

ATLAS AIR
WORLDWIDE HOLDINGS



Atlas Air Worldwide Holdings, Inc.

2Q09 Results Conference Call

August 5, 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.

2Q09 RESULTS CONFERENCE CALL

August 5, 2009, 10:00 A.M. ET

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

Welcome to the Atlas Air Worldwide Holdings, Inc. Second-Quarter 2009 Results Conference Call.

During today's presentation, all parties will be in a listen-only mode. Following the presentation, the conference will be opened for questions. If you have a question, please press the "star" followed by the "one" on your touchtone phone. If you'd like to withdraw your question, please press the "star" followed by the "two." If you're using speaker equipment, please lift the handset before making your selection. This conference is being recorded today, August 5, 2009.

I would now like to turn the conference over to Atlas. Please go ahead.

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

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

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

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

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

statements.

In our discussion today, we also include some non-GAAP financial measures. You can find our presentation on the most directly comparable GAAP financial measures calculated in accordance with Generally Accepted Accounting Principles, and our related reconciliation in our recent press releases, which are posted on our Web site, www.atlasair.com.

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

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

Bill Flynn: Thank you, Ed, and welcome, everyone.

We are pleased to have you with us this morning.

Our second-quarter earnings are a sharp improvement over our results for the second quarter of 2008.

They follow our record first-quarter earnings, and they reflect the actions we have taken to transform our business and to limit our commercial and operating risk.

Just as we saw in the first quarter, our second-quarter earnings were 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
- Proactive efforts to retire a portion of our older 747-200 freighter assets.

Our second-quarter net income totaled just over \$11 million, or \$0.54 per share.

Total operating revenues in the second quarter decreased to \$240 million, in conjunction with the deconsolidation of Polar Air Cargo Worldwide from Atlas Air Worldwide Holdings.

Our latest results contrast with net income of \$1.5 million, or \$0.07 per share, for the second quarter of 2008.

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

- A more than 18% decline in global airfreight traffic compared with the second quarter of 2008;
- A nearly 18% reduction in the size of our operating and dry lease fleet;
- An increase in heavy maintenance expense on our 747-400 freighters; and
- A reduction in AMC charter revenue and contribution, reflecting a lower fuel-price component in the AMC charter rate.

Total direct contribution by our reportable business segments improved to approximately \$43 million in the second quarter, an increase of more than \$15 million compared with the second quarter of 2008.

The increase was driven by our express network ACMI service operations, which added to our ACMI results while overcoming \$20 million of Scheduled Service losses that we incurred in the second quarter of 2008.

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

AMC volumes averaged nearly 1,700 block hours per month during the quarter, compared with an average of 1,750 block hours per month in the second quarter of 2008.

Similar to the first quarter, AMC demand was led by an increase in U.S. military support for operations into Afghanistan.

As a result, AMC flying in the second quarter was significantly higher than the 1,285 block hours per month that we averaged in the fourth quarter of 2008.

We expect AMC demand to remain near first-half 2009 levels through the end of the third quarter, and we currently expect demand in the fourth quarter to be about 1,100 hours per month.

I will have more about our framework for stronger earnings in 2009 later in the call.

Before that, I would like Jason to provide you with some additional perspective about the improvement in our second-quarter results and

financials.

Jason.

Jason Grant: Thanks, Bill, and good morning, everyone.

The significant increase in our second-quarter earnings reflects the strategic actions that we have taken to strengthen and transform our business.

The transformation of our business model has positioned us to perform well deep into this difficult business cycle.

Through Continuous Improvement and focused asset allocation, we have grown earnings on a reduced asset base despite high operational leverage.

With our best-in-class 747-400 freighters, we serve high-credit-quality customers under long-term contracts. Ninety percent of our current block hours are generated under long-term or fixed-price contracts, where we have only minimal fuel exposure and no direct commercial load or yield risk. In addition, we continue to maintain a strong balance sheet with a high level of liquidity.

Our 2009 results reflect the deconsolidation of Polar from our financial statements. Block-hour volumes and associated block-hour revenues generated by aircraft in service for Polar are now included in ACMI operations rather than in the Scheduled Service segment.

Our second-quarter 2009 results also reflect the consolidation, for financial reporting purposes, of Global Supply Systems Limited, or GSS, a private company in which we hold a 49% interest.

The consolidation of GSS, which is the entity through which three of our aircraft are wet-leased to British Airways, took place in early April.

The consolidation was due to a change in the majority ownership structure of GSS.

Previously, we accounted for GSS under the equity method.

Prior to the change, revenues from GSS were reported as Dry Leasing revenue in our consolidated statement of operations, and we did not include block-hour volumes for these three aircraft in our operating statistics.

Income from the GSS leases was previously included in the Dry Leasing

segment for segment reporting purposes.

Beginning with the consolidation of GSS in early April, block-hour volumes, associated block-hour revenues, direct cost, and direct contribution generated by the aircraft in service for GSS are now included in ACMI operations.

I would like to emphasize that the change in reporting for GSS has only a minor impact on our reported bottom-line earnings, although it does affect pretax income and how we present our results.

On our last call, we indicated that we expected maintenance expense in the second quarter to increase from the first quarter of 2009, due to the expected timing of heavy airframe and engine events.

We also indicated that maintenance expense for the year was likely to total about \$105 million to \$110 million.

Given the consolidation of GSS, maintenance spending of \$42 million in the second quarter, which included \$5 million related to GSS, was in line with expectations for the quarter.

After giving effect to consolidation, we now expect that full-year 2009 maintenance expense will total approximately \$125 million to \$130 million.

Approximately \$15 million of the \$20 million increase in maintenance expense forecast for the year is due to the consolidation of GSS. The balance reflects higher costs for heavy maintenance events, offset in part by an improved outlook for line maintenance expense.

Focusing specifically on the second half of 2009, about two-thirds of the \$55 million to \$60 million we expect to spend for maintenance is likely to take place in the third quarter.

In addition to maintenance, 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 just under 41% for the quarter, which is largely in line with our expected effective income tax rate for the year.

Previously, when we accounted for GSS under the equity method, the majority shareholder's interest in GSS's results was excluded from our pretax income. Now, however, the adjustment for the majority owner's interest in profits or losses in GSS will be shown as an after-tax line item, appearing after net income in our income statement.

We ended the quarter with cash, cash equivalent, and short-term investments totaling \$468 million compared with \$411 million at year-end 2008. Approximately \$12 million of the June 30 total related to the consolidation of GSS.

Our balance sheet debt totaled approximately \$646 million on June 30, with a face value totaling about \$711 million, compared with \$740 million on December 31, 2008.

For the first six months of 2009, our capital expenditures totaled approximately \$21 million, which included about \$6 million of capitalized interest related to our Boeing 747-8F order.

Our cash capital expenditures for the remainder of 2009 are expected to total approximately \$70 to \$75 million. This includes approximately \$48 million in aircraft progress payments due in the fourth quarter, about \$10 million of which are expected to be funded by drawings under our existing PDP facility.

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

Bill Flynn:

Thank you, Jason.

As we proceed into the third quarter, our fleet currently totals 28 aircraft, comprised of 22 747-400s and six 747-200s.

Following the close of the second quarter, we elected to temporarily park a 747-200 freighter, pending the assessment of demand in the fourth quarter and in 2010.

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 for our military and commercial-charter customers.

To briefly summarize the deployment of our 747-400 freighters:

- 17 continue under ACMI contract;
- Three are profitably deployed in AMC and Commercial Charter, while we continue to seek placements for them in our ACMI and Dry Leasing business segments;
- One serves as our maintenance cover in ACMI and serves in charter when not required in maintenance cover; and

- One, our only converted freighter, is allocated to our Commercial Charter segment, where it is profitability deployed in air cargo service in South America.

Recent industry data and economic reports suggest that we may have seen the worst of the deep declines in global air freight and business activity over the past year.

While trends are leveling off and even beginning to slowly turn upwards, global airfreight demand, which has contracted over 20% on a year-to-date basis according to IATA, is recovering from an unprecedented decline.

Overall capacity reduction has moderated the impact of the demand decline somewhat.

Year-to-date, though, IATA reports that global supply is only down about half as much as the rate of decline in demand, which has maintained pressure on freight loads and yields.

We continue to see the retirements of aging and inefficient capacity from the market, which is helping to improve the imbalance between traffic and capacity.

In the important Asia-Pacific region, the latest data indicates that demand and capacity are converging at a better rate than the overall global market. On a year-to-date basis through June, traffic in the region is down 22%, while capacity is down more than 16%.

Since the beginning of 2008, we have seen a 43% reduction in the number of 747-200 freighters serving the market. In all, 62 Classic freighters have left service since the beginning of 2008, including 25 since the start of 2009.

We continue to believe that substantially more of the remaining 83 Classic freighters in service at the end of July will come out of the market in 2009 and beyond.

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

As a result, any improvement in demand could have an early and meaningful impact on Atlas.

With the transformation of our business, our core earnings from operations should be less seasonal in 2009 than in the past.

We still expect to experience some quarter-to-quarter variability in our earnings pattern, and we expect earnings in the second half of 2009 to mirror our first-half results, excluding the impact of one-time items.

We remain focused on cost and productivity enhancement, we continue to execute on initiatives that will drive future revenues and earnings, and we have a solid financial platform.

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

Operator, may we have the first question, please.

Operator: Thank you, sir. We will now begin the question-and-answer session.

As a reminder, if you have a question, please press the "star" followed by the "one" on your touchtone phone. If you would like to withdraw your question, press the "star" followed by the "two." And as a reminder, if you are using speaker equipment, you will need to lift the handset before making your selection. One moment, please.

And our first question comes from the line of Robert Labick of CJS Securities. Please go ahead.

Robert Labick: Good morning.

Bill Flynn: Good morning, Bob.

Jason Grant: Hey, Bob.

Robert Labick: Hi. First question—and, obviously, you just said it so I'm still trying to work out the numbers exactly—but you said you expect the second half earnings to mirror first half.

Typically, I would expect Q4 to have lower maintenance and generally higher utilization. What kind of assumptions do you have for, you know, the utilization and the peak season, if you will, in Q4 embedded in that forecast for second-half earnings?

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

I think the reality of our seasonality, I think, is much different than it was in the past, and I want to emphasize that.

We do have—you know, really, in terms of incremental aircraft utilization, it's really driven by the availability of aircraft that are otherwise in maintenance in the first half of the year. But I—you know, from that standpoint, it's really a much less—with the elimination of Polar in the Schedule Service segment, it's a much less seasonal business.

So, I think when you—when you think about our comments, clearly there is some Q4 utilization improvement relative to Q3, but—and we do, as we said, have a little more maintenance expense in the third quarter relative to the fourth quarter—so you want to think about that.

But, generally, I think we're in a much more stable quarterly earnings than we certainly have been in previous years prior to the transformation we've had with Polar.

Robert Labick: Okay. And then, just to clarify, you know, Bill mentioned excluding one-times, what's the Q1 number in that first half that you're using?

Because—I mean, there's \$10 million in the gain, obviously. Do we just back that out in Q1—or what would be, I guess, the pretax number in Q1?

Jason Grant: Yes, I think—you want to think about—you know, sort of, if we go back to Q1, we had both the \$10 million and the \$3.7 million related to some gain on sale and related to retirement of debt.

And if you look at our full year, I think we're saying that—and maybe to put this more simply relative to the prior guidance we've given—I think, Bob, we're basically indicating, you know, a similar range of outcomes as we've indicated in the past in terms of our earnings expectations. There really hasn't been any change.

I think the fundamentals—the same factors are consistent with where they were at the end of the first quarter and at the end of last year. So, from that standpoint, I think we're consistent.

You know, our view did—our view of the full year did include the effect of the \$10 million in the first quarter, when we provided that guidance and it continues to. So—you know, to give you a little more color on how we think about that.

Robert Labick: Okay. I think I'll probably follow up just to make sure I have all the moving parts there.

But, just moving on, in terms of military demand, in May, the House Committee on the CRAF had said they expected levels to maintain higher

than they previously had thought.

Can you talk about the military demand? And, you know, you mentioned Q3 should be strong but Q4 should drop off. What do you see in Q4, and what are your expectations beyond that, based on the CRAF report, which was for reasonably high levels of demand?

Bill Flynn:

Yes, Bob, this is Bill.

So, the CRAF report, as you've looked at it, outlines pretty high levels of demand—a relatively high level of demand for FY10 and FY11, and then some uncertainty around FY12, and that'll all play out.

We've had a strong two quarters in first and second this year, and a lot of that was simply driven by President Obama's and the administration's posture on Afghanistan, and there's been some buildup to that effect, and we see that continuing through the third quarter, as I referenced in my comments here on the call.

And then I mentioned that fourth quarter, right now, as we understand it, looks more like 1,100 hours on average. But I want to hasten to add, that can change based on conditions on the ground and based on the way the military sees its need for material and supply.

So, as we look out—and we haven't really given guidance or thoughts on to 2010—we expect it to be a relatively strong year. It could be that the levels will be something below what we're going to experience in 2009.

Now, the contract awards for FY10, which starts October 1, aren't yet out from the military, so—from the DOD—so we're not—we'll have better clarity on not only fourth quarter, but a good look into 2010, once those awards come out, which is later in August, early September, depending on the CRAF timetable.

Robert Labick:

Okay, great. That's helpful.

And then, as it relates to renewals, I believe you have one contract up for renewal in the second half of this year and previously thought it would be renewed.

Could you just give us an update on that, and tell us how we should think about when you'll get visibility into 2010? I mean, I think it's probably too early, but when should we expect you to start thinking about the visibility in 2010 renewals?

Bill Flynn:

Yes. So, that contract which—the specific contract you referenced—we

said was a second half renewal, and we're continuing to work with that customer towards that renewal. But we don't have a definitive renewal yet.

In terms of visibility into 2010, you know, as we get closer to the end of the year, we're going to have better visibility. And I don't mean to be cute in the answer, but there are—still are a lot of moving pieces in the market, even though the market strengthened a little bit, and Asia Pac seems to be doing better than some of the other regional markets.

Those are important for us because Asia Pac really is the—kind of the sweet spot of the long-haul intercontinental flying, which is where our assets work best. We still—you know, I think we, as much as our airline customers and potential airline customers, are going to be watching the market closely, watching what happens in the fourth quarter, and that should give us some better feeling as to placements in 2010 and beyond.

Robert Labick: Okay, great. I'll leave some questions for everyone else. Look forward to seeing you at our conference in a few weeks. Thanks.

Bill Flynn: Yes. Thanks, Bob.

Jason Grant: Thanks, Bob.

Operator: Thank you. And your next question comes from the line of Alex Brand with Stephens Inc. Please go ahead.

Alex Brand: Thanks. Good morning, guys.

Bill Flynn: Good morning, Alex.

Alex Brand: I just feel like I've got to go back on this outlook issue because it's as clear as mud for me now. Because at first, Bill, I heard you saying, you know, on an operating basis, you earned about \$1.25 in the first half, and the second half's going to look about the same. And then Jason says, well, we really haven't changed our outlook thoughts from before. So, I still need a little help.

Jason Grant: Yes. So, Alex, I recognize from Bob's response that I can maybe be a little more direct in my response, so let me try and do that. You know, I guess Bob's question, and I think your question, is how do we think about the one-time items?

And our view on the operating results is that the operating results are roughly consistent in the second half to the first half, and then the one-time items in the first half would be incremental to that, Alex.

So, I guess, you know, I want to just reference it back to say that that has been, sort of, a consistent view that we've held, going back to the previous view we've given, which is that fairly consistent operating results, and then we have the one-time items in the first half of the year.

Alex Brand: All right. So, said differently, that's—you're saying, in the fourth quarter, we've got military, we expect to get—go back to, kind of, a run-rate level from this higher level.

Jason Grant: Right.

Alex Brand: And there'd be no reason to have an expectation of any peak, any kind of pickup in Charter, so you just, kind of, at a run rate, if you want to call it that—

Jason Grant: Yes. No, Alex, it does assume a level of peak activity. I don't want to—you know, we are assuming a peak season. Now, are we—we are not assuming a—I think on a relative scale, we're not assuming, sort of, the historical peak season.

We're assuming what we think is a reasonable peak season given where we are today. And so, relative to historical standards, I don't think our outlook is—is certainly below historical standards for peak season in terms of the returns that we expect out of the Charter segment.

And you pointed out the main point, which is our highest contributing use of those Classic assets, in particular, is in the military business. We do expect that to decline going into the fourth quarter. And, you know, you're pointing out the right factors, which is, our view on Charter is there will be a peak, but maybe not—certainly, we're not forecasting the levels of peak we might have been in prior years.

Alex Brand: Okay.

Jason Grant: And that's obviously something that we just—no one at this point, I think, has a lot of visibility into peak.

We're all trying to build our own estimates of what will happen. But where—given where inventory levels are, it's very difficult to predict right now how airfreight's going to shake out, and there's, you know, outcomes that could range from a relatively strong peak to continuing weakness.

Alex Brand: Okay. With respect to conversations you continue to have with potential customers, conversation—I think you've got one more aircraft that is

going to—the contract’s going to expire later this year—is there any reason that we should think that—people want to commit to aircraft at this point and—that anything has changed? Or is anybody willing to look past what’s going on right now and think about three to five years and committing to an aircraft?

Bill Flynn:

Yes, that’s—that’s one of the key questions, Alex. And I think the sentiment is changing.

You know, if you asked that question in March, I would—it would certainly be a different answer than, I think, the answer in August.

Back in March, the industry in general—our customers, potential customers—were just trying to figure out where’s bottom and where’s this going to go. And that’s as much true for passenger as it is for cargo and premium seats, and all of the other components of our customers’ business mix.

But, you know, we’ve seen, I think, the bottom. We’ve seen a little bit more strength in Asia Pac among certain trade lanes. We’ve seen—for example, one of our customers has publicly announced new points in their global freighter network. Qantas, for example, has added Vietnam for the -400 freighter and recently announced Dallas for the -400 freighter.

So, I think those customers—and not just our customers—but those carriers that operate freighters, while some have parked some assets, are seeing volumes improve—not seeing tremendous yield pickups yet, but I think if you talk to them, most would anticipate some yield opportunities coming into the fourth quarter, assuming there’ll be something that resembles peak given the amount of capacity that has come out.

And we do have conversations with customers—and we are in conversation with customers, including new customers—about putting freighters into the fleet in 2010 and beyond because they value cargo as part of the mix. And those that have not—some who have not had freighters are rethinking freighters in the context of—of that there are real freighter opportunities, there are real cargo opportunities that would better balance their overall business risk and business mix.

Even with this decline that we’ve seen, which is now 20%-plus year-to-date, you know, we’re still looking at a very large freight market. It’s not gone to zero. It’s gone to 2003 kind of levels. But we still believe there’s a compelling need for modern, efficient freighter assets as the market recovers, as the economy recovers. And as the economy recovers, you know, fuel will go higher or seek levels consistent with demand. We think that’ll position the -400 freighter very effectively, very efficiently.

And in the—you know, I'll just repeat a statement that I think Jason or I made at an earlier call.

Because we have AMC and because we have a Charter business, we are not going to do a deal right now in the trough at a super low rate just to place an asset out of desperation.

And so, we believe that we can work through it.

I mean, I think what we've shown—and now that we're seven quarters into the worst global recession that we've seen and the worst decline in air freight that we've seen post World War II—we've shown a very resilient business model, and the steps that we've taken over the last three or so years have placed us to come through this storm with reasonably good levels of earnings and return, and we'll build on that strength as the recovery takes over.

Sorry for the long answer, but that's how we think about.

Alex Brand: No. And you make fair points—I mean, you're working through an incredibly difficult period relatively well.

Just one housekeeping question, and I'll get back in line. The other revenue, that I think was described as administrative stuff, is that just stuff that you're doing for Polar or DHL—however I should look at it—that is an ongoing thing?

Bill Flynn: Well, part of it is that, the administrative services.

You also know we have a couple of contracts that are smaller, but they're recorded there, too, including the training contract for the Air Force One pilots, which, I'm happy to say, was just renewed again, and the training that we do for the military command and control E-4s. So those other revenues will be caught up in there as well.

Alex Brand: Okay. Thanks for that. Thanks for the time, guys.

Bill Flynn: Thank you, Alex.

Jason Grant: Thanks, Alex.

Operator: Thank you. Our next question comes from the line of John Barnes of RBC Capital Markets. Please go ahead.

John Barnes: Hey, good morning, guys.

Jason Grant: Hi, John.

John Barnes: Can you talk a little bit about—is the—I guess—you've got \$48 million that you're paying to Boeing in the fourth quarter. Can you give us some outlook as to what 2010 looks like in terms of payments to Boeing? Are there any additional payments like that \$48 million?

And then, you know, any kind of update on the -800 delivery schedule?

Jason Grant: Sure. So, John, it's Jason.

I'll start with giving you the picture on the PDP delivery schedule. Obviously—and I think we've said it in the past and we'll say it again here—we are in negotiation with Boeing. This is the payment schedule they have proposed to us; we reflected it, obviously, in our K and in our Qs, and so this is a schedule that continues to be negotiated.

But as it stands now, I'll give you the, kind of, lay of the land today. If you—the remainder of 2009, as you said, we have \$48 million in total pre-delivery payments that begin again in the fourth quarter—\$38 million of that is out of our equity, \$10 of that is financed.

Going into 2010, our total PDP commitments are approximately \$375 million, but \$44 of that, roughly, is financed under the first five aircraft. And so, our net equity obligation before any incremental financing activity on the second seven aircraft—just as a reminder, of the 12 aircraft, we have financed PDPs on the first five—we are working on financing on the second set of seven. So, our total equity commitment at this point, before any incremental financing, would be \$330 million in 2010.

John Barnes: Okay. Very good. And, you know, just any update on the delivery schedule?

Bill Flynn: Well, as we've—this is Bill, John—as we've stated before, we are in negotiations with Boeing on the delivery schedule. They have presented a schedule to us. We've not accepted it. We're in discussions with them on those deliveries for the timing of when we'll take on the aircraft.

John Barnes: Are you still expecting to take, at least, an aircraft in 2010?

Bill Flynn: I can't really give you a precise answer to that. We're in negotiations with Boeing. It will also depend on their manufacturing and delivery schedule, so, you know, those are—those are live talks, John.

John Barnes: Okay. Very good.

Again, you know, you mentioned that your customers are obviously flying hours below minimum and—so you're still billing at the minimum, and that's why revenue per block hour is up, because they're flying below the minimums.

If you do get some type of a turn in—whether it be a stronger peak and they're flying above minimums at that point—you know, should—if I'm thinking about this right, we should see some sequential degradation in the revenue per block hour, just on the math of them flying more block hours, correct?

Bill Flynn: Yes, that's correct.

And just to give you some perspective—because I think it gets to the question that Alex asked a moment ago—in the first quarter, our customers flew about 80%. The actual block hours were about 80% of contracted minimums. In the second quarter now, our customers are flying, on average, about 90% of the contracted minimums. So, we've seen that—we've seen the utilization absolutely come up.

And you're right. When we do revenue per block hour, it's revenue versus actual hours flown, which the simple math will inflate the average rate per block hour. As customers come up to minimums and get above that, then math will take over, algebra takes over, and the average goes down.

John Barnes: Okay. Very good. You know, in talking about the -200 fleet and the decision—I think you said you're parking one after the second quarter, so you're down to five in service, correct?

Bill Flynn: No, we've temporarily parked one—and we had seven—so we're actually six.

John Barnes: Six. Sorry. Okay. Just your outlook for the -200s on a go-forward basis—I mean, as you think about taking delivery of the -800s, having -400s in the AMC and the Charter business, can you just talk about what your outlook is longer term for the -200s?

And especially, is that—you made the comments about the number of Classic aircraft that have come out of the system. At what point do you think you draw down the remaining six -200s and you're solely a -400, you know, or a -400, -800 fleet?

Jason Grant: So, John, it's Jason. Clearly the -200s, over time, leave the fleet. It's a question of how long that horizon is.

And I think there's a few variables that make it difficult for us to give you, and probably inappropriate for us to give you, anything specific at this point in terms of that timing.

Clearly, delivery of new aircraft will drive—you know, potentially drive -200 capacity out of the fleet. And obviously, as we've said, that continues to be a point of negotiation, a point of discussion, and an open point with Boeing.

You know, in terms of the remainder of the fleet, it is a very dynamic decision for us, because it's a function of the timing of heavy maintenance on the aircraft. And really, the issue for us—and just to give a little more color—you know, the aircraft that we had temporarily parked here at the end of the second quarter was really a function of a heavy-maintenance event. And our need to really assess the return on investment of those events as we go forward.

So, really, it's going to—I think a big factor is going to be how does peak season shake up, and then how does our view of AMC demand, as we go into 2010. Bill's already touched on, you know, just the lack—there's always a degree of visibility that is sometimes tough to get from the military on their longer-term planning.

So, I think it's really a function of how do we see peak season play out, how does the AMC outlook look for 2010, and where are we on the -400 placements, where are we on the new aircraft. Because of all of those variables, I guess, I'm not able to give you a, sort of, specific timeline.

John Barnes:

Okay. That's fair. And then, two other quick things real quick.

Going back to, Bill, your comments on the percentage of minimums being flown in the first and second quarter, have you seen—have you seen any, kind of, sequential month-to-month improvement?

I mean, have those numbers—you know, did they bottom in January or February, and have they been steadily getting better? And was June—or May or June—one of the better months you've seen this year? Or has it been pretty constant over the quarter?

Bill Flynn:

Yes, I think it's been a steady ramp up.

I mean, you can imagine—just think back about how everyone was feeling in January coming off of the worst November-December, no peak, 20% market decline in Asia. And we always fly some lower number of hours in the first quarter, anyway, because of maintenance and customers just flying to minimums. And I did reference one customer—and because they

put this information out publicly, you know—which is Qantas starting in Vietnam and now announcing Dallas. So, we are seeing—generally, we are seeing a ramping up as we go month to month.

John Barnes: Okay. All right. And then, Jason, your comment on maintenance—I'm sorry, I missed the third-quarter number for maintenance.

Jason Grant: Yes. So, we said, John, we're basically indicating that we expect two-thirds of the remaining \$55 to \$60 million on maintenance in the third quarter. So, weighted—consistent with prior years, weighted towards the third quarter. And again, it's so we can have the fleet, sort of, maximum availability in the fleet in Q4 for peak.

John Barnes: Okay.

Jason Grant: And our expectation is that maintenance expense is predominantly skewed toward Q3 and not Q4.

John Barnes: Very good, all right. Nice quarter, guys. Thanks for your time.

Bill Flynn: Thank you, John.

Jason Grant: Thank you, John.

Operator: Thank you. Our next question comes from Michael Beer with Wolfe Research. Please go ahead.

Michael Beer: Hey, good morning, guys.

Bill Flynn: Good morning.

Michael Beer: Hey, a quick question.

You know, thinking about the sensitivity—I think this year you had said previously there was \$5 to \$7 million per unplaced aircraft within ACMI, and I think two of those ended up, winded up in Commercial Charter, and there's one that's up for renewal in September.

You know, as I think ahead through 2010, now that we have a fairly clear earnings base established for 2009, at least based on your guidance, can I do a similar kind of a sensitivity and say, you know, assuming these three unencumbered aircraft are placed in 2010, there's that same \$5 to \$7 million sensitivity tailwind in 2010?

And then as a follow-up, you know, what's the number of aircraft within ACMI are up for renewal in 2010?

Jason Grant: So, Michael, it's Jason. Just—I'll start with the last part, and then I'll work backwards.

We've indicated for 2010 that it's an average year for the Company, and our average year is three to four aircraft coming up for renewal. So we expect—you know, 2010 is a consistent year in that regard.

The guidance we gave in 2009 was, you correctly stated, \$5 to \$7 million hit per plane. There were a total of four aircraft—and just to be clear, in 2009, four aircraft—up for renewal. Three of those aircraft came off of contract April 1, and so that effect was really felt beginning at the start of Q2. And then we have the one aircraft which was toward the end of the year—we've already talked about that aircraft, which is still in process of negotiations for renewal.

So the real issue around your question—and I'm going to be careful not to give you specific guidance for 2010, but—is really the timing of the return of the aircraft. And in the worst case, where those aircraft are not renewed—and I think, as we said, you know, we're in the process of working for renewals on the aircraft—it's early for us, I think, to be giving a definitive view right now for 2010, and we won't. But, I think, generally, the 2010 aircraft, if you were modeling your worst-case scenario, are rolling off slightly later in the year than they were in 2009.

So, just to answer your question directly on the \$5 to \$7, there's a little difference in timing. But—you know, we're just going to be careful at this point not to get too specific about 2010 yet.

Michael Beer: Okay. Just trying to get a handle on some things.

And then, in the second question, with the DHL block-space agreement, who shares in the—in other words, how do you benefit from the backhaul on that? I assume most of the capacity is utilized 80% on the headhaul, U.S. to Asia, but is that capacity completely underutilized or unutilized on the way back—the backhaul? And who benefits should that utilization start to improve in 2010?

Bill Flynn: Yes. Well, I think you're getting back to the nature of the transaction, which we have talked about.

But for—I think the easiest way to think about it is our transaction with DHL via Polar is essentially an ACMI transaction, which is why we call it express network ACMI. So, Atlas Air Worldwide Holdings at the parent level extracts its economic rent through an ACMI agreement between Atlas and Polar, and Polar then serves DHL. So, P&L, in the actual

operation at the aircraft level—load factors, yield, fuel—really is for DHL.

Michael Beer: Both headhaul and backhaul, there's no difference, then?

Bill Flynn: No difference. A round trip.

Michael Beer: Thank you very much.

Bill Flynn: Okay.

Jason Grant: Thanks, Michael.

Operator: Thank you. Our next question comes from the line of Charles Rupinski with Maxim Group. Please go ahead.

Charles Rupinski: Thanks a lot. All my questions asked and answered, but thank you. A good quarter.

Bill Flynn: Thank you.

Jason Grant: Thanks, Charles.

Operator: Thank you. 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: So, these are a couple of questions that I have for you.

First, I was kind of surprised that with the decline in the number of aircraft, there wasn't really a commensurate decline in the salary, wage, and benefit line, so maybe you could talk about that.

And then, the second question I had for you is, with the increasing cash balances, I thought there would've been an increase in interest income, and we didn't really see that.

And the third question is, there have been reports lately that you guys are negotiating with the U.S.-Africa Group to pick up the World Air Houston-Africa service beginning in May of 2010. And I was just kind of wondering, it's been a long time since you've talked about having

passenger aircraft again. Is that something that you're seriously considering, or are they using you more as a stalking horse? Thanks.

Jason Grant: Okay. So, Helane, it's Jason.

To cover the first question, in terms of the salary line, the utilization—if you look at the—you know, the utilization on the fleet really wasn't significantly different relative to the first quarter.

We had the same number of aircraft operating. So from a salary and wages standpoint quarter-over-quarter, you know, we've got consistency there, and I think we expect to continue to see a fairly consistent salary line. And going forward, I think there is some efficiency improvement in peak season in Q4, but generally, that's our expectation.

So, in terms of salaries, I think the sensitivity on the crew cost is not direct—there's a bit of friction related to hours, and you can't take crew costs out efficiently by the hour—it tends to come in a step function. And the types of changes in utilizations we've seen have not driven material changes in the salary line. To answer the first question.

The second question—.

Bill Flynn: Interest.

Jason Grant: Interest. Yes, yes, the interest income.

I wish we had—I think we, like a lot of other companies, are seeing a pretty bleak environment for the yields that we can achieve on cash balances. I think we are currently in, effectively, government securities with our cash. We're reviewing some alternatives that drive a little more yield, but I don't want to overstate that.

The yield growth that you can achieve by moving into commercial and money market paper is very skinny right now. So, unfortunately, I think compared to prior years, certainly the yields are down significantly, and I don't see that changing in the immediate term, in terms of the yield on cash.

Bill Flynn: This is Bill. I'll take up the question on Africa, or passenger ACMI.

Some years ago—I think back in 2005, maybe still in early 2006—the Company had talked about a passenger ACMI. And the idea at that time—just to clarify the history—the idea at the time was working with Airbus to put together a passenger ACMI operation using the A380. And the underlying idea was that there'd be some number of carriers who could—

only needed one or two of those aircraft in their operations, and that an ACMI platform where we could aggregate several carriers, have a slightly—have a fleet that would be of economic size, could've been a business to pursue. I don't think it's a bad idea, but with everything that's happened, first with the A380 and now with just demand overall, that idea is pretty much—that 380 idea is certainly on the shelf.

What you've seen in the press and even some DOT filings, we have entered into an LOI with a carrier whereby we would provide CMI—the crew, the maintenance, insurance, and all the operations—for this company on a passenger service.

But, I want to add, it's an LOI—it's not a contract yet. It's certainly not a stalking horse. If we conclude a contract, we'll ramp up this operation. It would be attractive for us to do so, because it leverages our core competencies of 747 and C and M operations, and it's a non-asset play from our side, so there's, you know, revenue and earnings without having to go out and acquire more assets.

Helene Becker: Okay. So—so I understand this correctly, you would not have to buy the 747 that they're looking for. They would give you the plane, and you would just provide the CMI, as you just said?

Bill Flynn: Yes. We will not be going out and buying an aircraft to fly for the customer.

Helene Becker: Gotcha. Okay, I just wanted to make sure I got that understood correctly. Okay. Thank you very much. I appreciate your help.

Bill Flynn: Thanks, Helene.

Jason Grant: Thanks, Helene.

Operator: Thank you. Our next question comes from the line of Steve O'Hara with Sidoti & Company. Please go ahead.

Steve O'Hara: Hi. Good morning. I just had a question about the Commercial Charter segment, in terms of the direct contribution in the first quarter versus the second quarter. It was lower, and I'm just wondering if that was due to maintenance or—what, kind of, drove that?

Jason Grant: Hi, Steve, it's Jason.

We did have incremental maintenance activity, as you know, in the quarter that did burden all of the segments, including Commercial Charter. And the direct contribution of that segment—you know, it's \$2.5 million in

Q1—and changes in maintenance can drive swings—significant swings in that. So, you know, I think that would be the single biggest driver quarter over quarter.

Steve O'Hara: Okay. And then, I guess, you know, I was a little surprised by the increase in that line given all the negativity out there. Is there anything besides the South American operation that's, kind of, driving that?

Bill Flynn: Well, there are some other factors. Certainly, we have the South American operation, and we are selling more charter activity in Asia than we had in the first quarter, just by way of example.

You know, one of the markets we've pursued historically is what we call the one-way charter out of Asia. So, we have a military mission to the Middle East on a one-way basis with the Air Mobility Command. You empty ferry effectively to Asia, then you pick up a charter in Asia and fly back to the U.S.

That market segment, or that market opportunity, was virtually dead in the first quarter. We had none of it. I think maybe we had three charters, and that would've been a lot. That market's actually come back, and so we've had both these one-way military charters and some increase—I don't want to oversell it—but some increase in charter activity from Asia back to North America because of some new product that's being developed and coming into the market.

And some examples of that are the competitors to the iPhone that LG and Samsung and others are pushing into the market right now—a fair amount of that flew on charter, ours and others as well.

So, you know, we're starting to see this improvement in activity. APA, the Asian—Association of Asian [Asia Pacific] Airlines has talked about that. It's gradual, but we're starting to see some activity, which led us to make some of the comments we've made in the call about some anticipation of a peak—you know, how high, how broad—but there seems to be some anticipation of a peak. Forwarders are telling us of their expectation, and nobody's going back to the peak of 2007 or 2005, but more life than we certainly saw last year.

Steve O'Hara: Okay. And then, just to kind of follow up on Helene's question on the salary and wages. You know, when do you see that step function that Jason was talking about? At what kind of—assuming the same fleet, you know, at what block hour per month do you see the step function up or down?

Jason Grant: I think, Steve, it's probably fair to say it's kind of units of aircraft. You

know, I think if we're talking about units of aircraft coming in or out of the fleet, you'll see—but again, you have to recognize that when you're taking out aircraft and the action that you need to take to save on salary cost is furlough, then in the case of our crew costs—you know, the nature of the contracts is you furlough from the bottom of the seniority list. So there is some friction that airlines tend to have as you shrink the fleet size. And, I don't want to overstate that, but it's certainly some friction on the downside. And then, as I said, I think we're—if you're looking at, sort of, modeling that cost, it's probably correlated highly with the fleet size.

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

Bill Flynn: You know I think just to—you know, you look at, just on a full-year basis, salary, wages, and benefits—in 2007, you had about \$251—\$250 million of salary, wages, and benefits; 2008, you know, we've reduced the fleet and we are down at \$222 million, or about an 11% decline.

And as you look on a year-over-year basis, you will see those numbers come down in '9 over '8. You'll see that we are taking the cost out.

Jason Grant: Bill, there's one other thing I should just make sure people understand—we understand as well.

The GSS consolidation—so, Steve, just to reiterate—you know, we did consolidate GSS in the second quarter. There's about \$3.5 million of salary expense that's reflected in the second quarter related to that consolidation. Again, not a bottom line effect for the Company—just a presentation effect for the Company.

And then, I think the other point we should probably point out on salaries is we did have a significant amount of fleet change in the fourth quarter. As you remember, we took seven Classics out of the fleet, and that drove a lot of training activity because we have to retrain crews between the -200 and the -400. And that training activity really continued into the second quarter, and it's been another, kind of, friction on the reduction.

So, I think it's fair to say, going forward, we'll have—you know, I think the \$3.5 million, sort of, increase related to GSS is probably a fair proxy going forward. But otherwise, in the second half, there should be some improvement on the salary line.

Steve O'Hara: Great. Thanks. That's helpful.

Bill Flynn: Thank you, Steve.

Operator: Thank you. Our next question comes from the line of Howard Rosencrans

with Value Advisory Services. Please go ahead.

Howard Rosencrans: Yes. Hi, guys. Thank you. Just so I have clarity on your guidance, if I remove the \$14 million from the pretax, that the second half will look like the first? Just for quick clarity on that on a pretax basis.

To follow up to that, in the fourth quarter, we go to a run rate, in theory, of 1,100 units down from the 1,400 or 1,500 that we've been experiencing in the last two quarters.

If we have a few units come off—if we have a few units that come off, theoretically—one in the second half and possibly a few more in the first half, as you hold out for an upturn—what creates '10 being possibly a higher year than '09? It seems to me you have a lot of headwinds. If you could just talk globally about what would positively influence '10 so—to make that not become a reality. Thank you.

Jason Grant: So, Howard, to answer your first question, I think you do understand the outlook that we've provided correctly.

And I think that the one thing we have to—you know, I think—we're coming back to—we've been careful here and I think it's early for us to be—being definitive about 2010 from an outlook standpoint.

Obviously, the fleet—the timing of any fleet decisions in or out of the fleet will have a significant bearing on that. But also, remember that we are a company with a fairly high degree of operating leverage, and really, the opportunity for us to really drive improvement comes from getting the utilization up in the fleet.

And as Bill has said previously, Q2 was a fairly low utilization of the fleet—we saw some sequential—I'm sorry, Q1 was a very low utilization of fleet—we saw some sequential improvement in Q2, but there's a lot of opportunity for us if we can get the utilization of the fleet up.

And, you know, again, as Bill indicated, I think generally we view, hopefully, 2010 as a more positive macro environment than 2009 has been, and I think we're certainly getting more comfortable with that view. And so, we've got, sort of, the big-picture fleet questions, and then we've also got the utilization issues, and I think we'll begin to give you more color as we go into the third quarter here around that outlook.

Howard Rosencrans: The business moved from—just for clarity in terms of your reporting—the dry lease stuff moved to the—basically to the ACMI—I know it was sort of really ACMI anyway, but you're now classifying that as ACMI?

Jason Grant: That's correct, Howard. We are—we are consolidating the result of this entity that had previously been accounted for under the equity method.

Howard Rosencrans: Okay. And then, the Commercial Charter business, it looked like you had—and I apologize if somebody addressed this before, maybe I didn't hear it—but you did \$36 million in the quarter in that business. So, that's a darned good quarter, and I thought that that's—I don't know, maybe you could just give us a little more color on that. I apologize if you addressed that already. I must've missed it.

Bill Flynn: Yes. Howard, this is Bill.

In the fourth quarter and in the first quarter, we were just raising big question marks in our comments, as were the questions from you and the other—you know, our other folks that follow us, about so what's that market going to look like with the substantial decline in demand?

And what I've mentioned earlier was that there are some new product introductions combined with the reduction in capacity—you know, a lot of capacity has come out on a year-to-date basis—16% has come out in the Asia markets. And there are these new product introductions—some markets that are underserved relative to the capacity that exists today—and so we found some, hopefully, not green shoots of demand in the commercial charter market.

Howard Rosencrans: You said new product introductions?

Bill Flynn: Yes. And what I—and I mentioned those a moment ago. In particular, you've got handphones that are iPhone competitors coming out of Samsung and LG and—that are being produced in Korea, in particular—and to China to some extent, that are being chartered and flown into the U.S. to hit the market.

Howard Rosencrans: Okay. And so, your outlook for that business for the second half, if you were to break out that segment, is that still—is that—would that segment be expected to be consistent on the Commercial Charter business with where it was in the first half?

Bill Flynn: Well, as far as we can see today, it's—again, we're—it is difficult to predict, but I think it's going to look like first half, or maybe a little better.

And the caveat there is just what does this peak, if a peak materialize—if a peak materializes, excuse me—looks like. That's still a bit of guessing game.

Howard Rosencrans: Okay. But you're referring to the Commercial Charter segment, is that—

just for clarity.

Bill Flynn: For clarity.

Howard Rosencrans: Okay. Thank you very much.

Jason Grant: Thanks, Howard.

Operator: Thank you. Ladies and gentlemen, if you do have any additional questions, please press the “star” followed by the “one” at this time. As a reminder, if you are using speaker equipment, you will need to lift the handset before making your selection. One moment, please.

And at this time, management, we have no further questions in the queue. I’d like to turn the call back over to you for any closing remarks.

Bill Flynn: Well, thank you, operator.

And I’d like to thank all of you for your interest in Atlas Air Worldwide Holdings and your participation today.

I think we’ve had a good call and a good set of questions, and we look forward to speaking with you again soon. Thank you.

Operator: Ladies and gentlemen, this concludes the Atlas Air Worldwide Holdings, Inc. Second-Quarter 2009 Results conference call.

If you’d like to listen to a replay of today’s conference, please dial 303-590-3030 or 1-800-406-7325 followed by pass code of 4125872.

ACT would like to thank you for your participation and you may now disconnect.

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