

ATLAS AIR
WORLDWIDE HOLDINGS



Atlas Air Worldwide Holdings, Inc.

1Q10 Results Conference Call

May 5, 2010

Hosted By:

Bill J. Flynn – President and Chief Executive Officer

Jason Grant – Senior Vice President and Chief Financial Officer

Dan Loh – Director Investor Relations

ATLAS AIR WORLDWIDE HOLDINGS, INC.

1Q10 RESULTS CONFERENCE CALL

May 5, 2010, 11:00 A.M. ET

Operator: Welcome to the Atlas Air Worldwide Holdings First-Quarter 2010 Results Conference Call on the 5th of May 2010.

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

I will now hand the conference over to Dan Loh. Please go ahead, sir.

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

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

Welcome to our First-Quarter 2010 Results Review Conference Call.

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

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

These statements relate to future events and expectations, and they 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 24, 2010, as amended or updated by subsequent reports that we may file 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.

Also in our discussion today, we have 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.

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

I'd now like to turn the call over to Bill Flynn.

Bill Flynn:

Thank you, Dan, and good morning, everyone.

We're very pleased to discuss our record first-quarter results and our strong earnings outlook with you today.

We're also excited about several initiatives that will drive future revenues and earnings.

- In March, we were awarded a nine-year CMI contract under which we will provide key supply-chain support for the production of Boeing's new 787 Dreamliner.

The award reflects our proven ability to operate global, time-definite networks, and is expected to generate substantial revenue and earnings benefits beginning in 2011.

- In the dry leasing space, our Titan subsidiary acquired its first freighter aircraft and associated customer lease in March, and is continuing to evaluate additional high-return opportunities.
- And as we announced on Monday, we have secured attractive PDP financing for the final nine of the 12 aircraft in our Boeing 747-8 freighter order, in a market where PDP financings have been quite scarce.

Turning to our current results, this year's record first-quarter earnings significantly surpassed our previous record, in last year's first quarter, with our net income rising more than 44% to \$33.8 million, or \$1.30 per diluted share.

On an adjusted basis, net income in the first quarter rose even more sharply, increasing over 86% to \$27.5 million, or \$1.06 per diluted share.

Earnings growth in the first quarter reflected strong market conditions, earnings leverage in our model, and was based on the strategic actions that we have taken to transform our business, our operating cost base and our fleet.

As a result, we were well-positioned for a strong upturn in market conditions, driven by a continued improvement in airfreight demand, a tight supply environment, continued strength in military demand and robust commercial charter rates.

The significant improvement in airfreight demand during the first quarter was in stark contrast to the first quarter of 2009, when airfreight demand was falling at historic rate.

International airfreight traffic grew at a 28% pace during the first quarter compared with the first quarter of 2009. Traffic during the quarter grew by 30-40% in nearly all of IATA's reporting regions, except Europe, with a 10% rate.

Asia-Pacific, which is a key market for our ACMI and Charter customers, and Latin America, which is a key market for our scheduled charter operations, led the growth in airfreight demand during the quarter, with Asia-Pacific rising 36% and Latin America up 40%.

While global traffic increased 28% during the quarter, global capacity only increased 4%.

Global load factors improved to 54% for the quarter compared with 44% in the last year's first quarter, reflecting tight supply and demand conditions.

In the Asia-Pacific region, load factors rose to 66%, an increase of about 10% compared with prior year.

As IATA notes, March's global load factor of 57% was the highest since November of 2002.

The combination of strong demand, tight supply, and improved load factors supported an increase in our ACMI customers' utilization rates and our charter yields during the quarter.

On average, our ACMI customers flew at more than 103% of their minimum contractual block hours during the first quarter, a strong level compared with a typical, seasonally slower first-quarter period, and up substantially from an unusually weak 80% in the first quarter of 2009.

Charter yields north of \$3.00 per kilo during the first quarter of 2010 were roughly twice what they were during the first quarter of 2009.

We expect to see strong airfreight demand and a continued tight supply of wide-body freighter capacity throughout 2010.

IATA, for example, expects global airfreight traffic to grow by 12% in 2010, with wide-body freighter capacity increasing only about 4-5%.

At the forecast growth rate, global airfreight demand in 2010 should approach or exceed its previous high point in early 2008.

Our first-quarter results were also characterized by strong military charter demand, including the transportation of M-ATVs nonstop to Afghanistan.

In 2009, we were proud to propose a solution to the Air Mobility Command that would deliver new-production M-ATVs into theater quickly and efficiently on our 747-400 freighters. During the first quarter, we flew more than 100 missions and successfully delivered more than 500 of these vehicles for the AMC.

As we have noted in our previous calls, our success starts with our number focus: delivering superior service, value, performance, and innovative solutions to our customers, who include the world's top-tier international airlines, freight forwarders and the U.S. military.

I would like to take a moment to comment on that and to highlight another important factor behind our strong earnings performance.

That's the continuing contribution of our flight crews, and our flight- and ground-operating staffs, in not only meeting but exceeding very high service-level commitments to our customers.

Based on their dedication and superior performance, we provide continuous, reliable, high-quality service to our customers.

We're ready to respond quickly to our customers' needs when schedules change, and to flex our worldwide scale and scope to help them achieve their objectives.

The volcanic activity in Iceland provides a good example.

We maintained our global operations during that time, but we quickly adapted to the situation.

We transferred flights down to southern Europe for affected customers. In particular, we worked with DHL and shifted down into northern Spain. We did the same for BA. All flights in and out of the UK were blocked, but they had global operations to deliver. So we shifted operations to the

south, and moved freighters in and out of Vitoria airport in northern Spain, among others.

For the U.S. military, our 747-400 freighters were the only aircraft that could provide continuing service to Afghanistan unaffected by the volcano.

Since European airspace has reopened, we have experienced a high level of activity as our customers unravel remaining backlog and return to normal operations.

We do not expect the delays and slowdowns caused by the volcano to have more than a very minor effect on our second-quarter results.

I think this is a good time to ask Jason to provide you with some additional perspective on our first-quarter results.

After that, I'll have some more color about our outlook for 2010, and then we'll be happy to take your questions.

Jason.

Jason Grant:

Thanks, Bill, and good morning, everyone.

Beginning with the fourth quarter of 2008, we have reported six consecutive quarters of strong year-over-year earnings improvement in the face of an unprecedented airfreight environment.

Both our record first-quarter numbers and the earnings track record that we are building reflect:

- The strategic transformation of our business to better manage risk;
- Our systemic pursuit of cost-reduction and productivity improvements, particularly through our Continuous Improvement initiatives;
- And a disciplined approach to fleet management that has enabled us to provide leading-edge 747-400 freighter assets and operating solutions to our customers, while opportunistically managing our Classic fleet and planning for the introduction of our next-generation 747-8 freighters, which will deliver even greater efficiency, performance and margins for our customers.

In addition to the operating leverage in our model, our first-quarter results also highlight the complementary nature of our business segments and our

ability to optimize capacity allocations among our military, commercial charter, and ACMI segments.

Total Direct Contribution by our reportable business segments improved to approximately \$77 million in the first quarter from about \$50 million in the first quarter of 2009.

The improvement in Direct Contribution was primarily driven by strong AMC Charter and Commercial Charter block-hour volumes and revenue yields.

Block-hour volumes in AMC Charter reflected an increase in flying activity related to U.S. military activity in Afghanistan. AMC revenue rates were driven by a higher pegged fuel price, as well as a premium rate for mission specified 747-400 freighter aircraft.

Block-hour volumes in our Commercial Charter segment primarily reflected charter demand generated by the deployment of 747-400 freighters in the segment and our 747-400 charter service to and from South America.

Block-hour rates in Commercial Charter were driven by a significant increase in demand for airfreight out of Asia and a tight supply in global wide-body freighter capacity.

We reported a modest reduction in contribution in our ACMI segment versus the year-ago period, which was primarily a function of customers flying significantly below minimum guarantee levels in the first quarter of 2009.

Average ACMI revenue rates in 2009 reflected minimum guaranteed revenue that was generated on unflown block hours.

During the first quarter of 2010, one 747-400 ACMI aircraft was returned by a customer who's contract had expired. Taking advantage of market conditions, and strong pricing in the charter market relative to longer-term lease rates, we chose to profitably deploy that aircraft in high-yielding AMC Charter and Commercial Charter activity for the time being.

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

Based on that expectation, we decided to perform a heavy-maintenance C-Check on one of our 747-200 freighters that was previously intended to leave the fleet after the first quarter.

Reflecting our decision, we now expect to operate six 747-200 freighters through the remainder of the year.

Also on the fleet, we are very pleased to note that Titan Aviation Leasing acquired its first aircraft during March, a Boeing 757-200 special freighter.

This aircraft has been dry leased to a Chinese airline for a five-year term.

On the expense side, line-item operating expenses in the first quarter, especially aircraft fuel, were higher than the same expenses in the first quarter of 2009, largely reflecting the significant increase in our block-hour volumes and our consolidation of GSS.

Turing to our balance sheet, we remain focused on leverage and continue to manage an already strong balance sheet.

We ended the first quarter with cash, cash equivalents and short-term investments totaling \$563 million compared with \$636 million at year-end 2009.

Since the third quarter of 2009, we have advanced our de-leveraging efforts with the acquisition of approximately \$121 million of public EETC certificates that finance 12 of our 747-400 aircraft.

These certificates were acquired at a meaningful discount and provide a long-term, attractive return to the Company.

The purchase of the certificates will be reflected as a long-term investment on the balance sheet, and will have the effect of reducing net leverage.

The acquisition provides increased fleet flexibility for the Company, and will provide annual incremental earnings of approximately \$0.40 per diluted share through 2015.

The earnings will be driven by a combination of interest income and the accretion of the purchase discount. These incremental earnings will be reflected in the interest income line of our income statement.

Our balance sheet debt totaled approximately \$556 million on March 31, while the face value of our debt totaled \$617 million.

Our net leverage ratio, including capitalized rents, remains approximately three times the annual EBITDAR, putting us in good shape heading into our 747-8 deliveries. Including the benefit of our investment in our EETC certificates, our net leverage ratio is less than 2.9 times annual EBITDAR.

Our capital expenditures during the first quarter totaled approximately \$22 million, which included about \$3 million of capitalized interest related to our Boeing 747-8 order.

We expect cash capital expenditures for the remainder of the year to be about \$159 million.

Included in that total is approximately \$115 million of progress payments on our new -8 freighters, about \$60 million of which will be funded through our existing PDP financing facilities.

On Monday, as Bill noted, we announced the closing of a second PDP financing facility that completes PDP financing for all of our 747-8 deliveries.

Although PDP financing has generally not been available in the marketplace, the lender community has been quite receptive to both Atlas and the 747-8 asset. The financing also reflects the strong working relationship we have with our lender group.

In line with our strong balance sheet and credit quality, we continue to focus on securing attractive permanent financing for our new aircraft during 2010, and we look forward to the introduction of our new Boeing 747-8 freighters into service in early 2011.

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

Bill Flynn:

Thank you, Jason.

We are well-positioned to deliver value and generate continued growth in 2010 and beyond.

Our 2010 outlook reflects the encouraging trends in airfreight, both strong demand and tight supply; sustained demand in AMC Charter; robust Commercial Charter market yields; and continuing economic recovery.

We will operate a fleet of 22 747-400 freighters and six 747-200s through the remainder of the year.

In ACMI, we continue to expect that 18 of our 747-400 aircraft will be operating in our wet lease segment by year-end.

We are confident about our opportunities to place additional aircraft in ACMI service. But, as Jason noted in his comments, we will consciously evaluate the timing of any longer-term aircraft placements against the

benefits that high-yielding military and commercial charter market opportunities present.

Based on current schedules and plans from our ACMI customers, we anticipate that they will fly about 6% above minimum contractual block hours over the course of 2010.

In AMC Charter, our expectation continues to be that military demand will total about 21,000 hours for the year, or 10% higher than in 2009.

In Commercial Charter, we expect continuing demand and tight supply to support strong overall yields. We do not at this point, however, expect to see fourth-quarter 2010 yields peak at the same level as fourth-quarter 2009.

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

As previously discussed, Titan has acquired its first aircraft, accompanied by a long-term dry lease. And it continues to evaluate additional high-return opportunities.

We also plan to commence outsourced, premium-passenger, CMI aircraft operations for SonAir very shortly, using two customer-owned 747-400 passenger aircraft.

This opportunity will have a more tangible impact on our 2011 results, as will our CMI flying for Boeing beginning later this year.

We will operate four 747-400 Dreamlifter aircraft for Boeing in support of its 787 Dreamliner production program.

Utilization of the Dreamlifter aircraft is expected to ramp up over the next few years, as Boeing increases its output of 787 aircraft. Currently, we expect the Dreamlifter fleet to average approximately two aircraft worth of flying in 2011, increasing to approximately three aircraft in 2012, and a full four in 2013.

Additional growth will occur with the delivery of our 12 next-generation 747-8 freighters starting in early 2011.

Although risks remain, based on our framework assumptions for 2010, we currently expect adjusted net earnings to exceed \$4.00 per diluted share.

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

Operator, may we have the first question, please.

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

The first question comes from Bill Greene of Morgan Stanley. Please go ahead with your question.

Bill Greene: Yes. Hi there. Good morning. Bill or Jason, I'm wondering if you can comment at all on the second quarter, how the charter rates are, particularly if you can add any color by market, how Pacific, maybe, versus LatAm or another market, might look?

Bill Flynn: Good morning, Bill. So, the one anomaly also to comment on has been the volcanic activity that's occurred.

So charter demand remains strong, Asia-Pacific, just driven by new product introduction, the iPad and other consumer electronics that are coming into the market, and the continued tight supply of capacity, certainly freighter and belly capacity.

Latin America overall has held up very strong throughout the cycle, and there continues to be good demand for capacity in both directions in Latin America.

And there has been a substantial backlog created as a result of the volcanic activity, as I noted in my comments. And so there have been Asia-Europe charters and other charter activity driven by the interruption that the volcanic -- the volcano caused, continuing to support a good charter demand and good charter yields.

Bill Greene: But if we look at kind of the trends that you're seeing now here in the second quarter, you'd mentioned by the time you get to the fourth quarter you don't think you'll see those kind of peak levels. So how should we think about how this evolves? Are we seeing a year-over-year sort of deceleration in that growth, just because first quarter was such an easy comp? Or how do you think about how those evolved through the course of the year?

Bill Flynn: So, the first five months of 2010 are going to be an easy comp over the first five months of 2009. And then we all have that image in our mind of what growth looked like, accelerating through the year, and then strong market demand continuing into first quarter and beyond.

And I think the comment I was making, and I said yields to peak, and on a given week or two in the fourth quarter 2009, we saw \$7 kinds of cost per kilo coming out of Asia, which is exceptionally high and hadn't seen anything like that, really, since the port lockout in 2002.

So, I think yields are strong. If you look at first quarter, \$3.00 a kilo in the first quarter is pretty much, in my mind, unprecedented over the last several years. The yields continue to be strong. They will be strong in the fourth quarter. What we've said is, we're just not sure about that \$6.00 or \$7.00 yield going forward.

Forwarders and shippers are aware of the capacity constraints and the demand forecast going forward. I think shippers, to the extent that their product allows them to, will look to, perhaps, move a little bit more inventory in than they have in the past. And so I think it's a strong market.

The yields will be what they'll be, but they should be very good yields on a historic basis.

Bill Greene: That's helpful. Thank you.

Can I also ask you if we look at the blend of flying that you're doing, and you did decide to put something into the -- some aircraft into the charter market instead of renewing in ACMI. As we think about the deliveries of the 800 and some of your customers taking those aircraft, should we think about you sort of changing the mix of flying that you're doing, away from ACMI, given the strength or given that those customers may have an aircraft that is similar to what you offer? How do you think about that mix going forward?

Bill Flynn: So, key for us is to maximize the earnings that we generate per aircraft.

And you'll see in this quarter, and the kind of guidance that we've given for the year, that we are going to deliver very strong earnings on a per-asset basis, and we are asset-constrained now until we begin to take delivery of the -8s.

You know, in earlier calls, we talked about -- we had questions about if the military surges, if the market surges, what would you do. And we had -200s parked in the desert, we pulled them out, we C-Checked them, and we put them into service to take advantage of that demand.

Long term, our core business is ACMI. And so we will manage the fleet and we will manage the long-term placements based on, really, on our view of the market.

Now, it's certainly advantageous to have capacity to take advantage of this charter demand to serve AMC, and, at the same time, you know, we're looking to see the rate in ACMI begin to improve and strengthen. And that process is happening now.

So as we come to the end of the year and look into next year, we will want to have aircraft in ACMI. We said we'd have at least 18 in ACMI. We feel very good about the placement of our -8s as they deliver, as well as our -400s.

And so -- and again, we need to determine, Bill, what we think about that charter market and where pricing's going to occur, but we will -- you know, our core business is ACMI, we will place assets in ACMI.

Bill Greene: Okay, great. Thank you for the time.

Bill Flynn: Sure, Bill. Thank you.

Operator: The next question comes from Bob Labick from CJS Securities.

Bob Labick: Good morning. Congratulations on a great start to the year.

Bill Flynn: Thank you, Bob.

Jason Grant: Thank you, Bob.

Bob Labick: A couple of questions. First, I wanted to ask if you could elaborate a little bit more on the ACMI revenue per block hour.

It was below the \$6,000 we're, you know, traditionally used to seeing. I understand the anomaly last year by being below minimum, but if you could talk about, is \$6,000 still the expected average on a go-forward basis? And what happened in the quarter?

Bill Flynn: Well, we have one contract that we talked about in our last call, and Jason talked about it in his comments as well, where the customer basically trues up on an annual basis as opposed to a monthly basis.

That customer flew substantially below minimums in the first quarter, and that had the mathematic effect of increasing the average rate per block hour in 2009.

Now that customer's able to fly substantially above minimums and such consumes some of those hours not flown, or use some of those hours not

flown, and so that had an anomalous effect on the Q1 block-hour rates in ACMI.

The rates are strengthening. That true-up is completed, as of March 31. And so you will see, arithmetically, rates move up; and we are seeing, with demand increasing overall, you know, our rates improving to \$6,000 through the course of the year.

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

And, just switching over to military, you've mentioned on previous calls and again today that, when you fly the -400s, you've gotten, I guess, a special return, presumably because you're giving the military a better asset and they're saving money as well.

Can you help us think about how to model on a go-forward basis the potential Direct Contribution return. Is 33%, you know, seen in the quarter sustainable on a go-forward basis, or is there anything unusual there?

Bill Flynn: Well, the military pays -- I think you've got the basics of it.

You know, the -400 is a more capable aircraft in terms of range and capacity. And so under the contract now, the military has recognized the capabilities of the -400. And when they specify, or their requirements specify, a -400, they pay a different rate for the asset.

The -400 was heavily employed in the first quarter. About 50% of the flying we did for the military was with a -400, and a lot of that was about delivering M-ATVs direct into Afghanistan or to Kyrgyzstan to support the buildup.

Going forward, the military certainly is going to have an increasing bias for the -400. We need to see how that mix is going to develop over the year, as the M-ATVs are not fully delivered, but well-advanced in the delivery program. And so we're going to need to take a look at that as we go forward, Bob, on a quarter-by-quarter basis.

Bob Labick: Okay, great. And I'll just ask one more, and then jump back in queue.

Could you elaborate a little bit more on the new aircraft for Titan and the, I guess, economics and how we should be thinking about that? And if there's more to come in Titan this year? Obviously, over time, I would expect more to come.

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

The -- it's a really attractive investment for us.

You know that we've been cautious about the growth in that segment. We've been cautious about asset values, in particular. And this was an opportunity where both the asset and the customer, the lease customer for the asset, were very attractive to us.

This is generating -- I think we've talked in the past that we've had pretty high expectations and hurdle rates for where we will put money, the balance sheet, to work.

And I can tell you that this is a deal that exceeded those hurdle rates that we've talked about historically.

From a P&L standpoint, I think it's a five-year lease. So the -- obviously, the effect of this is embedded into our outlook.

It's not a material effect to the bottom line. It's one aircraft, so I don't want to overstate that this single aircraft is going to make a material difference to earnings. But in terms of an IRR, in return on the investment over the life of the lease, we think it's a really attractive investment for the Company and a good start for Titan. And I think a good indication of how we're thinking about potential growth there.

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

Jason Grant: Thanks, Bob.

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

Edward Wolfe: Thanks. Good morning.

Just to follow up on that last question on Titan.

What is the idea of Titan? Is it -- I mean, I thought you guys were doing 747s. If you're -- you know, what types of planes, and what's the strategy?

Bill Flynn: So, Ed, when we've talked about Titan over the last 18 months or so, we believe that there's an opportunity in global airfreight that we can exploit and take advantage of.

Of course, when we first conceived of Titan, that was before the market contracted and before -- and obviously that changed some of the timing.

But our view on Titan is that we'll grow Titan opportunistically.

We'll look to find aircraft and/or customer opportunities where we're going to hold any investment in Titan to the same kind of hurdle rates and returns that we experience in our core business.

But we think there is a freight market that we understand very well.

There's a customer base, including some of our current customers, who do have need for and want to have mid- to small-sized freighters in their fleet, 57s, 67s. And ultimately, there's a vehicle in Titan as we think about managing our -400 fleet.

We think we have very good insight on the market and how aircraft can be put to use. And, as we grow Titan, again opportunistically, we can simply leverage all of the existing overhead and capabilities within Atlas.

To build this business, we need, certainly, a couple of well-seasoned executives who understand dry leasing and the nuances of dry leasing versus wet.

But technical operations, accounting, support activities, etcetera, already exist in Atlas, and so we can add planes in Titan, really, without adding anything into the overhead. And we can exploit our core competencies, our customer base, and what I would argue is our deep insight and knowledge of the global freight market.

Edward Wolfe: Do you need different pilots or different training or different maintenance contracts?

Bill Flynn: Ed, this is dry leasing, not wet leasing. So we dry lease the aircraft to the carrier, and they're operating the aircraft. And the other thing that it does do is it expands our potential customer base. So we're not operating this aircraft at all.

Edward Wolfe: Okay, and when did you purchase it?

Bill Flynn: We closed in March.

Jason Grant: March, yes.

Edward Wolfe: Did you say what you paid for it?

Jason Grant: We did not.

Jason Grant: But it's -- we had \$20 million of capex in the quarter, Ed, and it was just over half of the total capex.

Edward Wolfe: Okay, and how do we model that going forward? I'm guessing it's not then in your block hours and so forth. So where is it going to show up in the income statement?

Jason Grant: Yes, it'll be -- you're right, that there will be no hours tied to that or reported. It will show up in other revenue, Ed, going forward. Again, it will have a relatively modest effect. It's one aircraft, a relatively modest effect on income going forward; but that's where it'll be reported for revenue and earnings.

Edward Wolfe: Well, was there any in that for the first quarter?

Jason Grant: No.

Edward Wolfe: Okay, so going forward, any kind of run rate you can give us?

Bill Flynn: Well, Ed, as Jason said, it's one aircraft now. It's with a Chinese carrier.

We do have a couple of engines, or some number of engines, that we're leasing out there, and so I think what we're trying to say is it's something that it's -- it's an opportunity for us that we're exploring. How big that opportunity is, how much we want to scale that, remains to be seen.

But it's creating, if nothing else, optionality, or option value for us as we think about growth over the mid- to longer-term in the Company.

And it also tees up a market presence for us should we want to dry lease versus wet lease -400s as we move forward in managing our fleet. And I suspect there will be more opportunities in the mid- to small-freighter category that we're going to want to take advantage of.

Jason Grant: And, Ed, just to put a range on the impact. The total pretax income, if you think about pretax income for this, would be something just under a million dollars a year impact. So just to give you a sense of the range.

Edward Wolfe: That's helpful. Thank you, Jason. Jason, I heard you saying something about \$0.40 annually from the hundred million debt security purchase. Can you get into more details on how you get to \$0.40?

Jason Grant: Yes. So this is EETC certificates that we had an opportunity to acquire in the marketplace.

The opportunity, really, came to us that were bought at a meaningful discount to the obligations that they represent.

The \$0.40 a share per year effect is a combination of the interest income that is yielded on those certificates and the accretion of the discount to the purchase price.

So we will hold these securities as held-to-maturity securities, and over the life of the security we will benefit from the accretion of the discount at which we bought them. So when you give the \$0.40 expectation for earnings, it's a total of those two effects, and that will reported as interest income on the income statement, as a credit to interest expense.

Edward Wolfe: What's the life of the maturity of the asset?

Jason Grant: They average. So the average is out into the sort of 2018-2019 time frame. What we've said is that we would expect \$0.40 a share per year through 2015.

Certain of the securities begin to mature after that, so the effect on EPS after 2015 begins to diminish. But that's our run rate through, annually, through 2015.

Edward Wolfe: And is that evenly, or do you receive -- I guess you're going to accrue for it evenly, and the cash comes in how?

Jason Grant: Correct. So we accrue for it evenly, and the principal is repaid over time.

The interest is paid mostly currently. There's some nuances to the subordinate tranches of this debt. The principal is mostly back-end loaded. There is some current principal that gets paid this year, and that's probably about -- you'll see in the 10-Q, that's about \$5 million that we would get paid back this year.

The remainder of that gets paid back over the remaining period of this investment. But I will say that a portion of this is more back-end loaded in the subordinate tranches.

Edward Wolfe: Okay, the timing for when this begins, is it full for second quarter?

Jason Grant: Yes, so this is now. This is full for second quarter, and the impact was reflected in -- a partial-quarter impact in the first-quarter results.

Edward Wolfe: Okay. Switching gears, could you just talk a little bit about seasonality, and how we think of first quarter versus the rest of the year?

You know, historically, you would think first quarter is a much weaker quarter than the rest of the year, but things have been pretty strong coming out of peak season and so forth. What's your view of how we should think about first quarter?

Bill Flynn: Well, a couple of things. First quarter, certainly, as you see in our press release and you'll see in our Q, benefited from very strong military demand as well as strong charter demand, because of just the dynamics of the market and the capacity that's been withdrawn in the market overall.

What you'll also see is very high utilization on a per-aircraft basis. And so, I would expect this year is going to look fairly smooth quarter-over-quarter, because we're forecasting very high utilization of all available assets.

What will change quarter to quarter, of course, would either be top-line driven by yield that we earn in the market, mix, AMC, Commercial Charter, for example. And then the timing of maintenance is the timing of maintenance.

Edward Wolfe: Okay. The AMC Charter, if you grew 25% this quarter in terms of block hours and the guidance is for ten, the implication is it's a lot less than ten the remainder of the year, is that how we think about that?

Bill Flynn: Well, we've said a couple of things. We've said that we expected 21,000 block hours for the year, which is 10% over last year's 19,000 block hours. And last year, 19,000 block hours was heavily loaded to the second half of the year, after President Obama announced the first surge of 30,000 troops, which was more second/third-quarter oriented; and then the surge of 30,000 troops, which was fourth quarter M-ATVs and then coming into the first quarter. So at 5,500 block hours roughly for Q1 suggests about 5,000 or so block hours per each of the remaining quarters, Ed.

Edward Wolfe: Okay. And has anything changed from when you first gave that guidance in terms of your guidance? You're giving the same guidance? Or has something given you more or less confidence in that number since then?

Bill Flynn: On the military, Ed?

Edward Wolfe: Yes.

Bill Flynn: Well, you know, we have the first quarter under -- first calendar quarter done. We're halfway into the second quarter, and we meet regularly with the military, and in fact had a pretty good meeting with them yesterday.

So, I think, what we're suggesting is here, fairly flat in terms of quarter-to-quarter sequentially; and with the buildup of troops, and with the activity levels that exist, we think those numbers are a good forecast, Ed.

Edward Wolfe: Okay. Last topic, the ACMI, if I look at the yields that somebody else noted, they don't seem to be as strong as the volumes. And, you know, you've got more planes and more block hours, but less revenue. And you made the conversation about that one customer who's got some quirks about it. But it also seems like another customer you let move into the charter market, so clearly the charter market at this point is ahead of the long-term market.

And, I guess my question to you is, when do we start to see the ACMI fleet go back from 16 to 18? I would guess at some point customers start getting nervous that if they don't sign a lease it's not going to be there for them. How long 'til we start to see some of these signings, do you think?

Bill Flynn: Yes. No, I think that's a great question, Ed, building on what was talked about here.

I think the -- what you're really talking about is conviction for a customer to sign up for a multiyear lease. And what's happened now in the charter market and what's happened with the capacity, I should say the demand market, and with the capacity reduction that's occurred, you know, as I at least indicated, if I didn't say specifically in the prior question, you know, that conviction is clearly returning to the market, and we'll see, I think, very good conviction about -- by carrier customers, about entering into long-term ACMI contracts at the higher rate levels this year.

Edward Wolfe: So you -- am I right, we're at 16 ACMI down from 18 in fourth quarter, and you think we'll get back to 18 by year-end?

Bill Flynn: We're down 16 from 17, and we will be at 18 by year-end.

Edward Wolfe: Okay. Thanks for the time. I appreciate it.

Bill Flynn: Thanks, Ed.

Jason Grant: Thanks, Ed.

Operator: The next question comes from Jerry Revich of Goldman Sachs. Please go ahead with your question.

Jerry Revich: Good morning.

Bill Flynn: Good morning, Jerry.

Jason Grant: Hi, Jerry.

Jerry Revich: Jason, based on your purchase of the EETC certificates, it sounds like you're seeing more attractive asset-backed financing terms on the -8s than on the 747-400 assets. Is that fair? And can you talk about how the purchases impact your financing plan on the new aircraft?

Jason Grant: Yes, so it's the right question to ask.

So, Jerry, if you go back over time, I think we've been very consistent in saying that our goal has been to reduce the aggregate and net leverage in the Company.

We took actions last year to do that. This opportunity presented itself to us, which allowed us to further de-leverage the Company. So this is really, I think, another step in a sequence of steps that we've taken, and now really also driven by the meaningful earnings improvement that we're seeing in the business.

So the goal here was an opportunity was presented to us to take advantage of a discount in the market. I don't think that is, at least from my perspective, is not an indication of the prospects on the -8.

I think we feel very good about the financing market for the -8. The primary-issuance market for EETCs has opened up later in 2009 and has stayed very strong since then.

I think if you listen to commentary in the aircraft finance market, the bank market has begun to improve. I think we've really been able to show the real evidence of that, which was the PDP facility that we closed Monday.

I think for those who aren't following the aircraft finance market as closely, the PDP market has really been shut since Lehman. I mean that's been a market that the bank community has really withdrawn from.

And so we think it's a strong statement that we were able to achieve this financing, which we think is one of the few of these financings that's been achieved since Lehman that is not backed by export credit guarantees from U.S. or Europe.

So we feel very good about the financing market for the -8. That continues to improve as time goes on. And we were pretty excited that this opportunity presented itself on the outstanding certificates, and we think for the shareholders this is a really meaningful accretion for them and an economic return on the investment.

Jerry Revich: So, Jason, another way to ask the question is by reducing your leverage as a result of this purchase, are you able to put more leverage on the -8 aircraft than you otherwise would be able to? Is that the way to think about it?

Jason Grant: Yes, I mean that's fair. That's fair.

I think our modeling has always assumed that we will maximize the leverage on the -8s as we introduce them, just from a cost-of-capital optimization standpoint. And I think they will be attractive and efficient assets to finance in the market. So I think that's a fair way to think about it.

Jerry Revich: And Bill, can you talk about the maintenance requirements on the -200s beyond this year? Do you have any D-Checks coming up? And sounds like the C-Checks, they're coming up in 2011, might probably get done if the freight environment remains as strong as we're seeing it. Is that fair?

Bill Flynn: Thanks, Jerry. We talked several calls ago about potential recovery of demand and what would we do with resurgent AMC demand. And our answer then was we had several 747-200s parked, and we could recall them and C-Check them, and that's what we've done. These C-Checks extend the useful life of the aircraft 18 months. As those C-Checks time out, we'll be evaluating again demand and fleet, and if there is adequate demand, we would continue to invest in the -200s, as long as we have an adequate fleet size and demand that supports it.

Jerry Revich: And Bill, the question on D-Checks on these six that are in the fleet, ...

Bill Flynn: Jerry, we would not envision a D-check. At the time at the aircraft would time out for D we would retire the aircraft.

Jerry Revich: Right. So when do they come up for D-Checks, is that over the next couple of years?

Jason Grant: Yes, I think -- it's Jason. I think we have flexibility in managing that. So I don't think that D-Checks will become a constraint to our Classic fleet plan, maybe is the way to answer it.

Jerry Revich: That's very helpful. Thanks, Jason.

And can you gentlemen talk about the CMI opportunities that are out there in broad terms? Obviously, you don't want to talk about any specific potential customers, but are there still a bunch of follow-on opportunities

that you're looking at? Or have you really executed on everything now that was in front of you?

Bill Flynn: Well, I think there are clearly more CMI opportunities for us.

Initiating SonAir will be our first time that we're providing services, whether it's ACMI or CMI, in passenger. And, you know, I believe that the level of service and quality that our operations will deliver is something we can demonstrate to other carriers that could create CMI opportunities for us in passenger.

We feel, Jerry, really delighted that Boeing selected us for the LCF Dreamlifter.

I mean this is an 800 unit production that they have sold, that they have teed up, and they're going to rely on high-quality Dreamlifter services to power that supply chain. So I think we'll be able to demonstrate the service quality and capability through Dreamlifter that will allow us to market CMI to other operators.

And there are, in freight, certainly, other CMI opportunities that we're evaluating today.

Jerry Revich: Terrific. Thank you very much.

Jason Grant: Thanks, Jerry.

Bill Flynn: Thank you, Jerry.

Operator: The next question comes from Alex Brand from Stephens. Please go ahead with your question.

Alex Brand: Hey. Good morning, guys.

Jason Grant: Good morning, Alex.

Alex Brand: All right. Let's see. Let me just, a quick one here on the maintenance capex from the first quarter. I guess you did a little bit more than you thought you were going to do, so did we kind of front-end load a little bit of the capex, and so we've got some benefits to cash flow for the rest of the year?

Jason Grant: I don't think so, Alex.

I think we said when we talked prior, we talked about a \$40-45 million -- we've talked about in the past, \$35-40 million run rate capex, excluding the deposits on the new aircraft.

We had higher capex in the first quarter, but most of that, about half of that was driven by the acquisition of the aircraft.

So I think if you look at something that's below \$10 million for maintenance capex in Q1, based on the full-year guidance we gave of \$159, including the -8s, you'd probably solve for \$45 million roughly for maintenance capex.

And I think that it's probably between the \$45 to 50 million range, with the new business that we've added, drives a little bit more capex. But again we don't own the aircraft on those CMI businesses, so that's a more limited capex requirement. So I think still thinking about the range of \$45 million is where we're at right now for the year.

Alex Brand:

Okay. As we think about the outlook for the rest of the year and your comments about Q4 yields, can you tell us where you guys think the market is now in terms of capacity?

How much parked -400 capacity is there that hasn't been brought back, if any? And how short do you think the market is of wide-body freighter capacity at this point?

I'm trying to get a feel for whether or not there's any likelihood over the next year, or maybe even two years, that supply could match up with demand.

Bill Flynn:

So, our best estimate today, Alex, is that there still are about seven 747-400 freighters that are parked.

Because I think that's really the competitive asset that we'd want to focus on. Two were the last two aircraft to come off the line for LoadAir Cargo, and they remain parked.

I believe UPS may still have two parked. So if you think about just those two, it kind of reduces the number to five, because I don't believe they'd be in revenue -- commercial revenue service.

So you've got a couple parked, you know, one from China, one from Nippon Cargo, and one from Singapore Airlines. So there's not a lot of capacity come flooding back in. And, again, if you've seen the resurgence in demand and the kind of forecast that IATA has put out for returning capacity, we're kind of comfortable with that forecast.

There are a number of 747-400SFs or BCFs still parked. We think that's about 11, at least that's what the Ascend database would suggest as of April.

So, and those in our view are truly marginal assets; they perform a lot more like the -200 than the -400. So at this point there's not a lot of capacity that can come flooding back in.

So I think the question on yields is how much freight can be moved earlier, how much of a bet may the importers put on their inventories and move some of that stuff in ahead of peak, to try and average down the cost. And that really kind of is the note I was sounding about how "peak-y" will the peak rates be in the charter market in the fourth quarter.

Alex Brand: Well, that segues nicely into my next question, which is, I would think, that given how tight it is, that some freight forwarders would have already approached you try to lock up capacity before those rates spike up later in the year. Have you seen any of that from the forwarders?

Bill Flynn: I think the forwarding community is certainly looking to lock up capacity in the market.

We've -- same thing we did in 2009, we had the sense that the market was recovering and that we wanted to optimize the spot market. You know, we're in that same position this year. We have requests already to lock up capacity, but we think there's more margin, more yield left in that -- in the markets than what we're currently seeing for commitments people want to make today for capacity four months from now.

Alex Brand: And just one more question for me. When I think about your choosing to take sort of spot opportunities over longer-term deals right now, does that have any impact on the discussions on the -8 in terms of placing the aircraft and/or the pricing part of that discussion, or is that just sort of a different asset and a different discussion?

Bill Flynn: Well it's clearly a different asset. And it is -- I think it is a different discussion.

It is a game-changing asset that's coming out. We've got discussion ongoing with a number of carriers, and I think as we deliver the first several of those units that interest in the -8 is going to certainly increase.

On the -400, you know, with the reduction in capacity in the -200s, and limited new production capacity coming back in, I think the useful

economic life, or the attractive economic life, of the -400 is clearly extended.

Now, on the comments we've made on placement of the aircraft versus are we going to play the spot or are we going to take ACMI opportunities, and I think Ed and Bill asked the questions earlier, you know, when is that -- or maybe it was Bob, when is the conviction coming back that you're going to see the ACMI rates for the long-term contracts that are, you know, where... at the higher end of spectrum where we want them to be, and that's starting to happen now.

So our core business is ACMI, and we will have our aircraft placed in ACMI. We're, I think, well-positioned to take advantage of the opportunities that exist in the market now, and work with the ACMI customers as to timing of the placements.

Jason Grant: Alex, it's Jason. The one thing I would add is that our customers are seeing the same kind of earnings that we are here.

I mean their freight divisions are seeing the same spot yields that we're seeing in our charter business. So we really couldn't ask for a better dynamic heading into the placement of the aircraft than to have their contributions spiking in the way that it is.

So, I think for us, it's this trade-off between -- I know folks would like to have more certainty sooner, but it's really -- we get two benefits from the way we've played this, which is we get to reap the benefit of the charter market, and then I think achieve higher ACMI yields, than we would have been trying to force it into the market sooner.

So we see it as a positive from both sides, and I think -- you know, I hope we're conveying that conviction here.

I think that the customer profitability is really going to be meaningful to their willingness to price the asset.

Alex Brand: Well, that's very helpful. Thanks for the time, guys.

Jason Grant: Thanks, Alex.

Operator: The next comes from Kevin Sterling from BB&T Capital Markets. Please go ahead with your question.

Kevin Sterling: Good morning, gentlemen.

Jason Grant: Hey, Kevin.

Bill Flynn: Good morning, Kevin.

Kevin Sterling: Let me follow up on Alex's question about supply, and maybe ask it a different way.

Bill, you'd talked about supply being held in check because of an aging fleet, but as we see mergers among the passenger airlines, will this help keep passenger capacity tight?

As I recall, I believe Delta, after they merged with Northwest, sold their freighter fleet. I'm just curious if you could kind of talk about what happens when the passengers get together and merge, does that help keep capacity tight?

Bill Flynn: Well, it's a good question, Kevin, and I think the answer is, it does.

You know, when IATA is reporting on capacity returns to the market, they're reporting on available ATKs, and that includes both passenger and belly capacity. So capacity returning to the market is tight.

To the extent that a JAL dramatically reconfigures its network and takes capacity out, and/or that this pending merger, when approved, will affect aircraft and how many aircraft are actually flying, and net result of capacity reductions overall, both passenger and freight, I think all add to the story of tight supply, in a robust returning-demand market.

Two other points. We've certainly looked at the market closely over the past 12 months, and have done some, sponsored some research into that market. And what's coming out of that research that's told us is -- you know, several of the key observations, but one is there is a very resilient demand in airfreight that I would say is modally insensitive.

The demand itself could contract or expand based on what's going on in the market, but real fundamental modal shift, air to ocean, is just not something we're seeing in that core demand airfreight.

And then there are issues, as you well know, in the ocean freight with the slower steaming schedules that the carriers are running.

And finally, the long-haul intercontinental markets, Asia to North America, Asia through Middle East into Europe, those long-haul continental markets, while freight traditionally or historically is run 50% on belly and 50% in freighter, the long-haul markets are much closer to 80% on freighter, 20% on belly, just because of the sheer volume that's

moving out of the production centers in China and other production centers in Asia.

So as capacity is constrained, older capacity has come out, and there's a slow pace of new-product introduction, we think the favorable trends are, for the freighters, you know, are going to be there for some time to come. And we're seeing that just in the utilization factors that IATA's reporting right now.

Kevin Sterling: Okay. Thank you, Bill. That's very helpful.

Do you guys have any planes that are now parked, or is everything in service? I know you'd said you'd brought in I think one -200 that did a C-Check, is everything in service now?

Bill Flynn: Well, if they're not in a maintenance C-Check or in -- they are all in service. So I don't believe we have...

Jason Grant: Yes, I think, Kevin, the question if there's still capacity in the desert that could be activated for additional -- I think the answer is that there -- potentially, I think that the capacity that's in the desert we've been managing opportunistically. So I wouldn't want to put too much weight on the likelihood that additional units could come out of desert.

That said, look, I think there's -200s in the market if we deem we need -200s. We're being measured about it. We've taken on that sixth unit now. I think what we'd said before is that we're really going to let AMC, the military business, drive our need for Classics, and I don't think our position has changed on that.

Kevin Sterling: Okay, thank you. And one last question.

Bill, you've talked about the military, and it seems like they have the bias to the -400. I think, particularly, you're able to demonstrate with the volcano, able to fly around Europe and not have to refuel in Europe and go directly to Afghanistan.

Are you having some longer-term discussions with the military about possibly becoming, maybe, an ACMI customer or something along those lines?

Bill Flynn: Yes, I think just to go back to what -- the military requirements. The military will have requirements for -400s, they'll have require -- they'll continue to have requirements for -200s, and they'll still have continued requirements for the 86-ton MD-11 loads. So they'll have a mix of requirements.

Clearly, the military has really come to understand the benefits of the -400, what the -400 can deliver, and they, I expect, will have growing requirements for the -400s, but they're not necessarily going to be exclusively going forward.

We have ongoing discussions, Kevin, with the military about their long-term demand and their long-term forecast, and how they may contract.

At this point, I don't see the military moving into a ACMI environment the way that commercial customers do. Some of that just has to do with the nature of government contracting and the rules and regulations under which they can contract and/or are allowed to enter into multiyear agreements.

I think where we are today, the nature of the contracting, the nature of the kind of spot market rate, cost-plus rate, in effect, which the military pays under CRAF is advantageous to Atlas going forward.

Kevin Sterling: Okay. Thank you, Bill. And Bill and Jason, thanks so much for your time today. Congratulations on a great quarter.

Bill Flynn: Thanks, Kevin.

Jason Grant: Thanks, Kevin.

Operator: The next question comes from Helane Becker from Jesup & Lamont. Please go ahead with your question.

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

Just a question on Japan Airlines 747s. I guess they've got six aircraft that are going to be grounded around the end of October. Are those planes that you would consider operating on their behalf? Have you talked to them about that? Can you just talk to that in terms of capacity?

Bill Flynn: So, obviously what's going on at JAL is dramatic for JAL, and I think they're still working through where they're ultimately going to shake out.

Of the fleet, as we understand it, there are two 747-400 freighters and four BCFs, and its not clear where they're going to settle. But I think rather than being customers specific, to answer your question more broadly, we're talking to all carriers, if you will, or most carriers who are in the freight market and seeing what opportunities could exist for us to work together on a go-forward basis.

Helane Becker: Okay. And then I noticed Cathay is bringing three back, so that's not in your numbers and in response to one of the other questions, right, on the seven that were parked that are coming back?

Jason Grant: Yes, ...

Helane Becker: That's seven after Cathay, right?

Jason Grant: Helane, they're bringing back some BCFs, so I think the three that you're referring to are converted -400 freighters.

Helane Becker: Oh, okay.

Jason Grant: So I should say that we're reporting -- the numbers we've reported to you are what's reported as parked as of the end of April.

Helane Becker: Okay.

Jason Grant: And I think we've all -- we've said and I think we expect that much of that capacity is in a state -- you know, coming back into the market now, certainly the production -400 freighters, as Bill said. The three that you're referring to, I believe are converted freighters. And again I think we expect the capacity, the -400 capacity, will come into the market, it's just that there's a fairly limited total size of what that capacity can be.

Helane Becker: Okay. And then you talked about the fact that the Latin America was very, very strong right now in both directions. Can you just talk about the things that are being shipped?

Bill Flynn: Sure. I think, you know, all of us that have some historical perspective, anytime there was a regional or a global recession, it seemed like Latin America was the first and the deepest down and the last to come out.

We just haven't seen that. The BRIC countries have generally performed well. And so the southbound market is pretty much dominated by finished products, industrial products, inputs to manufacturing that goes south to Brazil. And the northbound market then is, are the more agricultural products that are coming out of Chile, Peru, Ecuador, Colombia, just depending on the market.

There's not been a lot of capacity addition in that market, and so the economies have performed very well and that's driven a high utilization of our aircraft in that market. And it's not just U.S. exports, it's freight that's coming in from Europe and coming in from Asia, that's transshipped or reloaded in Miami on a southbound leg.

Helene Becker: Okay. Yes, and I would think that with Brazil and a major construction phase for the Olympics, that should be a big opportunity over the next three years.

Bill Flynn: Well, I think that's part of it, just the manufacturing that exists in Brazil and continues to expand in Brazil.

The wealth that's being created in Brazil is bringing in a lot of consumer products. I mean a major importer of LED TVs, that are coming out of Korea, and handhelds that are coming out of Korea through Manaus. You know, there's just, all of the rising tide of the Brazilian economy is just bringing in demand from all sectors, and Olympics could continue to extend that.

Helene Becker: Great. Thank you very much, Bill.

Bill Flynn: Thanks, Helene.

Jason Grant: Thanks, Helene.

Operator: The next question comes from Steve O'Hara of Sidoti & Company. Please go ahead with your question.

Steve O'Hara: Hi, good morning. Just some questions about, you know, in terms of demand and talking about capacity being constrained and -- I mean at one point, or some point, do you think about adding additional -400s if the rates are better?

And, you know, kind of going back to that bond deal, do you think the rate would have been better -- you know, the return would have been better on an additional aircraft, given kind of the capacity restraint in the industry right now?

Bill Flynn: Sure. So this is something we've evaluated really through 2009 and 2010, several scenarios about improving demand and what would be our best fleet response.

And all that recognizes the fairly substantial increase in capacity that begins to deliver in 2011, in early 2011 as we take -- begin to take on -8.

The -- from our point of view, the best cost -- the best alternative to increased capacity was to C-Check the -200s, to bring those several out of the desert and continue to invest in the -200s with subsequent C-Checks if demand warranted it.

The aircraft are fully unencumbered, when that -- if -- when -- either they time out or whether the demand peters off, you know, we simply park and cut them up and sell them for parts, and we're not encumbered with a longer-term lease on a -400F or a -400BCF that may not have good demand and good utility.

And our labor contracts are such that we can adjust our crew force fairly flexibly, which we did back in the first quarter of 2009 when demand dropped significantly.

So as we go forward, it's not likely that between now and the next six months that there's going to be demand that supports us entering into lease agreements to bring on -400 freighter capacity into our fleet above what we already have today. It could, but it would have to be very short term, very flexible terms for us, or it just wouldn't pencil out from that perspective.

In terms of, I think the second part of your question, you know, the EETC transaction that Jason discussed, we believe there is a very substantial return on the investment in those EETCs that will deliver over the next five years, as Jason pointed out, the economics. And we think that was a very good use and investment of those dollars.

Steve O'Hara: Okay. And then, secondly, in terms of -- you've talked in the past about kind of, you know, reasserting yourself into the Asian ACMI business. I'm just wondering if that's still, you know, one of your focuses? And do you see, you know, any progression on that front? Maybe I missed some commentary already on that.

Bill Flynn: Well, the market is Asia. It's product that's essentially made somewhere in Asia and is moving to the consumption markets, as we've talked about, in North America, Europe, Middle East and even into Africa. And if you kind of just draw a "T" somewhere between London or Heathrow across the northern, up to say the West Coast, and then just straight down and you think about the kind of markets around, on the Indian Ocean and the Pacific, that's our market.

Our customers are not U.S. carriers because of the scope clauses that exist. They're carriers that are committed to freight. Freight's an important part of their overall business mix and their profitability. Freighters drive incremental contribution on belly capacity. So we believe, as we talked about 16 going to 18, the geography of those placements, you know, are most likely to be Asia, Middle East, in particular.

Steve O'Hara: Okay. Thank you.

Operator: The next question comes from Carter Leake from Davenport & Co. Please go ahead with your question.

Carter Leake: Good afternoon. Sorry to return to Titan, but the 57 does change the 747 pure-play thesis that I find attractive. And it gives rise to questions relating to traditional lessor risk that I was previously not considering.

So to that end, a quick multipart question. One, was this a sale-lease back from a Chinese customer in question, or was it a purchase from another owner or lessor? Two, are you collecting maintenance reserves? And three, going forward, do you plan on taking pure asset risk, i.e., no leases attached?

Bill Flynn: So, let me address that first, and then I'll turn it over to Jason for additional commentary.

We've -- I hope we've consistently talked about Titan as being fairly opportunistic.

We've, I think, on the call said that it's not our goal to run out -- to run out and buy 40 aircraft as quickly as possible to build a portfolio and take risk.

What we do think, though, is there is an incremental opportunity which leverages our core -- core knowledge and expertise and leverages the existing platform that we have in Atlas.

We are not interested in taking substantial risk beyond the fleet risk that we have in our 747-400s and in our 747-8s in our ACMI business.

As we build up 757s and/or 767s, if we choose to do so, those aircraft will have to pass high hurdle rates in our analysis, would almost always come with a lease stapled or a certainty of a lease. And they are not new assets, as you know, they're converted assets, and almost always our model would price them to scrap at the end of the lease term before would consider investing in a 57 or a 67.

Jason Grant: I think the specifics, we -- just to give you the specifics on the aircraft, we acquired from a lessor, we have collected deposits.

And as Bill said before, this is a, to us, we're not out speculating in the metal market. We think building a capability around dry leasing out freighter aircraft is important for the Company in the long run as we manage the tail of the liability on aircraft as they age.

And to the extent that we can use that to develop customer opportunities that may leverage our 74 platform, and may leverage other opportunities, then to us it's a win-win.

So, again, we've not said that this becomes a major component of our business. It's an opportunistic component of the business. And to the extent that we develop out that dry leasing capability, it has advantages to the franchise beyond just what's a relatively small play in the case of this asset.

Carter Leake: Okay, great. Let's see. Moving on to the AMC rev per block hour.

I think I've got this modeled correctly, but if I strip out the fuel on that number, I do see a very impressive 32% year-over-year gain and a 20% sequential gain. And the question is, is this the type of yield improvement in AMC we can expect going from a -200 to a -400, if my numbers are correct?

Bill Flynn: Well it certainly reflects the value, the incremental value that the -400 achieves in AMC. And about 50% of the block hours in Q1 were -400s and 50% of the block hours were -200.

We have been working hard with the military now over at least two years to illuminate the benefits that the 747-400 can create for them going forward. And so, yes, as the military uses more of the -400s relative to the -200s, we will have improved returns on a net block-hour basis from the military. It'll depend on the mix of demand in the near term, i.e., the mix of -400 requirements versus -200 requirements.

Carter Leake: And then sort of segueing off of that, this is a macro question on AMC Charter.

Can you just give some color or address concerns that AMC charter could face significant headwinds in sort of the 2011/2012 time frame, once troop and materiel levels start to reach a steady state.

Bill Flynn: We've always talked about the fact that as we move to a non-conflict environment, AMC demand is going to -- is going to reduce. It won't go to zero, but it's going to reduce for all the obvious reasons.

It seems that the Administration is committed to moving to 50,000 troop level in Iraq this year. I think that's firmly on course. I don't know -- what I don't know as yet, really clear, as to how long that troop level may exist in Iraq. That's something that really the Administration defines, and to some extent I'm sure that's a bit close to the vest.

Afghanistan is ramped up. I suspect that continues for a number of years. How long, again, remains to be seen, but I think General Petraeus has said that, you know, at some time late in 2011, when they will evaluate the opportunities to begin withdrawals in Afghanistan, and that's the current commentary from the Administration and reflected in GAO estimates around budget and supplementary budgets and things of that nature.

At some point, whether that's '12 or whether that's '13, the demand, you know, in our estimate, our forecast, we're planning that demand begins to ramp down. It doesn't go to zero, but begins to ramp down.

It may not go or contract as dramatically as it did after Gulf War I, because what the military has done now in seven years of activity or operations, they have heavily utilized the C-17s, the C-5s -- the C-17s in particular, and the C-5s are getting more utilization as they become re-engined.

And there's no new apparent budget dollars to replace that fleet. And the aircraft is -- that aircraft is flying well north of 2,000 hours a year, and it has a design life of a thousand a year. So they're burning up the anticipated life of that aircraft at a rate faster than they anticipated. So my expectation is that even in a non-conflict environment, the military will look to lower utilization on their own aircraft to extend the useful life, and use a higher level of CRAF, of civilian fleet, than they might have otherwise anticipated.

But all that said, you know, that's one of the reasons we're very excited about the Dreamlifter contract that we have with Boeing. Because as you can begin trend down, when AMC demand may begin to contract and begin to trend down, you know, that could time very nicely or could tie very neatly with the ramp up in the LCF.

And so the LCF will replace, substitute a substantial amount of the earnings we currently have in AMC. And we have earnings growth in the model with the -8 and some of the other initiatives that we're working on as those aircraft deliver and other market-growth opportunities that we have.

So that nine-year contract with Boeing, we think, answers, if not wholly, in large part, the question of, okay, so tell me about what happens to your earnings stream as military comes down.

Carter Leake: Very helpful. And one more.

Maybe you've done it before, but can you reaffirm the delivery time frame of the firm -8s? And could you provide any color on the option aircraft, such as a best case delivery time frame on those aircraft?

Jason Grant: Yes, we haven't modified the delivery assumptions.

We're assuming the first aircraft deliver in early, very early 2011, and that the 12th aircraft will deliver in the second quarter of 2013. But we have not modified that.

The option aircraft, we have 14 aircraft. One is an option aircraft, and 13 of those are purchase rights, and those would have to be -- the timing of those would have to be settled with Boeing, to the extent that we were looking to exercise those.

I would say all of that is premature and will depend on a lot of factors, including what their production rate looks like for other freighters and the passenger aircraft.

So it's probably early to give too much speculation about that on the timing of the option aircraft, but you can expect it would obviously be after the 2013 deliveries.

Carter Leake: Great. Thank you. Very helpful.

Jason Grant: Thank you.

Operator: There appear to be no further questions. Please continue with any other points you wish to raise.

Bill Flynn: Okay. Well thank you, Operator, and on behalf of the entire team here at Atlas Air Worldwide Holdings, I'd like to thank all of you for your participation today.

It was a great call, and we really appreciate the depth and the insight of your questions.

Thank you.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

END