

ATLAS AIR
WORLDWIDE HOLDINGS



Atlas Air Worldwide Holdings, Inc.

4Q09 Results Conference Call

February 24, 2010

Hosted By:

Bill J. Flynn – President and Chief Executive Officer

Jason Grant – Senior Vice President and Chief Financial Officer

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ATLAS AIR WORLDWIDE HOLDINGS, INC.

4Q09 RESULTS CONFERENCE CALL

February 24, 2010, 11:00 A.M. ET

Operator: Ladies and gentlemen, welcome to the Atlas Air Worldwide Holdings 2009 Results Conference Call on the 24th of February 2010.

Throughout today's recorded presentation, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. If any participant has difficulties hearing the presentation, please press the "star" followed by the "zero" on your telephone for operator assistance.

I will now hand the conference over to Atlas Air. Please go ahead.

Ed McGarvey: Thank you, and good morning, everyone.

I'm Ed McGarvey, Vice President and Treasurer of Atlas Air Worldwide Holdings.

Welcome to our Fourth-Quarter 2009 Results Review Conference Call.

Today's call will be hosted by Bill Flynn, our President and Chief Executive Officer. Joining Bill is Jason Grant, our Senior Vice President and Chief Financial Officer.

I would like to remind you that in discussing the company's performance today, we have included some forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These statements relate to future events and expectations, and involve unknown risks and uncertainties. Our actual results or actions may differ materially from those projected in the forward-looking statements.

Please refer to the Safe Harbor language in our recent press releases and to the risk factors set forth in our annual report on Form 10-K, filed with the SEC on February 26, 2009, as amended or updated by subsequent reports filed with the SEC, for a summary of specific risk factors that could cause results to differ materially from those expressed in our forward-looking statements.

In our discussion today, we also include some non-GAAP financial measures. You can find our presentation on the most directly comparable GAAP financial measures calculated in accordance with generally

accepted accounting principles and our related reconciliation in our recent press releases, which are posted on our Web site, www.atlasair.com.

You may access these releases by clicking on the link to “Financial News” in the “Investor Information” section of the Web site.

At this point, I'd like to turn the call over to Bill Flynn.

Bill Flynn: Thank you, Ed, and good morning, everyone.

We're very pleased to have you with us today.

Beginning with the fourth quarter of 2008, we have reported five consecutive quarters of strong earnings amidst the most challenging air freight environment.

Our success starts with our number one focus: delivering superior service, value, performance and innovative solutions to our customers, who include the world's top-tier international airlines, freight forwarders and the U.S. military.

Our improved operating performance also reflects the strategic transformation of our business to reduce risk, our systematic pursuit of cost reduction and productivity improvements, particularly through our Continuous Improvement initiatives, and our disciplined approach to fleet management.

This has enabled us to provide leading-edge 747-400 freighter assets and operating solutions to our customers, while strategically downsizing our Classic fleet and planning for the introduction of our next-generation 747-8 freighters, which will deliver even greater efficiency performance and margins for our customers.

Our fourth-quarter results were characterized by robust Commercial Charter activity and peak charter yields, strong military demand, including the transportation of M-ATV vehicles to Afghanistan, and strong ACMI volumes, as all of our ACMI customers flew above their contractual minimums to meet the vigorous fourth-quarter freight demand.

The significant improvement in peak-season airfreight demand was in stark contrast to the fourth quarter of 2008, when the seasonal peak was nonexistent.

Results in the fourth quarter of 2009 also reflected another development that we have discussed with you over the past year – a tightening supply environment.

Combined with low inventory levels and stronger-than-expected holiday demand, tight supply during the fourth quarter generated yields in the charter market that we have not seen since the ports on the U.S. west coast were shut down in the second half of 2002.

Peak charter yields were a major contributor to the improvement in our earnings for the fourth quarter, relative to our previous expectations for the quarter.

Our latest results and our current business outlook reflect further tangible signs of positive improvement in the market.

We are encouraged by the continued improvement in our ACMI customers' utilization rates over the course of 2009. During the fourth quarter, our ACMI customers flew on overage at 108% of their minimum contractual block hours, up from about 98% in the third quarter, 91% in the second quarter, and about 80% in the first quarter.

We also continue to be encouraged by the improvement in charter yields. While charter yields in the first quarter of 2010 have subsided on a seasonal basis from the \$5.00 to \$6.00 per kilo levels that were experienced in the fourth quarter, rates north of \$3.00 per kilo in the first quarter are roughly twice what they were this time last year and nicely above levels that were achievable as recently as late last summer.

Conditions we saw in the fourth quarter and what we have seen so far this year indicate favorable conditions in airfreight markets.

However, we believe the yields and demand levels that we'll see starting in March after the Lunar New Year celebration will be a good indicator for airfreight in 2010.

Monthly international airfreight traffic volumes turned positive for the first time in 18 months in November, led by the Asia-Pacific region, which is a key market for our ACMI customers and our charter operations.

IATA notes that airfreight demand for December is still 9% below its peak in early 2008, but airfreight capacity is also down 10% from early 2008 levels.

While some capacity has returned to the market, we do not see any indication that aging and inefficient capacity is being returned to the market in any significant way, nor do we expect a surge in new or converted capacity entering the market.

Nearly 50% of the global 747-200 freighter fleet has left the market since January of 2008. We expect that substantially more of the remaining 71 Classic freighters in service at the start of January will come out of the market in 2010 and beyond, including one that we have decided to permanently park earlier this year.

Production of the 747-400 freighter ended in the second quarter of 2009 and the 747-400 passenger-to-freighter conversion activity has all but ceased. In addition, manufacturer delays have pushed out the introduction and delivery of new-technology, wide-body freighters.

We expect to see continued tightness in wide-body freighter capacity throughout 2010. As a result, any uptick or continued improvement in demand could have a meaningful impact on the utilization of our aircraft and on our financial results.

I will provide some more color about our outlook for 2010 later in the call. First, I would like Jason to provide you with some additional perspective about our fourth-quarter and full-year 2009 results.

Jason.

Jason Grant:

Thanks, Bill, and good morning, everyone.

Our fourth-quarter results have extended our consistent record of earnings, while we have provided value, support and innovative solutions to our customers in a very challenging airfreight environment, and while we have reduced the size of our operating and dry lease fleet – by 22% comparing the fourth quarter of 2009 with the fourth quarter of 2008, and by 19% comparing full-year 2009 against 2008.

The positive impact of the strategic actions we have taken and the innovative customer solutions we have delivered is evident in the numbers that we are reporting today, as is the complementary nature of our business segments and the strong contributions by our military and commercial charter operations in 2009.

For the fourth quarter, our net income totaled \$28.3 million, or \$1.17 per share. For the full year, we earned \$77.8 million, or \$3.56 per share.

Excluding the impact of special items, we earned \$33.4 million, or \$1.38 per share for the fourth quarter of 2009, compared with \$29.6 million, or \$1.41 per share for the fourth quarter of 2008.

On a full-year basis, net income excluding special items more than doubled, increasing to \$74.4 million, or \$3.41 per share in 2009, compared with \$34.2 million, or \$1.59 per share in 2008.

Total Direct Contribution by our reportable business segment improved to approximately \$87 million in the fourth quarter from \$80 million in the fourth quarter of 2008, benefiting from the strength that we experienced in Commercial Charter.

Total Direct Contribution for the year improved to \$234 million from \$167 million in 2008, with our ACMI and military charter segment each contributing approximately 41% of the total, and Commercial Charter adding 17%.

The increase in Direct Contribution in 2009 was driven by both our Commercial Charter operations and our express network ACMI service, which added to our ACMI results while eliminating approximately \$47 million of Scheduled Service losses that we incurred in 2008.

AMC Charter volumes were strong throughout the year. The reductions in revenue were attributable to a lower fuel price component in the AMC Charter rate.

AMC volumes averaged close to 1,530 block hours per month during the quarter, about 145 hours less than in the third quarter of 2009, but about 245 hours more than in the fourth quarter of 2008.

Similar to the first nine months of 2009, AMC demand in the fourth quarter was supported by the level of U.S. military operations in Afghanistan.

We expect that we will continue to see a high level of military charter demand in 2010.

Based on that expectation, we decided to perform heavy maintenance C-Checks on four of our 747-200 freighters late in the fourth quarter to extend the life of the aircraft that we were previously intending to leave the fleet in 2010. That added about \$7 million to our maintenance expense line during the fourth quarter. However, it will provide us with the option to operate these aircraft into mid 2011, principally for the military.

During the fourth quarter, we also decided to permanently park two other 747-200 aircraft. Based on this decision, we expect to operate six 747-200 through the first quarter and five through the remainder of the year.

As a result of our fleet decision and other factors, we recorded an impairment charge of \$8.2 million during the fourth quarter to write down our 747-200 fleet and related engines and parts inventory to their estimated fair value.

Turning to our balance sheet, we remain focused on leverage.

We ended 2009 with cash, cash equivalents and short-term investments totaling \$637 million compared with \$411 million at year-end 2008.

Our balance sheet debt totaled approximately \$566 million on December 31, while the face value of our debt totaled \$627 million.

We continue to improve an already strong balance sheet.

Our leverage has come down significantly over the last few years. Our net leverage ratio, including capitalized rents, is approximately three times annual EBITDAR, and we believe we are in good shape heading into our 747-8 deliveries.

Our capital expenditures during 2009 totaled approximately \$51 million, which included about \$21 million of capitalized interest related to our Boeing 747-8 order.

Our cash capital expenditures in 2010 are expected to total approximately \$163 million.

Core capex requirements represent about \$45 million of our 2010 total, with the remaining \$118 million required for progress payments on our new -8 freighters; approximately \$12 million of that will be funded through our existing PDP financing facility.

During the fourth quarter, Boeing returned approximately \$63 million to us in conjunction with changes in the delivery schedule for our 747-8s. These funds represented the financed portion of the pre-delivery payment on those two aircraft. We used these proceeds to pay down our existing PDP financing facility per the terms of the agreement.

As a result, our outstanding balance under the PDP facility has declined to \$154 million from \$217 million, and our unused availability under the facility is now approximately \$12 million.

We continue to focus on the introduction of our new Boeing 747-8 freighters into service in early 2011.

We're the only outsource provider with this type of aircraft on order, and while we will incur on-boarding costs related to their introduction throughout 2010, we are well-positioned to realize meaningful earnings and cash flow benefits from our new aircraft beginning in 2011.

We noted on our last call that we expect that our aircraft will generate levered investment returns that exceed 20%. We also indicated that we expect them to generate meaningful earnings growth over the approximately \$6 million per aircraft per year that our 747-400 ACMI fleet generate on a pretax contribution basis today.

We are focused on securing attractive financing for our new aircraft during 2010, both on a PDP and a permanent basis.

Our solid earnings and our equity issuance late last year have further strengthened our balance sheet and improved our credit profile. We expect it to support our efforts to deliver cost-effective financing for our -8s.

In addition to improvements in our credit profile, the debt markets for financing aircrafts have improved, and we believe that access to financing for the aircraft will be available.

Recognizing the significant capital commitment required for our new aircraft, we remain focused on the prudent management of leverage as the aircraft are introduced, and we plan to use the free cash flow generated by these new assets to quickly de-lever our balance sheet thereafter.

With that, I'd like to turn it back to Bill.

Bill Flynn:

Thank you, Jason.

We are well-positioned to continue our record of earnings growth.

Our outlook for 2010 is based on the encouraging trends that we have seen in airfreight, strong demand in AMC charter, and it assumes a modest pace of economic recovery.

Within ACMI, we continue to expect that 18 of our 747-400 aircraft will be operating in our wet lease segment by year-end 2010, up from 17 aircraft at the end of 2009.

We have already renewed three of our 747-400 ACMI aircraft up for renewal this year, and we are confident about our opportunities to place additional aircraft in ACMI service this year.

In AMC charter, we expect that military demand will average about 1,750 hours per month during 2010, which would total about 21,000 hours for the year, or about 10% higher than in 2009.

In Commercial Charter, we expect continuing seasonal demand growth and tight supply to support a strong overall yield environment – though we do not expect to see fourth-quarter 2010 yields at the same level as fourth quarter 2009.

We continue to execute on initiatives that will drive future revenues and earnings.

As previously discussed, we expect to commence our outsourced, premium-passenger CMI aircraft operations for SonAir in the second quarter.

This opportunity will have a more tangible impact on our 2011 results. In addition, we are confident that there are other opportunities in the CMI space that could expand our outsource operating business model.

Adjacent dry leasing opportunities in our Titan subsidiary will also provide additional avenues for future Atlas growth.

Although risks remain, based on our framework assumptions for 2010, we currently expect net earnings of approximately \$80 million, or \$3.08 per diluted share this year.

We also expect that our earnings in the first quarter will meet or exceed our first-quarter 2009 results, excluding one-time items.

Should we see a more substantial economic recovery, the operating leverage in our business model could drive additional earnings growth for Atlas in 2010.

With that, I think it's a good time to take some questions.

Operator, may we have the first question please.

Operator: Thank you, sir.

If any participant would like to ask a question, please press the “star” followed by the “one” on your telephone. If you wish to cancel this request, please press the “star” followed by the “two”. Your questions will be polled in the order that they are received. There will be a short pause whilst participants register.

And the first question comes from Bob Labick. Please go ahead, sir.

Bob Labick: Good morning. Congratulations on a strong quarter and year.

Bill Flynn: Thank you, Bob.

Jason Grant: Thank you, Bob.

Bob Labick: First question, you just mentioned you had three renewals for ACMI in 2010. Typically, I think you have three to four.

Could you just tell us a little bit about the renewal environment and the placement environment that you're seeing right now, and if there are substantially more renewals to come this year, or how should we think about that?

Bill Flynn: Thanks, Bob. We've – well, it's clearly a very different environment as we sit here in February 2010 compared with February of 2009.

We're obviously very encouraged with the renewals that we've announced. At the end of 2009, we confirmed that Panalpina had renewed, and we have now these three additional renewals.

Again, as we come out of this very strong environment, our customers recognize the value that our freighter operations deliver to their overall business and their overall cargo – and, specifically, their cargo business.

We've said we have three to four renewals in any one year, and we feel confident about our ability to renew and place aircraft as indicated in the numbers that we've shared in our press release and in our call today, going up to 18 by year-end in ACMI.

Bob Labick: Great.

And then one thing: could you just clarify for us the revenue per block hour? In the fourth quarter for ACMI it was around \$5,600, and expectations going forward, my interpretation is maybe that some of the lower revenue per block hour is make-up from the below-minimum flying in the first portion of the year, and that the \$6,000 or so is still the number we should be targeting on a go-forward basis. But could you talk us through that, please?

Jason Grant: Yes, Bob, it's Jason. Your understanding is correct.

I think we've discussed before that we have a single legacy contract that has an annual reconciling feature against the minimum guarantees.

The majority, the lion's share, and all the contracts we do going forward are either quarterly or monthly minimum-guarantee reconciliations.

What we saw in the fourth quarter, 2009 was an exceptional year in that the level of under-flying to minimum guarantees was so significant in the first half, but then that level of over-flying, particularly for this individual customer, was so significant in the fourth quarter.

And so that drove an effect in Q4 where we had hours that were not generating incremental revenue because of this annual feature.

This should not be an issue going into 2010. We don't expect to see another year where we've seen the kind of volatility over the course of the year in terms of flying against min guarantees. So you're right to understand the Q4 phenomenon, and we don't see that as a factor going into 2010.

Bob Labick: Okay. Great.

And then looking at military, obviously you gave us some nice guidance for the year, but without giving guidance beyond 2010, but big picture, could you just talk about the outlook as it relates to the C17s being maybe overused?

And your longer term thoughts on what – how many planes Atlas can use and, obviously, as it relates to your decisions to do the C-Checks in the quarter being placed, you know, mostly in military?

Bill Flynn: Okay, Bob. A couple of thoughts. We – in prior calls we've talked about having the -200s essentially as surge capacity, if we needed to pull that surge capacity into service for military demand; and that's effectively what's happened and what we've done.

And so we've C-Checked several aircraft in the fourth quarter, and as Jason noted in his comments, those were previously we would have permanently parked that aircraft, and that was our planning going forward.

Military troop levels, when you look at Afghanistan and Iraq, peaked in '08 and '09 and now coming into FY '10 around 185,000 to 190,000 troops, or boots on the ground, as the CBO reports it.

We are going to see drawdown in Iraq, the pace of which remains to be seen as we come out of the elections that are going to happen next month, and there's some gauge of stability in the country, while at the same time we're building up troops in Afghanistan.

So if we look at FY '10, you know, there's something around 180,000, still declining throughout FY '10 into FY '11, something that may look more like 150,000 or less, with 90-plus thousand in Afghanistan and 50 to 60 in Iraq.

Now, these aren't firm forecasts or definitive numbers. Obviously, all that's subject to change based on administration policy and conditions on the ground.

So we think a couple of things.

That this will be a strong year at 21,000 hours for Atlas, as we've already given in our outlook. It's a little early for me to kind of forecast what 2011 would look like, although we still believe that – it's our understanding, based on our conversations with the military, that there'll be high – still a high level of troops in the region, and that we're planning that we would have adequate assets available to us to be able to serve all the demand that's offered to us. And that's really, I think, as much as we could say at this time.

Bob Labick: Okay. Terrific. Thank you very much. I'll get back in queue.

Bill Flynn: Thank you, Bob.

Operator: Thank you. The next question comes from Bill Greene. Please go ahead.

Bill Greene: Yes, hi, good morning. Bill, I want to follow up on some of the comments you made about the charter market.

You've noted that you weren't really seeing much in the way of older, inefficient aircraft coming back in, but what we may be seeing, perhaps, is a delay in some of the exit?

Is that a fair view, given how high the charter rates have gone? Could you see a sort of a supply exit from here slow, and how do you think that could affect the charter market going forward?

Bill Flynn: Well, we've had a very strong charter market now on a relative basis for what's approximating five months.

Because the market really began to take off in September, really coming out of August, rates started climbing, you know, north of \$2.50 all the way up to \$6.00 for ad-hoc charters on a per-kilo basis at the end of the year.

But we've had a strong January and February. Certainly some of that – the Lunar New Year phenomenon, but not all of it, because there's new product introductions, handheld devices, iPad and iPad-competitive devices are going to be entering into the market.

And in spite of that, not a lot of new capacity came back to take advantage of what's been an opportunity market that we've – as I've said, and I think you're hearing the freight forwarders say, you know, we haven't seen since the port lockout in 2002, when you just look at demand and you look at pricing.

Yes, some carriers could choose to extend the -200s a little longer than they might have otherwise, but we're still yet to see meaningful -200s come out of the desert and go back to service.

A lot of carriers, you know, cannibalize parked aircraft for parts and engines, and so putting some of that aircraft back in service is going to be more than just a C-Check in many cases.

It's – people have to go out and get engines, and do substantially more work to bring the cannibalized fleets back. So it could happen, Bill, I just don't think we're going to see a lot of it at this point.

Bill Greene: Okay.

Jason Grant: Just to add to that point. It's Jason. I think to Bob's prior question, what we expect is, I think one thing the market may not appreciate is how much of the charter capacity is actually tied to the military business.

And I think if you look over the medium term, maybe beyond 2010, with a view towards troop levels diminishing and AMC levels diminishing, a lot of the supply that's currently in, particularly, the trans-Pacific market in the charter region, which is really the core charter market, will leave the market simply because of the reduced levels of military demand.

And so that's another buffer beyond the capacity picture, which we feel strongly about that will – that bode well for the medium-, longer-term charter picture.

Bill Greene: Okay, that's helpful. Thanks.

Maybe I can ask a question as well on the -8.

If you think about your return hurdles or targets, if you could add it today, would it be accretive? Are the rates in the ACMI flying high enough at

this point, where if you're operating today, you feel pretty comfortable that you'd be getting on a fully allocated basis the returns you want?

I realize you'd said you'd use the free cash flow to pay down debt, but I'm just curious if we're at yet a market where you feel really good about that, so you wish you could have it sooner. Or is the delay actually helpful to you from a return perspective? Thanks.

Jason Grant: Yes, and Bill, it's Jason. I think we believe we could put the aircraft to productive use today.

I think the benefit of the -8, and the reason that we've felt so confident about the aircraft, is that it's a meaningful upgrade and replacement sell to existing -400 operators.

So we think even in a worst-case scenario, where we were looking to displace -400 operations in the marketplace, we think that there's enough room on a value basis to price that to compete and to actually displace that capacity. That's how we've modeled the airplane.

We haven't taken a lot of risk assuming that there's market growth and that there's other value we can grab beyond the replacement value the aircraft generates. So I think that's always the basis we've had, and that's the basis that makes us feel comfortable we could put it to work even in a more difficult environment, now, although an improving environment, and that's what gives us the confidence in 2011.

Bill Greene: Okay, thank you.

Jason Grant: Thanks, Bill.

Operator: Thank you. The next question comes from Kevin Sterling. Please go ahead.

Kevin Sterling: Thank you. Good morning, Bill and Jason.

Bill Flynn: Good morning.

Jason Grant: Good morning, Kevin.

Kevin Sterling: How many planes do you have parked now?

Jason Grant: We will have six Classics, so what we've done is there are aircraft that are currently in the maintenance shop now being brought back into the fleet.

And as we've said, Kevin, we'll have six Classics through the end of the quarter, we'll then have five for the rest of the year.

If you go back to the beginning of 2009, we had nine Classics that were in the fleet. What's happened, though, is some of those stored aircraft, we've used to maintain, effectively, the operating fleet.

So we have two aircraft that were parked at the end of the year – sorry. We'll have two aircraft of the seven that will effectively be parked by the end of the first quarter going into the second half of the year. And I think those are – you know, our decisions to park those, the amount of maintenance that would be required to bring them back is more significant, and that's the basis that we've taken the impairment charge we have and that we've given the fleet guidance that we have for 2010.

Kevin Sterling: Okay, thank you. You renewed three ACMI leases already for 2010. How long a duration were those leases for, if you could share that with us?

Bill Flynn: They were multiyear renewals, Kevin.

Kevin Sterling: Okay. Great.

Operator: Thank you. The next question...

Kevin Sterling: I'm sorry, I had a couple of more questions.

It looks like you guys, Jason, Bill, you had the pretax special charge in Q4 of \$8.2 million. How many -200s did you retire? Did you say it was two you retired?

Jason Grant: Yes, we have – we will have retired two.

The issue's just the timing of aircraft going into and coming out of maintenance. But the way to think about it is: we had seven aircraft, one was parked at the end of the year, one will be parked sort of late in the first quarter, so that by the time we head into the second quarter, five of the seven aircraft that we had at the end of the year will be operating.

Kevin Sterling: Okay. And you talked, you know, we saw on the fourth quarter your ACMI customers flying above the minimum block hours. How is that tracking for the first two months of the quarter? Where are your ACMI customers flying at in relation to minimum block hours for January and February?

Bill Flynn: Yes, we've had a very good level of flying for our ACMI customers.

Really, I mean, go back to December. Typically there's a – quite a downturn in flying as you get closer to Christmas and the inventory is into the supply chain for retail sales. That didn't really happen as much as we historically would have seen because you still had quite a bit of new product introduction, electronic and consumer products coming out. And so flying was strong through December on a relative basis compared to the prior year Christmas kind of shutdown.

We have been – our customers have been flying at good levels of utilization right into Lunar New Year. And so, you know, this is the first full week now after the full Lunar New Year shutdown in Asia, particularly China, and the manufacturing plants that exist, and so we've got schedules from our customers that show good levels of utilization going forward.

And right now, we're kind of at about – out looking something about 103% of minimum utilization, kind of baked into the full-year forecast.

Kevin Sterling: Okay. Thank you, Bill. That was great.

And hitting on the military again, maybe a kind of a different angle. You know, you're seeing a considerable strength from the military. Are you guys having any discussion with the military about some long-term lease options?

Bill Flynn: Well, currently we're on the – the military contracting is all done under the CRAF program, which from an operator's point of view provides a very attractive cost-plus pricing model, that as you can see drives fairly good yields and contribution on a -200 and/or on a -400.

We're always having discussions with the military about how they can do more, particularly again driving a more – a very favorable preferential view for -400s, because ultimately we are out of -200s and we want the -400 to be viewed as a preferred asset in the military operation. But that's kind of where we are with them up till now, Kevin.

Kevin Sterling: Okay. Thank you.

And I believe you have an option to purchase an additional 14 -8s from Boeing, in addition to the 12 firm orders that you have.

When do you begin discussions with Boeing about these options? Maybe, what's your thought process about possibly expanding beyond the 12 firm orders that you already have?

Bill Flynn: So, as Jason commented earlier, and we've talked about it in prior calls and in our meetings, you know, we truly believe the 747-8 is a game-changing asset being introduced into the market, and will be the base operating platform for our fleet.

We have ongoing discussions with Boeing. We think there's room for more aircraft, more 747-8s above our 12. We haven't settled on that number, but part of our ongoing strategic analysis is about fleet.

We think we've done a good job managing out the -200s. At some point we've got to then determine the optimal number of -8s going forward, and then what that means for the implications of what that means for the right size of a -400 fleet for Atlas over the longer term.

Kevin Sterling: Okay. Bill and Jason, thank you so much for your time today. That's all I have.

Bill Flynn: Thank you, Kevin.

Jason Grant: Thank you, Kevin.

Operator: Thank you, sir. The next question comes from Alex Brand. Please go ahead.

Sterling Adlakha: Hi, good morning. This is Sterling Adlakha in for Alex today.

Jason Grant: Hey, Sterling.

Bill Flynn: Hey, Sterling.

Sterling Adlakha: Just want to ask about the maintenance checks, first. You had four unscheduled -200 C-Checks in the quarter. Does this take place normally every 18 months? When I'm looking at 2009 and what 2010 maintenance should look – should look at, was any of that kind of shifted into the fourth quarter from what would have been in 2010?

Jason Grant: No, Sterling. It's Jason. This is – this wasn't a shift. This was a decision to put maintenance life into airplanes that we previously had indicated we did not plan to do. So I wouldn't characterize it as a shift, as I would sort of an investment decision that was made. And again, that's how I would think about it.

I think in terms of the overall maintenance expense, you're right to think about an 18-month interval on the C-Checks, and as we said in the prepared remarks, this decision to C-Check aircraft would put us through

the middle of 2011, which marries well with the delivery of new aircraft coming into the fleet.

Sterling Adlakha: Okay. Do you have D – scheduled D-Checks planned for 2010?

Jason Grant: We have – we've not indicated that, and I think it would be a high hurdle for us to meet to D-Check Classics, so our plan would be to continue to look at and – I should say, our plan was to look at the C-Checks on a handful of these planes, we made that decision. I think beyond that we're not looking at additional, certainly D-Check investment in the fleet at this point.

Sterling Adlakha: Okay. But you did have one -400 D-Check in the fourth quarter.

Jason Grant: Yes, we did. So we did perform a -400 D-Check at the end of the quarter, and the decision is always just a timing decision. And our view was to get the asset – all of our assets ready for what we felt would be a fairly robust Q1 in terms of demand.

And that is in fact what's played out. You know, the fleet is effectively approaching full capacity for the quarter. And so we did perform the one D-Check at the end of the year.

You'll note that if you go back to prior years, we typically don't do D-Check or C-Check events in the fourth quarter. And the difference this year was the decision on the four -200s and the decision to get a D-Check done on the -400 and get that fleet at maximum utilization for Q1.

Sterling Adlakha: Okay, thank you. That's very helpful.

So now that I have a better idea of what maintenance expense will be in 2010, looking at, at least for your first-quarter guidance, when I look at what industry reports are as far as volumes on a year-over-year basis in airfreight, and the trend there, which is still for pretty significant double-digit airfreight volume growth through January, how do I – I actually have a hard time getting to your guidance of flat with Q109 excluding special items, just knowing that airfreight volumes had picked up, so you should see some of that flying through ACMI and also Commercial Charter business.

So now with some clarity on your maintenance expense line, can you help me understand where that ends up being flat year-over-year?

Bill Flynn: Well, let me cover a couple of points. So in our guidance going forward, we've given 21,000 hours for the AMC flying, or about 1,750 per month.

And so that gives you, I think, a handle on what we're looking at for Q1 on the military side.

There is certainly better charter flying than we've seen in a long time in Q1, albeit at lower rates than fourth quarter, which is just kind of the normal seasonal correction.

And double-digit growth still doesn't get you back to par, when you think about the 20-plus percent fall in demand month by month as we marched from December of 2008 through to April or May of 2009, depending on the theater you were in. And in Asia, in Hong Kong and Shanghai, we were looking at 30% kind of decline in the first quarter.

So, yes, the market's improving, and we've talked about that. Demand is getting better, and we've talked about that. And that we've factored that into our overall guidance for the year. And in my notes I had talked about meet or exceed first quarter of 2009, so that might be a bit more positive than flat.

Sterling Adlakha: Okay. Thank you very much. And Bill, on a previous question you mentioned what your expectation is for ACMI flying through 2010.

I'm just curious about that, that one-week period or the few days we've seen since factories restarted in China. Is there anything you can glean about the level of activity following Lunar New Year just from that one week, or is that too small to...

Bill Flynn: It's not even a week, right? It was Monday was the first...

Sterling Adlakha: Right, right, just those few days.

Bill Flynn: So it's really anecdotal and early to say, because the factories just really started up. I mean there's 140 million laborers moving around China to get back to factories and get started.

The only anecdotal evidence that we have is that pricing seems to be holding in at the \$2.50 to \$3.00 level immediately after coming back from a full-week shutdown. So that's a good indicator just – but that's a single data point. I think a couple of forwarders have used similar numbers and expressed similar kinds of views. We really need a couple of more weeks to go to – before we – factories ramp up and product gets out the door and then into warehouses and onto planes and onto ships.

Sterling Adlakha: Okay, great. And just one last question, shifting gears a little bit. Can you tell me what your expectation is for the first -8 delivery and also for full ramp up of the CMI business?

Bill Flynn: Sure. Our first -8 delivery now is early in 2011. That's our first delivery as we understand it from Boeing.

And on the CMI, the two aircraft that we'll be flying for SonAir, that's in the first half of this year.

Sterling Adlakha: Okay. Thank you very much, guys. Congratulations.

Bill Flynn: Thank you.

Jason Grant: Thank you.

Operator: The next question comes from Helane Becker. Please go ahead.

Helane Becker: Thank you very much, Operator. Hi, gentlemen.

Jason Grant: Good morning, Helane.

Bill Flynn: Good morning, Helane.

Helane Becker: On the military, there has been some stories out there in the marketplace that they're being very aggressive on price lately, and your fourth quarter actually looked fairly good relative to the third quarter.

Could you just talk a little bit about what the military's saying to you in terms of that, in terms of that revenue side?

Bill Flynn: Well the contract is a cost-plus contract, and it's renewed each year and the cost, or the price that the military pays, is reset each year around the government fiscal year.

So the rates we're flying at now were established in October 1. There was a slight increase paid for the rate. And so it's not a competitive price contract, as more typical commercial contracts may be. It's a cost-plus contract based on all of the costs, including ownership, submitted by all the carriers that operate each individual type of aircraft. And then it's essentially a baseline bucket of costs that are established, and then a profit margin is put on top of that, and that's the rate.

Helane Becker: Okay.

Bill Flynn: We were successful in getting the military to agree to pay a higher rate for the -400. Heretofore, they hadn't. They were paying the same as a -200, although they were also paying the fuel burn of a -200. But all in all, we think it's important and we're pleased to see that the military now pays a

higher rate for the -400 than the -200. We think that's going to serve us well going forward.

Helene Becker: Okay. Did you have to give them a discount on the fuel side for the -400?

Bill Flynn: No.

Helene Becker: Okay. And then how often is the fuel price reset?

Bill Flynn: It's – the fuel price is actually set with – reset with some regularity. Again, it just depends on volatility of the fuel prices in the market.

But the intent of the fuel price mechanism is to either compensate us if we have been – if the military paid a lower than actual market rate, or for the carriers to return revenue to the military if they've overpaid. But important to note, I think, on fuel, the military does pay a profit margin on fuel. So there's – it's a cost-plus on fuel as well. So it's an attractive mechanism for the carriers participating in CRAF.

Helene Becker: Good. And then my other question, changing gears a little bit, on the passenger ACMI that you're starting, so are you going to create a separate line item for that? Or how should we think about that? Just in the same ACMI line, or where are we going to put that in the numbers?

Bill Flynn: So we're evaluating that, Helene. We'll have to make a decision on that, and, obviously, clearly spell that out to you and to everyone else when we commence and begin reporting revenue CMI flying.

Helene Becker: Okay. And then the other question I had was with respect to the tax rate.

It seemed a little bit lower than the normal guidance for the fourth quarter. What should we think about that going forward for 2010, then?

Jason Grant: Yes. So, Helene, it's Jason. We've indicated in the past a 40% tax rate. I think as our income levels grow, as they have, and as we've indicated they will continue to going forward, we should see marginal improvement in the tax rate.

The effective permanent differences diminish, so I think 39-40% is still a range that makes sense for modeling purposes. And we'll – as incomes grow, there could be some upside to that.

Helene Becker: Okay. And, do you mean a lower tax rate, when you say up?

Jason Grant: Meaning upside on the – yes, lower tax rate.

Helane Becker: Yeah. Okay. And then just on the MRAPs that you were doing, how – it's probably in here and I just didn't see it. How many charters did you fly for them? And is that a separate charter to the existing military business, or is that included with the military?

Bill Flynn: So, answering the second part first, it's simply part of the military contract. And so the military, when they're not paying a different rate for the M-ATVs, it's just part of contractual flying. Right now, we're going to be closing in on a hundred flights, sometime in early March, so we're in the 80s at some point now.

Helane Becker: Okay. And then my last question is, I guess, with respect to pilots. Do you have any – I should know this, but I don't or don't remember. When does the contract come up again?

Bill Flynn: Well, we're currently in negotiations with our pilots. The contracts became amendable back in 2006...

Helane Becker: That' what I...

Bill Flynn: But what we talked about on prior calls is that this negotiation is different from prior negotiations, in that it will result in a merger of the Atlas and the Polar pilots from two separate contracts into a single contract.

And as part of this process, the contract, both contracts provide that when it is a merger negotiation any unresolved differences go to mandatory binding arbitration. There is no right to self-help. There is no opportunity for the pilots to strike.

So it's provided us with good labor continuity for many years now, and will provide us, as a result, a good labor continuity going forward.

Helane Becker: Okay. Thank you very much for your help. Much obliged.

Bill Flynn: Thanks.

Jason Grant: Thanks, Helane.

Operator: The next question comes from Edward Wolfe. Please go ahead.

Edward Wolfe: Thanks. Hey, good morning, guys.

Bill Flynn: Good morning, Ed.

Jason Grant: Good morning, Ed.

Edward Wolfe: Bill, when you said guidance for the first quarter and you're saying, you know, at least as good as a year ago, what are you talking about a year ago? Is that \$0.75, is that – there was some charges and gains in the quarter, too.

Jason Grant: Yeah. So you really want to – there's a couple of items, Ed, that we would strip out. And so I think the adjusted net income from a year ago is probably around \$50 million after you strip out the termination payment that we had from one customer, which was \$10 million and then we had three point – \$10 million pretax, and \$3.7 million pretax on some retirement of debt and a gain on an asset sale. So that's how we're thinking about it.

Edward Wolfe: Now, so you're thinking about it not on EPS, on net income being better than that number. I'm sorry, I thought you had said EPS, okay.

Jason Grant: Yeah, we said earnings, Ed, so to be clear, we're expecting net earnings to meet or exceed the level from a year ago, adjusting for those items last year.

Edward Wolfe: Okay, that's good clarification. Thanks, Jason.

When – you mentioned the \$63 million payment back from Boeing, when did you receive that?

Jason Grant: So this was a late November settlement effectively, where we had – because of the rescheduling of the aircraft in late November, we took money that was sitting as an asset effectively at Boeing, and paid down two of the aircraft under the PDP facility. So no effect on cash, but reduced debt and reduced asset by approximately \$62 million.

Edward Wolfe: Okay. And then does that come back into play at some point, that you've got to go back and give them back the \$63, or go back and your debt goes back up?

Jason Grant: It does. So effectively those aircraft got pushed out later into the delivery stream, and as we'd said, the delivery stream now pushes into 2013, the first half of 2013. And so what...

Edward Wolfe: And nothing in 2010 now on the delivery stream?

Jason Grant: Nothing in 2010. That's not our expect – our expectation is the first delivery will be early '11, and you'll see in our K we reflected the contingent – the commitment table accordingly.

So for 2010, we have \$117 million of pre-delivery payments that are due under the revised schedule. About \$12 of that is financed under the existing facility. We're in the process now of expanding that existing facility to cover all 12 of the deliveries. We really don't have any significant PDP commitments until later in 2010, when things begin to ramp up more significantly. So, our view is in the first quarter and the first half year here we're focused on building an expanded financing solution for the PDPs.

Edward Wolfe: Okay. Any idea what that number looks like in 2011?

Jason Grant: Yes, I can give you the numbers. Let me just give you the numbers.

So \$117 million of pre-delivery payments for '10, \$213 million in 2011 and \$139 million in 2012. And again, those are the pre-delivery payments.

In terms of the final delivery payments, the remainder due at delivery, we have none due in 2010, we have \$681 million due in 2011, \$436 million due in 2012 and \$205 million due in 2013.

Edward Wolfe: I'm sorry, Jason, I missed the 2011 number.

Jason Grant: 2011 is \$681.

Edward Wolfe: Okay. Thank you for that.

You had mentioned, Jason, in your remarks about cost to on-load the -800s in 2010 and after. What are those costs, and how do those look going forward?

Jason Grant: Yes, so for us it's a combination of items that would be capex and some items that would be P&L. But we will be buying inventory, a lot of that will be included in – will be capitalized. And I think reflects the slightly higher guidance we've given for core capex for 2010, relative to what we've spent in '09.

We have a simulator that we've already acquired. There is some upgrade and cost to do that, that's being done this year.

And then we will begin to train crews by the end of 2010, really by mid to late 2010. We will be training crews and incurring the cost to do that.

And so it will be a combination of things that are P&L and capex.

Our capex guidance for 2010 is \$10 million higher than the actual spend we had in 2009. That accommodates some expenditure for the passenger

CMI operations as well as the introduction of the -8. And then there will be some sort of single-digit millions of dollars of cost for on-boarding both the passenger operations and the -8s over the course of 2010.

Edward Wolfe: Okay. And other than training and salaries and that kind of expense line, are there other expense line items that'll see that?

Jason Grant: No, it's really manuals, training, fleet managers, maintenance, investing in the capability to support the maintenance on the aircraft. Most of that is in salary, wages, benefits and other operating costs.

Edward Wolfe: Terrific. Next topic, renewal of the plane.

Is the average five years, three years of the three planes? How do we think about that?

Bill Flynn: We've said multiyear to an earlier question. And we gave a lot of perspective on our renewals in 2009, more than we would typically do, simply because, given the chaos in the market, we thought it was important to get to the level of granularity that we did.

So what I'd said earlier to a related question was that we have multiyear renewals on these aircraft, and that's, for competitive reasons, about as much detail as we would really like to give.

Edward Wolfe: And multiyear means more than one year, that's how I should define that?

Bill Flynn: It's not three times one is multi, it's each unit is for multi years.

Edward Wolfe: Okay. And the three that are renewed were 2010 renewals, you said. What's up with the three from '09 that had come up for renewal, are those still not renewed at this point?

Bill Flynn: Yes. So that's why we were providing more the specific fleet count.

As you know we have 21 747-400Fs and one BCF, so a total of 22.

So we have 17 out of 22 in ACMI service at the end of the year.

What happened in 2009, just to recall, Air New Zealand, at the end of the contract essentially turns back a freighter and got out of freighter service; and then DHL returned two freighters to us, freighters seven and eight, that were incremental to the original six deal and paid us \$10 million to do that.

That got us out of 20 aircraft in ACMI, down to the 17, and we have a maintenance cover as you know. What we've said today and we'd said in our prior call, by the end of the year we expect to have 18 aircraft in ACMI. We've renewed three already of the renewals that were coming up this year, and we're pretty confident about that number 18, and it could be upside over that. That's where we are.

Edward Wolfe: So the implication is there's another one or two renewals you're confident in, plus there's an incremental new customer in addition to that, or at least a new plane from a customer. Am I thinking about that...

Bill Flynn: That's the implication.

Edward Wolfe: Okay. Now, when I look at the rest of the fleet, 17 in ACMI now at the end of the year and 26.8 planes on average for the quarter, where are those other seven planes broken out between military and charter and parked?

Bill Flynn: Right. So we have – let's go back to the 21 747-400s freighters. And so we've said, you know, 18 in ACMI at the end of the year – by the end of the year. One is a maintenance cover for the heavy checks, as you know, and then when that's not flying – when that's not providing maintenance cover service, it's in our charter fleet, if you will. Two of the aircraft then are in military and one aircraft, the remaining, the 747-400 BCF is flying a charter operation on a dedicated basis in South America. That gets us to the 22 aircraft.

The 4.6, or the balance of that, are all 747-200s, which we are operating six now and we're going to five at the end of the first quarter. Those -200s are serving military or Commercial Charter, and predominantly being consumed in the military right now. And so as we place more -400s, before we get -8s, higher utilization of the -200s, in the military, that's why we C-Checked. And we would have otherwise permanently parked them at the end of the first quarter this year. We have the surge demand, and we're in a good position to serve it and that was the basis for the C-Checks.

Edward Wolfe: Okay, that's really helpful. Were there six in fourth quarter?

Jason Grant: No, there were not. We were – we had parked aircraft through the course of really Q3 and into Q4. I think our operating average was likely just under four aircraft roughly in the fourth quarter, Ed.

Edward Wolfe: That's great. Thanks so much for the time, guys. Very helpful.

Bill Flynn: Thank you, Ed.

Operator: Thank you. If any – as a reminder, if you would like to ask a question, please press the “star”, followed by the “one” on your telephone. To cancel this request, please press the “star”, followed by the “two”.

The next question comes from Jeff Kauffman. Please go ahead.

Kanchana
Pinnapureddy: Hi. This is Kanchana Pinnapureddy in for Jeff Kauffman.

Bill Flynn: Good morning.

Kanchana
Pinnapureddy: Good morning. I wanted to know, I know post equity deal your cash and equivalents are greater than your outstanding debt. Could you talk about what you could achieve with this new liquidity that you couldn't before?

Jason Grant: Well, I think as we've indicated consistently, leverage is our focus, and when we talk about leverage, we always refer to net leverage. And we want take into account, and I take your point on the debt, but we do have \$150 million in annualized lease commitments which we capitalize at seven times, gets you to each of the sort of billion dollar mark that we usually reference for that.

So we view our leverage position as more than just the debt on the balance sheet, and as we've said before, our focus is to diminish that leverage to the greatest extent we can as we introduce the -8s.

And then our expectation is that after those aircraft deliver, we'll continue to generate a lot of the, you know, the attractive free cash flow that I think is part of what makes Atlas such a compelling opportunity for people. So, yeah, I think our focus would be, we think about net leverage, whether it's cash or paying down debt, we think about net leverage, and you have to include the leases when you think about that, and maintaining the optimal net leverage as we go forward is our focus.

Kanchana
Pinnapureddy: Okay. Thank you. That's helpful.

Jason Grant: Thank you.

Bill Flynn: Thank you.

Operator: Thank you. The next question comes from Steve O'Hara. Please go ahead.

Steve O'Hara: Hi. Could you just talk a little bit about your – I think in the past you had talked about holding the -400s out of ACMI, and not wanting to sign them up because rates were so low and you were in a depressed environment.

I mean has that kind of turned full circle now, where you're seeing -- you know, obviously with these new contracts, you know, rates are similar. Or are they still kind of down and, but you're just more willing to accept those types of rates?

Bill Flynn: Yes, Steve. So what we had said before, particularly a year ago at this time, we made the assertion we weren't going to put aircraft, 747-400s into ACMI at kind of bargain basement or, you know, depth-of-the-market rates, because it would hurt long term the pricing floor for the -400s, in particular.

We could say that because we had alternative placements for the -400s, which we put into military and we put into Commercial Charter. And so we were in the position, given the complementary nature of our segments, to be able to do that.

An so, to the specific question, you know, the renewals that we just talked about, first the Panalpina renewal in the fourth quarter of last year and the three renewals that we've referenced here today, are at, you know, consistent market rates.

They're not get-to-know-you pricing or deeply discounted pricing to secure the placement. And again, the demand that exists in charter and military clearly puts us in a stronger position to think about rates and placements as we go forward.

Steve O'Hara: Okay. And you said, you know, you wanted the -400 to be the preferred option for AMC Charter. And I'm just wondering, does that mean you would, you know, if you would put down additional -200s and maybe take on additional -400s, or simply that would be the -400s moving into that segment and with the addition of the -8s?

Bill Flynn: Sure. So one of the things we did at the time that we went forward to C-Check the -200s that we did in the fourth quarter was analyze the market, look at what -400s might currently being parked that other operators have, look at the BCFs that were – that are currently parked, and took that as part of an overall decision: was it better to simply invest the C-Check money into the -200s, get 18 months of useful flying time out of them in the face of demand, or it would it had been better to go out and try to secure a short-term lease on a -400 or a BCF that might be parked somewhere – and there are about six -400s parked today and about 12 BCFs parked today.

And at the end of the analysis, making some assumption on current market rates or somewhat depressed market rates for a dry lease, it was clear to us the -200 was the better choice.

First of all, it was more timely, just several weeks to do the C-Check. We have the pilots already. We called back a few pilots from the -200 fleet that had been furloughed, and we could respond really in a matter of weeks to the uptick in military demand, and so we've got that fleet, those -200s, they'll serve us well.

And what we're really talking about is just bridging to the beginning of the deliveries of the -8. And as the -8s come on we'll be in a position where we continue to expand the market, placing -400s and -8s into ACMI service, and/or if we don't like the market line on a -400 at that time, we can still serve that market – we can still put that aircraft into AMC.

So we're managing a few variables here, military demand, aging fleet, which ultimately retires, introduction of new aircraft, customer confidence to sign up for ACMI at rate levels that give us the returns that we need and we expect to generate, and manage that over about a 12- to 14-month window.

So those are the four or five variables we're managing, and all of that gets reflected in the guidance that we've given today for 2010.

Steve O'Hara: Okay. And then in terms of, you know, talking to your customers about the -8, I mean are you guys able to give a – you know, kind of a more firm date to them and get a better indication of their interest level at this point and how is that [inaudible] progressing?

Bill Flynn: Yeah. Well, you're right. I mean that there's been a somewhat frustrating conversation with customers when we don't have firm dates from Boeing. Frustrating for them and certainly frustrating for us.

But we've had first flight now. That's an important milestone for the -8, just a couple of weeks ago. From what we understand from Boeing, you know, the aircraft performed as expected, the engines and just overall operation was as expected. So that's an exciting milestone that makes the aircraft now much more tangible, an aircraft that's now been delayed, it's much more tangible with first flight.

We think that – well, I personally know based on the conversations that I and Michael Steen, our head of marketing, are having directly with, our launch customers, if you will, are excited about the -8, looking forward to

getting it into their fleet and wanting to have a first-mover advantage relative to other operators with the aircraft.

So we feel good about the – continue to and have felt good about our ability to place that aircraft into service for our customers.

Steve O'Hara: Okay. And then finally, you know, you guys have – you know, in recent conferences, the slide that you'd put out on the -8, and kind of the rate that you use in your assumption, are we there yet in terms of those assumptions that you guys are basing those returns and so forth on or...

Bill Flynn: Yeah, we believe we are, because those rates, as Jason pointed out in answering an earlier question, it's – are simply value-based over the -400. And I think we've talked about that in our various presentations and meetings that we haven't built into the rate exuberance over a stronger recovering market or larger kind of value equation on the -8 versus the -400.

We simply based the rate on the anticipated improved profitability and contribution that the customer is going to realize, operating an -8 versus operating a -400. So it's simply value-priced on a differential basis.

Obviously, we're challenging our marketing and sales organization to get more value than that; but the numbers and the returns that we've used here and estimated here for the business case to go forward and buy them in the first place, the ongoing analysis that we have in our discussions even on lending with financial institutions, we think is on a somewhat conservative value-differential-based pricing for the -8 to the customer.

Steve O'Hara: Okay. Thank you very much.

Jason Grant: Thanks, Steve.

Bill Flynn: Thanks, Steve.

Operator: Thank you. As a final reminder, if you would like to ask a question, please press the “star”, followed by the “one” on your telephone.

There appears to be no further questions at this time, sir.

Bill Flynn: Well thank you, Operator, and we'd like to thank all of you for your interest in Atlas Air Worldwide Holdings.

And we certainly appreciate your participation and questions today, and we look forward to speaking with you soon.

Thank you, everyone.

Operator: This concludes the Atlas Air 2009 Results Conference Call.

Thank you for participating. You may now disconnect.

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