



**Atlas Air Worldwide Holdings, Inc.**

**2Q08 Results Conference Call**

**August 7, 2008**

**Hosted By:**

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

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

**William C. Bradley – Vice President and Treasurer**

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

## **2Q08 RESULTS CONFERENCE CALL**

**August 7, 2008, 11:00 A.M. ET**

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

Welcome to the Atlas Air Worldwide Holdings, Inc. Second-Quarter 2008 Results Conference Call.

During today's presentation, all parties will be in a listen-only mode. Following the presentation, the conference will be open for questions. 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, please press the "star", followed by "two". If you are using speaker equipment, please lift the handset before making your selection. This conference is being recorded today, August 7, 2008.

I would now like to turn the conference over to our host, Mr. William Bradley, Vice President and Treasurer. Please go ahead, sir.

Bill Bradley: Thank you, and good morning, everyone.

I am Bill Bradley, Vice President and Treasurer of Atlas Air Worldwide Holdings.

Welcome to our Second-Quarter 2008 Earnings 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 included some non-GAAP financial measures. You can find our presentation on the most directly comparable GAAP financial measures, calculated in accordance with Generally Accepted Accounting Principles, and our related reconciliation in our recent press releases, which are posted on our Web site, [www.atlasair.com](http://www.atlasair.com). You may access these releases by clicking on the link to “Financial News” in the Investor Relations section of the Web site.

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

Bill Flynn:

Thank you, Bill, and welcome, everyone.

We reported today a pretax profit for the second quarter and first half of 2008.

Earnings in the second quarter were a mix of positive and negative factors, just as we saw in our first-quarter results.

Our results reflect the impact of fuel prices, primarily in our Scheduled Service business, but are not indicative of our earnings expectations going forward.

The impact of fuel prices is directly reflected in our revised pretax earnings guidance of \$85 million for 2008.

Our view of 2009 remains that our pretax profits will double to the range of \$165 to \$175 million.

Our DHL transaction has removed much of the risk of our historically unprofitable scheduled business and established a platform for earnings growth in 2009.

Although the impact of fuel prices has been painful for the industry, we believe it supports our model for investing in leading-edge and cost-efficient freighter aircraft. We expect fuel to drive inefficient capacity out of the marketplace and improve our already strong position as the leading supplier of cost-efficient freighter solutions.

The 747-400 provides the lowest unit operating costs of any freighter in the market – a position that has only strengthened in this high-fuel-cost environment.

We are the only outsource provider of scale for the 747-400 freighter, and we continue to see new demand for this aircraft.

All of our -400 capacity is committed through 2008, and flying levels for our ACMI 747-400 aircraft are above contractual minimums. Very few of our ACMI -400F aircraft are available for renewal in 2009. And we fully expect that they will be renewed or placed on favorable terms.

During the quarter, we acquired two additional 747-400 aircraft to meet customer demand for these scarce assets. This will increase the size of our -400 fleet by 10%, to 22 aircraft.

One of these aircraft, a factory built -400 freighter, entered service on June 12. The other is being converted to freighter configuration and is expected to enter service late in the third quarter.

Initially, we relied on our strong balance sheet to fund the acquisition of these aircraft using cash on hand.

Shortly after the close of the second quarter, we secured attractive commitments for five-year term loans that will finance \$100 million of the approximately \$167 million acquisition-plus-conversion price for these aircraft.

The financing reflects the positive views our lenders have regarding the quality of these assets, the quality of the customers that we serve, the quality of the services that we provide, and the overall position of Atlas Air Worldwide.

Continuous Improvement initiatives drove cost savings during the second quarter.

As of June 30, we have achieved and surpassed our goal of \$100 million in annualized savings against an addressable 2005 cost base of about \$800 million. We realized this important milestone six months ahead of our expectations.

Continuous Improvement is a permanent part of the culture at Atlas Air Worldwide Holdings, and we will identify and achieve additional cost savings.

Fuel, however, had a large, unfavorable impact on the quarter.

Commercial fuel prices rose to new record levels, and our average cost was 70% higher than it was in the second quarter of 2007. That had a substantial negative impact on our Scheduled Service segment, which is the principal business segment where we are directly exposed to the risk of fuel-price volatility. We have therefore revised our 2008 pretax guidance to include the impact of fuel prices.

Our direct exposure to fuel largely goes away in October, when our Polar subsidiary begins flying under its long-term, blocked-space agreement (BSA) with DHL Express.

It is important to note that the \$85 million of pretax guidance excludes a \$150 million pretax gain on the sale of a 49% interest in Polar to DHL. We expect to book this gain upon the commencement of the full BSA in the fourth quarter of 2008.

Given the current challenges in our industry, we actively manage our fleet and take advantage of its scale and flexibility in providing innovative, value-creating solutions to our customer.

We have de-risked our business, and our focus is on long-term contracts that improve our revenue and our earnings streams visibility.

Along with the benefits that we have achieved from our Continuous Improvement efforts and the full startup of express network ACMI Service in late October, we continue to execute on additional initiatives that will drive future revenues and earnings.

The most important of these is the launch of our 747-8 freighter service in 2010 and 2011. We will benefit from the enhanced payload and improved fuel efficiency that these aircraft will provide to our customers, and we will benefit from their scarcity value and our first-to-market, exclusive ACMI capability.

Finally, I'd like to close out these remarks with two recent announcements that speak to the quality of our services and our leading industry position.

First, we've been selected by the U.S. Air Force to provide training for the pilots and flight engineers that fly the E-4B National Airborne Operations Center.

The E-4B is a military version of the Boeing 747-200 that serves the president, the secretary of defense, and the Joint Chiefs of Staff in times of national emergency.

This selection, along with our prior selection to train the pilots and engineers that fly Air Force One, demonstrates our commitment to safety, quality and innovation, which are inherent in all the services that we provide.

Second, Atlas Air, Inc. has been certified for inclusion in IATA's operational safety audit registry after a stringent audit of our operational standards and procedures. This certification will directly benefit both Atlas Air and our customers' operations.

This is now a good point for Jason to take you through our financials.

Following Jason, I will provide some additional color about our outlook for 2008 and 2009. And after that, we'll go to your questions.

Jason.

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

As Bill noted, the fundamentals underpinning our business are solid.

Other than the impact of fuel, where we retain exposure in our Scheduled Service operations until October, we remain on track for 2008 and beyond.

Our second-half performance is expected to be consistent with that of prior years. We achieved \$80 million or better in pretax earnings in each of 2005, 2006, and 2007.

The capital markets have shown their support for our story with debt-financing commitments for our two new 747-400s and permanent lease financing for two of our 747-8s.

I'd like to start by highlighting a few points related to the quarter.

The first relates to changes in the composition of our fleet during the quarter.

Bill has already noted the 747-400 aircraft that we are adding to our fleet.

Our second-quarter block hours and aircraft utilization also reflect the removal of two Classic aircraft from our fleet during the quarter. This contributed to a 6.6% reduction in our operating fleet in the second quarter compared with the second quarter of 2007.

Results in the quarter reflected our decision to retire one of our 747-200s rather than invest in a high-level maintenance check on the aircraft, consistent with our fleet plans. In addition, we reached a \$5.9 million cash-in-lieu-of-repair settlement with our insurance carriers with regard to a second Classic aircraft that was damaged in the first quarter and that did not...did no flying during the second quarter. We recognized a \$2.7 million pretax gain on this settlement in the second quarter.

As a result of these developments, our fleet currently totals 36 aircraft, comprised of 21 747-400s and 15 747 Classics.

Between now and the end of the third quarter, we expect to take delivery

of our twenty-second 747-400 on completion of its conversion to freighter configuration. We are also likely to retire an additional Classic that will soon reach its next scheduled D Check, as we continue to modernize our fleet.

As noted in the release, we expect to redeploy two Classic aircraft from Dry Lease to the Charter Business Unit.

Another item I'd like to draw your attention to in the second quarter is our effective income tax rate.

Our pretax income for the quarter totaled \$6.6 million, including the previously mentioned \$2.7 million gain from insurance. Income tax expense totaled \$5.1 million, however, resulting in an effective income tax rate of nearly 77% for the quarter.

The tax rate for the quarter differed from the statutory rate, primarily due to a loss incurred by Polar Air Cargo Worldwide during the quarter for which no tax benefit was recorded.

Polar did not record income tax benefits related to its loss in the quarter because it had no prior period income to apply against this loss, and, therefore, it may only offset these losses against future income.

This does not affect cash taxes, and we expect this position to reverse itself in the third quarter, so that we will end the year with an effective tax rate of approximately 38%.

Turning to our balance sheet, we ended the quarter with a cash balance of \$368 million, which represented a decrease of nearly \$110 million since our year-end 2007, mainly due to our acquisition of two additional 747-400 aircraft using cash on hand.

Debt and capital lease obligations totaled \$487 million on June 30, with the face value of our debt and capital lease obligations totaling \$559 million versus \$469 million on December 31, 2007.

At quarter-end, we had \$72 million of unamortized debt discount related to fair market value adjustments associated with fresh-start accounting. The increase in our debt from year-end is a result of \$107 million in outstanding borrowings under the \$270 million PDP financing facility that we closed in February.

Capital expenditures in the first half of 2008 totaled approximately \$274 million, which included \$152 million related to the acquisition of our additional two 747-400 aircraft, and \$90 million in Boeing progress payments related to our future 747-8F aircraft deliveries.

For the balance of the year, we have approximately \$156 million in Boeing progress payments due on all 12 firm aircraft, of which \$109 million will be satisfied by drawings under our existing PDP facility.

Since the first quarter, we have furthered our track record of accessing the capital markets for attractive financing for our assets.

As Bill previously noted, subsequent to the quarter-end, we completed arrangements for \$100 million of financing with regard to two 747-400 aircraft that we have acquired.

The financing includes a \$58.4 million five-year term loan secured by the 747-400 freighter that has already entered service. We also have a commitment on a \$41.6 million five-year term loan secured by the aircraft being converted to freighter configuration. That loan is expected to close in the third quarter, when the conversion of the aircraft is expected to be completed.

In the second quarter, we also executed a term sheet for permanent sale-lease back financing for our first two 747-8F deliveries. The transaction is subject to standard documentation, which we expect to finalize in the third quarter. As a reminder, we also have a long-term financing commitment in place for an additional four of the 747-8Fs.

As we approach the market, our bias will be towards ownership of these assets, given the flexibility and tax benefits that provides. However, we have decided to pursue these first two sale-leasebacks given the compelling terms and economics.

I also wanted to spend a minute talking about our segment presentation that you will see on our Q.

On our last call, I discussed how we have moved to a Direct Contribution presentation, which we believe provides increased visibility into the performance of our segments.

I want to highlight for you the treatment of the two 747-400s we started flying for DHL's express network services at the end of Q1.

We consolidate the operations of Polar, which means that all of the revenue and operating statistics for the express network operations are presented in Scheduled Service.

However, for segment reporting purposes, all revenue and costs related to ACMI services provided to Polar for express network operations have been reclassified to the ACMI segment.

All costs associated with providing such services have also been reclassified for purposes of calculating Direct Contribution. All non-ACMI costs, and an equal amount of revenue, remain in the Scheduled Service segment.

In our Q, we will provide a reconciliation of revenue between the segment reporting and the face of the income statement.

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

Bill Flynn:

Thank you, Jason.

We see an exciting and dynamic future for Atlas Air Worldwide Holdings.

We have a solid financial platform, and other than the short-term effect of fuel prices in 2008, our outlook is unchanged.

We expect pretax earnings to total \$85 million this year, with direct exposure to fuel prices largely eliminated in late October.

We expect our pretax earnings to double to a range of \$165 to \$175 million in 2009.

Long-term supply and demand trends in the global freighter market remain favorable. We see strong demand for our 747-400 freighters, especially given the increasing fuel and maintenance burden on older, wide-body freighters.

Our 747-400 capacity is sold out.

Our ACMI flying is above contractual minimum levels.

We have successfully expanded our relationship with DHL Express, adding two additional aircraft that commenced service for them on March 30. Our performance for DHL Express has exceeded their expectations.

In total, we will deploy eight 747-400 freighters in express network operations for DHL in October.

Our business fundamentals are solid.

We're focused on execution.

We are well positioned for growth.

And our performance remains on track with our objectives.

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, if you do have a question, please press the "star" followed by "one" at this time. If you would like to withdraw your question, please press the "star" followed by the "two." If you are using speaker equipment, please lift the handset before making your selection.

And our first question comes from the line of Alex Brand from Stephens Inc. Please go ahead.

George Pickral: Hey, you guys, this is actually George Pickral for Alex.

My first question relates to the dry leases that were defaulted on, the - 200s.

Bill, you said they're going into the charter market. I guess, could you talk or give a little color on your feelings on the strength of that charter market, and how easy or difficult it will be to place those two aircraft?

Bill Flynn: Thank you, George.

We think the charter market remains strong, particularly as we come into the next, you know, six- to twelve-month period.

A couple of factors that underpin that. China, as you...I think all of us know, has shut down or virtually shut down manufacturing operations in the month of August to clear the air for the Beijing Olympics.

That postponed manufacturing that is going to need to come to market will now have to come to market in September and October and November, fully taking a month out of the supply chain for freight that could have otherwise gone ocean freight.

But, I think, with the factories not really turning on until the end of the month, that will buoy the normal seasonal fourth-quarter demand for charter.

Then, as we roll forward into quarters one and quarters two next year in 2009, there are regional markets, the Latin American markets for the fresh fruits and vegetables, the flower markets, the strong demand that exists, we think, throughout the year for product that needs to go to infrastructure types of investments as well as, you know, mineral and resource

extractions.

So, our sense is that the commercial charter demand and the military demand will allow us to fully deploy the -200 assets that we have into the charter market at better returns than we would find in other markets.

Jason Grant: And George, just to put the fleet plan in perspective, we have three aircraft, we expect two of them to return to our operation, but just to reflect on the points we made earlier, we did have two aircraft that we took out of the Classic fleet in the first half. We do have another, third aircraft that we expect to take out in the remainder of this year.

So when you look at a baseline relative to the start of this year, we're actually still down Classic capacity. That's consistent with our plan. This is no sort of deviation from where we've intended to go with our fleet plan.

Bill Flynn: Consistent with the statics we've planned that we've shown at our several investor conferences and meetings, and, I think, you'll find on our Web site as well.

George Pickral: Well, does the default change your strategy in the Dry Lease segment, or is that still on track, too?

Bill Flynn: No, it doesn't change our strategy in the Dry Lease segment.

The opportunity...we had the opportunity to place these aircraft at what were reasonable rates from our perspective. The dry lease business that we're pursuing is not built upon kind of end-of-life strategies for aged assets. It really seeks a very different asset profile.

George Pickral: Okay. My next question, and granted it's kind of a moot point beginning in basically November with DHL, but can you talk about how your Scheduled Service fuel surcharges work?

I'm basically curious because jet fuel is down 15%, or about 10% in July, versus the average in June, and I'm just curious about how those fuel surcharges reset, and if you could be breaking even or even benefiting a little bit in Q3 so far.

Bill Flynn: Well, the fuel surcharges are adjusted on a lagging basis, so as fuel goes up, the fuel surcharges, you know, plays a bit of catch up to recover the cost increment. But then the fuel surcharges, you know, based on our index and our approach, would go down on a lagging basis as well.

We're coming into a period of typically stronger demand for Scheduled Service. We'll be running this, you know, until October 27, so we've got,

you know, 90 days or so left in that business, and so we'll be...we are pushing in our segments fuel surcharges as aggressively as we can. We're certainly not looking to lead the charge down on fuel surcharges. But more importantly, we're pushing base pricing in all of our markets where we have the opportunities to push the base pricing for the Scheduled Service freight for as long as we remain in that market, George.

George Pickral: So do they reset monthly or quarterly, or how does that work?

Bill Flynn: They're resetting generally on a fortnightly basis, following the price.

George Pickral: Okay.

Jason Grant: And George, just to point out as well from a modeling standpoint, to understand, the fuel prices typically do reset on a 30-day lagging basis. So it's important that we have seen prices come off materially. That benefit typically lags 30 days given the nature of how the fuel contracts typically work from a pricing standpoint.

George Pickral: Gotcha. And lastly, before I turn it over, it sounds like the demand for the -400s is basically at an all-time high. Are you getting any calls about your -8s, even though it's two years out?

Bill Flynn: Yeah, absolutely. We...the demand for the -400 freighters is strong.

We think that will improve as the older, other wide-body aircraft, the less fuel-efficient and more-maintenance intense need to go down.

But we are working the -8 placements with our current and potentially new customer base. You know, we work with them really on an ongoing basis, modeling with them how the aircraft can be deployed, how they could maximize returns with the aircraft against their route structures and route opportunities, and there's very strong interest in the -8s, George.

George Pickral: Great. Thank you for your time.

Bill Flynn: Thank you.

Jason Grant: Thank you.

Operator: Our next question comes from the line of Bob Labick from CJS Securities. Please go ahead.

Tom Bacon: Hi, it's Tom Bacon for Bob, actually.

Just a couple of quick questions. I think in the last conference call you said that you had an ACMI customer that was temporarily below

minimums. Has that been resolved? I'm assuming it has, just given your utilization there, but...

Bill Flynn: We are flying at above our contractual minimums, Tom.

Tom Bacon: Alright. And then also just in terms...if you could, maybe, talk a little bit about the dynamics of, you know, shifting some of your aircraft from ACMI to Scheduled Service business.

Is that...you know, how should we look at that given that you're fully utilized in the ACMI business, but you're moving some capacity over to Scheduled Service? Is that just part of the agreement with DHL, or is it...

Bill Flynn: I think it's the reporting construct that we have until the full network ACMI Service starts for DHL.

We implemented two aircraft in March, ahead of the larger six aircraft implementation that comes in October. We've broken this out, I think, in better detail than we might have described in the script in the Q that we will file tomorrow...or excuse me, that we'll file today.

Jason Grant: And Tom, just a little more color.

We do consolidate the results of Polar. And so, from a financial presentation standpoint, you'll see this in the Q – the revenues from the express network aircraft, which are two -400s, are presented as Scheduled Service on the face of the income statement.

However, what we've done in the segment section is to bridge for you to effectively reclassify the ACMI contribution of those aircraft.

Because if you go back to the...how we've described this contract and the relationship, it is effectively an ACMI-like relationship for us. But the fact of consolidation does drive, I think, the face of the income statement and the stats to show that it's Scheduled Service.

But for the purpose of answering the question, I think it's important to understand that you would want to reclassify two aircraft to make a fair year-over-year comparison of block hours. I think if you did that, you would see that block hours are up marginally, which reflects the fact that we've really brought down some additional -200 capacity in the ACMI segment at the same time as adding -400 capacity in that segment.

Tom Bacon: Okay. And then in terms of...I think you said you completed all your renewals for '08 and you still had a couple outstanding for '09? Is it...I mean, what's sort of the timing as far as filling out the rest of the renewals in '09?

Bill Flynn: Well, as we've said, we said we had very few renewals in 2009.

And on other calls and other discussions, we talked about the fact that we have staggered renewals of our fleet over a period of several years.

So those renewals occur during the course of the year, and we're working with our customers and, as I said earlier in my statements, we expect we will either renew or place those aircraft on attractive terms for the Company.

Tom Bacon: Okay. And is some of that just because you added those new -400s that...

Bill Flynn: No, the new...the two additional -400s that we took on were for an increase in our business levels with DHL.

They had been working with another carrier to provide that equivalent flying for them. They added...the two parties went their separate ways, and that became an opportunity for us to go in and substitute that carrier and increase the total amount of aircraft we have working for them.

Tom Bacon: Okay. And then can you, as far as the outlook for the AMC, the military sequential blocking growth, I mean, is there any kind of outlook you can give us there?

Bill Flynn: Well, we've said that our normalized run rate had been in the 1,400-hour range.

We were above that for the second quarter, when you see our block hours reported. I think the 1,400 hours is a good number for this year, 2008.

And in our prior call, when we talked about the guidance for 2009, the \$165 to \$175 million of guidance, we took the AMC segment of that down to about \$200 million of revenue, which is in the range of around 1,100 hours or so. But I think that the revenue number of \$200 million is what's in there when we think about the \$165 to \$175, so a lower level of flying than this year.

Tom Bacon: Okay, great. That's it for us, and we look forward to seeing you at our conference next week.

Bill Flynn: Thank you.

Jason Grant: Thanks, Tom.

Tom Bacon: Thank you.

Operator: Our next question comes from the line of John Barnes from BB&T Capital Markets. Please go ahead.

John Barnes: Hey, good morning, guys.

First of all, could you talk a little bit about what you're seeing from a capacity and industry-wide capacity standpoint?

Especially during the quarter where, you know, you start hearing what jet fuel prices, where they were, there are certain aircraft types that are being taken down at a little bit more aggressive pace, and just kind of curious what you're seeing industry-wide in terms of capacity, and what that's done to pricing, especially in your scheduled business.

Bill Flynn: Sure, John.

We've seen some aircraft begin to come out, particularly in the trans-Pacific theater. There's probably about, as best as we can gauge, about eight or nine freighter aircraft that have been withdrawn from that market, as well as at least some deceleration in growth of the new...addition of new capacity, PAX capacity, which also removes some belly component.

But our expectation is we're not going to see a lot of capacity come out until after the fourth quarter is over. We think that a number of operators or carriers will keep aircraft in place for this peak, and then we're likely to see a more accelerated...or greater numbers of aircraft withdrawn as we come into the valley period of the first quarter next year.

John Barnes: Okay. And, I mean, your best guess, how many do you think would be removed from service?

Bill Flynn: Well, that's a guess.

You know, what we've said, I think in a...probably in our investor day meeting, there are about 140-odd 747-200 freighters in service today. We believe they are severely penalized by fuel. The DC-10s are, we think, mostly down, and then how many MD-11s remain in service really remains to be seen.

But I'd be really speculating at this point without some more science on those numbers. And I think, you know, once we cut towards the end of the year and first quarter, John, we'll have better visibility.

Jason Grant: And John, it's fair to say, and I think we've said this before, half the market is effectively what we would term Classic aircraft that are significantly penalized by the price of fuel today.

Bill Flynn: There are actually more -200 Classic aircraft out there flying than there are -400s.

John Barnes. Yes. Okay. Alright.

Looking at your tax rate on a go-forward basis, you know, this is clearly going to be probably the most the volatile line item, and I appreciate your guidance down to the earnings-before-tax line, because that certainly has made it easier.

But could you just give us a little flavor for, you know, is there a way to have some better transparency into the tax rate? Or, you know, is it just kind of best guess, you know, at this point?

Jason Grant: No, John, it's a fair question. I think the quarter...it's important that we...our view of the long...of the sort of base-case tax rate is that 37 – 39, and we kind of say 38 as a median number. In terms of our effective tax rate going forward, we do have this, what I would call an inter-quarter issue on Polar, on PACW.

John Barnes: Um-huh.

Jason Grant: And the issue we have is PACW is a new tax filing entity for us.

Previously, Polar was filed as part of the consolidated tax return. Transaction for DHL creates a new tax entity. It doesn't have a history of income to apply NOLs against.

We ended up in this odd situation in the second quarter, where we had to effectively reserve against those NOLs that led to a very high tax rate, given that Polar actually had lost money, and the rest of the money...the rest of the business had been profitable in the second quarter.

And what that did is it led to this very high tax rate. That will unwind itself in the third quarter, and so we will...as we head into the third quarter, and we improve the contribution of the Scheduled Service, because of the seasonal nature of that business, we think that when you look at the period ending the third quarter, you will be much closer to our 38% targeted tax rate. And our expectation for the year is that we'll be consistent with that.

On a go-forward basis, I think that's your sort of best number to be planning for.

It's important, though, to reiterate that we're at a much better position from a cash-tax basis.

We said previously that we don't expect cash taxes this year. We've said we may have cash taxes in '09, I think. We're obviously doing a lot with the -8, and to the extent that we take those on our balance sheet, which is our expectation, we think that we can look back and probably defer most, if not all, of any cash-tax exposure that would exist in '09 and '10 and in a few years beyond that. So the cash tax issue is a very good one.

John Barnes: Okay. Segue into, you know, the 800s, when would you make a decision on exercising the options, beyond the ones that you have scheduled for delivery in '10 and '11?

Bill Flynn: Well, that's something that we continually evaluate.

We certainly believe that the demand for the aircraft is strong. We have the options, we have terms and conditions under the options. We will exercise them when we believe we've got the best deal we can get from Boeing on additional aircraft orders.

John Barnes: Okay, but I'm just thinking...I mean, going back to your original comments on, you know, the 747-200s that are out there and, you know, the fact that it's tough to make money flying those airplanes right now with fuel prices where they are.

You know, if half of those were taken out of service, it seems to me like there would be a significant shortfall in available air freight capacity. You know, would that drive the decision more so than pricing with Boeing, or...

Bill Flynn: John, it's clearly...it's clearly, you know, a key component of our analysis and consideration.

John Barnes: Okay. Alright. Very good. Alright, that's all I've got. Nice quarter, guys. Thanks for your time.

Jason Grant: Thanks, John.

Bill Flynn: Thank you, John.

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

David Campbell: Yeah, hi. I wondered if you could sort of give us an idea what kind of scheduled operations will remain after DHL starts in October, in terms of available ton miles or revenue block hours? You know, on a monthly basis?

Bill Flynn: David, Bill Flynn.

After the DHL operation commences for Polar, we will essentially...Atlas will essentially be operating ACMI with a -400 fleet and our future -8 fleet.

And with the remaining -200s that we have, they will operate principally in the Charter Business Unit, either serving the military or serving commercial charter. And of course we are managing them through a retirement process.

But the Scheduled Service as we know it would only be operated on the Polar-DHL network, with DHL having the attendant risk of commercial risk of filling the plane and the fuel-price risk as well.

David Campbell: Right, but...yeah.

Bill Flynn: So...

David Campbell: But to the extent that you don't fill the planes with...with DHL, there will be some scheduled, other airlines...other air freight on there, right?

Bill Flynn: So, on the eight aircraft that will be operating by...operated by Polar for DHL, that whole capacity is DHL's. Whether they fill it with their own express network freight, or they in turn sell any unutilized capacity to freight forwarders, to the traditional freight forwarder customers of Polar, that is all for DHL's concern.

Our business operation is...or our business economics are derived from the ACMI relationship between Atlas Air, Inc. and Polar Air Cargo. Atlas is not operating scheduled service.

David Campbell: Okay. Thank you. And that starts on October what?

Bill Flynn: 27.

David Campbell: October 27. Okay, thanks.

And could you tell us what does the air cargo market feel like in July and August? I mean, June was obviously, internationally, anyway, the growth slowed significantly, and do you see the same thing happening these months?

Bill Flynn: So growth slowed, you know, in the aggregate. We saw some growth in two interesting markets, the Middle East, I think, was double-digit growth at least by the IATA stats and other stats that you'd look at.

And the other interesting story that continues is given the low dollar, U.S.

exports have certainly ramped up, and so we saw growth in North American exports, with Asia contracting.

July is most likely going to look like June, and August for sure is going to look like June given the Chinese government has shut down most of the manufacturing capacity in China.

I think that will be...we'll see a pretty strong uptick then as we come into September and for the balance of the year in the Asian markets, and no real reason to think that Middle East or U.S. exports contract.

David Campbell: So there was no Beijing impact in July?

Bill Flynn: Oh, yeah, there was a Beijing impact towards the end of July, and certainly a Beijing impact in August.

David Campbell: Okay. Okay, and I could think that...that's all my questions. Thank you very much.

Bill Flynn: Thank you, Dave.

Jason Grant: Thanks, David.

Operator: Our next question comes from the line of Mike Lanier from AIG. Please go ahead.

Mike Lanier: Thank you. On the two new 747-400s you bought, what vintage were they?

Jason Grant: Mike, one was...the converted freighter is a '91. The production freighter is a '96.

Mike Lanier: I guess...and then you didn't...you didn't nor do you plan to disclose roughly what those cost?

Jason Grant: Well, I think the aggregate we have, but we have not broken them down and we wouldn't do that.

Mike Lanier: Oh, but you gave a price for them combined?

Jason Grant: Yeah, including the cost of the conversion, the aggregate commitment for the two aircraft is \$166 million.

Mike Lanier: And I think you mentioned it earlier in the call, but how did you finally end up financing those?

Jason Grant: We've closed on a five-year debt facility. We drew \$58 million on the first

aircraft already. The remainder will be drawn on the second aircraft later in the third quarter.

Bill Bradley: Mike, these were bank-debt deals.

Mike Lanier: And you're able to get, essentially, 100% financed?

Bill Bradley: No.

Jason Grant: No. No, it was \$100 million on the \$166.

Mike Lanier: Alright, and you talked earlier in the call that you've got another...a couple more of the -8s put to bed in terms of their financing.

So how many -8s are now fully funded, and how many are partially funded?

Jason Grant: Well, we've got...yes, so we have twelve firm orders. We've got a sale-lease back, which we expect to document and close on the first two deliveries this quarter. We do have commitments on an additional four aircraft, which would take the total to six of the twelve.

Mike Lanier: Okay. And all of these are...all of these financings are bank type? Well, the sale-lease back, I guess not, but the future four commitments are essentially bank financing as well?

Jason Grant: Yeah, and Mike, we haven't discussed in a lot of detail the four. I think our view now on the four is the option is attractive to us. Our position now is we're looking to the market to tell us, you know, how we can better that.

We look at it as a...as a fallback position for us on the aircraft, but we feel good that the market is still good for us and will be good for us in getting these aircraft financed, as we've proven here with the first two.

Mike Lanier: Yeah, for a tight capital market, you guys were right about being able to find people to care on these assets.

What about the progress payments to Boeing? How much do you have left in '08, and what does '09 look like?

Jason Grant: Sure. So our total gross payments in '08 are \$250 million. We've got effectively \$217 million, I think, of that financed for 2008.

We have total gross obligations in 2009 of \$185 million. I think approximately \$53 million of that \$185 is financed under the PDP facility for the first five aircraft. We will be approaching the market here in the

third quarter for PDP financing on deliveries seven through twelve.

Mike Lanier: And then last, but not least: We talked about, you know, some of the temporary slow down over in Asia, and there was a...I think one of the...Traffic World or one of the magazines put out a piece with a little blurb that said several prominent airlines have withdrawn freighters from China, and saying growth has lagged behind forecast, and competition has sent yields plummeting.

I mean, you commented on the...the yields plummeting comment, does that resonate at all with you guys?

Bill Flynn: No, we haven't seen what I would characterize as plummeting yields. I think it depends on the market segment you're in and the product that you offer.

What we have said is that this fuel surcharge has not fully recovered the increment in fuel, but we've not seen what I would characterize as plummeting yields.

I think based on, you know, the kind of comments and observations we made earlier, that we're coming into, in certain key markets, a stronger pricing environment as we come into peak, as the August plant shutdowns in China have taken away – for certainly some products – the ocean option, because of how late we now are into the holiday cycle.

So I don't see plummeting yields in what remains in our Scheduled Service business, nor do I see plummeting yields for DHL when they start their express network on Polar in October.

Mike Lanier: Well, it kind of brings up the question of once the Polar thing is fully ramped, which is just weeks away, and everything else is ACMI, I mean, what is...if yields did back up a little bit, do you really feel them, or are you all locked in?

Bill Flynn: We will not feel the yields, because it will all be ACMI for our -400s.

Where we do still have market sensitivity, but it's the smallest part of our business really, is the commercial charter. The U.S. military is locked in at fixed prices, the U.S. military covers the fuel.

So a very small percentage of our available fleet, then, has what...has either a yield or fuel exposure – that's on the -200s. And, you know, going forward, we have a retirement schedule for those assets, which are essentially unencumbered.

So no, we don't feel the direct exposure to the yields.

Mike Lanier: Yeah, the business model seems, you know, I guess on automatic pilot, no pun intended.

Bill Flynn: We work it hard because we want...we work it hard, we work with our customers because we want them to maximize their returns on the assets.

Mike Lanier: Right. Right. And then I think on the last call you said there...to the best of your knowledge, there wasn't a -400 parked anywhere, and I assume that's still the case.

Any movement, or what's the situation on conversions? Are those still moving quite slowly?

Bill Flynn: Yes. Some conversions have been delivered this year. In fact, we ourselves have a conversion that's going to be delivered. The total converted fleet, though, is substantially less than if you had looked at a converted forecast three years ago.

You know, you would have seen forecasts of 100 plus 747-400 converted freighters available. That's nowhere near what's in fact in the market today. That's in the range of perhaps 18 to 20 aircraft. It might be slightly more than that, but substantially less than what our forecast would have told you.

-400 passenger aircraft will be converted to freighters, there's no doubt about that, but at a much slower pace. The aircraft are now several years older from when the conversions were supposed to have kicked in, and they do carry slightly less cargo, they are heavier aircraft, and they burn slightly more fuel, which is why we've built our future fleet on the -8s, and moving well beyond conversions, and have, we think, very good durability with the -400s for some time to come.

Mike Lanier: Agreed. Well, thank you, gentlemen. It remains a good story.

Bill Flynn: Thank you very much.

Jason Grant: Thanks, Mike.

Operator: Ladies and gentlemen, if there are any additional questions, please press the "star" followed by the "one" at this time. As a reminder, if you are using speaker equipment, please lift the handset before making your selection.

And our next question is from the line of Alex Brand from Stephens Inc. Please go ahead.

George Pickral: Hey, two quick follow-up questions, guys.

First of all, in your press release you mention that you fully reserved against the rents and maintenance on the few Classics that were returned to you. Can you quantify that for me?

Jason Grant: Yeah, George, it's not much.

I think the total reserve...we were very well secured with deposits on those aircraft. I think the total reserve in aggregate is roughly a million, a million and a half dollars.

To put it in perspective, though, these aircraft...we're looking at aircraft that are leasing in the, you know, high \$100 (thousand) to sort of max \$250 (thousand) range a month per aircraft, so we're not...obviously, these are end-of-life assets, as Bill said previously.

This is not a significant piece of either our balance sheet or our income statement, and our...therefore, the total reserve is quite small.

George Pickral: Great. And the guidance you gave, is that based on the price of fuel as of June 30, or as of August 7?

Jason Grant: Yes, I think...we've...to be specific, I think we're running at around \$121.00 a barrel, to kind of put it in barrel terms, from where we set the forecast.

And George, as I mentioned previously, I think the one sensitivity to be aware of is prices have come off. The end date for our exposure to fuel is October 28 in Scheduled Service. Some of the benefit out of fuel obviously lags as pricing lags, and that will push beyond the October 28 date. So we will get a benefit from reduced...you know, we factored in a good amount of the benefit from the reduced prices, but there is a lag to that effect.

George Pickral: Great. Thank you so much.

Jason Grant: Thanks, George.

Bill Flynn: Thanks, George.

Operator: And there are no further questions. I will turn the call back over to management for any closing remarks.

Bill Flynn: Okay, thank you, operator, and on behalf of the team here at Atlas Air Worldwide Holdings, we'd like to thank everyone for participating in our call today, and thank you for your interest in our Company.

Operator:

Ladies and gentlemen, this concludes the Atlas Air Worldwide Holdings, Inc. Second-Quarter 2008 Results Conference Call.

If you would like to listen to a replay of today's conference, please dial 1-800-405-2236 and access code 11118061 and followed by the pound sign.

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

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