Atlas Air Worldwide Holdings, Inc.

3Q08 Results Conference Call

November 6, 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.

3Q08 RESULTS CONFERENCE CALL

November 6, 2008, 11:00 A.M. ET

Operator: Ladies and gentlemen, thank you for standing by.

Welcome to the Atlas Air Worldwide Holdings, Inc. Third-Quarter 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 the "two". If you are using speaker equipment, please lift the handset before making your selection. This conference is being recorded Thursday, November 6, 2008.

I would now like to turn the conference over to Bill 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, and welcome to our Third-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 include some non-GAAP financial measures. You can find our presentation on the most directly comparable GAAP financial measures, calculated in accordance with Generally Accepted Accounting Principles, and our related reconciliation in our recent press releases, which are posted on our Web site, www.atlasair.com. You may access these releases by clicking on the link to "Financial News" in the Investor 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 remain focused on de-risking our business model, strengthening earnings, and modernizing our fleet.

The actions we have taken to transform our business and strengthen our financial position serve us well in these challenging economic times. They are also the foundation for growing our business and earnings.

Results in the third quarter reflect the consistency, transparency, and solid performance provided by our long-term ACMI contractual flying.

And the full startup of the blocked-space agreement between Polar Air Cargo Worldwide and DHL on October 27 removes the risk of our historically unprofitable Scheduled Service business, where high fuel prices and soft demand hurt our third-quarter performance.

Our 10-Q will reflect a Direct Contribution loss in our Scheduled Service business for the quarter of $14 million and a year-to-date loss of $43 million due to these factors.

The combination of the effective ACMI rate that we will earn in 2009 for flying six 747-400 aircraft for DHL and the elimination of the losses due to yield and fuel risk in Scheduled Service business will generate a year-over-year earnings improvement in excess of $60 million.

This is an important perspective to gauge the transformation our BSA with DHL will have on Atlas Air Worldwide going forward and, as a result, we have established a more transparent platform for earnings growth in 2009 and beyond.

The current global economic turmoil has had a negative impact on market conditions in both our Scheduled Service and Commercial Charter business segments in third quarter and going into fourth quarter.

As we have moved into the fourth quarter, we have experienced weak peak-season demand in our Scheduled Service and Commercial Charter segments.

Our exposure to the Scheduled Service segment is largely eliminated after October, but our cancellations in the Commercial Charter segment, which continues to face both historically high fuel costs and a weak demand environment, have put pressure on the profitability of the older 747-200 aircraft that serve this segment.

With peak-season charter-market demand for our 747-200 capacity well below expected levels, we are actively reviewing our plans for our -200 fleet going forward.

As we have done in the past, we will aggressively manage our Classic capacity and related overhead relative to commercial demand.

As a result of this and the impact of an unrealized loss on short-term investments, we are revising our outlook for 2008.

We now expect our pretax earning in 2008 will be in the range of $55 million to $60 million.

This guidance, of course, excludes a $153 million pretax gain on the sale of a 49% interest in Polar to DHL that we will book in the fourth quarter following the commencement of the full BSA on October 27.

Looking forward to 2009, we expect that our pretax earnings from operations will exceed $130 million.

The outlook for 2009 is based on continued consistent profitability in our core ACMI business, which includes a significant earnings improvement as a result of the DHL BSA.

We are maintaining our 2009 outlook for reduced military charter demand, but have lowered our full-year expectations for the Commercial Charter segment.

We expect historically high fuel prices and soft demand to continue to drive inefficient capacity out of the marketplace and improve our already strong market position. We believe our model for investing in leading-edge and cost-efficient freighter aircraft becomes even more compelling.

The benchmark 747-400 freighter provides the lowest unit operating costs of any freighter in the market, a position that is only strengthened by the current market environment.

We are the only outsource scale provider for 747-400 freighters, and demand for these scarce aircraft has been strong.

Yesterday, at a global cargo conference being held in Malaysia, Emirates Airlines announced that it will renew the ACMI leases on two of our aircraft, which are up for renewal in 2009.

Recently, we entered into a letter of intent to place two of our existing 747-400 aircraft with a new customer in 2009. These aircraft are available for placement with this customer as a result of DHL's decision to end its arrangement for these two supplemental aircraft at the end of March 2009.

Subsequent to the close of the third quarter, DHL notified us that it had elected to terminate this supplemental lift. Under the terms of our agreement, DHL will pay us a fee for this election.

It is important to note that these two supplemental aircraft currently serving DHL are incremental to the core six 747-400 aircraft that are covered by our landmark blocked-space agreement.

The full BSA network was successfully launched on October 27, reflecting comprehensive operational planning and execution.

Subsequent to the close of the third quarter, we initiated a stock repurchase program. This action reflects our ongoing commitment to improving Atlas Air Worldwide Holdings' investment value while growing our business.

Since announcing the program on October 8, we have repurchased a total of 700,243 shares for approximately $18.9 million, or roughly $26.99 per share.

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

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

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

As Bill noted, the actions we have taken to transform our business model, to focus on long-term contractual flying, to reduce our exposure to fuel prices, and to attack operating costs has positioned us well in this difficult economic environment.

Our superior asset base, our focus on long-term commitments with the world's leading airfreight operators and our ability to provide top-quality service has positioned us to take advantage of opportunities to grow our business and earnings.

We actively manage our fleet and take advantage of its scale and flexibility in providing innovative, value-creating solutions to our customers.

Bill has already noted the consistent performance provided by our 747-400 aircraft during the third quarter. These aircraft continue to lead the market in operating cost and fuel efficiency, and we continue to be the only outsource provider of scale in the asset.

On the Classic side of our fleet, fuel costs and weak demand environment have put pressure on the aircraft serving the charter side of our business.

With the exception of four leased aircraft, our Classic fleet is unencumbered, and we have continued to manage the size of this fleet relative to the commercial and military charter demand the assets serve.

Consistent with our fleet plans, we removed two Classic aircraft from the fleet earlier this year, and we retired an additional 747-200 at the end of August rather than invest in a high-level maintenance check on the aircraft.

As a result of these developments, our fleet currently totals 36 aircraft comprised of:

- 22 747-400s; and

- 14 747 Classics.

The Classic fleet remains an area of focus for us.

We have limited financial leverage in the asset, but we do have operational leverage.

We are evaluating the potential for further reductions in the fleet to address the weak market conditions for the asset and will attack operating and overhead costs commensurate with any decision to remove additional capacity.

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

Our pretax income for the quarter totaled $10.1 million. Income tax expense totaled $4.9 million, resulting in an effective income tax rate of approximately 48% for the quarter.

As was the case in the first and second quarter, the tax rate for the third quarter differed from the statutory rate primarily due to continued losses 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, may only offset these losses against future income.

This does not affect cash taxes, and we expect this position to adjust itself in the fourth quarter with the startup of the Polar-DHL blocked-space agreement.

Excluding the tax impact on the gain we will realize on the commencement of the Polar-DHL BSA, we expect our full-year 2008 book income tax rate to be in the range of 45% to 50%, with a fourth-quarter book income tax rate of about 38%.

Looking ahead to 2009, we expect our book income tax rate to be in the same 38% range.

Turning to our balance sheet, we ended the quarter with cash, cash equivalents, and short-term investments totaling $427.5 million compared with $477 million at year-end 2007.

Short-term investments represent $48.3 million of the total on September 30, compared with a zero total at year-end 2007.

Our short-term investments at September 30 were primarily comprised of an investment in The Reserve Primary Fund, a money-market fund that has temporarily suspended redemption and is in the process of being liquidated.

This past September, the net asset value of the Primary Fund declined to less than $1.00 per share based on a portion of the fund's holdings comprised of debt securities issued by Lehman Brothers Holdings, Inc.

As a result, we recorded a $1.5 million estimated loss on this investment in other non-operating expense during the third quarter.

The SEC is supervising distributions from the Fund, and we expect to receive substantially all of our remaining balance in the Fund as its assets mature or are sold.

Also on the cash front, we expect to receive a payment of approximately $40.3 million from DHL next week in connection with its $150 million investment in Polar Air Cargo Worldwide.

This will be our final payment from DHL, and it will include an interest component of about $2.8 million.

Turning to our debt and capital lease obligations, they totaled $635 million on September 30, with their face value totaling $705 million versus $469 million on December 31, 2007.

At quarter-end, we had $70 million of unamortized debt discount related to our fair market value adjustments associated with fresh-start accounting.

The increase in our debt since year-end is the result of:

- $162 million in outstanding borrowings under the $270 million PDP financing facility that we closed in February; and

- $100 million in five-year term loans that we completed in the third quarter secured by the two 747-400 aircraft that we acquired earlier this year.

Our capital expenditures totaled approximately $372 million in the first nine months of 2008. This amount included:

- $168 million related to the acquisition of our two additional 747-400 aircraft; and

- $162 million in Boeing progress payments related to our future 747-8F aircraft deliveries.

For the balance of the year, we have approximately $84.5 million in Boeing progress payments due on all 12 firm aircraft, of which $55 million will be satisfied by drawings under our existing PDP facility.

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

Our scheduled 2009 747-8F progress payments total approximately $186 million, of which approximately $54 million is expected to be funded under our existing PDP facilities, for a net out-of-pocket for Atlas of approximately $132 million in 2009.

We are continuing our talks with potential lenders regarding PDP financing for aircraft 7 through 12 of our -8F order, and expect to make further progress on securing financing for these payments in the first quarter of 2009.

Our discussions continue to reflect 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.

Before I turn things back to Bill, I also want to remind you about the segment presentation that you will see in our Q.

We report our segment results on a Direct Contribution basis, which we believe provides increased visibility into the performance of our business segments.

In particular, I want to highlight for you again the treatment of two 747-400s that provided flying for DHL's express network services during the quarter. We consolidate the operations of Polar, which means that all 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 for the purposes of calculating Direct Contribution. All non-ACMI costs and an equal amount of revenue remain in the Scheduled Service segment.

As you will see in our Q, we provide reconciliation of revenue between the segment reporting for ACMI and Scheduled Service and the face of the income statement.

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

Bill Flynn: Thank you, Jason.

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

Our strategy serves us well in a difficult market environment.

Along with the benefits we have achieved from our Continuous Improvement efforts and the full startup of express network ACMI service on October 27, 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.

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 from our first-to-market ACMI capability.

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

There is strong demand for our 747-400 freighters, especially given the increasing fuel and maintenance burden on older, wide-body freighters.

Our ACMI performance for DHL Express has exceeded their expectations.

Our business and financial fundamentals are solid.

We are focused on execution.

And we are well positioned for business and earnings growth.

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

Operator, may we have the first question, please.

Operator: Sir, thank you. We will now begin the question-and-answer session.

As a reminder, if you have a question, please press the “star”, followed by the “one”, on your touchtone phone. If you would like to withdraw your question from the queue, please press the “star”, followed by the “two”. If you are using speaker equipment today, you will need to lift the handset before making your selection.

Our first question comes from Bob Labick. Please state your company name followed by your question.

Bob Labick: Good morning, it's Bob Labick from CJS Securities.

Bill Flynn: Good morning, Bob.

Bob Labick: The first question -- I was hoping maybe you could review some of the comments you made earlier on the renewal cycle, particularly as it relates to Emirates and the new company you signed up, and then I'll ask a follow-up on that.

Bill Flynn: Okay, Bob. This is Bill Flynn.

We have two aircraft -- we have a total of four aircraft with Emirates, and two of those were scheduled for renewal in 2009, one in the first quarter of 2009 and one in the third quarter in 2009.

We've been in negotiations and discussions with Emirates, and yesterday they announced at this major cargo conference, that they have -- that we're moving forward, and that they will renew these two aircraft for a normal contract term and continue to move forward and collaborate and grow their business with Emirates.

The other two aircraft -- you will recall that in March -- at the end of March in 2009, we provided two aircraft under a shorter-term ACMI agreement with DHL. These aircraft replaced two aircraft that they had been using, supplementing the lift that they had with Northwest. They had the opportunity in the contract to return the aircraft, and they've elected to do so just given the overall softness in the market that they are experiencing.

This does not affect, though, the six aircraft that we have under the core BSA agreement that we've talked about on all of our calls. However, we've been in negotiations in the market with customers on an ongoing basis, and the aircraft that are coming back, we have agreement to place these aircraft with the new customer starting after the return of the aircraft.

Bob Labick: Great, and then just following up on that -- are there any other called “out” clauses in either DHL or other contracts? And also, are there other renewals coming up in '09, and how do you feel about that process right now?

Bill Flynn: Okay. Well, normally, we don't talk about renewals specifically. We've said that we had very few in 2009. We have now advised you that two have renewed. We have one more renewal in late 2009 to complete for the 2009 renewal cycle. Given the market environment, we thought it might be useful to provide that clarity.

Now, on the DHL six aircraft, last year when we announced that 20-year agreement with DHL, we did, in the 8-K, disclose what the outs are in that long-term, 20-year contract.

So DHL does have an out at the end of year five, 2013, for their convenience. However, if they elect to terminate the agreement in 2013, they will have to take the six aircraft with them, which are leased, for the remaining term of the head lease. So -- while it’s certainly an outcome we don't want to see, if they did elect for this early termination, they would have to take the aircraft for the remaining life of that lease and have, then, the commercial risk of placing that aircraft or otherwise putting that aircraft to use.

And the balance of the contracts -- we have some contracts where customers can convert -400s to -8s as the -8s come into the marketplace.

Bob Labick: Okay, great. And then just on the general overall environment, could you discuss the contract -- the other contract at ACMI flying levels as it relates to minimums, maximums, and expectations embedded in the forward guidance? What have you been seeing from your customers' trends of operation?

Bill Flynn: Well, a couple of things to comment there.

Clearly, the market is not performing to anyone's expectations in terms of overall airfreight demand. We are in, historically, what has been the peak period, and not only is there no peak, the market is contracting.

The IATA statistics show that in September the market contracted over 7% on a year-over-year basis, and the expectations are that that kind of rate of contraction will continue for the fourth quarter.

That, in large part, is what now informs our view on the charter market, and it wasn't that clear even a month ago.

Year-to-date, all of our customers through 10/31/08, all of our customers are flying above their contracted minimums. However, in the $130 million pretax earnings that we've guided here today, we have made the assumption that all customers will fly at minimum. So we've haircut that -- our historical experience -- and put all contracts at minimum and in the guidance number that we provided today, given the uncertainty of the market and demand.

Bob Labick: Okay, great, that's helpful. Previously, I believe, you were looking for normalized flying patterns in your prior guidance, is that right?

Bill Flynn: Yes, that's correct, and that, historically, has been north of 5% -- in some cases, north of 7% -- above minimums has been our historical experience in aggregate.

Bob Labick: Great, very helpful.

And then given this unprecedented time, just looking for your current thoughts and expectations on industry capacity, particularly as it relates to the -200s and older aircraft. You said you are evaluating your uses. What are you seeing or hearing as it relates to the substantial fleet of -200s out there?

Bill Flynn: Well, capacity has certainly come down, whether it's -200s or -- and I think also the MD-11s that are kind of active in the market. Freighter capacity is down based on -- I looked at a recent study by Seabury, and in Seabury's recent study, freighter capacity is down about…overall ATK capacity is down about 2% since July of this year. That's just kind of one data point.

Certainly, fuel has come down, and fuel was the huge initial drag on the -200s. But I think that record spike in fuel that we've experienced this year catalyzed the retirement of these assets. And so now, while fuel is down, now we're experiencing this contraction of over 7% on a year-over-year basis, most likely, for a four- or five-month period. That's reduced in substantial yield pressure on the charter fleet. And so, it's our expectation that the -200s will continue to reduce, as are MD-11s, as well.

Bob Labick: Great. Thank you very much. I'll get back in queue.

Bill Flynn: Thank you, Bob.

Jason Grant: Thanks, Bob.

Operator: Your next question comes from John Barnes. Please state your company name followed by your question.

John Barnes: BB&T Capital Markets, good morning, guys.

Bill Flynn: Good morning, John.

Jason Grant: Good morning, John.

John Barnes: A couple of things -- number one, the two aircraft that you talk about taking back from DHL, you said you have an agreement in place to place those with a new customer.

Could you just give us an idea versus what kind of terms you had with DHL in terms of length of term, block-hour arrangement, that type of thing -- just give us -- you know, are we in the ballpark of what you were getting out of DHL, given market conditions? Is it a little bit worse condition, worse terms for you, or what?

Bill Flynn: They are actually better terms.

John Barnes: Better terms.

Bill Flynn: Better terms in rate, better terms in length of contract.

John Barnes: Okay, very good.

Bill Flynn: And, Jason was pointing out to me, block-hour guarantee.

John Barnes: Okay. So better on everything.

Bill Flynn: Across the board.

John Barnes: Don't you wish your business was always that easy.

Bill Flynn: Yeah, well, the reality, John, is had DHL had a stronger demand, they would have -- you know, my view is they would have kept the aircraft, and we would have been sourcing aircraft for this customer.

John Barnes: Yeah, okay, very good.

On the dry leasing side, you're down to roughly four aircraft or something there. As you look at your '09 guidance, what is your expectation on the dry-lease market, and would be very interested into -- you know, what are you building into that '09 guidance from a charter standpoint as well?

If your customers are flying at a minimum, do you anticipate the charter market kind of staying as weak as it is right now?

Bill Flynn: Yes, so there are a couple of points that you raise there.

So in our dry-lease -- current dry-lease portfolio, we have three of the 7-400s, which are dry leased into GSS, a U.K. AOC where we have a minority shareholder position, and the combination of the dry lease plus GSS is the ACMI relationship that we have with BA. Those renewed, and those are performing well. We have one additional dry-lease aircraft, and that's one of our older 747-200s. That's what's in the forecast for the guidance for 2008.

We have begun building a management team to grow our dry-leasing business in 2009, and you might have seen a press release where we hired a fellow named Ray Sisson to begin to lead that effort.

This guidance doesn't have earnings above the four aircraft that we've just described in 2009. We are going to be judicious about making acquisitions in 2009 for the dry-lease sector simply because we think we've not seen really the bottom of the cycle for values on aircraft.

We do have some expense in 2009 for Ray and the small team that he is putting together, but we don't have earnings yet in the 2009 guidance, just because we think there's more bottom to come on the aircraft values of the types of aircraft that we are looking for.

In terms of, then, well, what does that mean about the Commercial Charter business? I mean, that's, in fact, what's baked into our lower guidance versus prior guidance for 2009.

We think that based on the estimates and analysis that we've read that the market will continue to contract through the first half of 2009 given everything that we've all read about retail sales, about consumer electronics, about all of the products that typically go to the charter market.

And you charter aircraft because the product is inherently perishable, and you need to move it; and there's a seasonality around to it, like fresh-cut flowers, for example. You charter because there is insufficient capacity and, even with reduction in numbers of aircraft and service, we don't see reduced capacity. Or you charter because there is some interruption in your supply chain, and you need to move it.

So our sense is that the charter market, commercial charter market, is going to be weak throughout at least the first half of 2009, and we're looking for gradual recovery in the second half of 2009 in airfreight markets. But, certainly, with a weak first half, you're only looking at a couple of percentage points growth on a year-over-year basis by the time we roll up full-year 2009.

John Barnes: Okay, very good.

Two quick questions on the military business -- first, it looked like they were paying, what, roughly, $4.30 a gallon for aircraft fuel in the quarter?

Obviously, I mean, fuel prices have come down. When the price rolls over like it has, does that pose any kind of headwind on what you're collecting in terms of fuel from the military? Does it make that contract now less profitable than it was, or is there anything to be concerned about on the fuel cost? And then I'll ask my second one on the military side.

Bill Flynn: Well, the military certainly adjusts the fuel peg rate with fuel coming down, but that's the attraction of the military contract because they certainly adjust it up when the fuel goes up.

But the core earnings that we generate in AMC is not on a differential on the fuel, it's just on the underlying rate. And the military increased the underlying base rate to the carriers in this new 2009 fiscal year.

So when you strip away fuel and fuel recovery, and you look at the base rate, while we are looking at lower hours in 2009, which we've talked about on prior calls and in our guidance, there is a slight increase of about 8% on the underlying base rate.

	And so we think that the 1,100 hours a month that we foresee for 2009 is reasonable at this time, and while there will be adjustments in fuel, up or down, depending on how the peg goes, it doesn't deteriorate the attractive profitability of this flying.
Jason Grant:	Bill, I would just add, John, there is a margin component on top of fuel that we do achieve.
	And for the component, which I think is the component you are referring to, we've modeled 2009 assuming today's fuel prices. So we are not using the $4.30, we are using a $2.35, just under $2.50 a gallon, per gallon, dollars per gallon assumption for military fuel. So that margin component has been eliminated from, or at least reduced from the numbers that we've given for '09.
John Barnes:	Okay, and then my last question on the military business was there was an announcement out this morning that I think they're drawing down forces a little bit quicker in the year.
	I think in January there's going to be a reduction of 4,000 people or so in Iraq, and that type of thing, and I guess with the change in the administration, you would probably see some pullout. Have you changed your outlook on the military business more so now with maybe this quicker exodus, or is it -- that's what the prior guidance was already based on?
Bill Flynn:	Yeah, I mean, we weren't predicting the election, but we certainly were predicting troop draw-downs and changes in just deployment of forces. And so this quarter, we were just under -- a couple of hours under 1,450 a month, which had been what we described as "normalized" for 2008 calendar.
	In 2009, the 1,100 [hours] simply reflects that troops are going to come down. We anticipated some drawdown after the election. There will be freight moving in both directions, both to theater and from theater, and it's that view that's in our numbers, and so we're not -- we don't, at this point, believe we need to adjust military further downward based on that.
John Barnes:	All right, very good guys. Hey, nice quarter, thanks for your time.
Bill Flynn:	Thank you.
Jason Grant:	Thanks, John.
Operator:	Your next question comes from Alex Brand. Please state your company name followed by your question.

Alex Brand: Hey, Stephens Inc. Good morning, guys.

Bill Flynn: Good morning, Alex.

Alex Brand: The guidance commentary has been a little disjointed here, and I'm wondering if you'll sort of pull this all together for us.

So we've got ACMI at contract minimums, we've got military at 1,100 hours a month, we've got charter -- I guess I'm confused on charter as to whether you said you're assuming virtually no charter business next year or, Bill, did you say it would be up a couple of percent, because it will get better in the back half?

Just help me get all your -- where your guidance is, and where you think there is still a little risk to your guidance. That would be very helpful.

Bill Flynn: Yes, thank you, Alex. The ACMI is at minimums, and that's got all of the aircraft deployed. The military is at the 1,100 hours per month through the year, and we've just spent a little bit of time talking with John Barnes on how the peg has changed, but we've taken the peg down.

We're not saying no commercial charter business. We're saying low commercial charter business at lower yields, Alex.

Alex Brand: Okay, so -- and then sort of the second part of my question then -- so where -- as you look at it now, and that it will appear -- you even said it's probably going to get worse -- is there anything where you feel like there's probably some realistic risk still there? Or do you feel like, now, these are really conservative numbers, and we feel like, realistically, we've baked in what we see right now?

Bill Flynn: I understand the frustration that exists around getting our arms around 2008, first starting with just where fuel went and where fuel surcharges did not recover, and then, just as we thought we had a tipping point in fuel, we see this really precipitous drop in demand.

So that was -- and the sense of the frustration that exists out there is what Jason and I and the management team have been working on to get grounded on 2009.

On the ACMI, because we've taken it to minimums, and the visibility we have on the placement of the aircraft, we think the ACMI is pretty solid.

Should President Obama come in and just say, "I'm taking 60,000 troops out in a matter of 90 days," we've not factored that in, but we don't think that that's practical in 2009.

Certainly, by 2010, we could see accelerated draw-downs, but the other messengers you're hearing from, from him and the military, is we need to do something about Afghanistan. We've got troop deployments there, we've got troop deployments globally. So our sense is that on the AMC, the numbers are pretty good and supported a bit by the increase we got on the underlying base rate of about 8% over prior fiscal year.

We've, I think, been conservative on Commercial Charter demand, and we've, in our own planning, have dialed it back substantially as a result. Perhaps not inconsistent with some of the observations you've made in your own analysis on Commercial Charter.

So we've got no uptick in the second half for Commercial Charter. We've got a very low level of Commercial Charter and reduced yields in Commercial Charter in 2009.

If we see some -- so what's out there, Alex, is some global recessionary impact greater than the kind of weakened demand that we see today -- substantially greater than what we see in retail and in some of the other segments that depend on charter throughout the year.

Does that provide enough?

Alex Brand: Yeah, that's great color, and I guess just sort of in -- I hear what you're saying on the market, because we can all see the market data, and I'm just wondering -- was there something in your business that changed from a month ago when you cut your guidance and didn't cut '09 that spooked you? Is there something different now, or are you just looking at the market data saying, you know, we just don't know where it's going to be?

Bill Flynn: Yeah, so that's a fair question. I think there are a couple of points to make.

So a month, or a little more [than] a month ago, we were looking at a market that saw a couple of percentage points decline in June and July, a weak August.

I think that the kind of general thinking, not just at Atlas but the market thinking, was August was particularly soft, in large part, because China had shut down all the factories for the Olympics, and that what we would see coming out of the Olympics was some strength in September into October, because there was just pent-up demand and pent-up products that needed to be shipped, and people wanted to kind of replenish the supply chain along with the seasonal-peak effect.

And we had bookings. We had fairly good book -- we had a number of bookings at very attractive rates for customers in the Commercial Charter unit for flying, October, November, and December -- into early December. And what happened, post-guidance, was that, in fact, that market did not materialize, the factories are not pumping out high rates of product in China.

Not only is there no peak, there is contraction. And it's that kind of change in the market that wasn't visible a month ago or five weeks ago that has changed our outlook, exclusively -- really -- driven by the Commercial Charter.

And so I don't know if it spooked us. It certainly caused us to get even more granular, not only on the short term, but on 2009; and to adjust expectations, particularly on that commercial charter market.

Jason Grant: And, Alex, I would just add to Bill's point that this is a very -- we're fortunate that this is a very manageable problem for us.

We have had instances in the past where, as -200s have been not viable in a commercial sense, we've attacked that problem aggressively both in terms of the fleet and in terms of the costs that support the fleet.

This isn't a market that has a lot of visibility, and we've had some big customers cancel charter programs that, again, the business, generally, and one of the challenges of that business, is a relatively limited visibility into the demand. And the whole market, I think, has been somewhat holding its breath with the 747-200s knowing that they've been effectively pushed out of commercial use over the course of the summer with high fuel prices, and waiting to see how that capacity was then deployed in peak and understand what that meant for 2009.

I think what was clear is that capacity is available in peak at rates that are unprecedented -- low rates -- approaching variable cost, and I think we've said that we've now -- we've had that read now in peak. We're managing it now, and we're going to attack this problem quickly. And that view is built into 2009, assuming that there is some reduction in capacity. And that the levels of charter we're achieving today, we're not expecting as much upside in '09, going forward, on that.

Alex Brand: Okay, good color, that's very helpful.

And I just have to ask one more question -- what's the thought process behind what should be and is potentially a very accretive stock buyback, and then giving guidance that's not based on EPS, where you would be able to get the benefits of that accretion?

Jason Grant: Well, and I think -- so, Alex, what we've done is we've certainly, I guess, given the pieces.

We've said it's $130 [million], 38% tax rate, and the share count is about 21 million shares now fully diluted after effecting the 700,000 shares we've bought back.

I think we are -- so our goal here was to give the elements needed for that, because I realize that you are all making assumptions right now on tax rates for 2009. You know, we've given a view that we think that number is 38% for 2009, and a share count based on the activity that we've bought back in the market today.

Alex Brand: Okay, thanks for your time guys. I appreciate it.

Bill Flynn: Thank you, Alex.

Jason Grant: Thanks, Alex.

Operator: Your next question comes from David Campbell. Please state your company name followed by your question.

David Campbell: It's Thompson Davis & Company. Good morning.

I just wanted to ask about the decrease in fuel prices, and how that's changed the economics of the Boeing 747-200 fleet, which you have said is not economic at the old fuel prices. What about the new fuel prices?

Bill Flynn: Well, David, I think there are probably a couple of parts to that -- parts of the answer to that question.

At $140 a barrel, $100 a barrel, we thought even over $80 a barrel, the -200 is uneconomic in terms of just covering variable cost. But, fuel has come down, and we are much lower than, I guess, any of us would have thought we would have been at this point in time. And so that fuel overhang isn't what it was, although, in the summer, it catalyzed the retirement of these aircraft.

But what's happened in spite of very, very low -- relatively lower fuel prices, although they are still historically high, the demand has really fallen off.

So the aircraft that are now somewhat relieved of the overhang of the fuel are competing for substantially less available market because the scheduled-service deployment that all the carriers have out there in the market is more than adequate to meet demand. And so that's where you're not getting the charter market, and where you do have a charter market where -200s can serve, they are doing so at very, very low rates just to get the aircraft flying.

So the yield decline, as a result of the market decline, is kind of almost one-for-one substituted for the burden that the higher fuel rates were placing on the 747-200 aircraft.

David Campbell: So the way you talk, you're going to have less of a fleet next year than you have now, because you'll be selling or grounding some of these -200s?

Bill Flynn: So, that's what we've done over the past several years. This year we have three aircraft less at year-end than we had last year.

As these aircraft come up for heavy maintenance checks and heavy maintenance investments, we do retire them, and part them out or otherwise harvest the value.

We'll continue that process of managing this fleet as we go forward into 2009, particularly given all the comments and discussion we've had here on the call today about the market and the somewhat anemic demand that exists out there and will continue for some several months.

David Campbell: All right. And how many are up for heavy-maintenance overhauls in '09, of the -200s?

Jason Grant: David, I think the interesting point now is that we always spoke previously, and I think when we talked about the Classic fleet, we said the D Check, which is the significant six- to seven-year maintenance item that runs $5 million to $6 million in total cost, was really the driver of the decision to continue operating the aircraft or ground the aircraft.

And I think what's happened now is we're really getting to sort of a C Check, which is an event that occurs every 18 months, and given the marginal economics of these aircraft, you are almost looking at that as a potential decision to continue with the aircraft or not.

And so half the fleet, or two-thirds of the fleet any given year are up for C Check. So the threshold has really diminished in terms of the investment you're willing to make on these aircraft, going forward.

David Campbell: Okay. Thank you very much.

Bill Flynn: Thanks, David.

Jason Grant: Thanks, David.

Operator: Thank you. And again, ladies and gentlemen, if you would like to ask a question at this time, please press the “star”, followed by the “one”. If you would like to withdraw your question, please press the “star”, followed by the “two”.

Our next question comes from Richard Robinson. Please state your company name followed by your question.

Richard Robinson: Value Advisory. Hey, guys, how are you doing?

Bill Flynn: Hi, Richard.

Jason Grant: Hi, Richard.

Richard Robinson: Two questions here, and I think our fire alarm is going off, so I might have to pick up the answers on transcript, but I want to get an idea on ACMI, whether we can expect to see any kind of rate increases with Emirates or the new company that's going to take the DHL planes?

Also, I wanted to get color on utilization, obviously, with having the same amount of planes you had this time last year, and your utilization has gone down 8% -- looking at block hours.

Is it feasible that you guys might unload planes to kind of push you through this, and what's going to happen with the -8s if we continue these low block hours. Thanks.

Bill Flynn: Okay, well, there are several parts of the question.

When we had answered that, on the two aircraft that we're placing with a new customer, those are at higher rates than what we had been enjoying.

We don't get into specific rates, but our rates do have inflation clauses and adjustments in them, and even in the face of a difficult market, we think that the rate picture on ACMI for the -400s will look very good in 2009, given the scarcity value of the assets and the quality of the operating solution that we provide our customers.

As far as going forward into 2009, what we said here several times on the call, and as we have historically, we will manage aggressively our 747-200 fleet, and Jason was just pointing out about evaluating the fleet, going forward, even now on C-Check kind of intervals as opposed to D-Check intervals. We have a view that the market is continuing to contract. We'll be using the next several months to sharpen that view and make a decision about the fleet of -200s, going forward, in 2009.

As far as the -8 goes, the stairstep function that the -8 provides in improvement in terms of unit cost per kilo to move a product from A to B, fuel efficiency, et cetera, we believe position it and continue to position it as the superior aircraft in global wide-body intercontinental airfreight, and the -400 will still retain superior value even with the introduction of -8s.

So I think, going forward, there is an accelerated retirement of older 747-200s and MD-11s.

There is going to be continued scarcity value for the 747 pure-factory freighter. There have not been the numbers of 747 passenger-to-freighter aircraft conversion that were anticipated even just two years ago; and as that aircraft continue to age, particularly remaining in service as a result of delays on the 380s and, to some extent, even delays on the 787s, that aircraft age become less suitable for P-to-F conversion.

And then, with only 80 or so -8s currently on order in freighter configuration, we think that the underlying scarcity value remain for these assets -- the -400s and the -8s, and we feel very good about them.

Richard Robinson: Okay, and are you still looking at those -8s to be on time given Boeing's recent strike?

Bill Flynn: Well, the strike will create some delay. We have not yet had a formal update meeting from Boeing. They're still assessing what the strike means and where we'll have that meeting with them later this quarter.

Richard Robinson: Okay, so we should have more color on that the beginning of next year?

Bill Flynn: We will have more color on deliveries next year.

Richard Robinson: Sounds good. Thanks.

Operator: Thank you. As a reminder, ladies and gentlemen, if you would like to ask a question at this time, please press the “star”, followed by the “one”. If you would like to withdraw your question from the queue, please press the “star”, followed by the “two” at this time.

Presenters, there appears to be no further questions at this time. Please continue with any closing remarks.

Bill Flynn: Okay, well, thank you, Operator.

And on behalf of all of us at Atlas Air Worldwide Holdings, we'd like to thank you all for participating in today's conference, for the discussion we had in the conference call today, and for you interest in our company. Thank you.

Operator: Thank you.

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

Thank you for your participation. You may now disconnect.

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