | $ 219 | 3.3% |
| Charter: | | | | |
| Cargo | $ 20,217 | $ 19,829 | $ 388 | 2.0% |
| Passenger | $ 20,449 | $ 20,609 | $ (160) | (0.8)% |
| **Charter Fuel** | | | | |
| Average fuel cost per gallon | $ 3.07 | $ 3.28 | $ (0.21) | (6.4)% |
| Fuel gallons consumed (000s) | 131,787 | 124,949 | 6,838 | 5.5% |
| **Segment Operating Fleet (average aircraft equivalents during the period)** | | | | |
| **ACMI*** | | | | |
| 747-8F Cargo | 8.5 | 7.8 | 0.7 | |
| 747-400 Cargo | 12.0 | 12.6 | (0.6) | |
| 747-400 Dreamlifter | 3.1 | 1.8 | 1.3 | |
| 767-300 Cargo | 2.0 | 1.8 | 0.2 | |
| 767-200 Cargo | 5.0 | 5.0 | | |
| 747-400 Passenger | 1.2 | 1.3 | (0.1) | |
| 767-300 Passenger | | 0.2 | (0.2) | |
| 767-200 Passenger | 1.0 | 0.5 | 0.5 | |
| Total | 32.8 | 31.0 | 1.8 | |
| **Charter** | | | | |
| 747-8F Cargo | 0.5 | 0.6 | (0.1) | |
| 747-400 Cargo | 9.0 | 10.3 | (1.3) | |
| 747-400 Passenger | 1.7 | 1.7 | | |
| 767-300 Passenger | 2.9 | 2.8 | 0.1 | |
| Total | 14.1 | 15.4 | (1.3) | |
| **Dry Leasing** | | | | |
| 777-200 Cargo | 6.0 | 1.7 | 4.3 | |
| 757-200 Cargo | 1.0 | 1.0 | | |
| 737-300 Cargo | 1.0 | 1.0 | | |
| 737-800 Passenger | 2.0 | 2.0 | | |
| Total | 10.0 | 5.7 | 4.3 | |

| | | | |
|---|---|---|---|
| **Total Operating Aircraft** | 56.9 | 52.1 | 4.8 |
| **Out-of-service** | 1.0 | 0.9 | 0.1 |

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

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**Operating Revenue**

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

| | 2014 | 2013 | Increase / (Decrease) | Percent Change |
|---|---|---|---|---|
| **Operating Revenue** | | | | |
| ACMI | $ 778,091 | $ 755,008 | $ 23,083 | 3.1% |
| Charter | 906,676 | 852,452 | 54,224 | 6.4% |
| Dry Leasing | 100,059 | 35,168 | 64,891 | NM |
| Other | 14,372 | 14,272 | 100 | 0.7% |
| Total Operating Revenue | $ 1,799,198 | $ 1,656,900 | $ 142,298 | 8.6% |

*ACMI revenue* increased $23.1 million, or 3.1%, primarily due to increased 747-8F and CMI flying, partially offset by lower 747-400 flying by certain ACMI customers. ACMI Revenue per Block Hour was $6,764 for 2014, compared with $6,545 in 2013, an increase of $219 per Block Hour, or 3.3%. ACMI Block Hours of 115,042 were relatively unchanged. Blocks Hours were impacted by lower 747-400 flying by certain ACMI customers and the return of three 747-8F aircraft from British Airways in April and early May of 2014. Partially offsetting these reductions were improvements from the placement of three additional 747-8F aircraft with DHL in May and November 2014, the start-up of ACMI 747-8F flying for BST Logistics in February 2014 and Etihad in May 2013, and the start-up of ACMI 747-400 flying for Astral Aviation in September 2013. Block Hours were also positively impacted by an increase in CMI flying for Boeing, the start-up of CMI 767-200 passenger aircraft flying for MLW Air during the third quarter of 2013 and an increase in ACMI 747-400 flying for short-term holiday season customers.

*Charter revenue* increased $54.2 million, or 6.4%, primarily driven by an increase in both passenger and cargo flying, and an increase in Revenue per Block Hour. Charter Block Hours were 44,697 in 2014 compared with 42,529 in 2013, an increase of 2,168 Block Hours, or 5.1%. The increase in Charter Block Hours was primarily driven by incremental passenger flying for the AMC as former competitors exited the Charter market and increased commercial cargo demand. Charter Revenue per Block Hour was $20,285 for 2014, compared with $20,044 in 2013, an increase of $241 per Block Hour, or 1.2%. This increase reflects the impact of Charter revenue on subcontracted Charter flights with no associated Block Hours, partially offset by reduced market rates primarily driven by lower fuel prices.

*Dry Leasing revenue* increased $64.9 million, primarily due to the acquisition of three 777-200LRF aircraft in the first quarter of 2014, two 777-200LRF aircraft in the third quarter of 2013 and one 777-200LRF aircraft in the first quarter of 2013 that are being Dry Leased to customers on a long-term basis.

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**Operating Expenses**

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

| | 2014 | 2013 | Increase / (Decrease) | Percent Change |
|---|---|---|---|---|
| **Operating Expenses** | | | | |
| Aircraft fuel | $ 404,263 | $ 410,353 | $ (6,090) | (1.5)% |
| Salaries, wages and benefits | 311,143 | 299,136 | 12,007 | 4.0% |
| Maintenance, materials and repairs | 203,567 | 162,972 | 40,595 | 24.9% |
| Aircraft rent | 140,390 | 160,415 | (20,025) | (12.5)% |
| Navigation fees, landing fees and other rent | 131,138 | 90,733 | 40,405 | 44.5% |
| Depreciation and amortization | 120,793 | 86,389 | 34,404 | 39.8% |
| Passenger and ground handling services | 86,820 | 72,503 | 14,317 | 19.7% |
| Travel | 79,199 | 61,420 | 17,779 | 28.9% |
| Loss (gain) on disposal of aircraft | 14,679 | 351 | 14,328 | NM |
| Special charge | 15,114 | 18,642 | (3,528) | (18.9)% |
| Other | 116,120 | 107,196 | 8,924 | 8.3% |
| Total Operating Expenses | $ 1,623,226 | $ 1,470,110 | | |

*Aircraft fuel* decreased $6.1 million, or 1.5%, primarily due to fuel price decreases, partially offset by increased fuel consumption. The average fuel price per gallon for the Charter business was $3.07 for 2014, compared with $3.28 in 2013, a decrease of 6.4%. Fuel consumption increased by 6.8 million gallons, or 5.5%, reflecting the increase in Charter Block Hours operated. 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 $12.0 million, or 4.0%, primarily driven by higher Block Hours and an increase in ground staff costs due to key initiatives.

*Maintenance, materials and repairs* increased $40.6 million, or 24.9%, primarily driven by an increase of $38.4 million for 747-400 and 747-8F aircraft. Heavy maintenance on 747-400 aircraft increased $18.7 million due to an increase in the number of D Checks and an increase in the number of engine overhauls, partially offset by a decrease in the number of C Checks. Heavy Maintenance expense on 747-8F aircraft increased $10.7 million due to an increase in unscheduled engine repairs and the number of C Checks in 2014. Line Maintenance expense on 747-400 aircraft and 747-8F aircraft increased $7.3 million primarily due to increased flying in 2014 and more repairs to rotable parts. Heavy airframe maintenance events and engine overhauls for 2014 and 2013 were:

| Heavy Maintenance Events | 2014 | 2013 | Increase / (Decrease) |
|---|---|---|---|
| 747-8F C Checks | 5 | 3 | 2 |
| 747-400 C Checks | 11 | 12 | (1) |
| 747-400 D Checks | 6 | 1 | 5 |
| 767 C Checks | 3 | 3 | |
| CF6-80 engine overhauls | 14 | 12 | 2 |

*Aircraft rent* decreased $20.0 million, or 12.5%, primarily due to the early termination of operating leases for two 747-400BCFs that we parked in December 2013 to reduce capacity.

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*Navigation fees, landing fees and other rent* increased $40.4 million, or 44.5%, primarily due to an increase in purchased capacity from subcontracting certain Charter flights. We reclassified purchased capacity from Aircraft rent to Navigation fees, landing fees and other rent and we reclassified previously reported amounts to conform to the current period s presentation.

*Depreciation and amortization* increased $34.4 million, or 39.8%, due to additional aircraft operating in 2014.

*Passenger and ground handling services* increased $14.3 million, or 19.7%, primarily due to an increase in cargo and passenger flying.

*Travel* increased $17.8 million, or 28.9%, primarily due to higher rates related to crewmember travel to higher cost locations, as well as increased flying.

*Loss on disposal of aircraft* in 2014 resulted from the trade-in of used spare engines for new engines as part of our engine acquisition program.

*Special charge* in 2014 represents a $6.2 million loss on an aircraft held for sale, a $4.7 million reserve related to a consolidated subsidiary s receivable for a loan made to its then 51% U.K. shareholder and a $3.8 million expense recorded for termination benefits for certain employees (see Note 4 to our Financial Statements).

*Other* increased $8.9 million, or 8.3%, primarily due to increased third-party service provider costs required to support the increased flying and heavy maintenance, and accruals for legal matters.

**Non-operating Expenses (Income)**

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

| | 2014 | 2013 | Increase / (Decrease) | Percent Change |
|---|---|---|---|---|
| **Non-operating Expenses (Income)** | | | | |
| Interest income | $ (18,480) | $ (19,813) | $ (1,333) | (6.7)% |
| Interest expense | 104,252 | 83,659 | 20,593 | 24.6% |
| Capitalized interest | (453) | (2,350) | (1,897) | (80.7)% |
| Loss on early extinguishment of debt | | 5,518 | (5,518) | NM |
| Other expense (income), net | 1,104 | 1,954 | (850) | (43.5)% |

*Interest expense* increased $20.6 million, or 24.6%, primarily due to an increase in our average debt balances related to the financing of aircraft purchases in 2013 and 2014.

*Capitalized interest* decreased $1.9 million, or 80.7%, resulting from 747-8F aircraft that entered service in 2013.

*Loss on early extinguishment of debt* was primarily related to the refinancing of term loans in 2013.

Income taxes. Our effective income tax rates were a benefit of 14.2% for 2014 and an expense of 20.2% for 2013. The effective income tax rate for 2014 is lower than in prior years primarily due to an income tax benefit of $34.8 million, net of reserves, related to ETI for 2014 compared to a benefit of $14.2 million, net of reserves, from ETI for 2013. The effective income tax rate for 2014 also reflects an income tax benefit resulting from our mix of income in foreign tax jurisdictions, the favorable change in our deferred foreign tax rates, and the restructuring of a consolidated subsidiary. The ETI tax benefit recorded in 2014 relates to income earned in prior

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years and was recognized in 2014 as a result of developments in the business and management decisions made during the year. The effective income tax rate for 2013 also reflects our assertion to indefinitely reinvest the net earnings of certain foreign subsidiaries outside the U.S.

**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):

| | 2014 | 2013 | Increase / (Decrease) | Percent Change |
|---|---|---|---|---|
| **Direct Contribution:** | | | | |
| ACMI | $ 200,489 | $ 228,581 | $ (28,092) | (12.3)% |
| Charter | 47,245 | 48,606 | (1,361) | (2.8)% |
| Dry Leasing | 33,224 | 14,017 | 19,207 | 137.0% |
| Total Direct Contribution | $ 280,958 | $ 291,204 | $ (10,246) | (3.5)% |
| Unallocated income and expenses, net | $ 161,616 | $ 148,871 | $ 12,745 | 8.6% |

***ACMI Segment***

ACMI Direct Contribution decreased $28.1 million, or 12.3%, primarily due to an increase in Heavy maintenance expense on 747-400 and 747-8F aircraft, and lower 747-400 flying by certain ACMI customers, partially offset by increased 747-8F and CMI flying.

***Charter Segment***

Charter Direct Contribution decreased $1.4 million, or 2.8%, primarily due to increased Heavy maintenance expense and increases in crewmember travel and ground handling expenses from flying to higher cost locations. This was partially offset by an increase in the volume of passenger and cargo flying, as well as higher cargo aircraft utilization driven by increased demand and our decision to reduce capacity at the end of 2013.

***Dry Leasing Segment***

Dry Leasing Direct Contribution increased $19.2 million, primarily due to the addition of three 777-200LRF aircraft in the first quarter of 2014, two 777-200LRF aircraft in the third quarter of 2013, and one 777-200LRF aircraft in the first quarter of 2013 that are being leased to customers on a long-term basis.

***Unallocated income and expenses, net***

Unallocated income and expenses, net increased $12.7 million, or 8.6%, primarily driven by an increase in ground staff and third-party service provider costs required to support key initiatives, reduced capitalized interest and increased accruals for legal matters.

**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 noncash income and expenses, and items impacting year-over-year comparisons of our

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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 supplemental information to assist investors and analysts in understanding our business results and assessing our prospects for future performance.

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):

| | 2015 | 2014 | Percent Change |
|---|---|---|---|
| **Net Income Attributable to Common Stockholders** | $ 7,286 | $ 106,757 | (93.2%) |
| **After-tax impact from:** | | | |
| Noncash expenses and income, net (a) | 4,137 | (68) | |
| ETI tax benefit | (4,008) | (34,755) | |
| Gain on investments | (8,613) | | |
| Accrual for legal matters and U.S. class action professional fees | 66,897 | 1,150 | |
| Charges associated with refinancing debt | 47,049 | | |
| Special charge (b) | 11,462 | 10,930 | |
| Loss on disposal of aircraft | 1,096 | 9,389 | |
| **Adjusted Net Income Attributable to Common Stockholders** | $ 125,306 | $ 93,403 | 34.2% |
| **Diluted EPS** | $ 0.29 | $ 4.25 | (93.2%) |
| **After-tax impact from:** | | | |
| Noncash expenses and income, net (a) | 0.17 | | |
| ETI tax benefit | (0.16) | (1.38) | |
| Gain on investments | (0.34) | | |
| Accrual for legal matters and U.S. class action professional fees | 2.67 | 0.05 | |
| Charges associated with refinancing debt | 1.88 | | |
| Special charge (b) | 0.46 | 0.43 | |
| Loss on disposal of aircraft | 0.04 | 0.37 | |
| **Adjusted Diluted EPS** | $ 5.01 | $ 3.72 | 34.7% |

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| | 2014 | 2013 | Percent Change |
|---|---|---|---|
| **Net Income Attributable to Common Stockholders** | $ 106,757 | $ 93,837 | 13.8% |
| **After-tax impact from:** | | | |
| Noncash expenses and income, net (a) | (68) | (715) | |
| ETI tax benefit | (34,755) | (14,160) | |
| Accrual for legal matters | 1,150 | | |
| Charges associated with refinancing debt | | 5,160 | |
| Special charge (b) | 10,930 | 11,714 | |
| Loss on disposal of aircraft | 9,389 | 224 | |
| **Adjusted Net Income Attributable to Common Stockholders** | $ 93,403 | $ 96,060 | (2.8%) |
| **Diluted EPS** | $ 4.25 | $ 3.66 | 16.1% |
| **After-tax impact from:** | | | |
| Noncash expenses and income, net (a) | | (0.03) | |
| ETI tax benefit | (1.38) | (0.55) | |
| Accrual for legal matters | 0.05 | | |
| Charges associated with refinancing debt | | 0.20 | |
| Special charge (b) | 0.43 | 0.46 | |
| Loss on disposal of aircraft | 0.37 | 0.01 | |
| **Adjusted Diluted EPS** | $ 3.72 | $ 3.75 | (0.8%) |

(a) Noncash expenses and income, net in 2015 primarily related to amortization of the debt discount on the Convertible Notes. Noncash expenses and income, net in 2014 and 2013 primarily related to amortization and accretion of the debt, lease and investment discounts.

(b) Included in Special charge in 2015 were a loss on engines held for sale and costs related to the early termination of high-rate operating leases for two engines. Included in Special charge in 2014 were employee termination benefits, a loan reserve, professional fees and tax adjustments related to a consolidated subsidiary, and a loss on a 737-800 aircraft held for sale.

**Liquidity and Capital Resources**

Significant liquidity events in 2015 were as follows:

*Treasury Stock Transactions*

During 2015, we repurchased 425,154 shares for $20.0 million under an open market repurchase program. See Note 15 to our Financial Statements for a discussion of our stock repurchase program.

*Debt Transactions*

In June 2015, we issued $224.5 million of Convertible Notes with a cash coupon of 2.25%. In July and August 2015, we used the majority of the proceeds from the Convertible Notes to refinance higher-rate EETCs related to five 747-400 freighter aircraft. The EETCs had an average cash coupon of 8.1%.

In October 2015, we refinanced two higher-rate term loans, in the aggregate amount of $195.2 million with a term loan at a fixed interest rate of 3.53%, secured by two 747-8F aircraft.

In November 2015, we borrowed $125.0 million for the delivery of our tenth 747-8F under a term loan secured by the aircraft at a fixed interest rate of 3.96%.

In December 2015, we borrowed $23.3 million related to the purchase and conversion of a 767-300BDSF aircraft under a term loan at a fixed interest rate of 3.72%.

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*Operating Activities.* Net cash provided by operating activities for 2015 was $372.9 million, compared with $273.1 million for 2014. The increase primarily reflects an increase in earnings, excluding noncash items and changes in the timing of working capital.

*Investing Activities.* Net cash used for investing activities was $165.0 million for 2015, consisting primarily of $227.0 million of purchase deposits and payments for flight equipment, and $45.0 million of core capital expenditures, excluding flight equipment. Purchase deposits and payments for flight equipment in 2015 were primarily related to the purchase of a 747-8F aircraft, two 767-300 passenger aircraft and related freighter conversion costs and spare engines. Partially offsetting these investing activities were $80.3 million of proceeds from investments and $25.4 million of proceeds from disposal of aircraft. All capital expenditures for 2015 were funded through working capital, except for the aircraft financed as discussed above. Net cash used for investing activities was $548.4 million for 2014, consisting primarily of $519.4 million of purchase deposits and payments for flight equipment and $24.9 million of core capital expenditures, excluding flight equipment. Purchase deposits and payments for flight equipment in 2014 were primarily related to the purchase of three 777-200LRF aircraft.

*Financing Activities.* Net cash used for financing activities was $80.5 million for 2015, which primarily reflected $568.9 million of payments on debt obligations, $52.9 million for the purchase of convertible note hedges, $36.1 million for the payment of debt extinguishment costs, $26.5 million related to the purchase of treasury stock and $14.5 million of debt issuance costs partially offset by $568.0 million of proceeds from debt issuance, $36.3 million from the sale of warrants and $16.1 million of customer maintenance reserves received. The proceeds from debt issuance and payments of debt obligations in 2015 reflect the refinancing of two term loans in the aggregate amount of $195.2 million and the refinancing of the EETCs discussed above. Net cash provided by financing activities was $252.0 million for 2014, which primarily reflected $572.6 million of proceeds from debt issuance and $17.6 million of customer maintenance reserves received, partially offset by $301.6 million of payments on debt obligations, $19.5 million related to the purchase of treasury stock and $17.1 million of debt issuance costs. The proceeds from debt issuance and payments of debt obligations in 2014 reflect the refinancing of a $103.6 million bridge loan with a note guaranteed by Ex-Im Bank.

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 2016, and to pay amounts due related to the settlement of the U.S. class action litigation and the planned acquisition of Southern Air. Core capital expenditures for 2016 are expected to range between $50.0 to $60.0 million, which excludes flight equipment and capitalized interest. Our estimated payments for committed flight equipment purchases for 2016 are expected to range between $65.0 to $70.0 million. Total consideration expected to be paid in cash during 2016 for the acquisition of Southern Air is approximately $110.0 million, subject to customary working capital and other adjustments.

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 May 2015 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.

We do not expect to pay any significant U.S. federal income tax until 2020 or later. Our business operations are subject to income tax in several foreign jurisdictions. We do not expect to pay any significant cash income taxes in foreign jurisdictions 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.

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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, 2015 (in millions):

| | Total Obligations | Payments Due by Period | | | |
|---|---|---|---|---|---|
| | | 2016 | 2017 - 2018 | 2019 - 2020 | Thereafter |
| Debt (1) | $ 2,008.0 | $ 171.5 | $ 350.0 | $ 459.3 | $ 1,027.2 |
| Interest on debt (2) | 343.8 | 65.0 | 111.7 | 87.5 | 79.6 |
| Aircraft and engine operating leases | 993.4 | 132.1 | 262.0 | 275.6 | 323.7 |
| Other operating leases | 8.3 | 4.4 | 2.9 | 0.7 | 0.3 |
| Legal settlement obligation | 100.0 | 35.0 | 65.0 | | |
| Total Contractual Obligations | $ 3,453.5 | $ 408.0 | $ 791.6 | $ 823.1 | $ 1,430.8 |

(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, 2015.
We maintain a noncurrent 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**

Fourteen of our forty-nine operating and Dry Leased 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 nine 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, 2015.

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**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:

*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 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 and 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*

Except for engines used on our 747-8F aircraft, we account for heavy maintenance costs for airframes and engines used in our ACMI and 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 and engines used on our 747-8F aircraft using the deferral method. Under this method, we capitalize the cost of scheduled heavy maintenance events, which are amortized over the estimated period until the next scheduled heavy 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.

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We have recorded reserves for income taxes that may become payable in future years. Although management believes that its positions taken on income tax matters are reasonable, we have nevertheless established tax reserves in recognition that various taxing authorities may challenge certain of the positions taken by us, potentially resulting in additional liabilities for taxes.

*Business Combinations and Intangible Assets*

We account for business combinations using the purchase method. Under the purchase method, we record identifiable 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 assumptions that affect our financial statements. Historically, intangible assets acquired have finite lives and 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.

*Legal and Regulatory Matters*

We are party to legal and regulatory proceedings with respect to a variety of matters in multiple jurisdictions. 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.

**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.

*Aircraft Fuel.* Our results of operations are affected by changes in the price and availability of aircraft fuel. We have limited fuel risk for our Charter business. Market risk is estimated at a hypothetical 20% increase or decrease in the 2015 average cost per gallon of fuel. Based on actual 2015 fuel consumption for commercial customers in Charter, such an increase would have resulted in an increase to aircraft fuel expense of approximately $33.6 million in 2015. For our AMC-related Charter flights, 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 AMC-related 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. 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, 2015, approximately $98.0 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, 2015, our annual interest expense would have changed in 2015 by approximately $0.6 million.

*Foreign Currency.* We have limited exposure 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.

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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 of

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, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index 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, 2015, based on criteria established in *Internal Control Integrated Framework* (2013) 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

New York, New York

February 18, 2016

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**Atlas Air Worldwide Holdings, Inc.**

**Consolidated Balance Sheets**

*(in thousands, except share data)*

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 425,950 | $ 298,601 |
| Short-term investments | 5,098 | 17,802 |
| Restricted cash | 12,981 | 14,281 |
| Accounts receivable, net of allowance of $1,247 and $1,658, respectively | 164,308 | 162,092 |
| Prepaid maintenance | 6,052 | 20,806 |
| Prepaid expenses and other current assets | 37,548 | 51,599 |
| Total current assets | 651,937 | 565,181 |
| **Property and Equipment** | | |
| Flight equipment | 3,687,248 | 3,448,791 |
| Ground equipment | 58,487 | 51,418 |
| Less: accumulated depreciation | (450,217) | (348,036) |
| Purchase deposits for flight equipment | 39,678 | 20,054 |
| Property and equipment, net | 3,335,196 | 3,172,227 |
| **Other Assets** | | |
| Long-term investments and accrued interest | 37,604 | 120,478 |
| Deposits and other assets | 81,183 | 81,981 |
| Intangible assets, net | 58,483 | 67,410 |
| **Total Assets** | $ 4,164,403 | $ 4,007,277 |
| **Liabilities and Equity** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 93,278 | $ 42,864 |
| Accrued liabilities | 293,138 | 251,594 |
| Current portion of long-term debt | 161,811 | 181,193 |
| Total current liabilities | 548,227 | 475,651 |
| **Other Liabilities** | | |
| Long-term debt | 1,739,496 | 1,736,747 |
| Deferred taxes | 286,928 | 311,668 |
| Other liabilities | 135,569 | 65,416 |
| Total other liabilities | 2,161,993 | 2,113,831 |
| 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; 28,955,445 and 28,561,160 shares issued, 24,636,651 and 24,807,718, shares outstanding (net of treasury stock), as of December 31, 2015 and December 31, 2014, respectively | 290 | 286 |
| Additional paid-in-capital | 625,244 | 573,133 |
| Treasury stock, at cost; 4,318,794 and 3,753,442 shares, respectively | (171,844) | (145,322) |
| Accumulated other comprehensive loss | (6,063) | (9,572) |
| Retained earnings | 1,006,556 | 999,270 |
| Total equity | 1,454,183 | 1,417,795 |

| | | |
|---|---|---|
| **Total Liabilities and Equity** | $ 4,164,403 | $ 4,007,277 |

*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, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| **Operating Revenue** | | | |
| ACMI | $ 791,442 | $ 778,091 | $ 755,008 |
| Charter | 908,753 | 906,676 | 852,452 |
| Dry leasing | 107,218 | 100,059 | 35,168 |
| Other | 15,246 | 14,372 | 14,272 |
| Total Operating Revenue | 1,822,659 | 1,799,198 | 1,656,900 |
| **Operating Expenses** | | | |
| Salaries, wages and benefits | 351,372 | 311,143 | 299,136 |
| Aircraft fuel | 333,390 | 404,263 | 410,353 |
| Maintenance, materials and repairs | 202,337 | 203,567 | 162,972 |
| Aircraft rent | 145,031 | 140,390 | 160,415 |
| Depreciation and amortization | 128,740 | 120,793 | 86,389 |
| Travel | 102,755 | 79,199 | 61,420 |
| Navigation fees, landing fees and other rent | 99,345 | 131,138 | 90,733 |
| Passenger and ground handling services | 83,185 | 86,820 | 72,503 |
| Loss on disposal of aircraft | 1,538 | 14,679 | 351 |
| Special charge | 17,388 | 15,114 | 18,642 |
| Other | 234,073 | 116,120 | 107,196 |
| Total Operating Expenses | 1,699,154 | 1,623,226 | 1,470,110 |
| Operating Income | 123,505 | 175,972 | 186,790 |
| **Non-operating Expenses (Income)** | | | |
| Interest income | (12,554) | (18,480) | (19,813) |
| Interest expense | 96,756 | 104,252 | 83,659 |
| Capitalized interest | (1,027) | (453) | (2,350) |
| Loss on early extinguishment of debt | 69,728 | | 5,518 |
| Gain on investments | (13,439) | | |
| Other expense (income), net | 1,261 | 1,104 | 1,954 |
| Total Non-operating Expenses (Income) | 140,725 | 86,423 | 68,968 |
| Income (loss) before income taxes | (17,220) | 89,549 | 117,822 |
| Income tax expense (benefit) | (24,506) | (12,678) | 23,833 |
| **Net Income** | 7,286 | 102,227 | 93,989 |
| Less: Net income (loss) attributable to noncontrolling interests | | (4,530) | 152 |
| **Net Income Attributable to Common Stockholders** | $ 7,286 | $ 106,757 | $ 93,837 |
| **Earnings per share:** | | | |
| Basic | $ 0.29 | $ 4.26 | $ 3.67 |

| | | | |
|---|---|---|---|
| Diluted | $ 0.29 | $ 4.25 | $ 3.66 |
| **Weighted average shares:** | | | |
| Basic | 24,833 | 25,031 | 25,541 |
| Diluted | 25,018 | 25,127 | 25,627 |

*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, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| **Net Income** | $ 7,286 | $ 102,227 | $ 93,989 |
| **Other comprehensive income (loss):** | | | |
| Interest rate derivatives: | | | |
| Net change in fair value | | (251) | 1,386 |
| Reclassification to interest expense | 6,129 | 2,724 | 3,064 |
| Income tax expense | (2,277) | (1,022) | (1,207) |
| Foreign currency translation: | | | |
| Translation adjustment | (343) | (168) | 700 |
| Other comprehensive income | 3,509 | 1,283 | 3,943 |
| **Comprehensive Income** | 10,795 | 103,510 | 97,932 |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | | (4,352) | 509 |
| **Comprehensive Income Attributable to Common Stockholders** | $ 10,795 | $ 107,862 | $ 97,423 |

*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 Twelve Months Ended | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| **Operating Activities:** | | | |
| Net Income Attributable to Common Stockholders | $ 7,286 | $ 106,757 | $ 93,837 |
| Net income (loss) attributable to noncontrolling interests | | (4,530) | 152 |
| Net Income | 7,286 | 102,227 | 93,989 |
| Adjustments to reconcile Net Income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 147,604 | 138,324 | 101,671 |
| Accretion of debt securities discount | (4,651) | (7,947) | (8,889) |
| Provision for allowance for doubtful accounts | 171 | 643 | 178 |
| Special charge, net of cash payments | 16,351 | 12,013 | 18,642 |
| Loss on early extinguishment of debt | 69,728 | | 5,518 |
| Loss on disposal of aircraft | 1,538 | 14,679 | 351 |
| Deferred taxes | (25,898) | (12,714) | 22,856 |
| Stock-based compensation expense | 16,181 | 13,606 | 16,690 |
| Changes in: | | | |
| Accounts receivable | 2,016 | (21,070) | (6,029) |
| Prepaid expenses, current assets and other assets | 23,171 | 23,605 | (192) |
| Accounts payable and accrued liabilities | 119,390 | 9,779 | 57,308 |
| Net cash provided by operating activities | 372,887 | 273,145 | 302,093 |
| **Investing Activities:** | | | |
| Capital expenditures | (45,040) | (24,920) | (29,531) |
| Purchase deposits and payments for flight equipment | (227,048) | (519,399) | (573,416) |
| Changes in restricted cash | 1,300 | (7,790) | (6,491) |
| Proceeds from investments | 80,302 | 3,728 | 5,569 |
| Proceeds from insurance | | | 9,109 |
| Proceeds from disposal of aircraft | 25,441 | | 4,780 |
| Net cash used for investing activities | (165,045) | (548,381) | (589,980) |
| **Financing Activities:** | | | |
| Proceeds from debt issuance | 568,033 | 572,552 | 709,484 |
| Customer maintenance reserves received | 16,148 | 17,555 | 2,907 |
| Customer maintenance reserves paid | (3,801) | | |
| Refund of accelerated share repurchase | | | 21,886 |
| Prepayment of accelerated share repurchase | | | (21,886) |
| Proceeds from sale of warrants | 36,290 | | |
| Payments for convertible note hedges | (52,903) | | |
| Proceeds from stock option exercises | 1,193 | 69 | |
| Excess tax benefit from stock-based compensation expense | 555 | 8 | 465 |
| Payment of debt issuance costs | (14,509) | (17,117) | (19,769) |
| Purchase of treasury stock | (26,522) | (19,496) | (80,976) |
| Payment of debt extinguishment costs | (36,054) | | |
| Payments of debt | (568,923) | (301,550) | (412,171) |
| Net cash (used for) provided by financing activities | (80,493) | 252,021 | 199,940 |
| Net increase (decrease) in cash and cash equivalents | 127,349 | (23,215) | (87,947) |
| Cash and cash equivalents at the beginning of period | 298,601 | 321,816 | 409,763 |
| Cash and cash equivalents at the end of period | $ 425,950 | $ 298,601 | $ 321,816 |
| **Non-cash Investing and Financing Activities:** | | | |

| | | | |
|---|---|---|---|
| Acquisition of flight equipment and assumed debt | $ | $ | $ 90,498 |
| Acquisition of flight equipment included in Accounts payable and accrued liabilities | $ 33,294 | $ 29,087 | $ 21,823 |
| Disposition of aircraft included in Accounts receivable | $ | $ 5,072 | $ |

*See accompanying Notes to Consolidated Financial Statements*

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**Atlas Air Worldwide Holdings, Inc.**

**Consolidated Statements of Stockholders Equity**

*(in thousands, except share data)*

| | Common Stock | Treasury Stock | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Stockholders Equity | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2012** | $ 277 | $ (44,850) | $ 544,421 | $ (14,263) | $ 798,676 | $ 1,284,261 | $ 3,843 | $ 1,288,104 |
| Net Income (loss) | | | | | 93,837 | 93,837 | 152 | 93,989 |
| Other comprehensive income (loss) | | | | 3,586 | | 3,586 | 357 | 3,943 |
| Stock option and restricted stock compensation | | | 16,690 | | | 16,690 | | 16,690 |
| Purchase of 1,932,101 shares of treasury stock | | (80,976) | | | | (80,976) | | (80,976) |
| Issuance of 527,289 shares of restricted stock | 5 | | (5) | | | | | |
| Prepayment of accelerated share repurchase | | | (21,886) | | | (21,886) | | (21,886) |
| Refund of accelerated share repurchase | | | 21,886 | | | 21,886 | | 21,886 |
| Reversal of prior year deferred tax | | | (90) | | | (90) | | (90) |
| Tax benefit (expense) on restricted stock and stock options | | | 465 | | | 465 | | 465 |
| **Balance at December 31, 2013** | $ 282 | $ (125,826) | $ 561,481 | $ (10,677) | $ 892,513 | $ 1,317,773 | $ 4,352 | $ 1,322,125 |
| Net Income (loss) | | | | | 106,757 | 106,757 | (4,530) | 102,227 |
| Other comprehensive income (loss) | | | | 1,105 | | 1,105 | 178 | 1,283 |
| Stock option and restricted stock compensation | | | 13,606 | | | 13,606 | | 13,606 |
| Purchase of 591,858 shares of treasury stock | | (19,496) | | | | (19,496) | | (19,496) |
| Exercise of 2,500 employee stock options | | | 69 | | | 69 | | 69 |
| Issuance of 358,447 shares of restricted stock | 4 | | (4) | | | | | |
| Tax benefit (expense) on restricted stock and stock options | | | (2,019) | | | (2,019) | | (2,019) |
| **Balance at December 31, 2014** | $ 286 | $ (145,322) | $ 573,133 | $ (9,572) | $ 999,270 | $ 1,417,795 | $ | $ 1,417,795 |
| Net Income | | | | | 7,286 | 7,286 | | 7,286 |
| Other comprehensive income | | | | 3,509 | | 3,509 | | 3,509 |
| Stock option and restricted stock compensation | | | 16,181 | | | 16,181 | | 16,181 |
| Purchase of 565,352 shares of treasury stock | | (26,522) | | | | (26,522) | | (26,522) |
| Exercise of 25,373 employee stock options | | | 1,193 | | | 1,193 | | 1,193 |
| Issuance of 368,912 shares of restricted stock | 4 | | (4) | | | | | |
| Equity component of convertible notes, net of tax | | | 32,234 | | | 32,234 | | 32,234 |
| Purchase of convertible note hedges, net of tax | | | (33,837) | | | (33,837) | | (33,837) |
| Issuance of warrants | | | 36,290 | | | 36,290 | | 36,290 |
| Tax benefit (expense) on restricted stock and stock options | | | 54 | | | 54 | | 54 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2015** | $ 290 | $ (171,844) | $ 625,244 | $ (6,063) | $ 1,006,556 | $ 1,454,183 | $ $ 1,454,183 |

*See accompanying Notes to Consolidated Financial Statements*

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**Atlas Air Worldwide Holdings, Inc.**

**Notes to Consolidated Financial Statements**

**December 31, 2015**

## 1. Basis of Presentation

Our consolidated financial statements include the accounts of the holding company, Atlas Air Worldwide Holdings, Inc. ( AAWW ) and its consolidated subsidiaries. AAWW is the parent company of its principal operating subsidiary, Atlas Air, Inc. ( Atlas ), and of Polar Air Cargo LLC ( Old Polar ). AAWW is also the parent company of several subsidiaries related to our dry leasing services (collectively referred to as Titan ). AAWW has a 51% equity interest and 75% voting interest in Polar Air Cargo Worldwide, Inc. ( Polar ). We record our share of Polar s results under the equity method of accounting.

Noncontrolling interest represents the interest not owned by us and is recorded for consolidated entities in which we own less than 100% of the interest. All significant intercompany accounts and transactions have been eliminated. We account for investments in entities under the equity method of accounting when we hold between 20% and 50% ownership in the entity and exercise significant influence or when we are not the primary beneficiary of a variable interest entity. The terms we, us, our, and the Company mean AAWW and all entities included in its consolidated financial statements.

We provide outsourced aircraft and aviation operating services throughout the world, serving Africa, Asia, Australia, Europe, the Middle East, North America and South America through: (i) contractual service arrangements, including those through which we provide aircraft to customers and value-added services, including crew, maintenance and insurance ( ACMI ), as well as those through which we provide crew, maintenance and insurance, but not the aircraft ( CMI ); (ii) cargo and passenger charter services ( Charter ); and (iii) dry leasing aircraft and engines ( Dry Leasing or Dry Lease ).

Except for per share data, all dollar amounts are in thousands unless otherwise noted.

Certain reclassifications have been made to prior periods consolidated financial statement amounts and related note disclosures to conform to the current year s presentation, including the presentation of segments, debt issuance costs and deferred taxes (see Notes 2 and 11 for further discussion).

## 2. Summary of Significant Accounting Policies

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ( GAAP ) requires us to make estimates and judgments that affect the amounts reported in these financial statements and the related disclosures. Actual results may differ from those estimates. Estimates are used in determining, among other items, asset lives and residual values, cash flows for impairment analysis, heavy maintenance costs, income tax accounting, business combinations, intangible assets, contingent liabilities (including, but not limited to litigation accruals), valuation allowances (including, but not limited to, those related to receivables, expendable parts inventory and deferred taxes), stock-based compensation and self-insurance employee benefit accruals.

***Revenue Recognition***

Revenue from ACMI and CMI contracts is typically recognized as the block hours are operated on behalf of a customer during a given month, as defined contractually, based on flight departure. The time interval between when an aircraft departs the terminal until it arrives at the destination terminal is measured in hours and called a Block Hour . If a customer flies below a minimum contracted Block Hour guarantee, the contracted minimum revenue amounts are recognized as revenue. We recognize revenue for Charter upon flight departure.

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We record Dry Lease rental income on a straight-line basis over the term of the operating lease. In limited cases, leases provide for additional rentals based on usage, which is recorded as revenue as it is earned under the terms of the lease. Usage is calculated based on hourly usage or number of flights operated, depending on the lease agreement, and is typically reported monthly by the lessee. Rentals received but unearned under the lease agreements are recorded in deferred revenue and included in Accrued liabilities until earned.

Customer maintenance reserves are amounts received under our Dry Leases that are subject to reimbursement to the lessee upon the completion of qualifying maintenance work on the specific Dry Leased aircraft and are included in Accrued liabilities. We defer revenue recognition until the end of the lease, when we are able to finalize the amount, if any, to be reimbursed to the customer.

The Company recognizes revenue for management and administrative support services when the services are provided.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, demand deposits and other cash investments that are highly liquid in nature and have original maturities of three months or less at acquisition.

***Short-term Investments***

Short-term investments are primarily comprised of certificates of deposit, current portions of debt securities and money market funds.

***Restricted Cash***

Cash that is restricted under secured aircraft debt agreements, whereby it can only be used to make principal and interest payments on the related debt secured by those aircraft, is classified as Restricted cash.

***Accounts Receivable***

We perform a monthly evaluation of our accounts receivable and establish an allowance for doubtful accounts based on our best estimate of probable credit losses resulting from the inability or unwillingness of our customers to make required payments. Account balances are charged off against the allowance when we determine that the receivable will not be recovered.

***Escrow Deposits and Letters of Credit***

We had $3.9 million as of December 31, 2015 and $5.3 million as of December 31, 2014, for certain deposits required in the normal course of business for various items including, but not limited to, surety and customs bonds, airfield privileges, judicial deposits, insurance and cash pledged under standby letters of credit related to collateral. These amounts are included in Deposits and other assets.

***Expendable Parts***

Expendable parts, materials and supplies for flight equipment are carried at average acquisition costs and are included in Prepaid expenses and other current assets. When used in operations, they are charged to maintenance expense. Allowances for excess and obsolescence for expendable parts expected to be on hand at the date aircraft are retired from service are provided over the estimated useful lives of the related airframes and engines. These allowances are based on management estimates, which are subject to change as conditions in the business evolve. The net book value of expendable parts inventory was $18.1 million as of December 31, 2015 and $17.5 million at December 31, 2014, net of allowances for obsolescence of $19.7 million at December 31, 2015 and $16.6 million at December 31, 2014.

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***Property and Equipment***

We record property and equipment at cost and depreciate these assets to their estimated residual values on a straight-line basis over their estimated useful lives or average remaining fleet lives. We review these assumptions at least annually and adjust depreciation on a prospective basis. Expenditures for major additions, improvements and flight equipment modifications are generally capitalized and depreciated over the shorter of the estimated life of the improvement, the modified assets remaining life or remaining lease term. Most of our flight equipment is specifically pledged as collateral for our indebtedness. The estimated useful lives of our property and equipment are as follows:

| | Range |
|---|---|
| Flight equipment | 3 to 40 years |
| Computer software and equipment | 3 to 5 years |
| Ground handling equipment and other | 3 to 5 years |

Depreciation expense related to property and equipment was $122.2 million in 2015, $114.0 million in 2014 and $83.9 million in 2013.

The net book value of flight equipment on dry lease to customers was $887.9 million as of December 31, 2015 and $890.1 million as of December 31, 2014. The accumulated depreciation for flight equipment on dry lease to customers was $64.5 million as of December 31, 2015 and $38.8 million as of December 31, 2014.

Rotable parts are recorded in Property and equipment, net, and are depreciated over their average remaining fleet lives and written off when they are determined to be beyond economic repair. The net book value of rotable parts inventory was $125.6 million as of December 31, 2015 and $108.2 million as of December 31, 2014.

***Capitalized Interest on Purchase Deposits***

Interest on funds used to finance the acquisition of flight equipment up to the date the asset is ready for its intended use is capitalized and included in the cost of the asset if the asset is actively under construction. Included in capitalized interest is the interest paid on the purchase deposit borrowings directly associated with the acquisition of flight equipment. The remainder of capitalized interest recorded on the acquisition of flight equipment is determined by taking the weighted average cost of funds associated with our other debt and applying it against the amounts paid as purchase deposits.

***Impairment of Long-Lived Assets***

We record impairment charges on long-lived assets 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 the associated carrying amount and the net book value of the assets exceeds the associated estimated fair value.

For flight equipment used in our ACMI and Charter segments, assets are grouped at the operating fleet level for impairment testing. For flight equipment used in our Dry Leasing segment, assets are tested on an individual basis for impairment.

In developing estimates for flight equipment and cash flows, we use external appraisals and other industry data for the various equipment types, anticipated utilization of the assets, revenue generated, associated costs and length of service.

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***Long-term Investments***

Long-term investments consist of debt securities, including accrued interest, for which management has the intent and ability to hold to maturity. These investments are classified as held-to-maturity and are reported at amortized cost. Interest on debt securities and accretion of discounts using the effective interest method are included in Interest income.

***Variable Interest Entities and Off-Balance Sheet Arrangements***

We hold a 50% interest in Global Aviation Technical Solutions Co, Ltd. ( GATS ), a joint venture with an unrelated third party. The purpose of the joint venture is to purchase rotable parts and provide repair services for those parts, primarily for our 747-8F aircraft. The joint venture is a variable interest entity and we have not consolidated GATS because we are not the primary beneficiary as we do not exercise financial control. Our investment in GATS was $20.7 million as of December 31, 2015 and $16.4 million as of December 31, 2014 and our maximum exposure to losses from the entity is limited to our investment, which is composed primarily of rotable inventory parts. GATS does not have any third-party debt obligations. We had Accounts payable to GATS of $2.3 million as of December 31, 2015 and $1.5 million as of December 31, 2014.

A portion of our operating aircraft are owned or effectively owned and leased through trusts established specifically to purchase, finance and lease aircraft to us. We have not consolidated any aircraft in the related trusts because we are not the primary beneficiary. Our maximum exposure under these operating leases is the remaining lease payments, which amounts are reflected in the future lease commitments more fully described in Note 8.

***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.

We have recorded reserves for income taxes that may become payable in future years. Although management believes that its positions taken on income tax matters are reasonable, we have nevertheless established tax reserves in recognition that various taxing authorities may challenge certain of the positions taken by us, potentially resulting in additional liabilities for taxes.

***Heavy Maintenance***

Except for engines used on our 747-8F aircraft, we account for heavy maintenance costs for airframes and engines used in our ACMI and 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.

We account for heavy maintenance costs for airframes and engines used in our Dry Leasing segment and engines used on our 747-8F aircraft using the deferral method. Under this method, we capitalize the cost of scheduled heavy maintenance events, which are amortized over the estimated period until the next scheduled heavy maintenance event is required. As of December 31, 2015, we had not capitalized any heavy maintenance costs under the deferral method.

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***Prepaid Maintenance Deposits***

Certain of our aircraft financing agreements require security deposits to our finance providers to ensure that we perform major maintenance as required. These are substantially refundable to us and are, therefore, accounted for as deposits and included in Prepaid maintenance and in Deposits and other assets. Such amounts were $47.2 million as of December 31, 2015 and $54.5 million at December 31, 2014.

***Foreign Currency***

While most of our revenues are denominated in U.S. dollars, our results of operations may be exposed to the effect of fluctuations in the U.S. dollar value of foreign currency-denominated operating revenues and expenses. Our largest exposures come from the Brazilian real. We do not currently have a foreign currency hedging program related to our foreign currency-denominated transactions. Gains or losses resulting from foreign currency transactions are included within Non-operating expenses (income).

***Stock-Based Compensation***

We have various stock-based compensation plans for certain employees and outside directors, which are described more fully in Note 13. We recognize compensation expense, net of estimated forfeitures, on a straight-line basis over the vesting period for each award based on the fair value on grant date. We estimate grant date fair value for all option grants using the Black-Scholes-Merton option pricing model. We estimate option and restricted stock unit forfeitures at the time of grant and periodically revise those estimates in subsequent periods if actual forfeitures differ from those estimates. As a result, we record stock-based compensation expense only for those awards that are expected to vest.

***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.

***Supplemental Cash Flow Information***

Cash interest paid to lenders is calculated on the face amount of our various debt instruments based on the contractual interest rates in effect during each payment period.

The following table summarizes interest and income taxes paid:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Interest paid | $ 75,135 | $ 84,265 | $ 68,026 |
| Income taxes paid, net of refunds | $ (228) | $ 1,181 | $ 238 |

***Recent Accounting Pronouncements***

In November 2015, the Financial Accounting Standards Board ( FASB ) amended its guidance on the classification of deferred income taxes on the balance sheet. The new guidance requires companies to classify all deferred income taxes as noncurrent. We early adopted this guidance retrospectively effective December 31, 2015 and its adoption did not have a material impact on our financial condition, results of operations or cash flows. The amount of current deferred tax assets reclassified on our balance sheet was $40.9 million at December 31, 2014.

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In September 2015, the FASB amended its guidance for simplifying the accounting for business combination measurement-period adjustments. The new guidance requires an acquirer to record the income statement effects, if any, as a result of the change in provisional amounts in the period s financial statements when the adjustment is determined, calculated as if the accounting had been completed at the acquisition date. This amendment eliminates the requirement to retrospectively account for provisional adjustments. This standard is effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years.

In April 2015, the FASB amended its guidance for presenting debt issuance costs. The new guidance requires debt issuance costs to be presented in the balance sheet as a reduction of the carrying amount of the related debt liability instead of as an asset. We early adopted this guidance retrospectively effective March 31, 2015 and its adoption did not have a material impact on our financial condition, results of operations or cash flows. The amount of debt issuance costs classified on our balance sheet as a reduction of debt was $57.3 million at December 31, 2015 and $55.1 million at December 31, 2014.

In May 2014, the FASB amended its accounting guidance for revenue recognition. The fundamental principles of the new guidance are that companies should recognize revenue in a manner that reflects the timing of the transfer of services to customers and consideration that a company expects to receive for the services provided. It also requires additional disclosures necessary for the financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB deferred the effective date by one year to the beginning of 2018. Early adoption of the standard is permitted, but not before the beginning of 2017. We are currently assessing the impact the amended guidance will have on our financial statements.

**3. DHL Investment and Polar**

DHL Network Operations (USA), Inc. ( DHL ), a subsidiary of Deutsche Post AG ( DP ), holds a 49% equity interest and a 25% voting interest in Polar. Polar is a variable interest entity and we do not consolidate Polar because we are not the primary beneficiary as the risks associated with the direct costs of operation are with DHL. Under a 20-year blocked space agreement, which began in 2008 (the BSA ), Polar provides air cargo capacity to DHL. In addition to the BSA, 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 other separate agreements, Atlas and Polar supply administrative, sales and ground support services to one another. DP has guaranteed DHL s (and Polar s) obligations under the various transaction 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 herein as the DHL Agreements . The DHL Agreements provide us with a guaranteed revenue stream from six 747 aircraft that have been dedicated to Polar for outsourced airport-to-airport wide-body cargo aircraft solutions for the benefit of DHL and other customers freight due to monthly minimum Block Hour guarantees over the life of the agreements.

In accordance with the DHL Agreements, Polar flies for DHL s transpacific express network and DHL provides financial support and also assumed the risks and rewards of the operations of Polar. In addition to transpacific routes, Polar also flies between the Asia Pacific region, the Middle East and Europe on behalf of DHL and other customers.

The BSA established DHL s capacity purchase commitments on Polar flights. DHL has the right to terminate the 20-year BSA at the tenth and fifteenth anniversaries of commencement, which was October 27, 2008. Either party may terminate for cause (as defined) at any time. With respect to DHL, cause includes Polar s inability to meet certain departure and arrival criteria for an extended period of time and upon certain change-of-control events, in which case DHL may be entitled to liquidated damages from Polar.

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Polar operates six 747-400 freighter aircraft and four 747-8F aircraft that are subleased from us. Atlas operates two additional 747-8F and one additional 747-400 aircraft to support the Polar network and DHL through commercial agreements whereby Atlas provides ACMI services to Polar. Atlas also provides incremental charter capacity to Polar on an ad hoc basis. We fly CMI service for three 767-300 aircraft, two of which are owned by DHL and one that is Dry Leased by Titan to DHL, and nine 767-200 freighters owned by DHL. The 767 CMI aircraft support both DHL s North American and intra-Asian networks. Except for any liquidated damages that we could incur as described above, we do not have any continuing financial exposure to fund debt obligations or operating losses of Polar. The following table summarizes our transactions with Polar:

| **Revenue and Expenses:** | **2015** | **2014** | **2013** |
|---|---|---|---|
| Revenue from Polar | $ 399,113 | $ 325,053 | $ 294,401 |
| Ground handling and airport fees paid to Polar | $ 2,019 | $ 1,909 | $ 1,174 |

| **Accounts receivable/payable as of December 31:** | **2015** | **2014** |
|---|---|---|
| Receivables from Polar | $ 6,527 | $ 5,702 |
| Payables to Polar | $ 4,660 | $ 2,611 |

| **Aggregate Carrying Value of Polar Investment as of December 31:** | **2015** | **2014** |
|---|---|---|
| | $ 4,870 | $ 4,870 |

**4. Special Charge**

During 2015, we entered into agreements to sell five aircraft engines. As of December 31, 2015, we classified the engines as held for sale, recognized an impairment loss of $8.3 million and ceased depreciation on the engines. The aggregate carrying value of the engines held for sale at December 31, 2015 was $7.7 million, which was included within Prepaid expenses and other current assets in the consolidated balance sheets. The sales are expected to be completed during the first quarter of 2016.

In addition, we recognized a charge of $7.7 million related to the early termination of high-rate operating leases for two engines.

During 2014, we entered into an agreement to sell a 737-800 aircraft used in our Dry Leasing business. As of December 31, 2014, we classified the aircraft as held for sale, recognized a loss of $6.2 million and ceased depreciation on the aircraft. The aggregate carrying value of the aircraft held for sale at December 31, 2014 was $25.0 million, which was included within Prepaid expenses and other current assets in the consolidated balance sheets. The sale was completed during the first quarter of 2015.

Also during 2014, we recognized $3.8 million, of employee termination benefits related to British Airways Plc s ( British Airways ) return of three 747-8F aircraft. In addition, we recognized a loss of $4.7 million during 2014 related to a loan from Global Supply Systems Limited ( GSS ), a consolidated subsidiary, to its then 51% U.K. shareholder.

A summary of the Special charge liabilities is as follows:

| | **Lease Termination Costs** | **GSS Employee Termination Benefits** | **Other** | **Total** |
|---|---|---|---|---|
| Liability as of December 31, 2014 | $ 2,437 | $ 1,014 | $ 100 | $ 3,551 |
| Special charge items, net | 392 | 35 | 14 | 441 |
| Cash payments | (2,829) | (1,049) | (114) | (3,992) |
| Liability as of December 31, 2015 | $ | $ | $ | $ |

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**5. Intangible Assets, net**

The following table presents our Intangible assets, net as of December 31:

| | 2015 | 2014 |
|---|---|---|
| Fair value adjustments on operating leases | $ 45,531 | $ 45,531 |
| Lease intangibles | 57,203 | 57,203 |
| Less: accumulated amortization | (44,251) | (35,324) |
| | $ 58,483 | $ 67,410 |

Fair value adjustments on operating leases represent the capitalized discount recorded in prior years to adjust the lease commitments for our 747-400 aircraft to fair market value and are amortized on a straight-line basis over the life of the leases. Lease intangibles resulted from the acquisition of various aircraft that are Dry Leased to customers on a long-term basis and are amortized on a straight-line basis over the life of the leases.

Amortization expense related to intangible assets amounted to $8.9 million in 2015, $9.4 million in 2014 and $4.9 million in 2013.

The estimated future amortization expense of intangible assets as of December 31, 2015 is as follows:

| | |
|---|---|
| 2016 | $ 8,213 |
| 2017 | 7,922 |
| 2018 | 7,647 |
| 2019 | 6,948 |
| 2020 | 6,773 |
| Thereafter | 20,980 |
| Total | $ 58,483 |

**6. Accrued Liabilities**

Accrued liabilities consisted of the following as of December 31:

| | 2015 | 2014 |
|---|---|---|
| Customer maintenance reserves | $ 70,252 | $ 64,756 |
| Maintenance | 52,070 | 50,702 |
| Salaries, wages and benefits | 51,649 | 48,548 |
| Class action settlement | 35,000 | |
| Aircraft fuel | 12,983 | 15,078 |
| Deferred revenue | 12,702 | 10,705 |
| Other | 58,482 | 61,805 |
| Accrued liabilities | $ 293,138 | $ 251,594 |

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**7. Debt**

Our debt obligations, as of December 31:

| | 2015 | 2014 |
|---|---|---|
| Ex-Im Bank guaranteed notes | $ 689,720 | $ 760,389 |
| Term loans | 1,013,265 | 945,813 |
| Convertible Notes | 170,300 | |
| EETCs | 28,022 | 211,738 |
| Total debt | 1,901,307 | 1,917,940 |
| Less current portion of debt | (161,811) | (181,193) |
| Long-term debt | $ 1,739,496 | $ 1,736,747 |

At December 31, 2015 and 2014, we had $106.8 million and $91.0 million, respectively, of unamortized debt discounts and debt issuance costs.

Many of our financing instruments have cross-default provisions and contain limitations on our ability to, among other things, pay certain dividends or make certain other restricted payments, consummate certain asset sales, merge or consolidate with any other person or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets.

**Description of our Debt Obligations**

***Ex-Im Bank Guaranteed Notes***

We have issued various notes guaranteed by the Export-Import Bank of the United States ( Ex-Im Bank ), each secured by a mortgage on a 747-8F or 777-200LRF aircraft (the Ex-Im Guaranteed Notes ). In connection with the issuance of Ex-Im Guaranteed Notes, we paid usual and customary commitment and other fees associated with this type of financing. In addition, there are customary covenants, events of default and certain operating conditions that we must meet for the Ex-Im Guaranteed Notes. These notes accrue interest at a fixed rate with principal and interest payable quarterly.

The following table summarizes the terms and balances for each note guaranteed by Ex-Im Bank as of December 31 (in millions):

| | Issue Date | Face Value | Collateral Aircraft Tail Number | Original Term | Fixed Interest Rate | 2015 | 2014 |
|---|---|---|---|---|---|---|---|
| 2014 Ex-Im Guaranteed Note | 2014 | $ 140.6 | N854GT | 134 months | 2.67% | $ 118.7 | $ 129.8 |
| First 2013 Ex-Im Guaranteed Note | 2013 | 143.0 | N855GT | 12 years | 1.83% | 115.7 | 126.8 |
| Second 2013 Ex-Im Guaranteed Note | 2013 | 88.0 | MSN 35606 | 90 months | 1.84% | 62.9 | 74.2 |
| First 2012 Ex-Im Guaranteed Note | 2012 | 142.0 | N850GT | 12 years | 2.02% | 104.1 | 115.2 |
| Second 2012 Ex-Im Guaranteed Note | 2012 | 142.7 | N851GT | 12 years | 1.73% | 107.2 | 118.4 |
| Third 2012 Ex-Im Guaranteed Note | 2012 | 142.8 | N852GT | 12 years | 1.56% | 106.9 | 118.1 |
| Fourth 2012 Ex-Im Guaranteed Note | 2012 | 143.2 | N853GT | 12 years | 1.48% | 109.8 | 121.1 |
| | | | | | | $ 725.3 | $ 803.6 |

***Term Loans***

We have entered into various term loans to finance the acquisition of aircraft. Each term loan requires payment of principal and interest quarterly in arrears. Funds available under each term loan agreement are

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subject to usual and customary fees, and funds drawn under the loan agreements typically bear interest at a fixed rate based on LIBOR, plus a margin. Each facility is guaranteed by us and subject to customary covenants and events of default.

In October 2015, we refinanced two higher-rate term loans, in the aggregate amount of $195.2 million, with a new term loan (the First 2015 Term Loan ). The First 2015 Term Loan is secured by a mortgage against aircraft tail numbers N857GT and N858GT. In connection with this refinancing, we recognized a $3.0 million loss on early extinguishment of debt which was paid and reflected as a financing activity in the consolidated statements of cash flows.

In November 2015, we borrowed $125.0 million for the delivery of a 747-8F aircraft under a term loan (the Second 2015 Term Loan ). The Second 2015 Term Loan is secured by a mortgage against aircraft tail number N859GT. The Second 2015 Term Loan is cross-collateralized and cross-defaulted with the First 2015 Term Loan.

In December 2015, we borrowed $23.3 million related to the purchase and conversion of a 767-300BDSF aircraft under a term loan (the Third 2015 Term Loan ). The Third 2015 Term Loan is secured by a mortgage against aircraft tail number N647GT.

In 2014, we purchased three 777-200LRF aircraft that are leased to a customer on a long-term basis and entered into six separate term loans in the aggregate amount of $432.0 million each secured by a mortgage on the aircraft and the attached leases.

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The following table summarizes the terms and balances for each term loan outstanding as of December 31 (in millions):

| | Issue Date | Face Value | Collateral Aircraft Tail Number | Original Term | Interest Rate Type | Interest Rate at 2015 | Interest Rate at 2014 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| First 2015 Term Loan | 2015 | $ 195.2 | N857GT, N858GT | 97 months | Fixed | 3.53% | % | $ 191.7 | $ |
| Second 2015 Term Loan | 2015 | 125.0 | N859GT | 12 years | Fixed | 3.96% | % | 125.0 | |
| Third 2015 Term Loan | 2015 | 23.3 | N647GT | 8 years | Fixed | 3.72% | % | 23.3 | |
| First 2014 Term Loan | 2014 | 115.0 | MSN 38969 | 114 months | Fixed | 4.48% | 4.48% | 101.7 | 108.9 |
| Second 2014 Term Loan | 2014 | 30.8 | MSN 38969 | 114 months | Fixed | 7.30% | 7.30% | 25.7 | 28.1 |
| Third 2014 Term Loan | 2014 | 115.0 | MSN 37138 | 118 months | Fixed | 4.57% | 4.57% | 101.4 | 108.3 |
| Fourth 2014 Term Loan | 2014 | 29.0 | MSN 37138 | 118 months | Fixed | 7.29% | 7.29% | 24.6 | 26.8 |
| Fifth 2014 Term Loan | 2014 | 115.0 | MSN 39286 | 116 months | Fixed | 4.51% | 4.51% | 102.9 | 109.9 |
| Sixth 2014 Term Loan | 2014 | 27.2 | MSN 39286 | 116 months | Fixed | 7.35% | 7.35% | 23.6 | 25.7 |
| First 2013 Term Loan | 2013 | 119.5 | MSN 36201 | 89 months | Variable | 3.12% | 3.06% | 98.0 | 104.6 |
| Second 2013 Term Loan | 2013 | 110.0 | MSN 36200 | 88 months | Fixed | 4.18% | 4.18% | 93.1 | 100.6 |
| First 2012 Term Loan | 2012 | 35.7 | N464MC, N465MC, N640GT, N641GT | 5 years | Fixed | 6.91% | 6.91% | 8.9 | 15.5 |
| Second 2012 Term Loan | 2012 | 8.5 | N642GT | 5 years | Fixed | 6.89% | 6.89% | | 3.9 |
| Third 2012 Term Loan | 2012 | 26.0 | MSN 29681 | 7 years | Fixed | 4.27% | 4.27% | 14.8 | 18.6 |
| First 2011 Term Loan | 2011 | 120.3 | N856GT | 12 years | Fixed | 6.16% | 6.16% | 95.5 | 101.9 |
| Second 2011 Term Loan | 2011 | 120.0 | N857GT | 12 years | Fixed | % | 6.37% | | 102.5 |
| Third 2011 Term Loan | 2011 | 120.0 | N858GT | 12 years | Fixed | % | 6.37% | | 102.5 |
| | | | | | | | | $ 1,030.2 | $ 957.8 |

***Convertible Notes***

In June 2015, we issued $224.5 million aggregate principal amount of convertible senior notes (the Convertible Notes ) in an underwritten public offering. The Convertible Notes are senior unsecured obligations and accrue interest payable semiannually on June 1 and December 1 of each year at a fixed rate of 2.25%. The Convertible Notes will mature on June 1, 2022, unless earlier converted or repurchased pursuant to their terms.

During 2015, we used proceeds from the issuance of the Convertible Notes to refinance higher-rate equipment notes funded by enhanced equipment trust certificates ( EETCs ) related to five 747-400 freighter aircraft owned by us in the aggregate amount of $187.8 million. The EETCs had an average cash coupon of

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8.1%. In connection with the refinancing, we recognized a $66.7 million loss on early extinguishment of debt, of which $34.0 million was related to debt extinguishment costs paid to the EETC equipment note holders and $32.7 million was related to the write-off of the debt discount associated with the EETCs. The debt extinguishment costs paid are reflected as a financing activity in the consolidated statements of cash flows. As a result of this refinancing, we recognized a $13.4 million Gain on investments from the early redemption of certain investments related to EETCs (see Note 10).

Each $1,000 of principal of the Convertible Notes will initially be convertible into 13.5036 shares of our common stock, which is equal to an initial conversion price of $74.05 per share. The conversion rate will be subject to adjustment upon the occurrence of certain specified events but will not be adjusted for accrued and unpaid interest, except in certain limited circumstances. Upon the occurrence of a make-whole fundamental change, we will, in certain circumstances, increase the conversion rate by a number of additional shares of our common stock for Convertible Notes converted in connection with such make-whole fundamental change . Additionally, if we undergo a fundamental change, a holder will have the option to require us to repurchase all or a portion of its Convertible Notes for cash at a price equal to 100% of the principal amount of the Convertible Notes being repurchased plus any accrued and unpaid interest through, but excluding, the fundamental change repurchase date.

In connection with the offering of the Convertible Notes, we entered into convertible note hedge transactions whereby we have the option to purchase initially (subject to adjustment for certain specified events) a total of 3,031,558 shares of our common stock at a price of $74.05 per share. The total cost of the convertible note hedge transactions was $52.9 million. In addition, we sold warrants to the option counterparties whereby the holders of the warrants have the option to purchase initially (subject to adjustment for certain specified events) a total of 3,031,558 shares of our common stock at a price of $95.01. We received $36.3 million in cash proceeds from the sale of these warrants.

Taken together, the purchase of the convertible note hedges and the sale of warrants are intended to offset any actual dilution from the conversion of the Convertible Notes and to effectively increase the overall conversion price from $74.05 to $95.01 per share. The $16.6 million net cost incurred in connection with the convertible note hedges and warrants was recorded as a reduction to additional paid-in capital, net of tax, in the consolidated balance sheet.

On or after September 1, 2021 until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder may convert all or a portion of its Convertible Notes.

Upon conversion, the Convertible Notes will be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of our common stock. Our current intent and policy is to settle conversions with a combination of cash and shares of common stock with the principal amount of the Convertible Notes paid in cash.

Holders may convert their Convertible Notes at their option at any time prior to September 1, 2021, only under the following circumstances:

during any calendar quarter (and only during such calendar quarter) if, for each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period ending on, and including, the last trading day of the immediately preceding calendar quarter, the last reported sale price of our common stock for such trading day is equal to or greater than 130% of the conversion price on such trading day;

during the five consecutive business day period immediately following any five consecutive trading day period (the measurement period ) in which, for each trading day of the measurement period, the trading price per $1,000 principal amount of the Convertible Notes for such trading day was less than 98% of the product of the last reported sale price of our common stock for such trading day and the conversion rate on such trading day; or

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upon the occurrence of specified corporate events.

We separately account for the liability and equity components of the Convertible Notes. The carrying amount of the liability component was determined by measuring the fair value of a similar liability that does not have an associated conversion feature, assuming our nonconvertible unsecured debt borrowing rate. The carrying value of the equity component, the conversion option, which is recognized as additional paid-in-capital, net of tax, creates a debt discount on the Convertible Notes. The debt discount was determined by deducting the relative fair value of the liability component from the proceeds of the Convertible Notes and is amortized to interest expense using an effective interest rate of 6.44% over the term of the Convertible Notes. As of December 31, 2015, the remaining life of the Convertible Notes is 6.8 years. The equity component will not be remeasured as long as it continues to meet the conditions for equity classification.

As of December 31, 2015, the Convertible Notes consisted of the following:

| | |
|---|---|
| Liability component: | |
| Gross proceeds | $ 224,500 |
| Less: debt discount, net of amortization | (49,377) |
| Less: debt issuance cost, net of amortization | (4,823) |
| Net carrying amount | $ 170,300 |
| Equity component (1) | $ 52,903 |

(1) Included in Additional paid-in capital on the consolidated balance sheet as of December 31, 2015.

The debt issuance costs related to the issuance of the Convertible Notes were allocated to the liability and equity components based on their relative values, as determined above. Total debt issuance costs were $6.8 million, of which $5.2 million was allocated to the liability component and $1.6 million was allocated to the equity component. The debt issuance costs allocated to the liability component are amortized to interest expense using the effective interest method over the term of the Convertible Notes.

The following table presents the amount of interest expense recognized related to the Convertible Notes:

| | For the Year Ended December 31, 2015 |
|---|---|
| Contractual interest coupon | $ 2,919 |
| Amortization of debt discount | 3,526 |
| Amortization of debt issuance costs | 380 |
| Total interest expense recognized | $ 6,825 |

***Leveraged Lease Structure***

In three separate transactions in 1998, 1999 and 2000, we issued EETCs to finance the acquisition of twelve 747-400F aircraft, five of which are financed as leveraged leases. In a leveraged lease, the owner trustee is the owner of record for the aircraft. Wells Fargo Bank Northwest, National Association ( Wells Fargo ) serves as the owner trustee with respect to the leveraged leases in each of our EETC transactions. As the owner trustee of the aircraft, Wells Fargo serves as the lessor of the aircraft under the EETC lease between us and the owner trustee. Wells Fargo also serves as trustee for the beneficial owner of the aircraft, the owner participant. The original owner participant for each aircraft invested (on an equity basis) approximately 20% of the original cost of the aircraft. The remaining approximately 80% of the aircraft cost was financed with debt issued by the owner trustee on a nonrecourse basis in the form of equipment notes.

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The equipment notes were generally issued in three series, for each aircraft, designated as Series A, B and C equipment notes. The loans evidenced by the equipment notes were funded by the public offering of EETCs. Like the equipment notes, the EETCs were issued in three series, for each EETC transaction designated as Series A, B and C EETCs. Each series of EETCs was issued by the trustee for separate Atlas pass through trusts with the same designation as the series of EETCs issued. Each of these pass through trustees is also the holder and beneficial owner of the equipment notes bearing the same series designation.

We could be subject to additional monthly lease rentals ( AMLR ), which could require payment of up to an additional $0.1 million per month in rent on each of the five leased EETC aircraft, subject to an $11.0 million per aircraft limit over the remaining term. The AMLR payments would be applied to the underlying notes in the leveraged leases, and would only arise if we exceed certain financial targets and if it is determined that the then fair market monthly rental for the aircraft exceeds a certain level. We have not made any AMLR payments and do not anticipate making any AMLR payments in 2016. We perform this test annually in the third quarter.

In connection with each of these secured debt financings, we executed equipment notes with original interest rates ranging from 6.88% to 9.70% and according to the terms of the equipment notes, principal payments vary and are payable monthly through each maturity.

With respect to the seven aircraft that are currently owned by us, there is no leveraged lease structure or EETC lease. We are the beneficial owner of the aircraft and the issuer of the equipment notes with respect thereto. The equipment notes issued with respect to owned aircraft are with full recourse to us.

During 2015, five of these notes were repaid using proceeds from the Convertible Notes and one note was repaid upon maturity.

The following table summarizes the terms and balances for each EETC outstanding as of December 31 (in millions):

| | Issue Date | Face Value | Collateral Aircraft Tail Number | Original Term | Fixed Equipment Note Rates | Effective Interest Rate | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|
| 2000 EETC | 2000 | $ 108.5 | N409MC | 20 years | 8.71% to 9.70% | 11.31% | $ | $ 42.5 |
| 1999 EETC | 1999 | 108.3 | N476GT | 20 years | 6.88% to 8.77% | 13.94% | | 27.4 |
| | 1999 | 108.4 | N496MC | 20 years | 6.88% to 8.77% | 13.94% | | 35.6 |
| | 1999 | 109.9 | N499MC | 20 years | 6.88% to 8.77% | 7.52% | 28.0 | 35.4 |
| 1998 EETC | 1998 | 105.6 | N475GT | 20 years | 7.38% to 8.01% | 13.89% | | 34.1 |
| | 1998 | 103.1 | N493MC | 20 years | 7.38% to 8.01% | 13.72% | | 33.2 |
| | 1998 | 107.9 | N477GT | 20 years | 7.38% to 8.01% | 7.54% | | 3.5 |
| | | | | | | | $ 28.0 | $ 211.7 |

***Future Cash Payments for Debt***

The following table summarizes the cash required to be paid by year and the carrying value of our debt reflecting the terms that were in effect as of December 31, 2015:

| | |
|---|---|
| 2016 | $ 171,538 |
| 2017 | 172,842 |
| 2018 | 177,203 |
| 2019 | 175,742 |
| 2020 | 283,533 |
| Thereafter | 1,027,248 |
| Total debt cash payments | 2,008,106 |
| Less: unamortized debt discount and debt issuance costs | (106,799) |

| | |
|---|---|
| Debt | $ 1,901,307 |

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**8. Commitments**

***Leases***

The following table summarizes rental expenses in:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Aircraft and engines | $ 145,031 | $ 140,390 | $ 160,415 |
| Purchased capacity, office, vehicles and other | $ 44,228 | $ 68,855 | $ 34,062 |

As of December 31, 2015, fourteen of our forty-nine operating aircraft were leased, all of which were operating leases with initial lease term expiration dates ranging from 2017 to 2025, with an average remaining lease term of 6.7 years. Certain of our operating leases contain renewal options and escalations. In addition, we lease engines under short-term lease agreements on an as-needed basis. We record rent expense on a straight-line basis over the lease term.

The following table summarizes our minimum annual rental commitments as of the periods indicated under non-cancelable aircraft, engine, real estate and other operating leases with initial or remaining terms of more than one year, reflecting the terms that were in effect as of December 31, 2015:

| | Aircraft and Engine Operating Leases | Other Operating Leases | Total |
|---|---|---|---|
| 2016 | $ 132,120 | $ 4,401 | $ 136,521 |
| 2017 | 131,003 | 2,267 | 133,270 |
| 2018 | 130,955 | 642 | 131,597 |
| 2019 | 140,193 | 333 | 140,526 |
| 2020 | 135,372 | 321 | 135,693 |
| Thereafter | 323,682 | 331 | 324,013 |
| Total payments | $ 993,325 | $ 8,295 | $ 1,001,620 |

In addition to the aircraft we Dry Lease to customers, Polar subleases aircraft from Old Polar that are leased from a third party and are included in the table above under aircraft operating leases. The following table summarizes the contractual amount of minimum income under Dry Leases and the non-cancelable aircraft subleases, reflecting the terms that were in effect as of December 31, 2015:

| | Dry Lease Income | Sublease Income | Total |
|---|---|---|---|
| 2016 | $ 105,020 | $ 63,360 | $ 168,380 |
| 2017 | 105,264 | 63,360 | 168,624 |
| 2018 | 104,053 | 52,800 | 156,853 |
| 2019 | 92,059 | | 92,059 |
| 2020 | 81,003 | | 81,003 |
| Thereafter | 160,240 | | 160,240 |
| Total minimum lease receipts | $ 647,639 | $ 179,520 | $ 827,159 |

***Guarantees and Indemnifications***

In the ordinary course of business, we enter into numerous leasing and financing arrangements for real estate, equipment, aircraft and engines that have various guarantees included in the contracts. These guarantees are primarily in the form of indemnities. In both leasing and financing transactions, we typically indemnify the

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lessors and any financing parties against tort liabilities that arise out of the use, occupancy, manufacture, design, operation or maintenance of the leased premises or financed aircraft, regardless of whether these liabilities relate to the negligence of the indemnified parties. Currently, we believe that any future payments required under many of these guarantees or indemnities would be immaterial, as most tort liabilities and related indemnities are covered by insurance (subject to deductibles). However, payments under certain tax indemnities related to certain of our financing arrangements, if applicable, could be material, and would not be covered by insurance, although we believe that these payments are not probable. Certain leased premises, such as maintenance and storage facilities, typically include indemnities of such parties for any environmental liability that may arise out of or relate to the use of the leased premises. We also provide standard indemnification agreements to officers and directors in the ordinary course of business.

***Financings and Guarantees***

Our financing arrangements typically contain a withholding tax provision that requires us to pay additional amounts to the applicable lender or other financing party, if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law.

These increased costs and withholding tax provisions continue for the entire term of the applicable transaction and there is no limitation on the maximum additional amount we could be required to pay under such provisions. Any failure to pay amounts due under such provisions generally would trigger an event of default and, in a secured financing transaction, would entitle the lender to foreclose upon the collateral to realize the amount due.

**9. Income Taxes**

The significant components of the provision for income taxes are as follows:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| *Current:* | | | |
| Federal | $ 52 | $ 607 | $ |
| State and local | 48 | 65 | 116 |
| Foreign | 1,292 | (636) | 861 |
| Total current expense | 1,392 | 36 | 977 |
| *Deferred:* | | | |
| Federal | (24,425) | (13,332) | 26,354 |
| State and local | (3,531) | 2,271 | (2,111) |
| Foreign | 2,058 | (1,653) | (1,387) |
| Total deferred expense (benefit) | (25,898) | (12,714) | 22,856 |
| Total income tax expense (benefit) | $ (24,506) | $ (12,678) | $ 23,833 |

The domestic and foreign earnings before income taxes are as follows:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Domestic | $ (57,825) | $ 73,386 | $ 108,709 |
| Foreign | 40,605 | 16,163 | 9,113 |
| Income (loss) before income taxes | $ (17,220) | $ 89,549 | $ 117,822 |

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A reconciliation of differences between the U.S. federal statutory income tax rate and the effective income tax rates is presented as a percent of expense (benefit) as follows:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| U.S. federal statutory income tax rate | (35.0%) | 35.0% | 35.0% |
| State and local taxes based on income, net of federal benefit | (2.0%) | 2.2% | 1.1% |
| Change in deferred foreign and state tax rates | (12.0%) | (4.2%) | (1.9%) |
| Extraterritorial income tax benefit | (23.3%) | (38.8%) | (12.3%) |
| Expenses not deductible for tax purposes | 10.2% | 2.2% | 1.5% |
| Tax incentives and additional deductions | (4.9%) | (3.8%) | 0.0% |
| Favorable resolution of income tax issues | (13.8%) | (1.5%) | (1.8%) |
| Tax effect of foreign operations | (66.4%) | (5.7%) | (1.5%) |
| Other | 4.9% | 0.4% | 0.1% |
| Effective income tax rate | (142.3%) | (14.2%) | 20.2% |

The effective income tax rate is lower than in prior years primarily because we generated income from our Dry Leasing business taxed at lower rates and we incurred a loss in the U.S. We also generated tax benefits from extraterritorial income ( ETI ) in 2015, 2014 and 2013, which reduced our income tax rate in proportion to our income or loss.

We indefinitely reinvest the net earnings of certain foreign subsidiaries engaged in our Dry Leasing business. Our effective income tax rate for 2015, 2014 and 2013 was favorably impacted by this determination. At December 31, 2015, our undistributed net earnings of foreign subsidiaries for which deferred taxes have not been provided were $77.1 million, and the unrecognized deferred tax liability associated with these earnings was $27.0 million.

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Deferred tax assets and liabilities represent the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. The net noncurrent deferred tax asset (liability) was comprised of the following as of December 31:

| | Assets (Liabilities) | |
|---|---|---|
| | 2015 | 2014 |
| **Deferred tax assets:** | | |
| Net operating loss carryforwards and credits | $ 437,408 | $ 382,266 |
| Accrued compensation | 16,523 | 13,510 |
| Accrued legal settlements | 35,909 | |
| Aircraft leases | 14,863 | 13,491 |
| Allowance for doubtful accounts | 1,597 | 1,673 |
| Interest rate derivatives | 3,825 | 6,101 |
| Long-term debt | 3,827 | |
| Obsolescence reserve | 6,723 | 6,470 |
| Stock-based compensation | 5,385 | 5,616 |
| Other | 1,397 | 1,496 |
| Total deferred tax assets | 527,457 | 430,623 |
| Valuation allowance | (50,711) | (50,764) |
| Net deferred tax assets | 476,746 | 379,859 |
| **Deferred tax liabilities:** | | |
| Fixed assets | $ (754,318) | $ (673,311) |
| Accrued expenses | (1,694) | (2,488) |
| Acquisition of EETC debt | (6,390) | (12,809) |
| Long-term debt | | (607) |
| Total deferred tax liabilities | (762,402) | (689,215) |
| Net deferred tax assets (liabilities) | $ (285,656) | $ (309,356) |

| | Assets (Liabilities) | |
|---|---|---|
| | 2015 | 2014 |
| Deferred taxes included within following balance sheet line items: | | |
| Deferred taxes | $ (286,928) | $ (311,668) |
| Deposits and other assets | 1,272 | 2,312 |
| Net deferred tax assets (liabilities) | $ (285,656) | $ (309,356) |

As of December 31, 2015 and 2014, we had U.S. federal tax net operating losses ( NOLs ), net of unrecognized tax benefits and valuation allowances, of approximately $951.6 million and $823.7 million, respectively, which will expire through 2035, if not utilized. The increase in NOLs during 2015 resulted primarily from accelerated tax depreciation. We had alternative minimum tax credits of $5.2 million and $5.1 million as of December 31, 2015 and 2014, respectively, with no expiration date. Additionally, we had foreign NOLs for Hong Kong and Singapore of approximately $428.8 million and $335.0 million as of December 31, 2015 and 2014, respectively, with no expiration date.

Section 382 of the Internal Revenue Code (the Code ) imposes an annual limitation on the amount of a corporation s U.S. federal taxable income that can be offset by NOLs if it experiences an ownership change , as defined. We experienced ownership changes, as defined, in 2004 and 2009. Accordingly, the use of our NOLs

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generated prior to these ownership changes is subject to an annual limitation. If certain changes in our ownership occur prospectively, there could be an additional annual limitation on the amount of utilizable carryforwards.

On each reporting date, management assesses whether we are more likely than not to realize some or all of our deferred tax assets. After our assessment, we maintained a valuation allowance of $50.7 million, $50.8 million and $47.8 million against our deferred tax assets as of December 31, 2015, 2014 and 2013, respectively. We recorded a decrease to the valuation allowance of $0.1 million during the year ended December 31, 2015, and increases of $3.0 million and $0.1 million during the years ended 2014 and 2013, respectively. The valuation allowance is attributable to a limitation on NOL utilization resulting from the ownership change under Section 382. Due to this limitation, we expect a portion of our NOLs generated in 2004 and prior years to eventually expire unused.

A reconciliation of the beginning and ending unrecognized income tax benefits is as follows:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Beginning balance | $ 109,993 | $ 76,679 | $ 73,518 |
| Additions for tax positions related to the current year | 551 | 1,614 | |
| Additions for tax positions related to prior years | 5,503 | 32,933 | 5,822 |
| Reductions for tax positions related to prior years | (3,492) | (1,233) | (2,661) |
| Ending balance | $ 112,555 | $ 109,993 | $ 76,679 |

If recognized, all of the unrecognized income tax benefits of $112.6 million, as of December 31, 2015, would favorably impact the effective income tax rate. We will maintain a liability for unrecognized income tax benefits until these uncertain positions are resolved or until the expiration of the applicable statute of limitations, if earlier.

Our policy is to record tax-related interest expense and penalties, if applicable, as a component of income tax expense. We recorded a tax-related interest benefit of zero and $2.0 million in 2015 and 2014, respectively. The cumulative liability for tax-related interest was $0.1 million as of December 31, 2015 and 2014. We have not recorded any liability for income tax-related penalties, and the tax authorities historically have not assessed any.

For U.S. federal income tax purposes, the 2012 through 2015 income tax years remain subject to examination. We also file income tax returns in multiple states as well as in Hong Kong and Singapore. Generally, the 2011 through 2015 income tax years remain subject to examination in the states where we file. In addition, 2011 through 2015 Hong Kong and Singapore income tax years are subject to examination. No income tax examinations are in process.

**10. Financial Instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Inputs used to measure fair value are classified in the following hierarchy:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Other inputs that are observable directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, or inactive quoted prices for identical assets or liabilities in inactive markets;

Level 3 Unobservable inputs reflecting assumptions about the inputs used in pricing the asset or liability.

We endeavor to utilize the best available information to measure fair value.

The carrying value of Cash and cash equivalents, Short-term investments and Restricted cash is based on cost, which approximates fair value.

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Long-term investments consist of debt securities for which we have both the ability and the intent to hold until maturity. These investments are classified as held-to-maturity and reported at amortized cost. The fair value of our Long-term investments is based on a discounted cash flow analysis using the contractual cash flows of the investments and a discount rate derived from unadjusted quoted interest rates for debt securities of comparable risk. Such debt securities represent investments in Pass-Through Trust Certificates ( PTCs ) related to EETCs issued by Atlas in 1998, 1999 and 2000. Interest on debt securities and accretion of discounts using the effective interest method are included in Interest income.

The fair value of our term loans, notes guaranteed by Ex-Im Bank and EETCs are based on a discounted cash flow analysis using current borrowing rates for instruments with similar terms.

The fair value of our Convertible Notes is based on unadjusted quoted market prices for these securities.

The following table summarizes the carrying value, estimated fair value and classification of our financial instruments as of:

| | December 31, 2015 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 425,950 | $ 425,950 | $ 425,950 | $ | $ |
| Short-term investments | 5,098 | 5,098 | | | 5,098 |
| Restricted cash | 12,981 | 12,981 | 12,981 | | |
| Long-term investments and accrued interest | 37,604 | 45,867 | | | 45,867 |
| | $ 481,633 | $ 489,896 | $ 438,931 | $ | $ 50,965 |
| **Liabilities** | | | | | |
| Term loans | $ 1,013,265 | $ 1,049,785 | $ | $ | $ 1,049,785 |
| Ex-Im Bank guaranteed notes | 689,720 | 715,890 | | | 715,890 |
| EETCs | 28,022 | 30,074 | | | 30,074 |
| Convertible Notes | 170,300 | 185,325 | 185,325 | | |
| | $ 1,901,307 | $ 1,981,074 | $ 185,325 | $ | $ 1,795,749 |

| | December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value | Level 1 | Level 2 | Level 3 |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 298,601 | $ 298,601 | $ 298,601 | $ | $ |
| Short-term investments | 17,802 | 17,802 | | | 17,802 |
| Restricted cash | 14,281 | 14,281 | 14,281 | | |
| Long-term investments and accrued interest | 120,478 | 154,743 | | | 154,743 |
| | $ 451,162 | 485,427 | 312,882 | | 172,545 |
| **Liabilities** | | | | | |
| Term loans | $ 945,813 | $ 982,036 | $ | $ | $ 982,036 |
| Ex-Im Bank guaranteed notes | 760,389 | 789,834 | | | 789,834 |
| EETCs | 211,738 | 270,333 | | | 270,333 |
| | $ 1,917,940 | $ 2,042,203 | $ | $ | $ 2,042,203 |

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The following table presents the carrying value, gross unrealized gain (loss) and fair value of our long-term investments and accrued interest by contractual maturity as of:

| | December 31, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| | Carrying Value | Gross Unrealized Gain (Loss) | Fair Value | Carrying Value | Gross Unrealized Gain (Loss) | Fair Value |
| **Debt securities** | | | | | | |
| Due after one but within five years | $ 37,604 | $ 8,263 | $ 45,867 | $ 40,040 | $ 9,700 | $ 49,740 |
| Due after five but within ten years | | | | 80,438 | 24,565 | 105,003 |
| **Total** | $ 37,604 | $ 8,263 | $ 45,867 | $ 120,478 | $ 34,265 | $ 154,743 |

Our Long-term investments include investments in PTCs related to EETCs. During the twelve months ended December 31, 2015, we repaid EETCs related to five 747-400 freighter aircraft owned by us using proceeds from the Convertible Notes (see Note 7). Following the refinancing, we recognized a $13.4 million Gain on investments resulting from the early redemption of certain PTCs, of which $5.7 million was related to the receipt of debt redemption premiums and $7.7 million was related to the recognition of deferred income on the PTCs purchased at a discount that have been repaid. The early redemption of PTCs does not impact our ability or intent to hold the remainder of our PTC investments to maturity.

**11. Segment Reporting**

Our business is organized into three operating segments based on our service offerings: ACMI, Charter and Dry Leasing. All segments are directly or indirectly engaged in the business of air transportation services but have different commercial and economic characteristics. Each operating segment is separately reviewed by our chief operating decision maker to assess operating results and make resource allocation decisions. We do not aggregate our operating segments and, therefore, our operating segments are our reportable segments.

We use an economic performance metric ( Direct Contribution ) that shows the profitability of each segment after allocation of direct operating and ownership costs. Direct Contribution represents Income before income taxes excluding the following: Special charges, preoperating expenses, nonrecurring items, Losses (gains) on the disposal of aircraft, Losses on early extinguishment of debt, Gains on investments and Unallocated income and expenses, net. Direct operating and ownership costs include crew costs, maintenance, fuel, ground operations, sales costs, aircraft rent, interest expense on the portion of debt used for financing aircraft, interest income on debt securities and aircraft depreciation. Unallocated income and expenses, net include corporate overhead, nonaircraft depreciation, noncash expenses and income, interest expense on the portion of debt used for general corporate purposes, interest income on nondebt securities, capitalized interest, foreign exchange gains and losses, other revenue and other non-operating costs.

Management allocates the costs attributable to aircraft operation and ownership among the various segments based on the aircraft type and activity levels in each segment. Depreciation and amortization expense, aircraft rent, maintenance expense, and other aircraft related expenses are allocated to segments based upon aircraft utilization because certain individual aircraft are utilized across segments interchangeably. In addition, certain ownership costs are directly apportioned to the ACMI segment. Other allocation methods are standard activity-based methods that are commonly used in the industry.

The ACMI segment provides aircraft, crew, maintenance and insurance services to customers. Also included in the ACMI segment is CMI, whereby we provide crew, maintenance and insurance services but not the aircraft. Under ACMI and CMI contracts, customers generally guarantee a monthly level of operation at a predetermined rate for a defined period of time. The customer bears the commercial revenue risk and the obligation for other direct operating costs, including fuel.

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The Charter segment provides full-planeload air cargo and passenger aircraft charters to customers, including the U.S. Military Air Mobility Command (the AMC ), brokers, freight forwarders, direct shippers, airlines, sports teams and fans, and private charter customers. Charter customers generally pay a fixed charter fee and we bear the direct operating costs.

The Dry Leasing segment provides for the leasing of aircraft and engines to customers.

Other represents revenue for services that are not allocated to any segment, including administrative and management support services and flight simulator training.

During the first quarter of 2015, we changed the methodology for allocating certain expenses to our Charter segment that were previously unallocated and we changed the allocation of certain expenses between our Charter and ACMI segments. The prior period information has been adjusted to consistently reflect these changes. The impact of the changes was as follows:

| | For the Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Prior Methodology | Revised Methodology | Prior Methodology | Revised Methodology |
| **Direct Contribution:** | | | | |
| ACMI | $ 197,750 | $ 200,489 | $ 227,829 | $ 228,581 |
| Charter | 54,099 | 47,245 | 52,546 | 48,606 |

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The following table sets forth Operating Revenue and Direct Contribution for our reportable segments reconciled to Operating Income and Income (loss) before Income Taxes:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Operating Revenue:** | | | |
| ACMI | $ 791,442 | $ 778,091 | $ 755,008 |
| Charter | 908,753 | 906,676 | 852,452 |
| Dry Leasing | 107,218 | 100,059 | 35,168 |
| Other | 15,246 | 14,372 | 14,272 |
| **Total Operating Revenue** | $ 1,822,659 | $ 1,799,198 | $ 1,656,900 |
| **Direct Contribution:** | | | |
| ACMI | $ 185,615 | $ 200,489 | $ 228,581 |
| Charter | 124,808 | 47,245 | 48,606 |
| Dry Leasing | 42,023 | 33,224 | 14,017 |
| **Total Direct Contribution for Reportable Segments** | 352,446 | 280,958 | 291,204 |
| Add back (subtract): | | | |
| Unallocated income and expenses, net | (294,451) | (161,616) | (148,871) |
| Loss on early extinguishment of debt | (69,728) | | (5,518) |
| Gain on investments | 13,439 | | |
| Special charge | (17,388) | (15,114) | (18,642) |
| Loss on disposal of aircraft | (1,538) | (14,679) | (351) |
| **Income (loss) before income taxes** | (17,220) | 89,549 | 117,822 |
| Add back (subtract): | | | |
| Interest income | (12,554) | (18,480) | (19,813) |
| Interest expense | 96,756 | 104,252 | 83,659 |
| Capitalized interest | (1,027) | (453) | (2,350) |
| Loss on early extinguishment of debt | 69,728 | | 5,518 |
| Gain on investments | (13,439) | | |
| Other expense (income), net | 1,261 | 1,104 | 1,954 |
| **Operating Income** | $ 123,505 | $ 175,972 | $ 186,790 |

Given the nature of our business and international flying, geographic information for revenue, long-lived assets and total assets is not presented because it is impracticable to do so.

We are exposed to a concentration of revenue from the AMC and Polar (see Note 3 for further discussion regarding Polar). No other customer accounted for more than 10.0% of our Total Operating Revenue. Revenue from the AMC was $418.3 million in 2015, $336.6 million in 2014, and $356.3 million in 2013. Accounts receivable from the AMC were $26.3 million and $15.3 million as of December 31, 2015 and December 31, 2014, respectively. We have not experienced any credit issues with either of these customers.

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Depreciation and amortization expense:** | | | |
| ACMI | $ 62,253 | $ 56,289 | $ 45,737 |
| Charter | 27,294 | 25,286 | 21,262 |

| | | | |
|---|---|---|---|
| Dry Leasing | 31,326 | 31,592 | 11,669 |
| Unallocated | 7,867 | 7,626 | 7,721 |
| Total Depreciation and Amortization | $ 128,740 | $ 120,793 | $ 86,389 |

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**12. Labor and Legal Proceedings**

**Labor**

Pilots and flight dispatchers of Atlas and Polar are represented by the International Brotherhood of Teamsters (the IBT ). These employees represented approximately 60.3% of our workforce as of December 31, 2015. 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.

We have a five-year collective bargaining agreement with our pilots, which will not become amendable until September 2016. The terms of the agreement provide for a single pilot workforce that serves both Atlas and Polar.

We have a five-year collective bargaining agreement with the Atlas and Polar dispatchers, which will not become amendable until November 2017.

**Legal Proceedings**

***Matters Related to Alleged Pricing Practices***

The Company and Old Polar were 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 Old Polar and a number of air cargo carriers. These actions were all centralized in the United States District Court for the Eastern District of New York. Polar was later joined as an additional defendant. The consolidated complaint alleged, among other things, that the defendants, including the Company and Old Polar, manipulated the market price for air cargo services sold domestically and abroad through the use of surcharges, in violation of United States, state, and European Union antitrust laws. The suit sought treble damages and attorneys fees.

On January 7, 2016, the Company, Old Polar, and Polar entered into a settlement agreement to resolve all claims by participating class members against the Company, Old Polar and Polar. The Company, Polar, and Old Polar deny any wrongdoing or liability, and there is no admission of any wrongdoing or liability in the settlement agreement. Pursuant to the settlement agreement, Old Polar has agreed to make installment payments over three years to settle the plaintiffs claims, with payments of $35.0 million paid on January 15, 2016, $35.0 million due on or before January 15, 2017, and $30.0 million due on or before January 15, 2018, resulting in an accrual of $100.0 million as of December 31, 2015. The United States District Court for the Eastern District of New York issued an order granting preliminary approval of the settlement on January 12, 2016. The settlement is still subject to final court approval.

In the United Kingdom, several groups of named claimants have brought suit against British Airways in connection with the same alleged pricing practices at issue in the proceedings described above and are seeking damages allegedly arising from that conduct. British Airways has filed claims in the lawsuit against Old Polar and a number of air cargo carriers for contribution should British Airways be found liable to claimants. Old Polar s formal statement of defense was filed on March 2, 2015. On October 14, 2015, the U.K. Court of Appeal released decisions favorable to the defendant and contributory defendants on two matters under appeal. Permission has been sought to appeal the U.K Court of Appeal s decisions to the U.K. Supreme Court. In December 2015, certain claimants settled with British Airways removing a significant portion of the claim against British Airways and therefore reducing the potential contribution required by the other airlines, including Old Polar. On December 16, 2015, the European General Court released decisions annulling the European Commission s decisions against the majority of the air cargo carriers. The European Commission may decide to reopen its investigation and/or appeal the General Court judgments; either of which would have a significant impact on the proceedings in the U.K. court. Future procedures, including the pretrial disclosure process, are undergoing court review. We are unable to reasonably predict the outcome of the litigation.

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In the Netherlands, Stichting Cartel Compensation, successor in interest to claims of various shippers, has filed suit in the district court in Amsterdam against British Airways, KLM, Martinair, Air France, Lufthansa and Singapore Airlines seeking recovery for damages purportedly arising from the same pricing practices at issue in the proceedings described above. In response, British Airways, KLM, Martinair, Air France and Lufthansa filed third-party indemnification lawsuits against Old Polar and Polar seeking indemnification in the event the defendants are found to be liable in the main proceedings. Old Polar and Polar entered their initial court appearances on September 30, 2015. Like the U.K. proceedings, the Netherlands proceedings are likely to be affected and have been delayed by the European General Court decisions of December 16, 2015. We are unable to reasonably predict the outcome of the litigation.

If the Company, Old Polar or Polar were to incur an unfavorable outcome in connection with the UK or Netherlands proceedings, such outcome may have a material adverse impact on our business, financial condition, results of operations or cash flows. We are unable to reasonably estimate a range of possible loss for such matters at this time.

***Brazilian Customs Claim***

Old Polar was cited for two alleged customs violations in Sao Paulo, Brazil, relating to shipments of goods dating back to 1999 and 2000. Each claim asserts that goods listed on the flight manifest of two separate Old Polar scheduled service flights were not on board the aircraft upon arrival and therefore were improperly brought into Brazil. The two claims, which also seek unpaid customs duties, taxes and penalties from the date of the alleged infraction, are approximately $5.0 million in aggregate based on December 31, 2015 exchange rates.

In both cases, we believe that the amounts claimed are substantially overstated due to a calculation error when considering the type and amount of goods allegedly missing, among other things. Furthermore, we may seek appropriate indemnity from the shipper in each claim as may be feasible. In the pending claim for one of the cases, we have received an administrative decision dismissing the claim in its entirety, which remains subject to a mandatory appeal by the Brazil customs authorities. As required to defend such claims, we have made deposits pending resolution of these matters. The balances were $3.8 million as of December 31, 2015 and $5.3 million as of December 31, 2014, and are included in Deposits and other assets.

We are currently defending these and other Brazilian customs claims and the ultimate disposition of these claims, either individually or in the aggregate, is not expected to materially affect our financial condition, results of operations or cash flows.

***Other***

We have certain other contingencies incident to the ordinary course of business. Management believes that the ultimate disposition of such other contingencies is not expected to materially affect our financial condition, results of operations or cash flows.

**13. Stock-Based and Long-term Incentive Compensation Plans**

In 2004, we implemented a Long-Term Incentive Plan (the 2004 LTIP ). The 2004 LTIP provided for stock awards of up to approximately 2.8 million shares of AAWW s common stock to employees in various forms, cash awards and performance cash awards. Stock awards included nonqualified options, incentive stock options, share appreciation rights, restricted shares, restricted share units, performance shares and performance units, dividend equivalents and other share-based awards. In 2007, the stockholders approved a revised Long-Term Incentive Plan (the 2007 Plan ), which replaced the 2004 LTIP. An aggregate of 0.6 million shares of common stock was reserved for issuance to participants under the 2007 Plan. No new awards have been made under the 2004 LTIP since the adoption of the 2007 Plan in May 2007. Awards outstanding under the 2004 LTIP will continue to be governed by the terms of that plan and agreements under which they were granted. The 2007 Plan limits the terms of awards to ten years and prohibits the granting of awards more than ten years after the effective date of the 2007 Plan. The stockholders approved an additional 1.3 million shares in 2013, 0.8 million shares in 2011 and 0.5 million shares in 2010 of our common stock to be reserved under the 2007 Plan.

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As of December 31, 2015, the 2007 Plan had a total of 0.9 million shares of common stock available for future award grants to management and members of the board of directors. Our compensation expense for both plans was $15.0 million in 2015, $12.5 million in 2014 and $15.4 million in 2013. Income tax benefits recognized for share-based compensation arrangements were $5.7 million in 2015, $4.0 million in 2014 and $3.1 million in 2013. The excess cash tax effect classified as a financing cash inflow was a nominal benefit in 2015 and 2014 and a benefit of $0.5 million in 2013.

***Nonqualified Stock Options***

The portion of the 2007 Plan and the 2004 LTIP applicable to employees is administered by the compensation committee of the board of directors, which also establishes the terms of the awards.

Nonqualified stock options granted, vest over a three or four year period and expire seven to ten years from the date of grant. As of December 31, 2015, options to acquire a total of 1.3 million shares of common stock have been granted to management under both plans. No options have been granted since 2007. While nonqualified stock options may be granted at any price, they have never been granted with an exercise price less than the fair market value of the stock on the date of grant.

A summary of our options as of December 31, 2015 and changes during the year then ended is presented below:

| | Number of Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|
| Outstanding as of December 31, 2014 | 64,373 | $ 51.87 | | |
| Granted | | | | |
| Exercised | (25,373) | 47.04 | | |
| Forfeited, net of adjustments | (4,300) | 27.50 | | |
| Outstanding as of December 31, 2015 | 34,700 | $ 58.41 | 0.6 | $ |
| Exercisable as of December 31, 2015 | 34,700 | $ 58.41 | 0.6 | $ |

The total intrinsic value of options exercised in 2015 and 2014 was nominal and the cash received was $1.2 million and $0.1 million, respectively. No options were exercised in 2013.

As of December 31, 2015, there was no unrecognized compensation cost related to non-vested stock options granted and all options have vested.

***Restricted Share Awards***

Restricted shares granted, vest and are expensed over three-, four- or five-year periods. Restricted share awards have been granted in both shares and units. As of December 31, 2015, a total of 3.1 million restricted shares have been granted under both plans. All shares were valued at their fair market value on the date of issuance. Unrecognized compensation cost as of December 31, 2015 is $22.6 million and will be recognized over the remaining weighted average life of 2.1 years.

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A summary of our restricted shares as of December 31, 2015 and changes during the year then ended are presented below:

| Restricted Share Awards | Number of Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Unvested as of December 31, 2014 | 782,870 | $ 40.33 |
| Granted | 345,106 | 47.10 |
| Vested | (286,013) | 47.92 |
| Forfeited | (1,084) | 45.34 |
| Unvested as of December 31, 2015 | 840,879 | $ 40.52 |

The total fair value of shares vested on various vesting dates was $13.7 million in 2015, $11.3 million in 2014 and $12.4 million in 2013. Weighted average grant date fair value was $33.21 in 2014 and $49.85 in 2013.

***Performance Share and Performance Cash Awards***

Performance share and performance cash awards granted are expensed over three years, which generally is the requisite service period. Awards granted prior to 2015 generally become vested if (1) we achieve certain specified performance levels compared with a peer group of companies during a three-year period starting in the grant year and ending on December 31 three years later (the Performance Period ), and (2) the employee remains employed by us through the determination date which can be no later than four months following the end of the Performance Period. Awards granted in 2015 generally become vested if (1) we achieve certain specified performance levels compared with predetermined performance thresholds during a three-year period starting in the grant year and ending on December 31 three years later, and (2) the employee remains employed by us through the determination date which can be no later than four months following the end of the Performance Period. Partial vesting may occur for certain employee terminations. Performance share awards have been granted to employees in shares and units. All performance share and cash performance awards are valued at their fair market value on the date of grant. The estimated compensation expense recognized for performance share and performance cash awards are net of estimated forfeitures. We assess the performance levels in the first quarter of each year for the prior year after each of the peer companies has filed its financial statements. We review the results, adjust the estimated performance level and record any change to compensation cost. As of December 31, 2015, a total of 1.2 million performance shares have been granted. Unrecognized compensation cost as of December 31, 2015 is $5.9 million and will be recognized over the remaining weighted average life of 1.7 years. For the performance cash awards, we had accruals of $4.0 million as of December 31, 2015 and $2.5 million as of December 31, 2014 in Other liabilities. We recognized compensation expense associated with the performance cash awards totaling $1.6 million in 2015, $1.3 million in 2014 and $1.2 million in 2013.

A summary of our performance shares as of December 31, 2015 and changes during the year then ended are presented below:

| Performance Share Awards | Number of Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Unvested as of December 31, 2014 | 392,714 | $ 27.17 |
| Granted | 107,753 | 47.48 |
| Vested | (82,899) | 44.25 |
| Forfeited | (82,876) | 49.88 |
| Unvested as of December 31, 2015 | 334,692 | $ 23.85 |

The total fair value of shares vested on various vesting dates in 2015 was $3.7 million, $7.0 million in 2014 and $10.2 in 2013. Weighted average grant date fair value was $32.20 in 2014 and $43.46 in 2013.

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**14. Profit Sharing, Incentive and Retirement Plans**

***Profit Sharing and Incentive Plans***

We have an annual incentive compensation program for management employees. The program provides for payments to eligible employees based upon our financial performance, service performance and attainment of individual performance goals, among other things. In addition, our profit sharing plan allows IBT-represented crewmembers to receive payments from the plan based upon Atlas financial performance. The profit sharing plan is subject to a minimum financial performance threshold. For both plans, we had accruals of $27.0 million as of December 31, 2015 and $22.4 million as of December 31, 2014 in Accrued liabilities. We recognized compensation expense associated with both plans totaling $28.5 million in 2015, $21.7 million in 2014 and $17.0 million in 2013.

***401(k) and 401(m) Plans***

Participants in our retirement plan may contribute a portion of their annual compensation to a 401(k) plan on a pretax basis, subject to aggregate limits under the Code. In addition to 401(k) contributions, participants may contribute a portion of their eligible compensation to a 401(m) plan on an after-tax basis. On behalf of participants in the plan who make elective compensation deferrals, we provide a matching contribution subject to certain limitations. Employee contributions in the plan are vested at all times and our matching contributions are subject to a three-year cliff vesting provision, except for employees who are represented by a collective bargaining agreement and are subject to a three-year graded vesting provision. We recognized compensation expense associated with the plan matching contributions totaling $9.5 million in 2015, $8.5 million in 2014 and $7.7 million in 2013.

**15. Stock Repurchases**

We record the repurchase of our shares of common stock at cost based on the settlement date of the transaction. These shares are classified as treasury stock, which is a reduction to stockholders equity. Treasury shares are included in authorized and issued shares but excluded from outstanding shares.

In 2008, we established a stock repurchase program authorizing the repurchase of up to $100.0 million of our common stock. In November 2013, we announced an increase of $51.0 million to our stock repurchase program. As of December 31, 2015, we had repurchased a total of 3,307,911 shares of our common stock for approximately $126.0 million under this program, resulting in $25.0 million of available authorization remaining. Purchases may be made at our discretion in the form of open market repurchase programs, privately negotiated transactions, accelerated share repurchase programs or a combination of these methods. The actual timing and amount of our repurchases will depend on Company and market conditions.

In addition, we repurchased 140,198 and 132,921 shares of common stock from management, in connection with the vesting of equity awards to pay the statutory tax withholdings of employees, at an average price of $46.54 per share in 2015 and $33.82 per share in 2014, and held the shares as treasury shares.

**16. Earnings Per Share**

Basic earnings per share ( EPS ) represent net income attributable to common shareholders divided by the weighted average number of common shares outstanding during the measurement period. Diluted EPS represent net income attributable to common shareholders divided by the weighted average number of common shares outstanding during the measurement period while also giving effect to all potentially dilutive common shares that were outstanding during the period using the treasury stock method. Antidilutive shares related to warrants and stock options that were out of the money and excluded for 2015 were 3.0 million, and were de minimis for 2014 and 2013.

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The calculations of basic and diluted EPS were as follows:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Numerator:** | | | |
| Net Income Attributable to Common Stockholders | $ 7,286 | $ 106,757 | $ 93,837 |
| **Denominator:** | | | |
| Basic EPS weighted average shares outstanding | 24,833 | 25,031 | 25,541 |
| Effect of dilutive stock options and restricted stock | 185 | 96 | 86 |
| Diluted EPS weighted average shares outstanding | 25,018 | 25,127 | 25,627 |
| **EPS:** | | | |
| Basic | $ 0.29 | $ 4.26 | $ 3.67 |
| Diluted | $ 0.29 | $ 4.25 | $ 3.66 |

Diluted shares reflect the potential dilution that could occur from stock options and restricted shares using the treasury stock method. The calculation does not include restricted shares and units in which performance or market conditions were not satisfied of 0.3 million in 2015, 0.4 million in 2014 and 0.5 million in 2013.

**17. Accumulated Other Comprehensive Income (Loss)**

The following table summarizes the components of Accumulated other comprehensive income (loss):

| | Interest Rate Derivatives | Foreign Currency Translation | Total |
|---|---|---|---|
| Balance as of December 31, 2013 | $ (11,375) | $ 698 | $ (10,677) |
| Net change in fair value | (251) | | (251) |
| Reclassification to interest expense | 2,724 | | 2,724 |
| Translation adjustment | | (346) | (346) |
| Tax effect | (1,022) | | (1,022) |
| Balance as of December 31, 2014 | (9,924) | 352 | (9,572) |
| Net change in fair value | | | |
| Reclassification to interest expense | 6,129 | | 6,129 |
| Translation adjustment | | (343) | (343) |
| Tax effect | (2,277) | | (2,277) |
| Balance as of December 31, 2015 | $ (6,072) | $ 9 | $ (6,063) |

***Interest Rate Derivatives***

As of December 31, 2015, there was $9.9 million of net unamortized realized loss before taxes remaining in Accumulated other comprehensive income (loss) related to terminated forward-starting interest rate swaps, which had been designated as cash flow hedges to effectively fix the interest rates on two 747-8F financings in 2011 and three 777-200LRF financings in 2014. The net loss is amortized and reclassified into Interest expense over the remaining life of the related debt. Net realized loss reclassified into earnings was $6.1 million in 2015, of which $3.7 million was related to the refinancing of two term loans on 747-8F aircraft (see Note 7) and $2.7 million in 2014. Net realized loss expected to be reclassified into earnings within the next 12 months is $1.8 million as of December 31, 2015.

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**18. Selected Quarterly Financial Information (unaudited)**

The following tables summarize the 2015 and 2014 quarterly results:

| 2015* | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| Total Operating Revenue | $ 444,845 | $ 455,833 | $ 449,904 | $ 472,077 |
| Operating Income | 56,970 | 61,284 | 48,995 | $ (43,744) |
| Net Income (Loss) Attributableto Common Stockholders | $ 29,232 | $ 28,390 | $ (12,754) | $ (37,582) |
| EPS: | | | | |
| Basic | $ 1.18 | $ 1.13 | $ (0.51) | $ (1.53) |
| Diluted | $ 1.17 | $ 1.13 | $ (0.51) | $ (1.53) |

| 2014** | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| Total Operating Revenue | $ 403,363 | $ 441,169 | $ 465,801 | $ 488,865 |
| Operating Income | 28,130 | 26,657 | 60,989 | 60,196 |
| Net Income Attributableto Common Stockholders | $ 7,944 | $ 29,593 | $ 27,576 | $ 41,644 |
| EPS: | | | | |
| Basic | $ 0.32 | $ 1.17 | $ 1.10 | $ 1.68 |
| Diluted | $ 0.32 | $ 1.17 | $ 1.10 | $ 1.66 |

* Included in the third quarter was a pretax loss on early extinguishment of debt of $66.7 million, a gain on investments of $13.4 million and a special charge of $7.7 million. Included in the fourth quarter was a pretax charge for a legal settlement of $99.8 million included in Other operating expenses (see Note 12), the reclassification of a derivative loss into earnings of $3.7 million, a loss on early extinguishment of debt of $3.0 million and a special charge of $9.8 million.

** Included in the first quarter of 2014 was a pretax special charge of $8.0 million. Included in the second quarter was a pretax loss on disposal of equipment of $14.7 million and a special charge of $1.4 million. Included in the fourth quarter was a pretax special charge of $5.5 million.

**19. Subsequent Events**

On January 15, 2016, we entered into an Agreement and Plan of Merger to acquire Southern Air Holdings, Inc., ( Southern Air ) (the Merger ). Total consideration valued at approximately $110.0 million is expected to be paid using available cash on hand, subject to customary working capital and other adjustments. Southern Air is the parent company of Worldwide Air Logistics Group and its two operating subsidiaries, Southern Air Inc. and Florida West International Airways, Inc. The acquisition of Southern Air provides us with immediate entry into 777 and 737 aircraft operating platforms, with the potential for developing additional business with existing and new customers of both companies. We believe the platforms provided by these aircraft will augment our ability to offer customers the broadest array of aircraft and operating services for domestic, regional and international applications. Southern Air currently flies five 777-200F and five 737-400F aircraft under CMI agreements for DHL Express. The Merger is expected to close during the first half of 2016 and is subject to customary closing conditions including, but not limited to, approval by the U.S. Department of Transportation.

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**ITEM 9.** ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***
None.

**ITEM 9A.** ***CONTROLS AND PROCEDURES***
We carried out an evaluation, under the supervision and with the participation of our management, including our President and Chief Executive Officer ( Principal Executive Officer ) and our Executive Vice President and Chief Financial Officer ( Principal Financial Officer ), of the effectiveness of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act, as of the end of the period covered by this Report. Based on this evaluation, our Principal Executive Officer and our Principal Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2015.

**Management s Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in the Exchange Act Rule 13a-15(f). Management conducted an assessment of our internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework (2013).* Based on the assessment, management concluded that, as of December 31, 2015, our internal control over financial reporting is effective. Our internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

**Changes in Internal Control over Financial Reporting.**

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B.** ***OTHER INFORMATION***
None.

**PART III**

**ITEM 10.** ***DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE***
The required information is incorporated by reference from our Proxy Statement to be filed with respect to our 2016 Annual Meeting of Stockholders. Information concerning the executive officers is included below. We have adopted a code of conduct that applies to all of our employees, along with a Code of Ethics applicable to our Chief Executive Officer, Chief Financial Officer and members of the board of directors (the Code of Ethics ). The Code of Ethics is monitored by our Audit Committee, and includes certain provisions regarding disclosure of violations and waivers of, and amendments to, the Code of Ethics by covered parties. A copy of the Code of Ethics is available on our website at www.atlasair.com.

The following is a list of the names, ages and background of our current executive officers:

***William J. Flynn***. Mr. Flynn, age 62, has been our President and Chief Executive Officer since June 2006. Mr. Flynn has over a 35 year career in international supply chain management and freight transportation. Prior to

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joining us, Mr. Flynn served as President and Chief Executive Officer of GeoLogistics Corporation since 2002 where he led a successful turnaround of the company s profitability and the sale of the company in September 2005. Prior to his tenure at GeoLogistics, Mr. Flynn served as a Senior Vice President at CSX Transportation, one of the largest Class 1 railroads operating in the U. S., from 2000 to 2002. Mr. Flynn spent over 20 years with Sea-Land Service, Inc., a global provider of container shipping services. He served in roles of increasing responsibility in the U.S., Latin America and Asia. Mr. Flynn ultimately served as head of the company s Asia operations. Mr. Flynn is also a director of Republic Services, Inc. During the previous five years, he served as a director of Horizon Lines, Inc. Mr. Flynn holds a Bachelors degree in Latin American studies from the University of Rhode Island and a Masters degree in the same field from the University of Arizona.

***John W. Dietrich***. Mr. Dietrich, age 51, has been Executive Vice President and Chief Operating Officer since September 2006. In addition, he was named President and Chief Operating Officer of Atlas Air, Inc. effective October 2014. Prior to September 2006, Mr. Dietrich was Senior Vice President, General Counsel and Chief Human Resources Officer from February 2004. He was named Vice President and General Counsel in March 2003, where he was also responsible for our Human Resources and Corporate Communications functions. Mr. Dietrich joined Atlas in 1999 as Associate General Counsel. Prior to joining us, he was a litigation attorney at United Airlines from 1992 to 1999, where he provided legal counsel to all levels of management, particularly on employment and commercial litigation issues. He also serves as a director of the National Air Courier Association. Mr. Dietrich earned a Bachelors of Science degree from Southern Illinois University and received his Juris Doctorate, *cum laude*, from John Marshall Law School. He is a member of the New York, Illinois and Colorado Bars.

***Adam R. Kokas*.** Mr. Kokas, age 44, has been Executive Vice President since January 2014 and General Counsel and Secretary since October 2006 and our Chief Human Resources Officer since November 2007. Prior to January 2014, he was Senior Vice President from October 2006. Mr. Kokas joined us from Ropes & Gray LLP, where he was a partner in their Corporate Department, focusing on general corporate, securities, transactions and business law matters. Prior to joining Ropes & Gray, Mr. Kokas was a partner at Kelley Drye & Warren LLP, where he joined as an associate in 2001. At both Kelley Drye and Ropes & Gray, Mr. Kokas represented us in a variety of matters, including corporate finance and merger and acquisition transactions, corporate governance matters, strategic alliances, securities matters, and other general corporate issues. Mr. Kokas earned a Bachelor of Arts degree from Rutgers University and is a *cum laude* graduate of the Boston University School of Law, where he was an Edward M. Hennessey scholar. Mr. Kokas is a member of the New York and New Jersey Bars. Mr. Kokas has also been the Chairman of the Board of the Cargo Airline Association (a non-profit trade organization) since June 2011.

***Michael T. Steen***. Mr. Steen, age 49, has been Executive Vice President and Chief Commercial Officer since November 2010. In addition, he was named President and Chief Executive Officer of Titan Aviation Holdings, Inc. effective October 2014. Prior to November 2010, he was our Senior Vice President and Chief Marketing Officer from April 2007. Mr. Steen joined us from Exel plc where he served as Senior Vice President of Sales and Marketing. Mr. Steen led the sales and marketing activities for Exel Freight s management and technology sector. Following Exel s acquisition by Deutsche Post World Net, he held senior-level positions with the merged company in global supply chain logistics. Prior to joining Exel, he served in a variety of roles with KLM Cargo over 11 years, including Vice President of the Americas, Head of Global Sales and Marketing for the Logistics Unit and Director of Sales for EMEA. Mr. Steen has also been a member of the Board of Directors of TIACA (a not-for-profit trade association for the air cargo industry) since November 2007 and served as its Chairman from 2010 to 2013. Mr. Steen earned a degree in economic science from Katrinelund in Gothenburg, Sweden, and is an alumnus of the Advanced Executive Program at the Kellogg School of Management at Northwestern University.

***Spencer Schwartz***. Mr. Schwartz, age 49, has been Executive Vice President since January 2014 and Chief Financial Officer since June 2010. Prior to January 2014, he was Senior Vice President from June 2010. Prior to June 2010, he was our Vice President and Corporate Controller from November 2008. Mr. Schwartz joined us

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from MasterCard Incorporated, where he was employed for over 12 years and served as Group Head of Global Risk Management; Senior Vice President and Business Financial Officer; Senior Vice President, Corporate Controller and Chief Accounting Officer; and Vice President of Taxation. Prior to joining MasterCard, Mr. Schwartz held financial positions of increasing responsibility with Price Waterhouse LLP (now PricewaterhouseCoopers LLP) and Carl Zeiss, Inc. Mr. Schwartz earned a Bachelors degree in Accounting from The Pennsylvania State University and a Masters degree in Business Administration, with a concentration in management, with honors, from New York University s Leonard N. Stern School of Business. He is a certified public accountant.

***Keith H. Mayer***. Mr. Mayer, age 50, has been Vice President and Corporate Controller since November 2010. Mr. Mayer joined us from PepsiCo, Inc. ( PepsiCo ). In his most recent role at PepsiCo, he served as Chief Financial Officer of an international coffee partnership between PepsiCo and Starbucks Corporation. Mr. Mayer also served PepsiCo in a variety of roles since 1999, including Director of External Reporting, Assistant Controller for PepsiCo International, Senior Group Manager of Financial Accounting for Frito-Lay North America, and Group Manager of Technical Accounting. Prior to joining PepsiCo, Mr. Mayer held financial positions of increasing responsibility with Coopers & Lybrand LLP (now PricewaterhouseCoopers LLP). Mr. Mayer earned a Bachelors degree in Accounting from the University of Bridgeport where he graduated *magna cum laude*. He is a certified public accountant.

Executive Officers are elected by our board of directors, and their terms of office continue until the next annual meeting of the board of directors or until their successors are elected and have qualified. There are no family relationships among our executive officers.

## ITEM 11. *EXECUTIVE COMPENSATION*

The required information is incorporated by reference from our Proxy Statement to be filed with respect to our 2016 Annual Meeting of Stockholders.

## ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

The required information is incorporated by reference from our Proxy Statement to be filed with respect to our 2016 Annual Meeting of Stockholders.

The following table summarizes the securities authorized for issuance under our equity compensation plans at December 31, 2015:

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 1,542,213 | $ 1.31(1) | 566,463 |
| Total | 1,542,213 | $ 1.31 | 566,463 |

(1) Includes 1,507,513 of restricted and performance shares and units, which have no exercise price and 34,700 stock options having an average exercise price of $58.41

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**ITEM 13.** ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE***

The required information is incorporated by reference from our Proxy Statement to be filed with respect to our 2016 Annual Meeting of Stockholders.

**ITEM 14.** ***PRINCIPAL ACCOUNTING FEES AND SERVICES***

The required information is incorporated by reference from our Proxy Statement to be filed with respect to our 2016 Annual Meeting of Stockholders.

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**PART IV**

**ITEM 15.** ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES***

nancial Statements:

port of Independent Registered Public Accounting Firm

nsolidated Balance Sheets as of December 31, 2015 and 2014

nsolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013

nsolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013

nsolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013

nsolidated Statements of Stockholders Equity for the years ended December 31, 2015, 2014 and 2013

tes to Consolidated Financial Statements

nancial Statement Schedule:

hedule II Valuation of Qualifying Accounts

other schedules have been omitted because they are not applicable, not required or the information is included elsewhere in the Financial Statements or Notes thereto

Exhibits: (see accompanying Exhibit Index included after the signature page of this Report for a list of exhibits filed or furnished with or incorporated by reference in
ort).

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on February 18, 2016.

ATLAS AIR WORLDWIDE HOLDINGS, INC.
*(Registrant)*

By: /s/ William J. Flynn
William J. Flynn
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on February 18, 2016 on behalf of the Registrant and in the capacities indicated.

| Signature | Capacity |
|---|---|
| * Frederick McCorkle<br>Frederick McCorkle | Chairman of the Board |
| /s/ William J. Flynn<br>William J. Flynn | President, Chief Executive Officer and Director<br>(Principal Executive Officer) |
| /s/ Spencer Schwartz<br>Spencer Schwartz | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) |
| /s/ Keith H. Mayer<br>Keith H. Mayer | Vice President and Corporate Controller<br>(Principal Accounting Officer) |
| * Robert F. Agnew<br>Robert F. Agnew | Director |
| * Timothy J. Bernlohr<br>Timothy J. Bernlohr | Director |
| * James S. Gilmore, III<br>James S. Gilmore, III | Director |
| * Carol B. Hallett<br>Carol B. Hallett | Director |
| * Duncan J. McNabb<br>Duncan J. McNabb | Director |

*By: /s/ William J. Flynn
William J. Flynn,
as Attorney-in-fact for each of the persons
indicated

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**SCHEDULE II**

**VALUATION AND QUALIFYING ACCOUNTS**

**(in thousands)**

| Description | Balance at Beginning of Period | Additions Charged to Costs and Expenses | Deductions | Balance at End of Period |
|---|---|---|---|---|
| **For the Year ended December 31, 2015** | | | | |
| Allowances deducted in the balance sheet from the assets to which they apply: | | | | |
| Allowance for doubtful accounts | $ 1,658 | $ 171 | $ (582)(a) | $ 1,247 |
| **For the Year ended December 31, 2014** | | | | |
| Allowances deducted in the balance sheet from the assets to which they apply: | | | | |
| Allowance for doubtful accounts | $ 1,402 | $ 643 | $ (387)(a) | $ 1,658 |
| **For the Year ended December 31, 2013** | | | | |
| Allowances deducted in the balance sheet from the assets to which they apply: | | | | |
| Allowance for doubtful accounts | $ 3,172 | $ 178 | $ (1,948)(a) | $ 1,402 |

(a) Primarily represents the write-off of accounts net of recoveries

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**EXHIBIT INDEX**

| Exhibit Number | Description |
|---|---|
| 3.1(4) | Certificate of Incorporation of the Company. |
| 3.2(16) | Amended and Restated By-Laws of Atlas Air Worldwide Holdings, Inc., dated as of September 19, 2014. |
| 4.1.1(1) | Form of 8.707% Atlas Air Pass Through Certificates, Series 2000-1A (included in Exhibit 4.1.21). |
| 4.1.2(1) | Form of 9.057% Atlas Air Pass Through Certificates, Series 2000-1B (included in Exhibit 4.1.22). |
| 4.1.3(1) | Form of 9.702% Atlas Air Pass Through Certificates, Series 2000-1C (included in Exhibit 4.1.23). |
| 4.1.4(3) | 7.20% Atlas Air Pass Through Certificate 1999-1A-1, Certificate No. A-1-1. |
| 4.1.5(3) | 7.20% Atlas Air Pass Through Certificate 1999-1A-1, Certificate No. A-1-2. |
| 4.1.6(3) | 6.88% Atlas Air Pass Through Certificate 1999-1A-2, Certificate No. A-2-1. |
| 4.1.7(3) | 7.63% Atlas Air Pass Through Certificate 1999-1B-1, Certificate No. B-1. |
| 4.1.8(3) | 8.77% Atlas Air Pass Through Certificate 1999-1C-1, Certificate No. C-1. |
| 4.1.9(2) | Pass Through Trust Agreement, dated as of February 9, 1998, between Atlas Air, Inc. and Wilmington Trust Company, as Trustee, relating to the Atlas Air Pass Through Trust 1998-1A-0. |
| 4.1.10(2) | Pass Through Trust Agreement, dated as of February 9, 1998, between Atlas Air, Inc. and Wilmington Trust Company, as Trustee, relating to the Atlas Air Pass Through Trust 1998-1A-S. |
| 4.1.11(2) | Pass Through Trust Agreement, dated as of February 9, 1998, between Atlas Air, Inc. and Wilmington Trust Company, as Trustee, relating to the Atlas Air Pass Through Trust 1998-1B-0. |
| 4.1.12(2) | Pass Through Trust Agreement, dated as of February 9, 1998, between Atlas Air, Inc. and Wilmington Trust Company, as Trustee, relating to the Atlas Air Pass Through Trust 1998-1B-S. |
| 4.1.13(2) | Pass Through Trust Agreement, dated as of February 9, 1998, between Atlas Air, Inc. and Wilmington Trust Company, as Trustee, relating to the Atlas Air Pass Through Trust 1998-1C-0. |
| 4.1.14(2) | Pass Through Trust Agreement, dated as of February 9, 1998, between Atlas Air, Inc. and Wilmington Trust Company, as Trustee, relating to the Atlas Air Pass Through Trust 1998-1C-S. |
| 4.1.15(3) | Pass Through Trust Agreement, dated as of April 13, 1999, between Wilmington Trust Company, as Trustee, and Atlas Air, Inc.. |
| 4.1.16(3) | Trust Supplement No. 1999-1A-1, dated April 13, 1999, between Wilmington Trust Company, as Trustee, and Atlas Air, Inc. to Pass Through Trust Agreement, dated as of April 1, 1999. |
| 4.1.17(3) | Trust Supplement No. 1999-1A-2, dated April 13, 1999, between Wilmington Trust Company, as Trustee, and Atlas Air, Inc. to Pass Through Trust Agreement, dated as of April 1, 1999. |
| 4.1.18(3) | Trust Supplement No. 1999-1B, dated April 13, 1999, between Wilmington Trust Company, as Trustee, and Atlas Air, Inc. to Pass Through Trust Agreement, dated as of April 1, 1999. |
| 4.1.19(3) | Trust Supplement No. 1999-1C, dated April 13, 1999, between Wilmington Trust Company, as Trustee, and Atlas Air, Inc. to Pass Through Trust Agreement, dated as of April 1, 1999. |
| 4.1.20(1) | Pass Through Trust Agreement, dated as of January 28, 2000, between Wilmington Trust Company, as Trustee and Atlas Air, Inc.. |
| 4.1.21(1) | Trust Supplement No. 2000-1A, dated January 28, 2000, between Wilmington Trust Company, as Trustee, and Atlas Air, Inc. to Pass Through Trust Agreement, dated as of January 28, 2000. |
| 4.1.22(1) | |

Trust Supplement No. 2000-1B, dated January 28, 2000, between Wilmington Trust Company, as Trustee, and Atlas Air, Inc. to Pass Through Trust Agreement, dated as of January 28, 2000.

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| Exhibit Number | Description |
|---|---|
| 4.1.23(1) | Trust Supplement No. 2000-1C, dated January 28, 2000, between Wilmington Trust Company, as Trustee, and Atlas Air, Inc. to Pass Through Trust Agreement, dated as of January 28, 2000 |
| 4.1.24(2) | Note Purchase Agreement, dated as of February 9, 1998, among the Company, Wilmington Trust Company and First Security Bank, National Association ( Note Purchase Agreement 1998 ) |
| 4.1.25(1) | Form of Leased Aircraft Participation Agreement (Participation Agreement among Atlas Air, Inc., Lessee, First Security Bank, National Association, Owner Trustee, and Wilmington Trust Company, Mortgagee and Loan Participant) (Exhibit A-1 to Note Purchase Agreement 1998). |
| 4.1.26(1) | Form of Owned Aircraft Participation Agreement (Participation Agreement between Atlas Air, Inc., Owner, and Wilmington Trust Company, as Mortgagee, Subordination Agent and Trustee) (Exhibit C-1 to Note Purchase Agreement 1998). |
| 4.1.27(1) | Form of Lease (Lease Agreement between First Security Bank, National Association, Lessor, and Atlas Air, Inc., Lessee) (Exhibit A-2 to Note Purchase Agreement 1998). |
| 4.1.28(3) | Note Purchase Agreement, dated as of April 13, 1999, among Atlas Air, Inc., Wilmington Trust Company, as Trustee, Wilmington Trust Company, as Subordination Agent, First Security Bank, National Association, as Escrow Agent, and Wilmington Trust Company, as Paying Agent ( Note Purchase Agreement 1999 ). |
| 4.1.29(3) | Form of Leased Aircraft Participation Agreement (Participation Agreement among Atlas Air, Inc., Lessee, First Security Bank, National Association, Owner Trustee, and Wilmington Trust Company, Mortgagee and Loan Participant) (Exhibit A-1 to Note Purchase Agreement 1999). |
| 4.1.30(3) | Form of Lease (Lease Agreement between First Security Bank, National Association, Lessor, and Atlas Air, Inc., Lessee) (Exhibit A-2 to Note Purchase Agreement 1999). |
| 4.1.31(3) | Form of Owned Aircraft Participation Agreement (Participation Agreement between Atlas Air, Inc., Owner, and Wilmington Trust Company, as Mortgagee, Subordination Agent and Trustee) (Exhibit C-1 to Note Purchase Agreement 1999). |
| 4.1.32(1) | Note Purchase Agreement, dated as of January 28, 2000, among Atlas Air, Inc., Wilmington Trust Company, as Trustee, Wilmington Trust Company, as Subordination Agent, First Security Bank, National Association, as Escrow Agent, and Wilmington Trust Company, as Paying Agent ( Note Purchase Agreement 2000 ). |
| 4.1.33(1) | Form of Leased Aircraft Indenture (Trust Indenture and Mortgage between First Security Bank, National Association, Owner Trustee, and Wilmington Trust Company, Mortgagee) (Exhibit A-3 to Note Purchase Agreement 2000). |
| 4.1.34(1) | Form of Leased Aircraft Trust Agreement (Exhibit A-5 to Note Purchase Agreement 2000). |
| 4.1.35(1) | Form of Owned Aircraft Indenture (Trust Indenture and Mortgage between Atlas Air, Inc., Owner, and Wilmington Trust Company, as Mortgagee) (Exhibit C-2 to Note Purchase Agreement 2000). |
| 4.1.36(3) | Form of Leased Aircraft Indenture (Trust Indenture and Mortgage between First Security Bank, National Association, Owner Trustee, and Wilmington Trust Company, Mortgagee) (Exhibit A-3 to Note Purchase Agreement 2000). |
| 4.1.37(3) | Form of Leased Aircraft Trust Agreement (Exhibit A-5 to Note Purchase Agreement 2000). |
| 4.1.38(3) | Form of Owned Aircraft Indenture (Trust Indenture and Mortgage between Atlas Air, Inc., Owner, and Wilmington Trust Company, as Mortgagee) (Exhibit C-2 to Note Purchase Agreement 2000). |
| 4.1.39(8) | Leased Aircraft Restructure Agreement with regard to Aircraft N491MC, dated July 27, 2004, by and among Atlas Air, Inc., Wells Fargo Bank Northwest, National Association as Owner Trustee, Wilmington Trust Company as Mortgagee, Class A Trustee and Subordination Agent, and DAF Investments, Ltd. as Owner Participant, together with schedule of substantially identical documents omitted from filing pursuant to Rule 12b-31 promulgated under the Exchange Act. |

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| Exhibit Number | Description |
|---|---|
| 4.1.40(7) | 1998 Class A Pass Through Trust Supplement, dated July 27, 2004, between the Company and Wilmington Trust Company as Class A Trustee. |
| 4.1.41(7) | Amendment to 1999 Class A-1 Pass Through Trust Supplement, dated July 27, 2004, between the Company and Wilmington Trust Company as Class A-1 Trustee |
| 4.1.42(7) | Amendment to 2000 Class A Pass Through Trust Supplement between the Company and Wilmington Trust Company as Class A Trustee dated July 27, 2004. |
| 4.1.43(8) | Trust Indenture and Mortgage Supplement No. 3, dated July 27, 2004, by and between Wells Fargo Bank Northwest, National Association (f/k/a First Security Bank, National Association), Owner Trustee, and Wilmington Trust Company, Mortgagee, pertaining to Aircraft N491MC, together with schedule of substantially identical documents omitted from filing pursuant to Rule 12b-31 promulgated under the Exchange Act. |
| 4.2(18) | Facility Agreement, among Atlas Air, Inc. (as Borrower), Each Loan Participant Identified on Schedule I thereto, Norddeutsche Landesbank Girozentrale (as Agent) and Bank of Utah (as Security Agent). |
| 4.3(19) | Participation Agreement, dated as of January 30, 2012, among Helios Leasing I LLC, as Lessor, Helios Leasing Trust, as Lessor Parent, Wilmington Trust Company, as Trustee, Atlas Air, Inc., as Lessee, Wilmington Trust Company, as Indenture Trustee, Apple Bank for Savings, as Initial Guaranteed Lender, Wells Fargo Bank Northwest, National Association, as Security Trustee, and Export-Import Bank of the United States. (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.). |
| 4.4(20) | Indenture, dated as of May 1, 2012, by and among Helios Leasing I LLC, Apple Bank for Savings, Wilmington Trust Company, not in its individual capacity but solely as Indenture Trustee, Wells Fargo Bank Northwest, National Association, and Export-Import Bank of the United States. |
| 4.5(20) | Secured Fixed Rate Global Note, dated June 19, 2012. |
| 4.6(20) | Secured Fixed Rate Global Note, dated July 31, 2012. |
| 4.7(21) | Secured Fixed Rate Global Note, dated October 10, 2012. |
| 4.8(21) | Secured Fixed Rate Global Note dated, December 12, 2012. |
| 4.9(22) | Secured Fixed Rate Global Note, dated May 28, 2013. |
| 4.10(24) | Secured Fixed Rate Global Note, dated January 30, 2014. |
| 4.11.1(26) | Indenture, dated June 3, 2015, between the Company and Wilmington Trust, National Association, as Trustee. |
| 4.11.2(26) | First Supplemental Indenture, dated June 3, 2015, between the Company and Wilmington Trust, National Association, as Trustee. |
| 4.11.3(26) | 2.25% Convertible Senior Note due 2022. |
| 10.1(8) | Lease Agreement, dated July 29, 1998, between First Security Bank, National Association and Atlas Air, Inc. with respect to Aircraft N491MC, together with schedule of substantially identical documents omitted from filing pursuant to Rule 12b-31 promulgated under the Exchange Act. |
| 10.1.1(8) | Amendment No. 1 to Lease Agreement dated as of July 27, 2004 between Wells Fargo Bank Northwest, National Association (f/k/a First Security Bank, National Association), as Lessor and Atlas Air, Inc., as Lessee with respect to Aircraft N491MC, together with schedule of substantially identical documents omitted from filing pursuant to Rule 12b-31 promulgated under the Exchange Act. |

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| Exhibit Number | Description |
|---|---|
| 10.2(9) | Employment Agreement, dated April 21, 2006, between Atlas Air, Inc. and William J. Flynn. |
| 10.2.1(14) | Amendment, dated as of December 31, 2008, to the Employment Agreement between Atlas Air, Inc. and William J. Flynn. |
| 10.2.2(15) | Amendment, dated as of July 1, 2011, to the Employment Agreement between Atlas Air, Inc. and William J. Flynn. |
| 10.3(8) | Lease, dated July 16, 2002, between Tuolumne River Aircraft Finance, Inc. as Lessor and Atlas Air, Inc., as Lessee with respect to Aircraft N416MC, together with schedule of substantially identical documents omitted from filing pursuant to Rule 12b-31 promulgated under the Exchange Act. |
| 10.3.1(8) | Amendment Agreement, dated August 1, 2003, between Tuolumne River Aircraft Finance, Inc., as Lessor and Atlas Air, Inc. as Lessee in respect of Lease dated July 16, 2002 with respect to Aircraft N416MC, together with schedule of substantially identical documents omitted from filing pursuant to Rule 12b-31 promulgated under the Exchange Act. |
| 10.4(8) | Sublease, dated October 24, 2001, between General Electric Capital Corporation, as Sublessor and Polar Air Cargo, Inc. as Sublessee with respect to Aircraft N450PA, together with schedule of substantially identical documents omitted from filing pursuant to Rule 12b-31 promulgated under the Exchange Act |
| 10.4.1(8) | Amendment Agreement, dated August 1, 2003, between General Electric Capital Corporation, as Sublessor and Polar Air Cargo, Inc. as Sublessee in respect of Sublease, dated October 24, 2001, with respect to Aircraft N450PA, together with schedule of substantially identical documents omitted from filing pursuant to Rule 12b-31 promulgated under the Exchange Act. |
| 10.4.2(7) | Second Amendment Agreement, dated January 31, 2005, between General Electric Capital Corporation, as Sublessor and Polar Air Cargo, Inc. as Sublessee in respect of Sublease, dated October 24, 2001, with respect to Aircraft N450PA, together with schedule of substantially identical documents omitted from filing pursuant to Rule 12b-31 promulgated under the Exchange Act. |
| 10.5(8) | Lease Agreement, dated July 24, 2002, between Charles River Aircraft Finance, Inc. as Lessor and Polar Air Cargo, Inc. as Lessee with respect to Aircraft N454PA |
| 10.5.1(8) | Amendment Agreement, dated August 1, 2003, between Charles River Aircraft Finance, Inc. as Lessor and Polar Air Cargo, Inc. as Lessee in respect of Lease Agreement dated July 24, 2002 with respect to Aircraft N454PA. |
| 10.5.2(8) | Second Amendment Agreement, dated January 31, 2005, between Charles River Aircraft Finance, Inc. as Lessor and Polar Air Cargo, Inc. as Lessee in respect of Lease Agreement, dated July 24, 2002, with respect to Aircraft N454PA. |
| 10.6.1(10) | Purchase Agreement No. 3134, dated as of September 8, 2006, between The Boeing Company and Atlas Air, Inc. (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission). |
| 10.6.2(17) | Supplemental Agreement No. 1 to Purchase Agreement No. 3134 between The Boeing Company and Atlas Air, Inc. (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission). |
| 10.6.3(17) | Supplemental Agreement No. 2 to Purchase Agreement No. 3134 between The Boeing Company and Atlas Air, Inc. (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission). |
| 10.7(8) | Engine Maintenance Contract, dated April 30, 2004, between the Company and MTU Maintenance Hannover GmbH, with regard to CF6 80C2 Engines in the 1998 EETC Transaction together with schedule of substantially identical documents omitted from filing pursuant to Rule 12b-31 promulgated under the Exchange Act. |

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| Exhibit Number | Description |
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| 10.8(10) | Amended and Restated Employment Agreement, dated as September 19, 2006, between Atlas Air, Inc. and John W. Dietrich. |
| 10.8.1(14) | Amendment, dated as of December 31, 2008, to the Amended and Restated Employment Agreement between Atlas Air, Inc. and John W. Dietrich. |
| 10.8.2(15) | Amendment, dated as of July 1, 2011, to the Employment Agreement between Atlas Air, Inc. and John W. Dietrich. |
| 10.9(25) | Atlas Air Worldwide Holdings, Inc. Annual Incentive Program for Senior Executives, amended as of February 18, 2014. |
| 10.10(8) | Contract, dated October 1, 2004, between HQ AMC/A34TM and the Company. |
| 10.11(23) | Atlas Air Worldwide Holdings, Inc. 2007 Incentive Plan (as amended). |
| 10.11.1 | Atlas Air Worldwide Holdings, Inc. 2015 Long Term Cash Incentive Program, which is filed herewith as Exhibit 10.11.1. |
| 10.11.2(25) | Atlas Air Worldwide Holdings, Inc. 2014 Long Term Cash Incentive Program. |
| 10.11.3(25) | Form of Restricted Stock Unit Agreement. |
| 10.11.4(25) | Form of Performance Share Unit Agreement. |
| 10.12(27) | Benefits Program for Senior Executives, Amended and Restated as of January 1, 2015. |
| 10.13(28) | Board of Directors Compensation Program. |
| 10.14(13) | Atlas Air, Inc. Profit Sharing Plan. |
| 10.14.1(14) | Amendment, dated as of December 31, 2008, to Atlas Air, Inc. Profit Sharing Plan. |
| 10.15(6) | Form of Directors and Officers Indemnification Agreement. |
| 10.16(5) | Amendment No. 1 to Stock Purchase Agreement/Amendment No. 1 to Transaction Guarantee Agreement, dated as of April 13, 2007, among Polar Air Cargo Worldwide, Inc., DHL Network Operations (USA), Inc. and Deutsche Post AG. |
| 10.17(11) | Stock Purchase Agreement with DHL. |
| 10.18(12) | Blocked Space Agreement, dated June 28, 2007, between Polar Air Cargo Worldwide, Inc. and DHL Network Operations (USA), Inc. (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.). |
| 10.19(12) | Amendment No. 1, dated as of July 30, 2007, to Blocked Space Agreement between Polar Air Cargo Worldwide, Inc. and DHL Network Operations (USA), Inc. |
| 10.20(12) | Flight Services Agreement, dated as of June 28, 2007, between Atlas Air, Inc. and Polar Air Cargo Worldwide, Inc. (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.). |
| 10.21(12) | Indemnity Agreement, dated as of June 28, 2007, among Atlas Air Worldwide Holdings, Inc., Polar Air Cargo Worldwide, Inc. and DHL Network Operations (USA), Inc. |
| 10.22(12) | Contribution Agreement, dated as of June 28, 2007, between Atlas Air Worldwide Holdings, Inc. and Polar Air Cargo Worldwide, Inc. (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.). |
| 10.23(29) | Atlas Air, Inc. 401(K) Restoration and Voluntary Deferral Plan, Restated effective as of February 11, 2011, and as Further Amended effective January 1, 2015. |

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| Exhibit Number | Description |
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| 10.25(24) | Loan Agreement [37138], dated as of December 20, 2013, among MSN 37138 Ltd. (as Borrower), BNP Paribas (New York Branch), Landesbank Hessen-Thuringer Girozentrale and Norddeutsche Landesbank Girozentrale (as Lenders) and BNP Paribas (New York Branch) (as Agent). (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.) |
| 10.26(24) | Loan Agreement [38969], dated as of December 20, 2013, among MSN 38969 Ltd. (as Borrower), BNP Paribas (New York Branch), Landesbank Hessen-Thuringer Girozentrale and Norddeutsche Landesbank Girozentrale (as Lenders) and BNP Paribas (New York Branch) (as Agent). (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.) |
| 10.27(24) | Loan Agreement [39286], dated as of December 20, 2013, among MSN 39286 Pte. Ltd., BNP Paribas (Singapore Branch), Norddeutsche Landesbank Girozentrale (Singapore Branch) (as Lenders) and BNP Paribas (New York Branch) (as Agent). (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.) |
| 10.28(24) | Loan Agreement [37138], dated as of December 20, 2013, among MSN 37138 Ltd. (as Borrower), Investec Bank plc (as Lender) and Investec Bank plc (as Agent). (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.) |
| 10.29(24) | Loan Agreement [38969], dated as of December 20, 2013, among MSN 38969 Ltd. (as Borrower), Investec Bank plc (as Lender) and Investec Bank plc (as Agent). (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.) |
| 10.30(24) | Loan Agreement [39286], dated as of December 20, 2013, among MSN 39286 Pte. Ltd. (as Borrower), Norddeutsche Landesbank Girozentrale (Singapore Branch) (as Lender) and Norddeutsche Landesbank Girozentrale (Singapore Branch) (as Agent). (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.) |
| 10.31(24) | Amended and Restated Sale Agreement between Wells Fargo Bank Northwest, National Association (not in its individual capacity but as owner trustee for GAIF II Investment Twenty-Eight, LLC) and MSN 38969 Ltd., an indirect subsidiary of the Company, relating to the purchase of one Boeing 777F airframe with manufacturer s serial number 38969 and two GE90 Engines with engine serial numbers 906970 and 906971. (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.) |
| 10.32(24) | Amended and Restated Sale Agreement between Wells Fargo Bank Northwest, National Association (not in its individual capacity but as owner trustee for GAIF II Investment Nineteen, LLC) and MSN 37138 Ltd., an indirect subsidiary of the Company, relating to the purchase of one Boeing 777F airframe with manufacturer s serial number 37138 and two GE90 Engines with engine serial numbers 907037 and 907038. (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.) |
| 10.33(24) | Amended and Restated Sale Agreement between Wells Fargo Bank Northwest, National Association (not in its individual capacity but as owner trustee for GAIF II Investment Sixteen, LLC) and MSN 39286 Pte. Ltd., an indirect subsidiary of the Company, relating to the purchase of one Boeing 777F airframe with manufacturer s serial number 39286 and two GE90 Engines with engine serial numbers 907006 and 907007. (Portions of this document have been redacted and filed separately with the Securities and Exchange Commission.) |
| 10.34.1(26) | Base convertible hedge transaction confirmation, dated as of May 28, 2015, between Morgan Stanley & Col. International plc and the Company. |
| 10.34.2(26) | Base warrant transaction confirmation, dated as of May 28, 2015, between Morgan Stanley & Co. International plc and the Company. |
| 10.34.3(26) | Additional convertible note hedge transaction confirmation, dated as of June 1, 2015, between Morgan Stanley & Co. International plc and the Company. |

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| Exhibit Number | Description |
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| 10.34.4(26) | Additional warrant transaction confirmation, dated as of June 1, 2015, between Morgan Stanley & Co. International plc and the Company. |
| 10.34.5(26) | Base convertible note hedge transaction confirmation, dated as of May 28, 2015, between BNP Paribas and the Company. |
| 10.34.6(26) | Base warrant transaction confirmation, dated as of May 28, 2015, between BNP Paribas and the Company. |
| 10.34.7(26) | Additional convertible note hedge transaction confirmation, dated as of June 1, 2015, between BNP Paribas and the Company. |
| 10.34.8(26) | Additional warrant transaction confirmation, dated as of June 1, 2015, between BNP Paribas and the Company. |
| 14.1 | Atlas Air Worldwide Holdings, Inc. Code of Ethics applicable to the Chief Executive Officer, Senior Financial Officers and members of the Board of Directors, which filed herewith as Exhibit 14.1. |
| 21.1 | Subsidiaries List, which is filed herewith as Exhibit 21.1. |
| 23.1 | Consent of PricewaterhouseCoopers LLP, which is filed herewith as Exhibit 23.1. |
| 24.1 | Power of Attorney, which is filed herewith as Exhibit 24.1. |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer, furnished herewith. |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer, furnished herewith. |
| 32.1 | Certification of periodic financial report pursuant to Section 906 of Sarbanes Oxley Act of 2002, furnished herewith. |
| 32.2 | Certification of periodic financial report pursuant to Section 906 of Sarbanes Oxley Act of 2002, furnished herewith. |
| 101.INS | XBRL Instance Document. * |
| 101.SCH | XBRL Taxonomy Extension Schema Document. * |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. * |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. * |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase Document. * |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. * |

* Attached as Exhibit 101 to this report are the following, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2015 and December 31, 2014, (ii) Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, (v) Consolidated Statements of Stockholders Equity for the years ended December 31, 2015, 2014 and 2013 and (vi) Notes to Consolidated Financial Statements. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

(1) Incorporated by reference to the exhibits to Atlas Air s Registration Statement on Form S-4 (No. 333-36268).

(2) Incorporated by reference to the exhibits to Atlas Air s Annual Report on Form 10-K for the year ended December 31, 1997.

(3) Incorporated by reference to the exhibits to Atlas Air s Registration Statement on Form S-3 (No. 333-71833).

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(4) Incorporated by reference to the exhibits the Company s Current Report on Form 8-K dated February 16, 2001.

(5) Incorporated by reference to the exhibits to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

(6) Incorporated by reference to the exhibits to the Company s Current Report on Form 8-K dated November 14, 2005.

(7) Incorporated by reference to exhibits to the Company s Annual Report on Form 10-K for the year ended December 31, 2004.

(8) Incorporated by reference to the exhibits to the Company s Annual Report on Form 10-K/A for the year ended December 31, 2004.

(9) Incorporated by reference to the exhibits to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

(10) Incorporated by reference to the exhibits to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.

(11) Incorporated by reference to the exhibits to the Company s Annual Report on Form 10-K for the year ended December 31, 2006.

(12) Incorporated by reference to the exhibits to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

(13) Incorporated by reference to the exhibits to the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

(14) Incorporated by reference to the exhibits to the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

(15) Incorporated by reference to the exhibits to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.

(16) Incorporated by reference to Exhibit 3 to the Company s Current Report on Form 8-K dated September 19, 2014.

(17) Incorporated by reference to the exhibits to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

(18) Incorporated by reference to Exhibit 4.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.

(19) Incorporated by reference to the exhibits to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012.

(20) Incorporated by reference to the exhibits in the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.

(21) Incorporated by reference to the exhibits in the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

(22) Incorporated by reference to the exhibits in the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.

(23) Incorporated by reference to Exhibit 10 to the Company s Current Report on Form 8-K dated May 22, 2013.

(24) Incorporated by reference to the exhibits in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

(25) Incorporated by reference to the exhibits in the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014.

(26) Incorporated by reference to the exhibits in the Company s Current Report on Form 8-K dated June 3, 2015.

(27) Incorporated by reference to the exhibits in the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.

(28) Incorporated by reference to the exhibits in the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

(29) Incorporated by reference to the exhibits in the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.