

**ATLAS AIR**  
**WORLDWIDE HOLDINGS**



**Atlas Air Worldwide Holdings, Inc.**

**3Q09 Results Conference Call**

**October 26, 2009**

**Hosted By:**

**Bill J. Flynn – President and Chief Executive Officer**

**Jason Grant – Senior Vice President and Chief Financial Officer**

**Edward McGarvey – Vice President and Treasurer**

# **ATLAS AIR WORLDWIDE HOLDINGS, INC.**

## **3Q09 RESULTS CONFERENCE CALL**

**October 26, 2009, 10:00 A.M. ET**

Operator: Ladies and gentlemen, welcome to the Atlas Air Worldwide Holdings Third-Quarter 2009 Results on the 26th of October, 2009.

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 difficulty 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 Third-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](http://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 welcome everyone. We’re very pleased to have you with us this morning.

Our third-quarter earnings represent a sharp improvement over our results for the third quarter of 2008.

Like our previous quarterly results this year, our third-quarter earnings reflect our successful efforts throughout 2008 and 2009 to transform our business, our operating cost base and our fleet.

Jason and I are very pleased to discuss our latest results with you today, and we’re glad to share our outlook for the fourth quarter and for 2010 with you.

Before we do, however, I want to note our second announcement this morning about our planned public equity offering.

Due to restrictions under the securities laws, we will not be discussing our equity offering on this call, nor will we be able to take questions on that topic during the question-and-answer session.

We appreciate your interest in Atlas very much, and we appreciate your understanding about the restrictions that we face in this regard.

Our third-quarter results, as well as our outlook for the fourth quarter and for 2010, reflect the strategic and operating actions that we have taken to transform our business and to reduce our commercial and operating risk.

In that light, we are pleased to advise you that we have an agreement to renew the contract on the ACMI aircraft that was up for renewal in the second half of 2009, and that we have entered into a long-term contract with a new customer, SonAir, to provide premium-passenger service on an outsourced CMI basis.

It is important to note that this new service, which is expected to begin in the first half of 2010, is consistent with the outsourcing business model under which we typically operate.

The key difference is the “A” in our usual ACMI arrangement.

Under this exciting expansion of our core outsourcing business, the customer owns the “A”, or the aircraft, so we eliminate the risk and associated cost of asset ownership – and any strain on our balance sheet leverage.

All that we are providing, based on the quality and reliability of our services and operational excellence in flying the 747 freighter, is the “C”, the “M” and the “I”, or crew, maintenance and insurance.

Turning back to the third quarter, our current performance is being driven by:

- The transformation of our former Scheduled Service business to express network ACMI service;
- Productivity gains and cost savings achieved through our Continuous Improvement initiatives; and
- Our ongoing proactive efforts to upgrade the efficiency and average age of our fleet.

Our results and our outlook also reflect tangible signs of positive improvements in the market.

- We are encouraged by a further improvement in our ACMI customers’ utilization rates.

During the third quarter, our ACMI customers flew at 97% of their minimum block-hour levels, up from about 80% in the first quarter and about 90% in the second quarter.

- We are also encouraged by a strengthening in charter yields, which has continued into the fourth quarter.
- In addition, we are encouraged by trends in the global airfreight market.

Monthly international airfreight traffic volumes through August are down on a year-over-year basis, but they have been trending up on a sequential basis since early in the second quarter.

- We also continue to see retirements of aging and inefficient capacity from the market, which is helping to improve the balance between traffic and capacity, particularly in the Asia-centric markets where our customers focus.

We expect that substantially more of the remaining 78 Classic freighters in service in mid-October will come out of the market in 2009 and beyond.

We believe that most of these aircraft, once removed from the market, will not return to service when the eventual recovery comes because of their age, maintenance and other operating costs, and relative inefficiency.

In a recovery scenario, any improvement in demand could have an early and meaningful impact on the utilization of our aircraft – and on our bottom line.

I will talk more about our framework for our fourth-quarter 2009 and 2010 earnings later in the call.

First, I would like Jason to provide you with some additional perspective about the improvement in our third-quarter results and financials.

Jason.

Jason Grant:

Thanks, Bill, and good morning, everyone.

As Bill noted, the significant increase in our third-quarter earnings reflects the strategic actions that we have taken to strengthen and transform our business.

Our third-quarter net income totaled \$14.7 million, or \$0.70 per share.

In conjunction with the deconsolidation of Polar Air Cargo Worldwide from Atlas Air Worldwide Holdings in October of 2008, total operating revenues in the third quarter decreased to about \$245.0 million.

Our latest results compare with net income of \$5.2 million, or \$0.24 per share, for the third quarter of 2008.

We achieved a strong year-over-year increase in our earnings despite:

- A challenging, though improving, business environment, with international airfreight traffic volumes down 16% since the end of April 2008, when the fall in demand began;

- A 13% reduction in the size of our operating and dry-lease fleet; and
- A reduction in AMC Charter revenue and contribution, mainly reflecting a lower fuel-price component in the AMC Charter rate.

Total direct contribution by our reportable business segments improved to approximately \$53.0 million in the third quarter, an increase of nearly \$12.0 million compared with the third quarter of 2008.

The increase was driven by our express network ACMI service, which added to our ACMI results while eliminating the approximately \$14.0 million of Scheduled Service losses that we incurred in the third quarter of 2008.

While our AMC results for the quarter reflected the impact of a lower fuel-price component in the AMC Charter rate, they benefited from a continuing higher level of AMC demand in 2009 than we had originally anticipated.

AMC volumes averaged close to 1,700 block hours per month during the quarter, compared with an average of 1,450 block hours per month in the third quarter of 2008.

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

I would also like to draw your attention to our effective income tax rate for the quarter and for the year.

We reported an income tax rate of 35% for the quarter. We anticipate an income tax rate of 41% for the fourth quarter, and a rate of 40% in 2010.

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

We ended the quarter with cash, cash equivalents, and short-term investments totaling \$487.0 million, compared with \$411.0 million at year-end 2008.

Our balance sheet debt totaled approximately \$637.0 million on September 30.

For the first nine months of 2009, our capital expenditures totaled approximately \$27.0 million, which included about \$9.0 million of capitalized interest related to our Boeing 747-8F order.

Our cash capital expenditures for the fourth quarter of 2009 are expected to total approximately \$30.0 to \$35.0 million. This includes approximately \$15.0 million in aircraft progress payments due in the fourth quarter.

As we proceed into the fourth quarter, our active fleet currently totals 26 aircraft, comprised of 22 747-400s and four 747-200s.

In addition, we have temporarily parked three other 747-200 freighters pending an assessment of demand in 2010.

In the event we displace 747-200s due to market demand, we will review the adequacy of the carrying values of those aircraft at that time.

As we have noted before, all of our 747-200s are completely unencumbered, and we will continue to manage them opportunistically going forward, principally in service of our military and commercial-charter customers.

To recap the deployment of our 747-400 freighters:

- 17 continue under ACMI contracts;
- Three are deployed in the AMC and Commercial Charter markets;
- One serves as our maintenance cover in ACMI and serves in Charter when not required in maintenance coverage; and
- Our only 747 converted freighter is allocated to our Commercial Charter segment, where it is profitably deployed in air cargo service in South America.

We continue to focus on the introduction of our new Boeing 747-8 freighters into service in late 2010.

The 747-8F is expected to deliver market-leading performance in terms of payload, fuel efficiency, total cost per ton mile and environmental compliance.

We are well positioned as the only outsource provider with this type of aircraft on order, and we expect to realize meaningful earnings and cash flow benefits from these 12 new aircraft.

We expect that these aircraft will generate levered investment returns that exceed 20%, and will generate meaningful earnings growth over our 747-400 aircraft in ACMI, which over the last four years averaged

approximately \$6.0 million annually per aircraft on a pretax contribution basis.

It is important to note that we will incur onboarding costs related to the introduction of our -8 aircraft throughout 2010, but we don't expect any meaningful contribution from the operation of the aircraft next year given the expectation that deliveries will begin late in the year at the earliest.

We are in continuing discussions with Boeing and have agreed on the rescheduling of three of our aircraft into 2012 and 2013.

As a result of our agreement with Boeing, our future aircraft purchase commitments, including arrangements for spare engines, flight equipment and other related items, will now be spread out more evenly over the next few years rather than concentrated in the 2010 and 2011 time frame.

For example, progress payments of approximately \$15.0 million in the fourth quarter compare with a previously scheduled total of \$48.0 million.

In addition, total PDP payment before any other financing activity now amount to \$118.0 million in 2010 compared with \$375.0 million previously.

Further out, total PDP payments are approximately \$226.0 million in 2011 and \$127.0 million in 2012.

We recognize the significant capital commitment required for our new aircraft, and the impact they will have on our balance sheet leverage.

While we plan to use the free cash flow generated by these new assets to de-lever, we also recognize the need to remain focused on the prudent management of leverage as the aircraft are introduced.

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

Bill Flynn:

Thank you, Jason.

The transformation of our business has improved our core earnings from operations and reduced earnings volatility, even as we have reduced our Classic fleet.

Looking at the fourth quarter, we expect the ongoing improvement in global airfreight supply and demand to continue.

That should benefit ACMI customer utilization levels and support charter yields.

In AMC Charter, we expect that military demand will average about 1,100 hours per month during the fourth quarter. That means that full-year AMC demand would total about 17,800 block hours.

Based on the improving trends that we see in the commercial markets, and on the level of AMC Charter demand that we see, we expect that our fourth-quarter net earnings will exceed \$18.0 million.

We also anticipate that our net earnings in 2010 will be consistent with our currently expected 2009 earnings level, excluding one-time items from 2009.

Earnings in 2010 will continue to benefit from the commercial and operating transformations that we have achieved.

Our outlook for 2010 is based on encouraging trends in airfreight and in the broader economy, but also recognizes some continuing uncertainty regarding the pace of economic recovery.

In ACMI, assuming a modest pace of recovery, we expect that 18 of our 747-400F aircraft will be operating in our wet-lease segment by year-end 2010, up from 17 in the fourth quarter 2009.

In our AMC segment, although our visibility is limited, we currently expect demand to remain consistent with the expected full-year 2009 levels.

We remain focused on cost and productivity enhancement, and we will continue to benefit from the commercial and operating transformations that we have achieved.

Moreover, should we see a more substantial economic recovery, the operating leverage in our model should drive additional earnings growth for Atlas.

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

As noted at the beginning of today's call, we announced an agreement on Friday to commence outsourced premium-passenger aircraft operations in 2010.

This opportunity to expand our outsource operating business model, as well as adjacent dry-leasing opportunities in our Titan subsidiary, will provide additional avenues for future Atlas growth.

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

As noted at the start, we will not be able to respond to any questions about our equity offering on this call.

Operator, may we have the first question please.

Operator: Thank you, sir.

If any participants 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 while participants register for questions.

Bill Flynn: Operator, are we having any technical difficulties?

Operator: Thank you for your patience, sir. We are just about to put the first question through.

Bill Flynn: Thank you, operator.

Operator: The first question comes from Bob Labick. Please go ahead, sir.

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

Bill Flynn: Good morning, Bob. Thank you.

Bob Labick: You mentioned a couple of things, you know, that were interesting in the quarter.

Most recently on Friday, you had announced the SonAir deal and you talked a little bit about it. I was hoping you could give us a little more color, and maybe explain the risks of the contract to you now since you don't have the aircraft but you're doing the maintenance.

How should we look at this on a go-forward basis and model for it? Will it be part of ACMI? Or, could you just talk more broadly about where this will fit into the P&L, and potential contribution you might expect in the future?

Jason Grant: Sure, Bob. It's Jason.

So, let me give you sort of where we stand today.

We are thinking of this as ACMI in terms of the classification going forward. We do have some time here before the service starts, so that's sort of our preliminary read on this in terms of how it will be presented.

In terms of modeling, you want to think of this similar to our core ACMI business on the -400 freighter fleet. Effectively, we're providing the same outsourced operating services that we would provide on the -400 freighter platform. It just happens to be in passenger configuration.

From an economic standpoint, I think the simplest way to think about this is, you know, this is effectively economics that are similar to the ACMI business in terms of the contribution that we will generate up on the business.

It's two physical aircraft. It's effectively one aircraft worth of flying. And from our standpoint, from a modeling standpoint, we think of this similar to the contribution we generate on a -400 ACMI unit in ACMI—or sorry, on the freighter side, Bob, which you can really get referencing back to our 10-Q or 10-K.

So, that's how you think about the contribution.

From a cost standpoint, I think the unique feature of this contract is that we are not bearing asset risk. So, that is obviously a positive feature when we talk about sort of ACMI-type contribution without the asset risk for the aircraft.

Bob Labick: Okay, great. That was very helpful.

And, in the release, and Bill just mentioned at the very end of the call there, expected contribution and growth from Titan in 2010? Is there anything in Titan right now that's contributing? Or, does this mean that you have some plans already put in place that would begin there? And, could you just elaborate on that?

Bill Flynn: Bob, this is Bill Flynn.

You know, certainly, as we've said about Titan on our prior calls, we're going to look at growing that business opportunistically, the dry-lease business, be it aircraft or be it engines.

We think that the market's at a point where there are some opportunities that would make sense for us. We do not have aircraft in Titan as of this moment.

Bob Labick: Okay. Great. And, then, the last question, and I'll get back in queue.

Just, you spread out the payments and sounds like the delivery schedule for the -8Fs, and I guess, if I was listening closely, you said you might expect to begin, now, the current schedule the end of 2010.

You know, if we're looking out, it's a 24-month period or a 36-month period, and what's the kind of spacing that is currently in place?

I know there's always, you know, potential delays and things will always change, and you're in negotiations. But if you did it now, how would we expect these to roll in over the, you know, from late 2010 through 2013 – just so we can get a sense, you know, kind of looking forward?

Bill Flynn: Yes. Thank you, Bob.

So there's a couple of points to the discussion on the -8.

First thing, as Jason noted in his comments, from the schedule that we have from Boeing today, we're looking at, potentially, first deliveries late in 2010.

Now, we're going to bear some costs prior to the deliveries, because we'll need to be prepared to onboard the aircraft, begin to hire and train crew, make other investments in inventory, and just general network onboarding expenses.

We've also announced that we've reached an agreement with Boeing to delay three of the aircraft into 2012 and 2013.

But, what we've not agreed with Boeing is the firm delivery schedule on the other nine. And so, that's the process that we're working through, and you know, as we firm that up and agree with Boeing on specific dates, you know we'll certainly have to discuss that in more detail with you and with our customers.

Bob Labick: Okay, great. Thank you very much.

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

Alex Brand: Good morning, guys.

Bill Flynn: Good morning, Alex.

Alex Brand: Let me start—I guess I want to focus on guidance for 2010.

So, you've got 17 ACMI now, 18 by the end of next year. So, not only are you assuming an additional aircraft, but that you renew whatever comes up next year.

How should we think about, you know, your confidence in the renewals? And, you know, is there a new customer that you know about that accounts for the 18th, or whatever you can tell us about that would be helpful.

Bill Flynn:

Alex, Bill Flynn.

A couple thoughts. As I did mention, first of all in my comments here, the aircraft that we did have up for renewal this year has been renewed, and, in fact, the customer's talked about that themselves in their own press releases.

In also earlier calls, we've talked about having, you know, some number of aircraft typically available for renewal or up for renewal or extension, I should say, in any given year.

We gave a lot of information out in 2009 on specific renewals. So, what we're saying here, I think, are a couple of things.

One, we wanted to give certainly some guidance on the number of aircraft that would be in ACMI, and you have a view as to, you know, what that's worth from a contribution level.

And, the numbers that we're talking about or the outline that we're providing for 2010, you know, conveys our confidence that we will have these aircraft placed. That's in the number.

Jason Grant:

Yes, and I think Alex, the other point we should make in 2010 is, you know, the new flying we have, which is the SonAir contract, understand that that is not a Jan. 1 start.

We're saying, you know, we're targeting to start that early in the year and, obviously, we will have some cost to onboard the passenger operation.

So, you know, I mentioned on the prior question that we've got, you know, I think a fairly good ... – and we're very happy about the contribution of that business going forward.

The full-year effect is really the driving value in 2011. 2010 has this sort of part-year effect.

Alex Brand:

Okay. When I think about the guidance for 2010 as it relates to Charter, how are you thinking about that?

I guess I'm not clear on... you said you have four -200s now, three parked. So, that's the seven you had. Three are parked right now. So, as I think about Charter for 2010, you're assuming the four -200s, and then how are you thinking about pricing and demand?

I guess I'm trying to gauge how conservative your guidance is for next year.

Jason Grant:

So Alex, I think it's fair to say that we are not, you know, assuming a robust turnaround in the economy.

We have seen Charter pricing that has rebounded substantially in Q4 here, and you saw the results in Q3 as well. And, I think there's a lot of factors driving that.

Our focus is, you know, where will the environment be in Q1? I think we're taking a fairly cautious approach to that.

And, the other point I'll make is just capacity constraints. We are, you know, waiting, I think, to make an assessment of the Classic fleet and some of the decisions that we'll look to there later this year.

And, if Commercial Charter demand stays, you know, at the level or even improves, I think we'll need to make some decisions around potentially bringing some more capacity online.

I would say that our forecast is not assuming that sort of robust scenario where we would keep capacity to fly that business and where you see continuing strength in the yield.

So, we're hopeful there's some upside to that, as we said earlier, to the extent that the market improves at a more significant pace or sustained pace.

Bill Flynn:

And then the other third variable there is, of course, military demand, which we have said, or I commented, we're looking at something very similar in terms of levels.

We don't know what the administration's decision is going to be and what troop deployment will look like, and our other troop movements around the world, because it's not just—or military demand around the world is just not Iraq and Afghanistan. So, that's the other variable that's out there as we think about 2010.

Alex Brand: I mean, it seems like it's strong now for peak, and so are the three parked just because they came up for maintenance and you weren't prepared to make the decision on investing in those aircraft right now?

Jason Grant: Yes. They were up against heavy airframe events, Alex.

We've behaved the same way we've done previously, to say, you know, we're looking at the cash return on that investment. And, without better visibility into the 2010 environment, we're taking a cautious approach.

Alex Brand: All right. Just one more, if I could.

As I think about the opportunities that you have out there, CMI's obviously something you're at the very beginning stages of and that has possibilities. That requires relatively little investment.

And, you talked a little bit to Bob's question about Titan. You know, what's out there to look at? Is the used aircraft market becoming much more attractive? I think this is the first time I've heard you say an actual number for an IRR threshold. Are there things out there that, you know, are starting to hit those thresholds that you guys might be able to take a look at?

Bill Flynn: Alex, this is Bill.

Yes, I think, first of all, you stated a very important point.

It is the IRR threshold, and so we're very prudent about our use of capital and investment, but we do believe that there are opportunities in the market that, you know, meet or exceed that threshold.

And, we're seeing that certainly in the dry lease arena as well as in our core ACMI business.

Valuations have fallen and continue to fall. There is a re-fleeting requirement in the mid-size and the smaller freighter. As the markets have improved, you know, since the April-May time frame in terms of overall demand, both freight and express, and express it really hadn't contracted as much as heavy freight, you know, we think there are opportunities to invest, put assets to work, always mindful of a return threshold that we operate with to make sure we're good stewards of capital.

Alex Brand: All right. I appreciate the time, guys.

Bill Flynn: Thanks, Alex.

Jason Grant: Thanks, Alex.

Operator: Your next question comes from Helane Becker.

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

Jason Grant: Hey, Helane.

Bill Flynn: Good morning, Helane.

Helane Becker: So this is my question: With respect to the kind of the numbers for the fourth quarter, and kind of, I guess, the outlook part, maybe the outlook part, maybe you can't really talk about this, but how should we think in terms of, you know, rate per hour on the contract renewals? Is it consistent with the existing rate, number one?

And number two, my second question is with respect to the passenger CMI business for next year. I know it's coming in kind of mid of 2010. Can you just give us a sense of when it comes in? Because, I don't think you said that yet.

Bill Flynn: Thank you, Helane. Bill Flynn.

Yes, the first question on block-hour rates, our renewal rates are consistent with the block-hour rates that we experience today.

Helane Becker: Okay.

Bill Flynn: And, as far as pax CMI, you know we've said first half, and kind of what's variable in the first half is there's—the aircraft themselves are undergoing refurbishment. They're being essentially upgraded to a premium first-class and business-class service, with some coach capacity.

As Jason pointed out, we don't own the aircraft. The aircraft are owned by our customer SonAir, so we have no risk there. But, just that, you know, there could be some unanticipated delay in the final refurbishment of the aircraft. And, there are some approvals as well.

We're saying, you know, somewhere in first half. I know that's a six-month kind of window, but we're just really not more specific at this point because of the factors of maintenance, refurbishment and maybe some approvals that we're going to need to get and tick and tie together.

We'll have certainly better visibility as we come into the full-year earnings call, you know, early in 2010.

Helane Becker: Okay. All right. Well, that's fine.

I mean, I'm just sort of thinking your guidance for 2010 has to include something for that. So, you know, I know Alex asked some of those questions about, you know, next year, and I know there's not a lot you can say but...

Jason Grant: And Helane, just to clarify on that point.

As I said to Bob in the first question, we've given the framework to say think of the contribution on this flying consistent with the contribution on our ACMI -400 freighter flying, but not a significant contributor in 2010 because of the combination of the timing of the startup and some of the onboarding costs we have up front. But, we're very – you know, I think, we think a very attractive business going into 2011 from a growth standpoint.

Helane Becker: Right. Do you know how many flight attendants you're going to have to hire? How many crews the planes will take?

Bill Flynn: Well, we certainly have some idea of that.

We haven't discussed that specifically, but I think getting back to, you know, Jason's point, first of all the margins and the contribution we expect to earn are going to be consistent with what we experience in ACMI today.

Helane Becker: Right.

Bill Flynn: It's two aircraft, one operating more as a hot standby, so we may be, you know, something north of 50 or 60 flight attendants.

Helane Becker: Okay.

Bill Flynn: We'll need to finalize the schedule, of course, with the customer.

Helane Becker: Right. Right.

Because this is ex-World Air flying, and I know that that level of service is supposed to be very high and very first class, but the customer is compensating you for that, so that's not a problem.

Bill Flynn: Well, that's why we're excited about it. In the first instance, we don't have to go out and invest in aircraft.

Helane Becker: Right.

Bill Flynn: And then, in the second, it's at levels that are consistent with what we have for CMI. And it's a charter operation, it's not open to the general public.

Helene Becker: Right. Right. Got you. Okay. I know you can't say anything about the deal, but can you say the when of the deal?

Bill Flynn: Which deal now?

Helene Becker: Your timing of your common stock offering that you announced today. Can you say like when we should think about it coming to market?

Jason Grant: Yes, I think Helene, we'll refer back to the announcement that went out this morning that announced that it was launched today, but I think the details, all of the details in the release are the details we can talk about, and there really isn't much more than that.

Helene Becker: Okay. Thank you.

Bill Flynn: Thanks, Helene.

Jason Grant: Thanks, Helene.

Operator: The next question comes from David Campbell. Please go ahead, sir.

David Campbell: Hi. Good morning, everybody.

Bill Flynn: Good morning, David.

Jason Grant: Good morning, David.

David Campbell: Good morning. Thank you for taking my question.

I'm a little surprised that there isn't more leverage in the fourth quarter from earnings. What you're saying is the earnings will be up from the third quarter slightly, it looks like, but those demand changes are huge.

I mean, you know, you got peak-season pricing for everything in the fourth quarter, and of course increasing demand relative to third quarter, so you know, what happened to the leverage? I mean, you know, or are you just being—or, you just don't know about December, or something?

Bill Flynn: Well, I think there's a couple of things, David.

The core of our fleet is in ACMI, which is you know multi-year contracts, and the strength that we had in first, second and third quarters reflect the fact that we bill customers on minimums. And so, we're not, in that

market, we're not pricing retail and riding retail rates. That's the business we exactly got out of when we converted Polar to express network ACMI.

So, what we've talked about in prior calls is that our earnings on a quarter-to-quarter basis would typically be flatter because of the contract nature of the business. And, that's where, you know, essentially 75% of the fleet's deployed. And, that gives us the earning visibility and the predictability.

Now, we have had high levels of AMC flying in the third quarter, slightly lower levels of AMC flying in the fourth quarter based on our visibility to military demand.

And so, about 8% or 9% of our capacity is going to be flying Commercial Charter, or so.

That's where we can certainly take advantage of higher pricing that exists in the market, and we are; and that to some extent is what's reflected in the outlook that we've given in the growth in earnings, from \$0.70 a share or so in the third quarter to, you know, prior to the offering, on a constant number of shares, looks something like \$0.85, \$0.86.

Jason Grant: And, Bill, to your first point, I think, David, it's important that the operating leverage in our business is driven by customers flying above minimum guarantees.

And as we said, you know, this year, you know, 20% below Q1, 10% below Q2. We expect them to approach minimum guarantee levels in Q4, but again, I think you have to put in context here.

We're not talking about customers flying above those minimums, which is really where the operating leverage exists.

And, as we look forward to '10 and '11, you know, we're hopeful that a real pace of recovery here will drive back to that normal state of 5% to 7% above minimum guarantees, which is typically where we like to operate and typically where our contracts operate in the ACMI space.

David Campbell: But, they would be flying above minimum levels in the fourth quarter?

Jason Grant: I think our view would be they'll be flying at, to or slightly above, but not materially above, David. And again, coming back from a long ways from Q1 and a very positive trend, but we're not guiding here that they will fly meaningfully above the guarantees.

David Campbell: Mm hmm. Right. Right. And, the increasing demand you see in the freight market, is that pretty much continuing in November, in your opinion? Or, will it continue in November?

Bill Flynn: Yes, it has, and we made a couple of comments to that point, David.

First of all, you know, we're seeing ... – in the Commercial Charter market, we're seeing stronger rates. And, we see that going forward and continuing in October, and into next month and in the fourth quarter.

We take advantage of that, as I've said, in the percentage of capacity that we have in charter markets, the 8% or 9% that I said. But, the more important, I think, indicator there is a strengthening market, strengthening yield, improving overall conditions are the kind of external conditions we need to place our aircraft in ACMI, retain and grow our customers in ACMI. So, while that's not our business directly, it is the key indicator for us as we think about the business going forward.

David Campbell: Right. Okay. Thank you very much.

Bill Flynn: Thanks, David.

Jason Grant: Thanks, David.

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

Jeff Kauffman: Thank you very much.

With the push out of the new deliveries, has this changed your thinking in terms of your retirement schedule over the next couple of years? And, could you just give us an idea where things stand right now? Where you think net block-hour changes are in '11, '12 and '13?

Bill Flynn: Sure. So, as Jason pointed out in his comments, we have 22 747-400s, of which 21 are pure -400 freighters and one are the BCF.

We have seven 747-200s, three of which we've temporarily parked, four of which we're operating.

Now, the key driver on those aircraft are the heavy maintenance investments that are required, the C checks and/or D checks. And, as we talked about on our call earlier, our evaluation on those aircraft really depend on what we expect demand to be for military and Commercial Charter.

And, as we get a better sense of what military demand is looking like going forward, coupled with demand and yield in Charter, we may choose then to invest in those aircraft, those temporarily parked aircraft, and do the heavy checks or not.

Our future clearly is the 747-400 platform and the 747-8.

The -200s are really at an end-of-life strategy, and that's how we manage them, opportunistically. And so, they are not long-term, and really not even a mid-term, component of the fleet, as you think about age and maintenance, and the fact that we will be taking delivery of the 747-8s.

In terms of block hours per se, military will be what it will be.

We expect high utilization of the 747-400s. As we've talked about on earlier calls, you know, minimum utilization of 400 hours a month or so are typical contracts for the 747-400s.

They're capable of flying more. The 747-8 can fly in excess of that, particularly in the first five to six or so years of the aircraft where we have, you know, a maintenance holiday, no major maintenance events effectively, D checks, specifically. So, we will look to either higher utilization as we place those very valuable assets with our customers going forward.

And so, in terms of the number of block hours, we really need to nail the final schedule down with Boeing before we can talk more fully about what block-hour utilization and production ought to look like.

Jeff Kauffman: All right.

And, back to the -8's, I know you don't have signed contracts to talk about, but the range is longer, the up-time should be greater. Are you looking at charging a rate differential on those aircrafts for customers with the -8s versus the -4s? Do you have a rough idea of what that could be in terms of how we should be thinking about your revenue?

Jason Grant: Sure, and I think I'll go back to the statements we made in the prepared remarks. We're going to be careful about speaking to revenue rates per hour. Just, you understand where we are in the process here...

Jeff Kauffman: Absolutely.

Jason Grant: ...you know, in this stage of placing the aircraft.

But, I think we do want to give you a construct to think about the earnings power of the aircraft.

And, I think the two data points we are focused on here is, you know, a return on the project from an IRR standpoint in excess of 20%. And then to help you think about, just to ground, I think, the economics of the contribution of those assets, you know, you look to the contribution of the

-400 today, which we've said has averaged about \$6.0 million a plane, from a pretax profit standpoint per year over the last few years.

And, without getting too specific, because we want to be careful at this stage, given the commercial sensitivities, you know, we said that we think that the contribution of this asset clearly exceeds the contribution we're achieving on the -400 today.

Jeff Kauffman: But, you mentioned that's a levered contribution. Should I just assume for my own purposes an 80/20 leverage?

Jason Grant: So, to be clear, the contribution would be P&L, so that's sort of the profit, pretax, net of ownership costs. Correct.

And, I think you should assume, you know, probably slightly lower leverage than that. I think the market's probably, you know, 65% to 70%, and not 80% any longer, in terms of total leverage.

Jeff Kauffman: Okay. Thanks so much and best of luck.

Jason Grant: Thank you.

Operator: The next question comes from Steve O'Hara. Please go ahead, sir. Mr. O'Hara, your line is now open. Please go ahead.

Steve O'Hara: Thank you very much.

I just had a question on, first, the guidance for 2010: Did you say that you're assuming 1,100 block hours per month on the AMC Charter?

Bill Flynn: This is Bill Flynn, Steve.

We said 1,100 block hours per month for Q4, but that 2010 total AMC block hours, you know, should be roughly equivalent with the 2009. That number's 17,800.

Steve O'Hara: Okay. Thank you.

And then, in the past couple calls you talked about discussions with a new customer. Can you just say if those are still ongoing, and if that's included in, you know, your assessment, you know, for 18 ACMI planes for next year?

Bill Flynn: I would say our discussions are still ongoing, and, you know, we certainly are considering new customer placement when we give the number 18.

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

Jason Grant: Thanks, Steve.

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

Edward Wolfe: Good morning, guys.

Jason Grant: Hey, Ed.

Edward Wolfe: Can you talk a little bit about the revenue per block hour in ACMI? And, it's down sequentially, but second quarter was very strong. Can you remind what was going on there?

Bill Flynn: Well, two things, I think. A lot has to do with utilization, and we've talked about this on several calls, that customers pay us at a minimum utilization.

And so, if they're only flying 80% of minimums but paying us for minimums, it certainly, you know, it arithmetically increases the average block-hour rate.

And, the same thing occurred in second quarter where we were at, you know, 90% utilization of minimums. But now in third quarter, we're at 97% utilization of minimum.

So, while the block-hour rate will certainly appear lower relative to second quarter and first quarter, when you look at it historically for block-hour rates, you know, for 2008 and even 2007, the number's going to look pretty much in line with those numbers, Ed.

Edward Wolfe: But again, back in those years, you were over 100% utilized. So, apples-to-apples, if I normalize it, it's down year-over-year. Should I think about it that way?

Jason Grant: No, no, Ed.

Bill Flynn: I mean, the block-hour rate fourth quarter in 2007 was, well it's got some -200s in it, so we need to be careful there, but it was around \$5,900, and you know, around \$6,100 in Q4 of 2008 and slightly lower in the prior quarter. So, I would say the number is relatively flattish over the past several years, and we've maintained our block-hour rate, Ed.

Jason Grant: And Ed, just to clarify, mechanically, you know we have a minimum guarantee.

We're being paid for the hours above that guarantee. So, your point that you know, wouldn't the rate be lower in periods where we were over

flying: It would not necessarily be lower, given we're being paid a rate above those minimums as well.

Edward Wolfe: So, in fourth quarter you would expect a similar rate to third, or higher?

Jason Grant: I think as the customers approach minimums, and we're indicating that Q4 they will be approaching those minimums, the rate will come down. We expect the rate will come down slightly.

I don't think that's a material change quarter-over-quarter. And then, you know, you would stabilize at rates going above the minimum generally.

Edward Wolfe: Okay. Can you give an update on the letter of interest that you talked about with the two -400s, and then the two behind that with that customer?

Bill Flynn: Ed, pretty much the same question that Steve just asked a minute ago.

We're—you know, our sense is that we're going to place aircraft with a new customer, and that's in the numbers that we've given, but we're not, you know, because of just the competitive environment, not commenting specifically more than that. And, that's why we wanted to give you those absolute numbers as part of our discussion here this morning.

Edward Wolfe: All right. So, no update on the ones that you had mentioned before? You said it was an Asian customer, I believe, but that it was two planes. No?

Bill Flynn: Ed, you know, what we're going to say about our customers are in the numbers that we've talked about so far.

Edward Wolfe: Okay. Just a little more clarification on the passenger contribution.

You had talked about that the contribution should be similar, and you don't have the plane risk. When you're talking about contribution, were you talking about margin? Or were you talking about absolute dollars per plane per year kind of thing?

Jason Grant: Yes, Ed, to clarify, absolute dollars per plane per year.

Edward Wolfe: Okay.

The maintenance expense, at one point for the year you had given it \$125 to \$135 [million], is that still a good range for the year?

Jason Grant: Yes, I think we were—if you went back to Q2, we were at \$125 to \$130, and that is still a good range for the year.

Edward Wolfe: Okay. And, in your guidance for 2010, you said similar block hours, I believe, relative to 2009. Is it same number of planes? Is 31 where you were at, average planes for the quarter – kind of the same number?

Jason Grant: Yes, and I think there, Ed, we've got an assumption that, the question is really the -200s here, and what happens to the 200 fleet.

We've parked an aircraft—we've really parked a few aircraft as they've hit their C check, the airframe heavy maintenance checks that are due. We're down to four operating now.

Below four units, and we have another aircraft which is due for a heavy check here shortly in Q4, we start to have to look hard at the operating economics of the fleet.

We've taken what I think is the more conservative view of 2010 in terms of the Classic fleet and assumed that those units have really a very little contribution to total block hours for 2010. I think the upside scenario would be that we got comfortable bringing that capacity on line because of a further improvement in the demand environment, and particularly in both AMC and Commercial Charter, from where we are today.

Edward Wolfe: Okay. So, is there a range of what that average fleet size might look like?

Jason Grant: Yes, it's pretty simple.

I mean, we've got, effectively, four aircraft left today on the -200s. They're flying sort of 200 to 225 hours a month today.

And, if those aircraft were not operating effective January 1, you know, that's sort of your sense of what the maximum downside could be.

Now that said, I want to counter that, which is, if we do see customers continuing their trend closer to minimum guarantees, it will mean quite a bit higher utilization on the -400 fleet.

And, those are two factors that, when you look at year-over-year total block hours, basically, we've said could come close to sort of negating each other.

Edward Wolfe: Okay. That makes sense.

The new passenger planes, when those start up, since they're not your planes, those wouldn't count in the plane fleet, I'm assuming. Would they count as you're thinking about it in your hours? Or, would that just be separate somehow, outside of the way you're looking at your total hours?

Bill Flynn: So, there's a technical part to the answer, Ed.

The aircraft will be on our registry because of the nature of the flying, and we're flying on the Atlas certificate.

And so, we'll have to think more fully about how we disclose and describe the results from this operation, so that you and the market and our customers can understand it.

So, they will be on our registry. We will have no risk on those aircraft from a financial perspective, but technically from a DOT perspective they would be two more aircraft there.

Edward Wolfe: But, they weren't in your guidance of flat hours, I'm taking it, for 2010?

Jason Grant: Yes, they were for partial year. Correct.

Edward Wolfe: They are, or they're not?

Jason Grant: They are. They will be reported in hours going forward, as well, to answer the question on the hours.

Edward Wolfe: Okay. So, when you think about that for partial year, you're assuming they're in for half a year or?

Jason Grant: Assume worst case would be half the year.

Edward Wolfe: Okay. And, are there any startup costs you had mentioned that are significant that we should think about? And, when would you incur them for the business?

Jason Grant: Yes, they're in the guidance, Ed.

We've said that we don't expect the business to be a significant bottom-line contributor for 2010, because of those startup costs that occur in the first half of the year. So, based on the other numbers we've sort of given you, you can kind of triangulate where that comes out.

Edward Wolfe: Okay. Thanks, guys. Really appreciate the time.

Jason Grant: Thank you, Ed.

Bill Flynn: And, we should mention, Ed, just to close on that, there are also some startup costs implied in that number for the 747-8, although we're expecting—we're thinking about very late delivery on the aircraft, and not really meaningful contribution from those aircraft until 2011. And, that is also in the guidance.

Edward Wolfe: Thank you.

Bill Flynn: Thank you, Ed.

Operator: Thank you. And, the next question comes from Chris Robertson. Please go ahead, sir.

Chris Robertson: Hi, guys.

I wondered if we could walk through some of the -8 details for the future as we start to think about this.

From a financing perspective and from a value perspective, if we've got somewhere in the neighborhood of \$1.7 to \$1.8 billion in future payments, if we understand what you said earlier, it sounds like about 35% of that would have to be financed.

And, if you run through the math with a 20% hurdle rate, would that imply somewhere in the neighborhood of \$110 million of incremental pretax profit? And the 35% is getting you to the \$550 that you would multiply by the 20%?

Jason Grant: Yes. Maybe, Chris you're taking a little more complicated path than we intended to here.

So, maybe, just to go back, we're indicating that sort of mid-cycle, the aircraft would have generated \$6.0 million of plane after ownership costs. And yes, I think working backwards, you know, you're going to get to a pretax income.

What we haven't given you here is how much improvement over and above the -400, and I recognize that. But we wanted to give you the baseline and sort of what could the worst-case incremental contribution from the planes look like.

And obviously, I think you can probably back in, if you're using an IRR assumption and your financing assumption, into what you think that means. But, we're sort of giving you the threshold here from an earnings standpoint.

Chris Robertson: You've talked about, in the past, various options for financing. Are you seeing that the environment has improved at all?

Jason Grant: Yes, Chris, definitely.

I think, I mean, you've probably seen, you know, the U.S. operators have seen significant access to the capital markets, I think, in a big way in the last few months.

A market that was effectively shut since, I think, before Q3 and Q4 of 2008, so the pricing I think for those credits is still high.

You know, I think we've advanced our discussions enough in terms of our options and specific lender discussions on the aircraft that, you know, we feel like we've got pretty good visibility.

I think we have a relatively better credit standing than many of the folks who've had to access that market. But, the fact is, if the market's open for those weaker credits, it's a good sign, I think, of the improving health of the capital markets generally for financing these assets.

And again, we think, you know, the best thing we can do here is continue to show consistent earnings, and continue to generate the results with the assets we have, and tell the story around the -8. And we think it's a compelling one.

Chris Robertson: But, you feel like something in the neighborhood of 35% is what you would need to bring to the table through some form of financing?

Jason Grant: Yes. I think from a, you know—so, let me clarify.

We've said of the 12 aircraft, and to go back to comments we've made in prior calls, of the 12 aircraft, we would expect that half of that—up to half of that fleet could be sale-leaseback financed.

That would be sale-leaseback financing for effectively 100% of the purchase price.

And, half of the fleet would be debt financed.

And, the debt-financed aircraft, we said, as I said in my remarks earlier, would look at advance rates say 65% to 70% today, you know, and then potentially a little lower in the current environment. We're hoping that improves by the time we have to finance the assets going into late 2010.

And, you know, at the end of the day, debt financing these assets makes sense for Atlas because we will have cash tax obligations beginning in 2010 if we don't otherwise have the deferral mechanism of these assets on our balance sheet.

Chris Robertson: So, you would view debt financing as the only option you would think about for the -8s, besides some sort of sale-leaseback?

Jason Grant: Correct. Those are the two options that we would look to.

Chris Robertson: Okay. I guess that's all I've got. Thank you.

Jason Grant: Thanks, Chris.

Operator: Thank you.

As a reminder, if you would like to ask a question, please press the "star" followed by the "one" on your telephone.

We appear to have no further questions at this time. I'd like to now hand it back to Atlas. Thank you.

Bill Flynn: Thank you, operator.

And thanks to all of you for your interest in Atlas Air Worldwide Holdings.

We appreciate your participation today, and we look forward to speaking with you again soon. Thank you.

Operator: This concludes the Atlas Air Worldwide Holdings Third-Quarter 2009 Results. You may now disconnect.

**END**