

Atlas Air Worldwide Holdings, Inc.
Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Operating Revenue				
ACMI	\$ 186,720	\$ 181,957	\$ 384,861	\$ 363,127
AMC Charter	91,281	94,135	154,155	192,172
Commercial Charter	133,953	117,783	248,452	208,883
Dry Leasing	25,524	6,223	50,200	9,970
Other	3,691	3,475	6,864	6,757
Total Operating Revenue	<u>\$ 441,169</u>	<u>\$ 403,573</u>	<u>\$ 844,532</u>	<u>\$ 780,909</u>
Operating Expenses				
Aircraft fuel	103,842	102,743	185,586	196,101
Salaries, wages and benefits	77,948	72,518	150,803	145,049
Maintenance, materials and repairs	50,386	43,477	109,432	101,846
Aircraft rent	34,826	39,854	70,236	78,348
Depreciation and amortization	30,381	20,371	58,536	38,179
Navigation fees, landing fees and other rent	30,906	18,744	58,032	34,370
Passenger and ground handling services	21,859	17,300	41,230	34,072
Travel	18,774	13,771	36,056	28,950
Special charge	1,449	-	9,477	-
Loss/(gain) on disposal of aircraft	14,679	(399)	14,679	(422)
Other	29,462	26,733	55,678	53,358
Total Operating Expenses	<u>414,512</u>	<u>355,112</u>	<u>789,745</u>	<u>709,851</u>
Operating Income	<u>26,657</u>	<u>48,461</u>	<u>54,787</u>	<u>71,058</u>
Non-operating Expenses (Income)				
Interest income	(4,719)	(4,978)	(9,446)	(10,154)
Interest expense	26,365	20,677	52,817	39,117
Capitalized interest	(67)	(292)	(379)	(1,694)
Loss on early extinguishment of debt	-	994	-	994
Other expense (income), net	(88)	1,104	64	1,656
Total Non-operating Expenses (Income)	<u>21,491</u>	<u>17,505</u>	<u>43,056</u>	<u>29,919</u>
Income before income taxes	5,166	30,956	11,731	41,139
Income tax expense (benefit)	<u>(23,815)</u>	<u>9,993</u>	<u>(21,276)</u>	<u>73</u>
Net Income	<u>28,981</u>	<u>20,963</u>	<u>33,007</u>	<u>41,066</u>
Less: Net income (loss) attributable to noncontrolling interests	<u>(612)</u>	<u>903</u>	<u>(4,530)</u>	<u>928</u>
Net Income Attributable to Common Stockholders	<u>\$ 29,593</u>	<u>\$ 20,060</u>	<u>\$ 37,537</u>	<u>\$ 40,138</u>
Earnings per share:				
Basic	<u>\$ 1.17</u>	<u>\$ 0.78</u>	<u>\$ 1.49</u>	<u>\$ 1.54</u>
Diluted	<u>\$ 1.17</u>	<u>\$ 0.78</u>	<u>\$ 1.49</u>	<u>\$ 1.54</u>
Weighted average shares:				
Basic	<u>25,241</u>	<u>25,691</u>	<u>25,169</u>	<u>26,009</u>
Diluted	<u>25,279</u>	<u>25,716</u>	<u>25,215</u>	<u>26,076</u>

Atlas Air Worldwide Holdings, Inc.
Consolidated Balance Sheets
(in thousands, except share data)
(Unaudited)

	June 30, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 276,404	\$ 321,816
Short-term investments	9,592	10,904
Restricted cash	13,215	6,491
Accounts receivable, net of allowance of \$1,618 and \$1,402, respectively	162,860	132,159
Prepaid maintenance	10,411	31,620
Deferred taxes	28,977	54,001
Prepaid expenses and other current assets	30,131	36,962
Total current assets	531,590	593,953
Property and Equipment		
Flight equipment	3,474,759	2,969,379
Ground equipment	49,246	46,951
Less: accumulated depreciation	(304,257)	(256,685)
Purchase deposits for flight equipment	5,665	69,320
Property and equipment, net	3,225,413	2,828,965
Other Assets		
Long-term investments and accrued interest	129,092	130,267
Deposits and other assets	142,012	131,216
Intangible assets, net	71,957	33,858
Total Assets	\$ 4,100,064	\$ 3,718,259
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 46,094	\$ 65,367
Accrued liabilities	233,079	194,292
Current portion of long-term debt ^{1,2}	193,819	157,486
Total current liabilities	472,992	417,145
Other Liabilities		
Long-term debt ^{1,2}	1,876,961	1,539,139
Deferred taxes	328,707	371,655
Other liabilities	65,853	68,195
Total other liabilities	2,271,521	1,978,989
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; 28,547,138 and 28,200,213 shares issued, 25,256,124 and 25,038,629, shares outstanding (net of treasury stock), as of June 30, 2014 and December 31, 2013, respectively	285	282
Additional paid-in-capital	565,310	561,481
Treasury stock, at cost; 3,291,014 and 3,161,584 shares, respectively	(130,203)	(125,826)
Accumulated other comprehensive loss	(9,891)	(10,677)
Retained earnings	930,050	892,513
Total stockholders' equity	1,355,551	1,317,773
Noncontrolling interest	—	4,352
Total equity	1,355,551	1,322,125
Total Liabilities and Equity	\$ 4,100,064	\$ 3,718,259

¹ Balance sheet debt at June 30, 2014 totaled \$2,070.8 million, including the impact of \$38.7 million of unamortized discount.

² The face value of our debt at June 30, 2014 totaled \$2,109.5 million, compared with \$1,738.0 million on December 31, 2013.

Atlas Air Worldwide Holdings, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	For the Six Months Ended	
	June 30, 2014	June 30, 2013
Operating Activities:		
Net Income Attributable to Common Stockholders	\$ 37,537	\$ 40,138
Net income (loss) attributable to noncontrolling interests	(4,530)	928
Net Income	33,007	41,066
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Depreciation and amortization	67,195	45,374
Accretion of debt securities discount	(4,081)	(4,591)
Provision for allowance for doubtful accounts	232	17
Special charge	7,171	-
Loss on early extinguishment of debt	-	994
Loss (gain) on disposal of aircraft	14,679	(422)
Deferred taxes	(21,498)	(548)
Stock-based compensation expense	5,805	7,866
Changes in:		
Accounts receivable	(23,248)	11,844
Prepaid expenses and other current assets	27,613	9,478
Deposits and other assets	(4,603)	481
Accounts payable and accrued liabilities	4,854	15,072
Net cash provided by operating activities	107,126	126,631
Investing Activities:		
Capital expenditures	(10,653)	(19,491)
Purchase deposits and delivery payments for flight equipment	(494,072)	(342,584)
Changes in restricted cash	(6,724)	-
Proceeds from short-term investments	2,060	4,422
Proceeds from insurance	-	9,109
Proceeds from disposal of aircraft	-	2,100
Net cash used for investing activities	(509,389)	(346,444)
Financing Activities:		
Proceeds from debt issuance	572,552	510,808
Refund of accelerated share repurchase	-	13,510
Maintenance reserves received	8,757	1,546
Prepayment of accelerated share repurchase	-	(29,510)
Purchase of treasury stock	(4,377)	(73,253)
Excess tax benefit from stock-based compensation expense	(1,973)	465
Payment of debt issuance costs	(17,087)	(13,096)
Payments of debt	(201,021)	(244,645)
Net cash provided by financing activities	356,851	165,825
Net increase (decrease) in cash and cash equivalents	(45,412)	(53,988)
Cash and cash equivalents at the beginning of period	321,816	409,763
Cash and cash equivalents at the end of period	\$ 276,404	\$ 355,775
Non-cash Investing and Financing Activities		
Acquisition of flight and ground equipment included in Accounts payable and accrued liabilities	\$ 29,087	\$ -
Disposition of aircraft included in Accounts receivable	\$ 7,000	\$ -

Atlas Air Worldwide Holdings, Inc.
Direct Contribution
(in thousands)
(Unaudited)

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating Revenue:				
ACMI	\$ 186,720	\$ 181,957	\$ 384,861	\$ 363,127
AMC Charter	91,281	94,135	154,155	192,172
Commercial Charter	133,953	117,783	248,452	208,883
Dry Leasing	25,524	6,223	50,200	9,970
Other	3,691	3,475	6,864	6,757
Total Operating Revenue	\$ 441,169	\$ 403,573	\$ 844,532	\$ 780,909
Direct Contribution:				
ACMI	\$ 44,128	\$ 55,063	\$ 89,326	\$ 95,007
AMC Charter	15,620	12,658	25,088	25,395
Commercial Charter	(6,056)	(2,480)	(18,301)	(11,164)
Dry Leasing	8,738	2,437	16,909	3,613
Total Direct Contribution	\$ 62,430	\$ 67,678	\$ 113,022	\$ 112,851
Add back (subtract):				
Unallocated income and expenses, net	(41,136)	(36,127)	(77,135)	(71,140)
Loss on early extinguishment of debt	-	(994)	-	(994)
Special charge	(1,449)	-	(9,477)	-
Loss (gain) on disposal of aircraft	(14,679)	399	(14,679)	422
Income before Income Taxes	5,166	30,956	11,731	41,139
Add back (subtract):				
Interest income	(4,719)	(4,978)	(9,446)	(10,154)
Interest expense	26,365	20,677	52,817	39,117
Capitalized interest	(67)	(292)	(379)	(1,694)
Loss on early extinguishment of debt	-	994	-	994
Other expense (income), net	(88)	1,104	64	1,656
Operating Income	\$ 26,657	\$ 48,461	\$ 54,787	\$ 71,058

Atlas Air Worldwide uses an economic performance metric, Direct Contribution, to show the profitability of each of its segments after allocation of direct ownership costs. Atlas Air Worldwide currently has the following reportable segments: ACMI, AMC Charter, Commercial Charter, and Dry Leasing. Each segment has different operating and economic characteristics, which are separately reviewed by senior management.

Direct Contribution consists of income (loss) before taxes, excluding special charges, nonrecurring items, gains on the sale of aircraft, and unallocated fixed costs.

Direct costs include crew costs, maintenance costs, fuel, ground operations, sales costs, aircraft rent, interest expense related to aircraft debt and aircraft depreciation.

Unallocated income and expenses include corporate overhead, non-aircraft depreciation, interest income, foreign exchange gains and losses, other revenue and other non-operating costs, including one-time items.

Atlas Air Worldwide Holdings, Inc.
Reconciliation to Non-GAAP Measures
(in thousands, except per share data)
(Unaudited)

	For the Three Months Ended		
	June 30, 2014	June 30, 2013	Percent Change
Net Income Attributable to Common Stockholders	\$ 29,593	\$ 20,060	47.5%
After-tax impact from:			
ETI tax benefit	(24,013)	-	
Loss (gain) on disposal of aircraft	9,389	(254)	
Special charge ¹	658	-	
Accrual for legal matters	300	-	
Loss on early extinguishment of debt ²	-	633	
Adjusted Net Income Attributable to Common Stockholders	<u>15,927</u>	<u>20,439</u>	<u>(22.1%)</u>
Diluted EPS	\$ 1.17	\$ 0.78	50.0%
After-tax impact from:			
ETI tax benefit	(0.95)	-	
Loss (gain) on disposal of aircraft	0.37	(0.01)	
Special charge ¹	0.03	-	
Accrual for legal matters	0.01	-	
Loss on early extinguishment of debt ²	-	0.02	
Adjusted Diluted EPS	<u>0.63</u>	<u>0.79</u>	<u>(20.3%)</u>
	For the Six Months Ended		
	June 30, 2014	June 30, 2013	Percent Change
Net Income Attributable to Common Stockholders	\$ 37,537	\$ 40,138	(6.5%)
After-tax impact from:			
ETI tax benefit	(24,013)	(14,160)	
Loss (gain) on disposal of aircraft	9,389	(269)	
Special charge ¹	4,041	-	
Accrual for legal matters	300	-	
Loss on early extinguishment of debt ²	-	633	
Adjusted Net Income Attributable to Common Stockholders	<u>\$ 27,254</u>	<u>\$ 26,342</u>	<u>3.5%</u>
Diluted EPS	\$ 1.49	\$ 1.54	(3.2%)
After-tax impact from:			
ETI tax benefit	(0.95)	(0.54)	
Loss (gain) on disposal of aircraft	0.37	(0.01)	
Special charge ¹	0.16	-	
Accrual for legal matters	0.01	-	
Loss on early extinguishment of debt ²	-	0.02	
Adjusted Diluted EPS	<u>\$ 1.08</u>	<u>\$ 1.01</u>	<u>6.9%</u>

¹ Included in Special charge in 2014 were GSS employee termination benefits, a GSS loan reserve and an adjustment to lease termination costs for two 747-400BCFs.

² Loss on early extinguishment of debt was related to the financing of 747-8F aircraft.

Atlas Air Worldwide Holdings, Inc.
Reconciliation to Non-GAAP Measures
(in thousands, except per share data)
(Unaudited)

	For the Three Months Ended	
	June 30, 2014	June 30, 2013
Net Cash Provided by Operating Activities	\$ 61,682	\$ 72,242
Less:		
Capital expenditures	6,558	8,943
Capitalized interest	67	292
Free Cash Flow¹	\$ 55,057	\$ 63,007

	For the Six Months Ended	
	June 30, 2014	June 30, 2013
Net Cash Provided by Operating Activities	\$ 107,126	\$ 126,631
Less:		
Capital expenditures	10,653	19,491
Capitalized interest	379	1,694
Free Cash Flow¹	\$ 96,094	\$ 105,446

¹ Free Cash Flow = Cash Flows from Operations minus Base Capital Expenditures and Capitalized Interest.

Base Capital Expenditures excludes purchases of aircraft.

Atlas Air Worldwide Holdings, Inc.
Reconciliation to Non-GAAP Measures
(in thousands)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Income before income taxes	\$ 5,166	\$ 30,956	\$ 11,731	\$ 41,139
Loss (gain) on disposal of aircraft	14,679	(399)	14,679	(422)
Special charge ¹	1,449	-	9,477	-
Accrual for legal matters	469	-	469	-
Loss on early extinguishment of debt ²	-	994	-	994
Adjusted pretax income	21,763	31,551	36,356	41,711
Interest (income) expense, net	21,579	15,407	42,992	27,269
Other non-operating expenses (income)	(88)	1,104	64	1,656
Adjusted operating income	43,254	48,062	79,412	70,636
Depreciation and amortization	30,381	20,371	58,536	38,179
EBITDA, as adjusted³	73,635	68,433	137,948	108,815
Aircraft rent	34,826	39,854	70,236	78,348
EBITDAR, as adjusted⁴	\$ 108,461	\$ 108,287	\$ 208,184	\$ 187,163

¹ Included in Special charge in 2014 were GSS employee termination benefits, a GSS loan reserve and an adjustment to lease termination costs for two 747-400BCFs.

² Loss on early extinguishment of debt was related to the financing of 747-8F aircraft.

³ Adjusted EBITDA: Earnings before interest, taxes, depreciation, amortization, special charge, and loss (gain) on disposal of aircraft, as applicable.

⁴ Adjusted EBITDAR: Earnings before interest, taxes, depreciation, amortization, aircraft rent expense, special charge, loss on early extinguishment of debt, and loss (gain) on disposal of aircraft, as applicable.

Atlas Air Worldwide Holdings, Inc.
Operating Statistics and Traffic Results
(Unaudited)

	For the Three Months Ended			For the Six Months Ended		
	June 30,		Increase/ (Decrease)	June 30,		Increase/ (Decrease)
	2014	2013		2014	2013	
Block Hours						
ACMI	27,652	28,372	(720)	55,675	56,461	(786)
AMC Charter						
Cargo	1,167	1,891	(724)	1,601	3,765	(2,164)
Passenger	3,165	2,675	490	5,699	5,235	464
Commercial Charter	6,727	6,331	396	12,373	11,050	1,323
Nonrevenue	299	245	54	535	435	100
Total Block Hours	<u>39,010</u>	<u>39,514</u>	<u>(504)</u>	<u>75,883</u>	<u>76,946</u>	<u>(1,063)</u>
Revenue Per Block Hour						
ACMI	\$ 6,752	\$ 6,413	\$ 339	\$ 6,913	\$ 6,431	\$ 482
AMC Charter	21,071	20,617	455	21,117	21,352	(235)
Cargo	23,043	22,615	428	22,608	22,973	(365)
Passenger	20,344	19,204	1,140	20,698	20,187	511
Commercial Charter	19,913	18,604	1,309	20,080	18,903	1,177
Average Utilization (block hours per day)						
ACMI ¹	9.4	10.7	(1.3)	9.4	10.5	(1.1)
AMC Charter						
Cargo	8.5	7.4	1.1	8.0	7.2	0.8
Passenger	7.7	6.4	1.3	7.0	6.7	0.3
Commercial Charter	8.5	7.5	1.0	8.0	7.4	0.6
All Operating Aircraft ^{1,2}	<u>9.1</u>	<u>9.5</u>	<u>(0.4)</u>	<u>8.9</u>	<u>9.4</u>	<u>(0.5)</u>
Fuel						
AMC						
Average fuel cost per gallon	\$ 3.35	\$ 3.63	\$ (0.28)	\$ 3.34	\$ 3.63	\$ (0.29)
Fuel gallons consumed (000s)	10,470	11,105	(635)	17,303	22,523	(5,220)
Commercial Charter						
Average fuel cost per gallon	\$ 3.11	\$ 3.03	\$ 0.08	\$ 3.15	\$ 3.15	\$ -
Fuel gallons consumed (000s)	22,090	20,628	1,462	40,556	36,254	4,302

¹ ACMI and All Operating Aircraft averages in the second quarter and first six months of 2014 reflect the impact of increases in the number of CMI aircraft and amount of CMI flying compared with the same periods of 2013.

² Average of All Operating Aircraft excludes Dry Leasing aircraft, which do not contribute to block-hour volumes.

Atlas Air Worldwide Holdings, Inc.
Operating Statistics and Traffic Results
(Unaudited)

	For the Three Months Ended			For the Six Months Ended		
	June 30,		Increase/ (Decrease)	June 30,		Increase/ (Decrease)
	2014	2013		2014	2013	
Segment Operating Fleet (average aircraft equivalents during the period)						
ACMI¹						
747-8F Cargo	8.3	8.2	0.1	8.5	7.6	0.9
747-400 Cargo	11.7	11.4	0.3	12.1	12.3	(0.2)
747-400 Dreamlifter	3.3	1.6	1.7	3.2	1.6	1.6
767-300 Cargo	2.0	2.0	-	2.0	1.7	0.3
767-200 Cargo	5.0	5.0	-	5.0	5.0	-
747-400 Passenger	1.0	1.0	-	1.0	1.0	-
767-300 Passenger	-	-	-	-	0.4	(0.4)
767-200 Passenger	1.0	-	1.0	1.0	-	1.0
Total	<u>32.3</u>	<u>29.2</u>	<u>3.1</u>	<u>32.8</u>	<u>29.6</u>	<u>3.2</u>
AMC Charter						
747-400 Cargo	1.5	2.8	(1.3)	1.1	2.9	(1.8)
747-400 Passenger	1.8	1.8	-	1.8	1.8	-
767-300 Passenger	2.7	2.8	(0.1)	2.7	2.5	0.2
Total	<u>6.0</u>	<u>7.4</u>	<u>(1.4)</u>	<u>5.6</u>	<u>7.2</u>	<u>(1.6)</u>
Commercial Charter						
747-8F Cargo	0.6	0.3	0.3	0.4	0.1	0.3
747-400 Cargo	7.7	8.6	(0.9)	7.7	7.9	(0.2)
747-400 Passenger	0.2	0.2	-	0.2	0.2	-
767-300 Passenger	0.2	0.2	-	0.2	0.1	0.1
Total	<u>8.7</u>	<u>9.3</u>	<u>(0.6)</u>	<u>8.5</u>	<u>8.3</u>	<u>0.2</u>
Dry Leasing						
777-200 Cargo	6.0	1.0	5.0	5.9	0.6	5.3
757-200 Cargo	1.0	1.0	-	1.0	1.0	-
737-300 Cargo	1.0	1.0	-	1.0	1.0	-
737-800 Passenger	2.0	2.0	-	2.0	2.0	-
Total	<u>10.0</u>	<u>5.0</u>	<u>5.0</u>	<u>9.9</u>	<u>4.6</u>	<u>5.3</u>
Total Operating Aircraft	<u><u>57.0</u></u>	<u><u>50.9</u></u>	<u><u>6.1</u></u>	<u><u>56.8</u></u>	<u><u>49.7</u></u>	<u><u>7.1</u></u>
Out of Service ²	1.0	1.0	-	1.0	0.7	0.3

¹ ACMI average fleet excludes spare aircraft provided by CMI customers.

² Out-of-service aircraft were temporarily parked during the period and are completely unencumbered.