

ATLAS AIR
WORLDWIDE HOLDINGS



Atlas Air Worldwide Holdings, Inc.

4Q08 Results Conference Call

February 24, 2009

Hosted By:

William J. Flynn – President and Chief Executive Officer

Jason Grant – Senior Vice President and Chief Financial Officer

ATLAS AIR WORLDWIDE HOLDINGS, INC.

4Q08 RESULTS CONFERENCE CALL

February 24, 2008, 11:00 A.M. ET

Operator: Good morning, ladies and gentlemen. Thank you for standing by.

And welcome to the Atlas Air Worldwide Holdings, Inc. 2008 Results Conference Call.

At this time, all participants are in a listen-only mode. Following the formal presentation, instructions will be given for the question-and-answer session. Should anyone require assistance on the call today, please press the "star" followed by the "zero". As a reminder, this conference is being recorded today, Tuesday, February 24, 2009.

At this time, I would now like to turn the conference over to our host, Mr. Dan Loh, who is the director of Investor Relations. Sir, you may now begin the call.

Dan Loh: Thank you, Operator, and good morning, everyone.

I am Dan Loh, director of Investor Relations for Atlas Air Worldwide Holdings.

Welcome to our 2008 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 V.P. and Chief Financial Officer.

I would also 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 28, 2008, 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, Dan, and welcome, everyone.

We delivered strong earnings in the fourth quarter despite an unprecedented drop in global airfreight.

We expect to report solid first-quarter earnings in a difficult market.

And we are positioned to substantially improve earnings in 2009 compared with 2008.

2008 was a challenging year for global trade and airfreight.

Record high fuel prices in the first half of the year were accompanied by tight credit and an ongoing global recession in the second half of the year.

Instead of the usual fourth-quarter peak season, IATA reported year-over-year airfreight declines of 8% in October, 13% in November, and a staggering 22% in December.

These factors had a negative affect on our Scheduled Service and Commercial Charter segments during 2008.

In addition, our military charter business experienced lower levels of demand over the course of the year.

Even in this very difficult environment, excluding special, one-time items, we earned about \$30 million, or \$1.41 per diluted share, in the fourth quarter, with pretax earnings of about \$49 million.

For the year, our adjusted net income totaled about \$33 million, or \$1.56

per [diluted] share, with pretax income of nearly \$60 million.

Our operating results for the fourth quarter and for the full year reflect the consistency, transparency, and solid performance provided by our long-term ACMI contractual flying.

They also provide the first proof of the significant transformation that Polar's blocked-space agreement with DHL will have on Atlas Air Worldwide going forward.

We ended 2008 with a solid financial platform and with high levels of liquidity.

At year-end, we had approximately \$411 million in cash on hand, which excludes about \$52 million that belonged to Polar upon its deconsolidation.

We expect to report solid earnings when we report our results for the first quarter of 2009.

Historically, the first quarter marks the seasonal low-point in global airfreight demand.

This is even more true this year, given the current economic environment.

Our outlook for a strong first quarter is based on the consistent profitability in our core 747-400 ACMI business, including a significant improvement to earnings driven by the DHL BSA.

We expect the current global economic and business challenges to continue through 2009.

Given the current conditions, we would like to provide you with an operating framework for our business in 2009.

The starting point is our position in the industry.

We are the only outsource operator of scale with the best-in-class 747-400 freighter.

The benchmark 747-400 freighter provides the lowest unit operating costs of any freighter in the market.

We serve a high-quality customer base, with staggered long-term contracts that mitigate our exposure to market risk.

Twenty of our 22 747-400 freighters are currently under ACMI contract.

Of the other two:

- One serves as our maintenance cover in ACMI and serves in Charter when not required in maintenance coverage;
- And the other, a converted freighter, is profitably deployed to provide air cargo service in South America.

On our last earnings call, we talked about the renewal scenario for 2009.

At that time, we advised that we had entered into a letter of intent with a new customer for the two aircraft being returned from DHL.

Our customer has advised us that due to the current market conditions they will delay taking the aircraft until October 2009 at the earliest.

In addition, a customer has opted to return one aircraft at the end of March under the existing terms and conditions of that contract.

The return of this asset only became definite in the last several weeks.

And as previously reported, we do have one further aircraft up for renewal in the second half of this year.

Our exposure to ACMI placement risk in 2009 is limited to these four aircraft.

With 16 of our 747-400 freighters under contract throughout 2009, the principal variable in our business outlook is our ability to place the aircraft either through a renewal or a placement with a new customer.

We are continually marketing our aircraft.

Should a gap develop between the end of one of our agreements and the start of another, we will temporarily deploy that 747-400 aircraft in the AMC and Commercial Charter market in place of 747-200 capacity.

What we will not do is place these aircraft in a long-term ACMI contract at fire-sale prices at the bottom of the market.

In a scenario where we redeploy 747-400 assets into AMC or Commercial Charter, we estimate that our potential pretax earnings exposure in 2009 would be approximately \$5 million to \$7 million for each 747-400 aircraft that is reallocated.

We expect soft demand and the concerns about prospective fuel-price levels to continue to drive aging and inefficient capacity out of the market.

This will offset the impact of reduction in overall airfreight demand.

Since the beginning of 2008, we have seen a 25% reduction in the number of 747-200 freighters serving the market.

The 37 Classic freighters that have left service, including the 10 that we removed from our fleet, reduced the global Classic fleet to about 108 aircraft at year-end.

We think we will see substantially more of this older capacity come out of the market in 2009 and beyond.

On average, these aircraft are about 30-years old and have nearly reached the end of their useful economic lives.

They will not return to service when the eventual recovery comes.

Other supply factors are acting to moderate the downturn in airfreight demand, as well.

- We know that the production of the 747-400F will cease in the second quarter of 2009.
- We also know that 747-400 passenger-to-freighter conversion activity has diminished.
- And we know that manufacturer-caused delays have pushed out the introductions of next-generation aircraft.

With that, this is probably a good point for Jason to take you through our financials.

Following Jason, I will have some concluding remarks, and we will go to your questions.

Jason Grant:

Thanks, Bill, and good morning, everyone.

As Bill noted, the actions we have taken to transform our business and to limit our commercial and operational risk have positioned us for solid first-quarter earnings and for substantial full-year earnings improvement in 2009 compared to 2008.

Some of these actions also resulted in significant special items in our fourth-quarter and full-year results.

First is a previously disclosed deferred pretax gain of approximately \$154 million related to DHL Express' investment in Polar.

At the time of the commencement of the full blocked-space agreement on October 27, we made a determination to deconsolidate Polar from our financial statements.

That determination is based on the application of FIN 46(R) and on changes to the various agreements entered into following DHL's investment in Polar, as well as changes to Polar's operations during the fourth quarter.

The deconsolidation is reflected in the reporting of financial and operating data for our ACMI and Scheduled Service segments in the fourth quarter and for the full year.

As a result of the change, block-hour volumes and associated block-hour revenues generated by Polar aircraft after October 26 are included in ACMI operations rather than in the Scheduled Service segment.

On a go-forward basis, our reportable business segments will include:

- ACMI;
- AMC Charter;
- Commercial Charter; and
- Dry Leasing.

With all of our long-term lease-contract business now included within ACMI, we have established a more transparent platform for modeling our business and earnings growth.

We also have reported a mostly non-cash pretax special charge of \$91 million related to the resizing of our 747-200 freighter fleet, which partially offset the gain from DHL's investment in Polar.

In conjunction with this action, we also reported a maintenance charge of \$8 million related to the overhaul of several engines pursuant to the early termination of a long-term maintenance services contract for 747-200 engines.

As part of the downsizing of our -200 fleet, we negotiated favorable early termination agreements with our lessors regarding leases on four 747-200 aircraft which were due to expire in 2009 and 2010.

This will permit us to avoid costly maintenance expenditures with respect to these aircraft.

It will also allow us to use the remaining 747-200 engines and related parts to support the seven aircraft still in our -200 operating fleet and to reduce future maintenance expenditures.

As a result of these developments, our fleet currently totals 29 aircraft, comprised of:

- Twenty-two 747-400s; and
- Seven 747-200s.

All of our 747-200s are now unencumbered and will be managed opportunistically.

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

We reported an effective income tax rate of approximately 40% for the quarter and approximately 44% for the full year.

As was the case in the first three quarters of 2008, the tax rate for the fourth quarter and full year differed from the statutory rate.

The difference is primarily caused by continued losses incurred by Polar Air Cargo Worldwide prior to the commencement of the blocked-space agreement in October.

As has been the case through 2008, Polar did not record income tax benefits related to its losses because it had no prior period income to apply against these losses.

Looking ahead to 2009, we expect our book income tax rate to be in the 40% range.

Turning to our balance sheet, we ended the year with cash, cash equivalents, and short-term investments totaling \$411 million compared with \$477 million at the year-end 2007.

Our cash total excludes approximately \$52 million that belonged to Polar upon its deconsolidation in October.

Turning to our debt and capital lease obligations, they totaled \$672 million on December 31, with their face value totaling \$740 million versus \$469 million on December 31, 2007.

At year-end, we had \$68 million of unamortized debt discount related to our fair market value adjustments.

The increase in our debt during 2008 is the result of:

- \$217 million in outstanding borrowings under the \$270 million PDP financing facility that we closed last February; and
- \$100 million in five-year term loans that we completed in September secured by the two 747-400 aircraft that we acquired earlier in the year.

Our capital expenditures totaled approximately \$485 million in 2008. This amount included:

- \$257 million in Boeing progress payments related to our future 747-8F aircraft deliveries; and
- \$168 million related to the acquisition of our two additional 747-400 aircraft.

Capital expenditures for 2009 are expected to total approximately \$90 to \$95 million.

This amount includes approximately \$48 million in Boeing progress payments on our -8F order, about \$10 million of which is expected to be funded by drawings under our existing PDP facility.

As we look into 2009, we are well positioned from a cash flow and liquidity position.

Boeing's delay in the delivery schedule for the new 747-8 freighter has moved the expected delivery date of the first 12 -8Fs into late 2010 at the earliest and has considerably reduced the amount of our expected pre-delivery-deposit payments to Boeing in 2009.

We are currently in discussions with Boeing regarding a revised delivery schedule.

We continue to look forward to the launch of our 747-8 freighter service.

And we will benefit from the enhanced payload and improved fuel efficiency that these aircraft will provide to our customers.

We will also benefit from their scarcity value and from our first-to-market position in their ACMI capability.

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

Bill Flynn:

Thank you, Jason.

Even in these turbulent times, we see an exciting and dynamic future for Atlas Air Worldwide Holdings.

We have de-risked our business, and our focus continues to be on long-term contracts that improve our revenue and earnings stream visibility.

Our strategy serves us well in a difficult market environment.

We have manageable ACMI renewal risk in 2009.

The full startup of the BSA on October 27 removes the risk of our historically unprofitable Scheduled Service business, where high fuel prices and soft demand hurt our performance over the first 10 months of 2008.

Updating a comment we made on our last call, our 10-K will reflect a Direct Contribution loss in our Scheduled Service business of approximately \$46 million for the year-to-date period up to October 27, 2008.

The combination of the effective ACMI rate that we will earn in 2009 for flying six 747-400 aircraft in express ACMI and the elimination of the losses due to yield and fuel risk in the Scheduled Service business will generate substantial year-over-year earnings improvement.

With Polar's transformation and a reporting deconsolidation from Atlas Air Worldwide, we have a more transparent platform for earnings growth in 2009 and beyond.

We continue to focus on costs and productivity, and we continue to execute on initiatives that will drive future revenues and earnings.

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

Operator, may we have the first question, please.

Operator: Certainly. Ladies and gentlemen, at this time, we will begin the question-and-answer session.

If you do have any questions at this time, please press the “star” followed by the “one” on your pushbutton telephone. As a reminder, if you are using speakerphone equipment, you will need to lift the handset first before pressing the numbers.

And our first question comes from the line of Bob Labick with CJS Securities. Please go ahead at this time.

Bob Labick: Good morning.

Bill Flynn: Good morning, Bob.

Jason Grant: Good morning, Bob.

Bob Labick: Hi. First, you gave us a context to understand the impact of, if you're unable to place the -400s as they come back to you, and I know you're actively seeking to place them, but previously, you had guided to pretax income of \$130 million in 2009. You only gave us a context as a delta.

Is that \$130 still the right starting point for the delta guidance that you just gave us?

Bill Flynn: Bob, that would be the right starting point.

Bob Labick: Okay, great. That's very helpful.

And then you discussed the LOI planes. Could you talk about it, maybe, just a little more?

You discussed moving potentially from March to October, but if you found a home for those planes before the—October at the earliest, can you place the planes then? Or are they, you know, up in the air, I guess, for six months no matter what? How is that arrangement working out right now?

Bill Flynn: So, as we talked about at our last earnings call, we entered into an LOI with a customer for placement, and our expectation then was that the aircraft would essentially go right into service for that customer upon return.

The customer has amended the LOI and, given the market conditions, has indicated to us October 2009 at the earliest, as I said. If we had a firm

placement for that aircraft, or those aircraft, before that date, we would place the aircraft.

Bob Labick: Okay, great. And could you discuss the various options—just broadly speaking, not, obviously, customer-specific—but that you’re looking at for the -400s as they come back?

I mean are there dry lease options? Are there other markets? What are the potential—you mentioned you don’t want to, you know, go into a five- or eight-year ACMI contract at the bottom of the market. But what are the options you are looking at?

Bill Flynn: Well as we said, we are continually marketing our aircraft to customers, and we have a steady ongoing dialogue with a range of customers.

We prefer an ACMI placement. We think that, particularly in this market, would give us the best margins and the best returns and build the long-term relationship that we want to have. So we are in dialogue with other customers, I think is the first point to make.

If, the other point we said in our script and in our release, we’re not going to bottom-price this aircraft. We don’t need to bottom-price the aircraft, because I would say somewhat unlike a dry lessor, we have an alternative placement for the aircraft that will yield us attractive margins and returns in our AMC if we don’t find an attractive contract immediately in ACMI.

And if there were a dry leasing opportunity that made sense and yielded the kind of returns that we estimate we could otherwise achieve, certainly we’d consider it.

But those, I think, are the range of marketing options that we’re working today, Bob.

Bob Labick: Okay, great. I’ll ask one more, and I’ll jump back in queue. And it relates to AMC.

Could you give us a sense of the military outlook, because I saw the other day another 17,000 troops going to Afghanistan? But the ’09 overall outlook versus your previous expectations both on the demand for freighters and also on the supply; if you could talk a little bit about, you know, your competitors’ fleets. Obviously, there’s been a reduction of the overall fleet. How has that impacted the supply for freighters and the CRAF-AMC program?

Bill Flynn: Okay, so a couple of points.

We are experiencing right now in the first quarter a higher level of AMC demand than we had expected. Certainly, some of that is driven by the deployment of troops to Afghanistan, as well as other troop deployments and rotations in Iraq, as well as just overall AMC flying to the other bases that are outside of the theater, in Germany and in the Pacific, et cetera.

So again, you know, we're just sitting here at the end of February, or near the end of February, and the market demand is a bit unclear, but there is the potential for higher levels of military flying than we would have thought back in the fourth quarter. And that's really going to depend on the administration's decisions and the DOD decisions going forward.

As far as the supply of aircraft in AMC, AMC is over subscribed. There is more aircraft committed to AMC than actually would fly.

Each team, and we're a member of the FedEx team, is awarded a market share or an entitlement. The entitlement is based on the overall aggregate aircraft that you commit as a percentage of the total aircraft committed. So we are flying at or above our entitlement level. I would say there is enough aircraft to serve AMC demand, so the retirements have not created imbalance there. We're not going to carry more because people have retired more. If we carry more than we anticipated, it's largely because the demand's going to be greater than we anticipated.

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

Bill Flynn: Thank you, Bob.

Jason Grant: Thanks, Bob.

Operator: And our next question comes from the line of Alex Brand with Stephens. Please go ahead at this time.

Alex Brand: Thanks. Good morning, guys.

Bill Flynn: Good morning, Alex.

Alex Brand: I guess I want to start with clarification on a couple of things in the press release.

The \$5 to \$7 million estimate if you don't place the aircraft—the four aircraft immediately, what's baked in that? Is that the annual number per aircraft from whatever date you'd lost the—or you didn't get the contract renewed, but it also assumes the aircraft's doing some amount of work in some other—in one of the other segments?

Jason Grant: Yes, Alex. It's Jason. That's right.

I mean the number is not an annualized number. It's an annual '09 number. So it's sort of the average pretax annual '09 delta related to the reallocation of the aircraft.

And the factors that would drive that delta are clearly the foregone contribution that we otherwise would've achieved in an ACMI placement but some improvement for the reallocation of the aircraft into a military segment, where the aircraft does achieve better operating economics than the -200 that it would displace.

So the net affect to us would be further displacement of -200 capacity in 2009 as the -400s are reallocated, and there is—you know, obviously the loss of contribution drives the negative affect here, but there is some improvement on fuel burn and on the aircraft for deployment into military.

Alex Brand: Okay. Now, when I read the press release, it talks about that there were 20 of the 22—of the -400s—are in ACMI, but three of the -400s are in dry lease. So help me rectify those two.

Bill Flynn: The three that are in dry lease are the three that we have leased to GSS, which is a U.K. airline. We own 49% of that. And then they take those three aircraft, which they have dry leased in, and then have an ACMI contract to fly for British Airways.

Alex Brand: All right, so you just included those three in the 20.

Jason Grant: We do. And it's important, Alex, is the distinction that they're shown on the face of the income statement as dry lease, because it is dry-lease income for the holding company. But the dry—we effectively are able to achieve wet lease economics on those aircraft ...

Bill Flynn: ...Because of the nature of the service.

Jason Grant: Right.

Bill Flynn: Because of the nature of the ACMI service we provide BA.

Alex Brand: Okay. And I'm sorry to keep doing this to you guys, but if I take the block hours reported for ACMI, 20,139 and 18 average aircraft, that only gives me 371 hours a month.

Jason Grant: Yes, and Alex, the one thing I caution you is, you need to adjust for the stub period in Q4.

We did have eight—we had the eight aircraft operating for DHL through the 26th of October. Those hours you need to reclassify from Scheduled Service to ACMI, if you're looking for sort of a go-forward run-rate number.

Alex Brand: Okay. Fair enough.

Jason Grant: And Alex, yes. The other point being that the GSS aircraft, so the aircraft we referenced that are operated through the U.K. sub, those hours are not reflected in ACMI. So you'd want to kind of proxy those as well if you're trying to get to the math I think you're trying to get to.

Alex Brand: Okay. And let's see. You said \$46 million loss through October for Polar. And forgive me, because I don't have it in front of me, what does that imply the loss was for the month of October?

Jason Grant: So then, Alex, I think it's important that that \$46 million loss is not fully allocated; that's just contribution.

And I would suggest that on a contribution basis, which is effectively contribution after the cost of the airplane, you know October would have been effectively a wash. It would have been close to a breakeven outcome for the month and a \$40—just over \$40 million loss for the year compared with a \$37 million contribution in '07.

Alex Brand: Okay. And just then, just one more, and I'll turn it over.

There's at least some hinting by Boeing that there might be uncertainty about the -8 production. Is that something you guys have even thought about, and does it make that big of a difference? I mean would you just probably shift your focus to the 777 or something?

Bill Flynn: Alex, this is Bill.

My sense is that Boeing is committed to building the 747-8 platform. Certainly, something could happen, but knowing what we know today and what we believe today, we believe they're committed to building out the platform. And we do think it will be a very good freighter, an exceptional freighter, when it comes into service.

Alex Brand: Okay, fair enough. Thanks for your time, guys.

Bill Flynn: Thanks, Alex.

Operator: And our next question comes from the line of Helane Becker with Jesup & Lamont. Please go ahead.

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

Bill Flynn: Hi, Helane.

Jason Grant: Hi, Helane.

Helane Becker: Thank you for taking my question. I just have a point of clarification.

Bill, I think you said that the pretax number that we'd start with is still \$130 million for '09. But what about the seven planes that were being eliminated from service this year? Didn't they make any contribution, or not?

Jason Grant: And Helane, it's Jason. I think as we discussed on the third-quarter call, and really the market hasn't changed much since, and it's gotten worse since from a demand standpoint. But, we really didn't have a lot of contribution from a commercial sense tied to those aircraft, and that's really what made the decision compelling.

And if you remember back in November when we discussed in the third quarter, we were actually discussing variances to guidance related to a reduction in charter demand. So I think we probably factored a lot of that in. And as Bill said, there's a lot of factors going on right now for us, including potentially some opportunities on the military side from a demand standpoint. So on balance, we think that the Classic fleet is probably on balance, a trade-off versus where we were in November, and that the real focus for us in terms of the variables on performance going forward are related to the renewal of these -400s.

Helane Becker: Right, gotcha. And then, so as we should think about it, you renewed two already, back in the fourth quarter that you talked about on the November call. So you still have two to renew, or there were six to be renewed, and you've renewed two and there are four to go?

Bill Flynn: Let me take that. There were—we renewed two in the fourth quarter. Those two would have been up for renewal in 2010.

Helane Becker: Oh, I see.

Bill Flynn: Sorry. Excuse me; I misspoke. I'm a year ahead of myself. Those would have been up for renewal in 2009.

Helane Becker: Right. Those are two of the March planes.

Bill Flynn: No, they're—one was earlier in the year, and one was later in the year.

Helene Becker: Okay.

Bill Flynn: Now, that's two. Let's put those aside.

We have four that we discussed today, and we should focus on the four.

The first two of the four were—are the two that DHL is returning to us, aircraft 7 and 8. We talked about that in some detail on the last call. And in the last call, I advised that we had an LOI on those two aircraft to go into service right upon renewal from a new customer. What I said today is that that new customer has advised us they want to delay taking those aircraft on until October at the earliest, because of market conditions.

Helene Becker: Gotcha, okay.

Bill Flynn: So that's—aircraft 1 and 2 of the four that we're talking about now today.

Aircraft 3 is an aircraft that's being returned to us from another customer under their contract. We only learned about that in December as a potential, but it really only became a definite return in the last several weeks, because we've been working with that customer, modeling for that customer, to find ways to keep it in service for them, and they ultimately decided to return it.

Helene Becker: Gotcha, okay.

Bill Flynn: And then aircraft 4 is the one that we did talk about in the last call. That's the one that's rolling off in the second half.

And so those are the four aircraft that we referenced in our earnings release and that Jason and I talked about in today's call.

Helene Becker: Gotcha, okay. Thank you so much for clarifying that. I really appreciate it.

And then, now as we go forward, and this is probably more a question for Jason, the—so much more of your business is in the ACMI area. So how will that change things like crew travel expenses and maintenance-related expenses going forward?

Jason Grant: Well Helene, it's a good question. I think from a—it's effectively the same operation. So you know what we've done is we've converted the operation of the Polar aircraft—which is eight today, going to six on April 1—into this what is, you know, is an express schedule.

And so I think the results already reflect the maintenance and crew travel-related costs that you would expect to see. So the real change is obviously fuel is eliminated as an expense item on the P&L, ground handling, landing, overfly, parking. All the what we call the non-ACMI expenses are eliminated on deconsolidation.

And then on the revenue side, obviously we're reporting a net ACMI revenue as opposed to a gross Scheduled Service revenue. But otherwise, the operating costs are very similar to what they are today.

Helene Becker: Gotcha, okay. And then—

Bill Flynn: But what we are seeing in the market, Helene, obviously is reducing travel costs, reducing hotel costs, and part of our focus on cost and productivity, given the general softness in the market for those expenses, our purchasing team is out negotiating aggressively to take advantage of the environment and drive that cost down. But that'll be more as a result of the market, not necessarily as the mix of Scheduled and ACMI.

Helene Becker: Okay. All right, thank you. And then my last question is related to that \$52 million that's attached to Polar. Where does that show up, if at all, on your balance sheet?

Jason Grant: It won't, Helene. So going forward, the—all Polar debt, cash, otherwise on the balance sheet is deconsolidated and will not show up.

So what you see and what you will see when we file the K is the Atlas Air, Inc. and Holdings cash separate from the Polar Air Cargo Worldwide cash.

Helene Becker: Okay, and that will be reported that way going forward?

Jason Grant: It will be. So effective the fourth quarter of this year and going forward, we will show that deconsolidated presentation of Polar.

Helene Becker: Okay. That's fine. Thank you very much. I really appreciate your help.

Bill Flynn: Thanks, Helene.

Jason Grant: Thanks, Helene.

Operator: And our next question comes from the line of David Campbell with Thompson Davis and Company. Please go ahead.

David Campbell: Yes, good morning, everybody.

Bill Flynn: Good morning, David.

Jason Grant: Good morning, David.

David Campbell: I just wanted to clarify, the Scheduled Service traffic and revenues that you reported for the fourth quarter, that'll be basically zero from now on. That was just up until August—October 26th?

Jason Grant: That's correct, David.

David Campbell: So that's the big change as far as 2009 is concerned. And the starting point you mentioned, the estimate for \$130 million in 2009, that is still effective, potentially reduced by the \$5 to \$7 million per aircraft that for some time that you—for whatever time that you can't re-lease them. Is that the way to look at it?

Jason Grant: Yes. David, I think the way that we've approached it is rather than providing you all with a point estimate of where we think that outcome is, we've said we have a starting point, we have a range of outcomes that encompass that starting point, and we wanted to give you the visibility of what we think the variables are that drive some risk to that.

And it really is at this point, in our view, the primary driver is the -400s. So we said, you know, we've got four aircraft that are scheduled to come off lease to be renewed or replaced. And to the extent they're not placed, we've given you that \$5 to \$7 range as the impact.

David Campbell: Right, okay. Now in terms of the market, we've had—as you mentioned, we've had this unprecedented drop in airfreight traffic since October through January, especially in the Asia-Pacific region.

Given that unprecedented drop which, you know, far exceeds the drop in business activity generally, first of all, why do—what do you attribute it to? I mean we're not—the world's economies aren't down 25%, 30%, but airfreight is.

And secondly, why wouldn't we get a substantial pick-up in February and March, given that drop?

Bill Flynn: Well David, I think there's a few factors there.

There was a report that I—I guess it was more than a month ago now, that I read—but it was a J.P. Morgan report that looked at manufacturing output across a number of economies for the fourth quarter of 2008. And

among those economies were the usual—U.S., Germany, Japan, and included South Korea, Taiwan, China, and India.

And on—and in aggregate, the report suggested that manufacturing output was declining at an annual rate of about 20%. Now that's not necessarily one-for-one with airfreight, but absolutely not inconsistent with what we've seen in airfreight. And if you look at some of the other international freight statistics like ocean freight, you'll see very similar levels of decline in ocean freight as we've experienced in airfreight.

So economies over the world haven't stopped, as you say, and the economies don't seem to be down that much—and they're not, but products that move internationally are suffering from weaker demand overall.

People are working off of inventories, what inventories they have, and we would agree at some point that either needs to come back or at least the fall needs to bottom and begin to stabilize.

And so if you look at where we are today, as we get into easier comps, you know in the second half of this year, we should start to see a bottoming or bottom, but we certainly haven't seen indicators of growth yet.

The only—there are some markets that are faring better than others, particularly in and out of the Middle East and from Asia and Europe. Not a large market, but in aggregate the African trade lanes are growing.

But there's still a lot of uncertainty. And fundamentally what's going to drive air trade is the pick-up and demand of the products that are shipped air, and that's not happened yet.

Jason Grant:

And David, the point Bill made earlier on supply, I think it's important to remember and put in perspective that in 2008, you know, total supply grew by 1.5% to market.

We talked about the -200s that came out, and 25% of that market basically came out and—supply came out of the market in 2008.

When we look at 2009, we think it's a sort of a significant change from where we were in '08. We have limited new capacity coming into the marketplace. A lot of the 747-200s that were being operated were being held for the fourth quarter of 2008 to see if peak would justify their continued existence or not. And where we are now is 108 aircraft that I think a large part of which are poised to leave the market.

So I think the benefit we have in our space that maybe some others don't have in transport is just the size of the potential capacity that could come out of the market this year, and really the limit on introduction of new capacity because of the deferral and delay of some of the new program introductions on the freight side.

So when you look at demand, I think you have to always look at, from our standpoint, supply at the same time. And that to us is a much better picture in '09 than it was in '08.

David Campbell: So you don't really need an increase in overall demand of any significance to have success in re-leasing your aircraft.

Bill Flynn: Well, I think—I don't think that's exactly what we said.

I mean one of the things we did say on the call today, for example, is that the two aircraft that we had the LOI with with the new customer have been postponed. But we do expect, you know, that LOI will place.

And given the uncertainty that's in the market, these are the challenges that we're working through with our customers, potential customers for the aircraft.

We need to sit with them, we need to model, we need to work with them on routes. And in some cases, even with current customers, we're identifying opportunities that they might not have seen for themselves to carry more freight, to get better utilization off of the assets, because that's just part of what we do in our customer relationships. But you know it's about sentiment, and part of our ability to place aircraft is going to be driven by ultimately the airline customer sentiment and customer experience.

And it's to that point that we wanted to give you the visibility on these variables in our call today and in our press release earlier this morning.

David Campbell: Yes, thank you very much for helping with that visibility, and I'll let someone else ask questions. Thank you.

Bill Flynn: Thank you.

Jason Grant: Thanks, David.

Operator: And our next question comes from the line of Howard Rosencrans with Value Advisory. Please go ahead.

Howard Rosencrans: Hi. Thank you very much.

Guys, I just want to understand regarding your concept of how we get to this \$110, and in particular the AMC business.

What is the block-hour rate, and what do you perceive that the—as you had indicated on the last call, that the number of hours was down or that you were looking for—I think it went from 1,400 to 1,100, the number of hours that you were looking at. And I think you—I'd be curious what sort of block-hour rate you were using, and what sort of direct margin we can anticipate in that business.

Jason Grant: Yes, Howard, I'm not certain what the \$110 is that you're referencing, but I can speak to the—

Howard Rosencrans: The \$110 was the—\$100 was the \$130, less about—I guess I'm sort of saying a random \$20 million from the -400s that's sort of the removal of three planes and maybe a little more. That's where the \$110 comes from.

Jason Grant: Fair enough. So if you're using an estimate of \$110, I can certainly speak to it from an AMC standpoint, where we are on revenue rates. And it's an important point, because the real driver on the AMC side is it is a cost-plus contract, and part of that cost is fuel.

And you did see in the fourth quarter that we had an average rate on AMC Charter of just over \$26,000 an hour for revenue rates. And I think our expectations are that that rate is diminished going forward, simply because of the reduction in fuel prices.

So if you look at the fourth quarter of 2007, where we were just over \$18,000 an hour, and you look at the relative fuel prices today relative to where we are, I think that's probably a decent indication of where we're headed in terms of AMC rate into 2009.

And I guess I just want to stress the point that that fuel is effectively a pass-through. So you want to think about a lower AMC rate for '09, but you also want to consider the fact that the fuel cost comes down commensurately.

Howard Rosencrans: What sort of direct margin are you looking at in that business? Is that about a 25% direct margin business?

Jason Grant: Yes, I think, you know, we've often discussed sort of 14% pretax contribution. I think if you looked at the direct margin, you know, they've been relatively stable. So I think you can use our '08 basis as you go forward and think about the contribution from AMC in '09; again with the careful point of adjusting for fuel.

Bill Flynn: And I think, Howard—this is Bill Flynn—part of what we've been communicating today is, you know, it's not clear where AMC is going to end up.

We are carrying higher than what we expected right now in the first quarter. A lot of that is driven by the deployments into Afghanistan as an earlier question specifically referenced.

How the administration and DOD are going to deploy troops and then make decisions about what commercial capacity they need to contract is really unclear at this point. And so we need to watch that closely and serve it as we move through the year.

Jason Grant: And Bill, I would add to Howard's true question, I mean that direct contribution of 25% has been fairly stable for us. There are factors like the mix of the types of missions we operate that can drive it. But as proxy, it's probably fair.

Howard Rosencrans: Okay. And the Commercial business, you expect—is it reasonable to assume that that operates in the ballpark of breakeven, based on where you guys stand today?

Bill Flynn: On Commercial Charter, that's probably a reasonable assumption.

There's not a lot of it. I mean there's two issues in Commercial Charter this year, and I think Helene was kind of focused on that.

There is substantially less Commercial Charter in the market than there has been in prior years. And one of the drivers in Commercial Charter is regular Scheduled Service is full. And so one of the reasons people do go out for Commercial Charter is they just need the capacity, because it's not currently available in Scheduled operations that the various airlines offer.

Well, that's not really the case right now, so that's clearly one of the drivers of a very low Commercial Charter demand, which has put pressure on pricing, which has put the direct contribution, you know, much at—much more at breakeven as opposed to generating any kind of income.

Howard Rosencrans: Okay. And then just so I—just for 100% clarity on the \$5 to \$7 million, that is just the—that's the '09 impact, so that's really—that's the impact for nine months? Is the \$5 to \$7 million not the annualized impact of the—of a -400 missing?

Jason Grant: That's the average impact for calendar '09, correct.

Howard Rosencrans: Okay. So that would be just for nine months.

Jason Grant: Yes.

Howard Rosencrans: Okay, I'll get back in queue. Thank you guys very, very much. Appreciate the call.

Jason Grant: Thanks, Howard.

Operator: And our next question comes from the line of Chris Robertson with Cardinal Capital. Please go ahead.

Chris Robertson: Hi. I just wanted to clarify on the \$49.3 million of adjusted pretax. When I look at the numbers, if—I'm assuming that you're adding back the \$8.2 million for the early engine work, the \$91 million of the charge and the \$153-\$154 million on the Polar gain, which gets me to just under \$60 million.

With your prior pre-announcement guidance of \$55 to \$60 million, that sounded right to me, but I just wanted to run those three different numbers by you to call it the guidance versus the \$49.3 million in the press release.

Jason Grant: Yes, Chris. You've got that right. I mean I think we were looking at, we said \$55 to \$60 adjusted pretax that would—for the full year, which would exclude all of the items that you referenced. And that reconciles to the \$59.7 million adjusted number that we reported for the full year.

Chris Robertson: Okay.

Bill Flynn: \$49 was Q4. We had about \$10 million cumulative coming into the fourth quarter.

Chris Robertson: Got it. And then the second question I just wanted to make absolute certainty on is the—you've talked at length about the four jets and what is due when and where and costs that would be associated with them.

In any of your other contracts that you have out there, whether it be for 2009 or beyond, can you talk publicly about any of those contracts that might have clauses that allow for the early return of the jets, such as you experienced with the one customer you referenced in December?

Bill Flynn: So for 2009, the exposure we have in 2009 are the four aircraft that we talked about.

Chris Robertson: Right.

Bill Flynn: So that's the exposure.

Chris Robertson: And for 2010, can you give us a sense for that?

Jason Grant: Well Chris, I think the best way to probably frame it for you is, I think, when we—you know, we've given indications in the past that, you know, the term of these contracts and the average number of aircraft rolling off in a given year.

And I think if you look at 2009, I think that's sort of the high range of any year, based on current portfolio, where we would be exposed to renewals, including the affect of any termination options that exist. And these are long-term contracts. You know, any termination options are typically associated, you know—accompanied with penalties, and are certainly within the context of a long-term contract.

Bill Flynn: And I think the final point is that you'll see in the K a table of our committed revenues going forward.

Chris Robertson: And that would—the table will give us a sense as to some back-of-the-envelope math that would let you know how many planes in any given year would be up for renewal? Is that the way to think about that?

Jason Grant: No, but Chris I think it just gives you a means that triangulate what you're trying to do, which is understand what's the minimum sort of non-cancelable revenue that I can presume in a given year.

Chris Robertson: That's correct.

Jason Grant: We do have disclosure in the K that gives you that number, and I think that in combination with the disclosure we've given around the contract you can fairly, you know, I think accurately triangulate where I think the guarantees...

Bill Flynn: Right. It doesn't talk about placements or renewals, but it could help you in the consideration that you have there.

Chris Robertson: Okay. And I certainly understand in a long-term sense how you could view that as being proprietary, but I certainly would feel in the current environment that we're in that you can appreciate how that can be more important to investors.

Bill Flynn: No, we understand. It's proprietary, but it's also competitive.

Chris Robertson: Of course.

Jason Grant: Yes. And so Chris, I think what we've achieved here is to give you visibility for '09, and certainly to give you, with the K, visibility into those commitments going forward, and a sense of what we think the maximum exposure is going forward.

Chris Robertson: Thank you for your time.

Bill Flynn: Thank you.

Jason Grant: Thanks, Chris.

Operator: Ladies and gentlemen, if there are any additional questions at this time, please press the "star" followed by the "one" on your pushbutton telephone. As a reminder, if you are using speakerphone equipment, you will need to lift the handset first before pressing your numbers.

And our next question is a follow-up question from Howard Rosencrans with Value Advisory. Please go ahead.

Howard Rosencrans: Yes, hi guys. Thanks. Is there any—just going back to the prior—the gentleman who just asked a question. I believe your answer to it was there's about, in general, forget the specificity—there's usually about two to three aircraft that come off in most years?

Jason Grant: Yes. And just to repeat what I said, Howard, I said that we have four aircraft this year, and that's indicative of what we would consider as sort of a peak year for renewals going forward.

Howard Rosencrans: Right. And just so I understand the—and the contracts usually call for a minimum of—it's a minimum of 400 hours on the ACMIs?

Bill Flynn: For the 747-400s, yes. You know we've talked about in our prior releases is a minimum of 400 hours on average.

Howard Rosencrans: Okay. So if it's—so here would be the question. Are the—so that's what the guarantee is. That's what the take-or-pay guarantee is.

But my question to you would be how often are the customers now paying but not taking? Is there any financial advantage to them paying instead of taking; or conversely, any negative to you in one scenario? Or it doesn't matter to you, but often would—how often are they not even—are they saying listen, you know we don't get any freight flow, and so we can't—there's no reason for us to take?

Bill Flynn: Well, we've talked about this in other calls. So, there is a seasonality to freight. And so in the first quarter of the year, it's typical for us to

schedule maintenance. And we would do that. And our customers do that.

And there is flexibility in their contract to fly a little bit less in the first quarter and fly more later in the year. But we smooth it out over the whole year to get back to the average.

Howard Rosencrans: Okay. So the answer to the question—and I don't want to put words in your mouth—but the answer is due to the seasonality factors—well, I guess my question relates then to the fourth quarter.

When you saw this December month when you had 22% falloff—not you in particular, but there was a worldwide falloff of 22% in airfreight flows—were you experiencing where the customer which is—and that's seasonal peak time—were you experiencing where the customers were simply paying instead of taking, I think?

Bill Flynn: Well, what we said was that customers were flying at minimums. And that's what we've talked about at our last call, and that we also said that through 2009 we expected customers to be flying at the minimums.

And the other data point we had was that, typically, though, we had been experiencing over minimum flying, and that had averaged somewhere around 7 or 8% over minimum.

The other point we talk about is that minimums are very close to maximums. You know at a 400-hour minimum, there's—you can get up at 430 or so a month, maybe even 440 on a push. But there's not a big delta between minimums and what's effectively available from the aircraft. If that's helpful, Howard.

Jason Grant: Okay. And then Howard, I think you have to understand—I'm somewhat—I mean the point was made. But Q1—

Bill Flynn: Is always a low flying...

Jason Grant: ...We're always going to be below min, and that's a historical fact. So it's difficult for us to extrapolate. I think that you have to be careful about extrapolating too much from the performance on February 24th in terms of full-year numbers.

Bill Flynn: Right.

Howard Rosencrans: Okay. But the fourth quarter experience was people were actually flying the minimums?

Bill Flynn: Oh, yes. Yes, and some flew a little bit above, but yes.

Howard Rosencrans: Okay. And is there any—just give some quick color if this is an easy question to answer. Otherwise, we can just forget it. Is there a—if the customer is going to pay for it anyway, is there a real variable cost to the customer to fly it instead of to—instead of simply to pay for it? Is it—

Bill Flynn: Yes. I mean the customer would incur fuel expense and other operating costs that we and ACMI don't—we don't carry.

Howard Rosencrans: Okay, so it is—so the bright light would be that yes, the customers in this horrid, horrid, horrid fourth-quarter environment, they still managed to be—I'm not trying to spin this, I'm just saying that they were actually flying the minimums still, not just sending you a check.

Bill Flynn: So, in the fourth quarter we operated at minimums, because I don't want to spin it either and create many misperceptions.

We were flying at minimums in the first quarter where we are now. We are paid at minimums. Some people are flying below minimums. Some of that is because of their normal scheduled maintenance, or because it's just the schedule they would intend to operate anyway. Or it could be because of the current market.

So there's three variables there. And we're going to need to come out of this first quarter and see what demand looks like and how customers respond to that demand to have a better perspective, I think, on the utilization question that you're asking.

Howard Rosencrans: Okay, but your doing the minimums in the fourth quarter were a result, I guess, of levels that were—I mean because earlier in the year, they're taking less, and then they're pushing out their minimum commitments until later in the year.

So despite the fact that they pushed out their minimum, and admittedly there was more demand at the beginning of '08 than there was later in the year, but despite the fact that they pushed out their minimums, they still managed to fly at their minimums in the fourth quarter.

Bill Flynn: Well, it's not exactly that linear, because some of the customers could have achieved and recovered any of those hours just even in the second quarter.

Howard Rosencrans: Okay, all right.

Bill Flynn: It's kind of a customer by customer. And I'm not trying to not answer, but there's a lot of precision there—that to give the complete answer, I think,

that you're asking—which we don't disclose on our customers.

Howard Rosencrans: Very good. Thank you for the color.

Jason Grant: Thank, Howard.

Operator: And gentlemen, at this time there are no further questions. Please continue with any closing comments you may have.

Bill Flynn: Thank you, Operator.

On behalf of Atlas Air Worldwide Holdings and our management team here today, we'd like to thank all of you for participating in our phone call. Thank you for your questions and the dialogue that we've had today, and thank you for your interest in our company.

Operator: Thank you.

Ladies and gentlemen, this does conclude our conference call for today.

If you do wish to listen to a replay of today's call, you may do so by dialing either 303-590-3000 or 1-800-405-2236.

You will need to enter the access code of 11126785. The conference will be available after 1 p.m. Eastern Time today.

We thank you for your time. You may now disconnect your lines.

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