
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For Quarter Ended March 31, 2005

Commission File Number 000-50368

ABX AIR, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation
or organization)

91-1091619
(IRS Employer
Identification No.)

145 Hunter Drive
Wilmington, Ohio 45177
(Address of Principal Executive Office)

(937) 382-5591
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes: No:

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes: No:

As of May 10, 2005, ABX Air, Inc. had outstanding 58,270,400 shares of common stock, par value \$.01.

ABX AIR, INC. AND SUBSIDIARIES
Form 10-Q

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FORWARD LOOKING STATEMENTS

Statements contained in this quarterly report on Form 10-Q that are not historical facts are considered forward-looking statements (as that term is defined in the Private Securities Litigation Reform Act of 1995). Words such as “projects,” “believes,” “anticipates,” “will,” “estimates,” “plans,” “expects,” “intends” and similar words and expressions are intended to identify forward-looking statements. These forward-looking statements are based on expectations, estimates and projections as of the date of this filing, and involve risks and uncertainties that are inherently difficult to predict. Actual results may differ materially from those expressed in the forward-looking statements for any number of reasons, including those described in this report and in our 2004 Annual Report filed on Form 10-K with the Securities and Exchange Commission.

Filings with the Securities and Exchange Commission

Our filings with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, are available free of charge from our website at www.ABXAir.com.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

ABX AIR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended March 31	
	2005	2004
REVENUES	\$346,594	\$276,686
OPERATING EXPENSES:		
Salaries, wages and benefits	142,460	120,428
Purchased line-haul	73,835	47,956
Fuel	58,717	42,378
Maintenance, materials and repairs	27,773	27,484
Depreciation and amortization	9,632	9,096
Landing and ramp	9,766	7,867
Rent	2,099	1,606
Other operating expenses	13,137	11,684
	337,419	268,499
INTEREST EXPENSE	(2,419)	(2,385)
INTEREST INCOME	327	178
INCOME BEFORE INCOME TAXES	7,083	5,980
INCOME TAXES	—	—
NET EARNINGS	\$ 7,083	\$ 5,980
EARNINGS PER SHARE—		
Basic and diluted	\$ 0.12	\$ 0.10
WEIGHTED AVERAGE SHARES—		
Basic and diluted	58,270	58,270
COMPREHENSIVE INCOME	\$ 7,083	\$ 5,980

See notes to consolidated financial statements.

ABX AIR, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	<u>March 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 52,981	\$ 38,749
Accounts receivable, net of allowance of \$244 in 2005 and 2004, respectively	51,232	54,677
Spare parts	15,091	15,045
Prepaid supplies and other	4,618	2,550
	<u>123,922</u>	<u>111,021</u>
TOTAL CURRENT ASSETS	123,922	111,021
Property and equipment, net	357,346	351,646
Other assets	10,074	10,256
	<u>367,420</u>	<u>361,902</u>
TOTAL ASSETS	\$ 491,342	\$ 472,923
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 63,676	\$ 62,635
Salaries, wages and benefits	48,819	44,689
Accrued expenses	6,874	7,020
Current portion of postretirement liabilities	13,771	12,706
Current portion of long-term obligations	8,115	7,954
Unearned revenue	10,872	7,565
	<u>152,127</u>	<u>142,569</u>
TOTAL CURRENT LIABILITIES	152,127	142,569
Long-term obligations	171,336	173,856
Postretirement liabilities	71,543	67,063
Other liabilities	1,304	1,486
Commitments and contingencies (Note F)		
STOCKHOLDERS' EQUITY:		
Preferred stock, 20,000,000 shares authorized, including 75,000 Series A Junior Participating Preferred Stock	—	—
Common stock, par value \$.01 per share; 75,000,000 shares authorized; 58,270,400 shares issued and outstanding;	583	583
Additional paid-in capital	428,637	428,637
Deficit	(321,119)	(328,202)
Accumulated other comprehensive loss	(13,069)	(13,069)
	<u>95,032</u>	<u>87,949</u>
TOTAL STOCKHOLDERS' EQUITY	95,032	87,949
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 491,342	\$ 472,923

See notes to consolidated financial statements.

ABX AIR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31	
	2005	2004
OPERATING ACTIVITIES:		
Net earnings	\$ 7,083	\$ 5,980
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	9,632	9,096
Postretirement liabilities	5,545	3,515
Changes in assets and liabilities:		
Restricted cash	—	(3,473)
Accounts receivable	3,445	361
Inventory and prepaid supplies	(2,619)	465
Accounts payable	1,041	9,270
Unearned revenue	3,307	(770)
Accrued expenses, salaries, wages and benefits and other liabilities	3,802	7,798
Change in other assets	88	564
NET CASH PROVIDED BY OPERATING ACTIVITIES	31,324	32,806
INVESTING ACTIVITIES:		
Capital Expenditures	(15,168)	(29,473)
NET CASH USED IN INVESTING ACTIVITIES	(15,168)	(29,473)
FINANCING ACTIVITIES:		
Principal payments on long-term obligations	(1,924)	(1,770)
Financing fees	—	(375)
NET CASH USED IN FINANCING ACTIVITIES	(1,924)	(2,145)
NET INCREASE IN CASH	14,232	1,188
CASH AT BEGINNING OF PERIOD	38,749	63,101
CASH AT END OF PERIOD	\$ 52,981	\$ 64,289
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid, net of amount capitalized	\$ 1,152	\$ 1,228

See notes to consolidated financial statements.

ABX AIR, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005

NOTE A—SUMMARY OF FINANCIAL STATEMENT PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of ABX Air, Inc. and its subsidiaries (“ABX” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America and rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all of the information, footnotes and disclosures required by generally accepted accounting principles for complete financial statements. The results of operations and cash flows for any interim periods are not necessarily indicative of results that may be reported for the full year. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany balances and transactions between the Company and its subsidiaries are eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Estimates and assumptions are used to record the allowance for uncollectible amounts, self-insurance reserves, spare parts inventory reserve, depreciation and impairments of property and equipment, labor contract settlements, postretirement obligations, income taxes, and reserves for contingencies and litigation. Changes in these estimates and assumptions may have a material impact on the consolidated financial statements.

Revenue Recognition

The Company derives approximately 98% of its revenues from the commercial agreements with DHL Express (USA), Inc. (“DHL”). Revenues from DHL are determined based on the expenses incurred during a reporting period for an aircraft, crew, maintenance and insurance agreement (“ACMI agreement”) and a hub and line-haul agreement (“Hub Services agreement.”). Expenses incurred under these agreements are generally subject to a base mark-up of 1.75%, which is recognized in the period the expenses are incurred. Certain costs, the most significant of which include fuel, interest on a promissory note due to DHL, certain ramp and facility rent and landing fees incurred under the two commercial agreements are reimbursed and included in revenues without mark-up.

Both agreements also allow the Company to earn incremental mark-up above the base 1.75% mark-up (up to 1.60% under the ACMI agreement, and 2.10% under the Hub Services agreement) as determined from the achievement of cost and service goals outlined in the two commercial agreements. The agreements stipulate the setting of quarterly and annual cost goals and annual service goals specified in each of the two agreements. At the end of each fiscal year, the Company measures the achievement of annual goals and records any incremental revenues earned by achieving the annual goals in the fourth quarter. In a similar way, the Company measures quarterly goals and records incremental revenues in the quarter in which earned.

The Company derives a portion of its revenues from customers other than DHL. ACMI/charter service revenues are recognized on scheduled and non-scheduled flights when the specific flight has been completed. Aircraft parts and fuel sales are recognized when the parts and fuel are delivered. Revenues earned and expenses incurred in providing aircraft-related maintenance repair services or technical maintenance services are recognized in the period in which the services are completed and delivered to the customer. Revenues derived from transporting freight and sorting parcels are recognized upon delivery of shipments and completion of service.

During 2004, interest earned on cash and cash equivalents reduced interest expense when calculating revenue under the DHL agreements. Beginning in 2005, interest earned on cash and cash equivalents is not included in the DHL revenue calculation.

Income Taxes

Income taxes are computed using the asset and liability method, under which deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Deferred taxes are measured using provisions of currently enacted tax laws. A valuation allowance against deferred tax assets is recorded when it is likely that such assets will not be fully realized. Tax credits are accounted for as a reduction of income taxes in the year in which the credit originates.

The Company did not record an income tax provision for the quarters ended March 31, 2005 and 2004 due to its net operating loss carryforwards. The deferred tax assets remain fully reserved at March 31, 2005.

Cash and Cash Equivalents

The Company classifies short term, highly liquid investments with original maturities of three months or less as cash and cash equivalents. These investments are recorded at cost, which approximates fair value.

Spare Parts Inventory

The Company values aircraft spare parts inventory at weighted-average cost and maintains a related obsolescence reserve. A provision for spare parts obsolescence is recorded over the estimated useful life of each aircraft fleet type (i.e., McDonnell Douglas DC-8, DC-9 and Boeing 767), which considers the spare parts expected to be on hand on the date the aircraft fleet type is anticipated to be removed from service. Should changes occur regarding expected spare parts to be on hand or anticipated useful lives of our aircraft, revisions to the estimated obsolescence reserve may be required.

Property and Equipment

Property and equipment are stated at cost, net of any impairment recorded, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The cost and accumulated depreciation of disposed property and equipment are removed from the accounts with any related gain or loss reflected in earnings from operations.

The Company periodically evaluates, when events or circumstances require, the useful lives, salvage values and fair values of property and equipment. Acceleration of depreciation expense or the recording of significant impairment losses could result from changes in the estimated useful lives of assets due to a number of reasons, such as an assessment done quarterly to determine if excess capacity exists in the air or ground networks, or changes in regulations governing the use of aircraft.

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets held for sale or disposition are carried at the lower of carrying value or fair value less the cost to sell.

Interest cost incurred during the modification period of aircraft is capitalized until the date the asset is placed in service. The costs of major airframe and engine overhauls, as well as routine maintenance and repairs, are charged to expense as incurred.

Unearned Revenue

As specified in the two commercial agreements with DHL, the Company is advanced funds on each Monday for the costs budgeted to be incurred for the upcoming week. Unearned revenue reflects those customer funds that the Company has received in advance of incurring the associated cost to perform under the commercial agreements.

Reclassifications

Certain amounts previously reported have been reclassified to conform to the 2005 presentation.

NOTE B—TRANSACTIONS WITH DHL

On August 15, 2003, the Company was separated from its former parent, Airborne Inc., (“Airborne”) and became an independent, publicly-owned company. Separation of the Company from Airborne was a condition of the merger agreement between Airborne and DHL Worldwide Express B. V. The merger agreement required Airborne to separate its air operations from its ground operations with air operations being retained by ABX. Immediately prior to the separation, certain assets and liabilities related to Airborne’s ground operations were transferred out of the Company to Airborne. The separation of the Company from Airborne occurred according to the terms and conditions of the separation agreement, which was included in ABX’s amended registration statement filed on July 11, 2003. After the separation of the Company, Airborne was reorganized as a subsidiary of DHL, a subsidiary of DHL Worldwide Express B.V.

The Company’s revenues, cash flows and liquidity resources are highly dependent on DHL. Substantially all of the Company’s revenues are derived through contracted services provided to DHL. Revenues from contracted services performed for DHL were \$340.2 million and \$273.3 million for the quarters ended March 31, 2005 and 2004, respectively.

The Company’s balance sheets include the following balances related to operations for DHL (in thousands):

<u>Asset (Liabilities):</u>	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Accounts receivable	\$ 48,022	\$ 46,141
Accounts payable	(1,535)	(395)
Unearned revenue	(9,946)	(6,631)
Net asset	<u>\$ 36,541</u>	<u>\$ 39,115</u>

On November 3, 2004, DHL notified the Company of its plans to remove twenty-six specific aircraft from service during 2005. DHL further indicated that the number of affected aircraft, the air routes and the timing of planned reductions would be subject to change. Through March 31, 2005, five aircraft have been removed from the ACMI agreement since ABX received the November notification. These five aircraft are being used for spare parts, as service backups, or in furtherance of the Company’s non-DHL ACMI/charter operations.

The impact of DHL’s future airlift plans on the Company’s operating results, cash flows and financial condition will depend upon several factors that are uncertain. These factors include the number and timing of aircraft removals, the air routes that will be affected, the fair market value of the aircraft, the demand for cargo airlift and the future level of the Company’s stockholders’ equity. The removal of aircraft from the ACMI agreement could result in losses if the fair market value of removed aircraft are less than their carrying value.

Pursuant to the terms of the ACMI agreement, the Company has certain rights to put to DHL any aircraft that is removed from service. ABX can sell such aircraft to DHL at the lesser of fair market value or net book value. The decision to put aircraft to DHL will depend on a number of factors including the anticipated number of aircraft to be removed, the type of aircraft removed, demand for cargo airlift and the market value for aircraft. Management will assess the number and type of aircraft that it may want to put to DHL as the aircraft are removed from service. Provisions of the ACMI agreement stipulate that if the Company’s equity is less than or equal to \$100 million at the time of put to DHL, any amount by which fair market value is less than net book value would be applied to the promissory note owed to DHL. However, if equity is greater than \$100 million, any amount by which the fair market value is less than net book value would be recorded as an operating charge. For purposes of applying the \$100 million stockholders’ equity threshold, ABX’s stockholders’ equity will be calculated after including the effect of any charges caused by the removal of aircraft.

During the quarter ended March 31, 2005, the Company and DHL reached an agreement to settle ABX’s put rights on two DC-8 aircraft that DHL removed from the ACMI agreement. The net book value of these two aircraft exceeded the appraised fair market value by \$0.4 million. In lieu of selling the aircraft to DHL for net book value as permitted by the put provisions of the ACMI agreement, ABX elected to retain ownership of these aircraft, and the balance of the promissory note due to DHL was reduced by \$0.4 million with a corresponding reduction in aircraft net book value.

NOTE C—EARNINGS PER SHARE

The calculation of basic and diluted earnings per common share follows (in thousands, except per share amounts):

	Three Months Ended March 31	
	2005	2004
Net income applicable to common stockholders	\$ 7,083	\$ 5,980
Weighted-average shares outstanding for basic and diluted earnings per share	58,270	58,270
Basic and diluted earnings per share	\$ 0.12	\$ 0.10

NOTE D—PROPERTY AND EQUIPMENT

At March 31, 2005, the Company's operating fleet consisted of 114 aircraft, including 27 Boeing 767, 72 McDonnell Douglas DC-9 and 15 McDonnell Douglas DC-8 aircraft.

Property and equipment consists of the following (in thousands):

	March 31, 2005	December 31, 2004
Aircraft and flight equipment	\$ 552,392	\$ 539,414
Support equipment	45,424	44,134
Vehicles and other equipment	1,876	1,715
Leasehold improvements	13	13
	\$ 599,705	\$ 585,276
Accumulated depreciation	(242,359)	(233,630)
Property and equipment, net	\$ 357,346	\$ 351,646

Aircraft and flight equipment included \$35.4 million for aircraft held under capitalized leases as of March 31, 2005 and December 31, 2004. Accumulated depreciation included \$4.0 million as of March 31, 2005 and \$3.4 million as of December 31, 2004 for capital leases.

NOTE E—LONG TERM DEBT AND CREDIT FACILITY

Long-term debt consisted of the following (in thousands):

	March 31, 2005	December 31, 2004
Promissory note due to DHL	\$ 92,514	\$ 92,949
Capital lease obligations	86,937	88,861
Total long-term obligations	\$ 179,451	\$ 181,810
Less: current portion	(8,115)	(7,954)
Total long-term obligations, net	\$ 171,336	\$ 173,856

The unsecured promissory note is due in 2028 and bears interest at 5.00% per annum payable semi-annually. Interest on the promissory note is reimbursable under the ACMI agreement without mark-up. The capital lease obligations are for five Boeing 767 aircraft, and consist of two different leases, both expiring in 2011 with options to renew for six additional years. The capital lease terms for three of the five aircraft include quarterly principal payments and variable interest of LIBOR plus 2.50% (5.375% at March 31, 2005). The capital lease for the other two Boeing 767 aircraft is at an imputed interest rate of 8.55%. The interest expense related to the capitalized aircraft lease obligations is reimbursable with mark-up under the ACMI agreement with DHL.

The Company has a \$45.0 million credit facility through a syndicated Credit Agreement that expires in March 2007. Borrowings under the agreement are collateralized by substantially all of the Company's assets, and bear interest equal to the prime rate or a short term LIBOR (a one, two or three month LIBOR at the Company's discretion) plus 2.25%. The agreement contains an accordion

feature to increase the borrowings to a total of \$50.0 million if the Company needs additional borrowing capacity. The agreement provides for the issuance of letters of credit on the Company's behalf. As of March 31, 2005, the unused credit facility totaled \$35.0 million, net of outstanding letters of credit of \$10.0 million. There were no borrowings outstanding under the Credit Agreement as of March 31, 2005.

Under the Credit Agreement, the Company is subject to other expenses, covenants and warranties that are usual and customary. The agreement stipulates events of default and contains covenants including, among other things, limitations on certain additional indebtedness, guarantees of indebtedness, level of cash dividends, and certain other transactions as defined in the agreement. The Company is in compliance with the terms of the credit agreement.

NOTE F—COMMITMENTS AND CONTINGENCIES

Leases

The Company leases aircraft, airport facilities, and certain operating equipment under various long-term operating lease agreements. In conjunction with the separation from Airborne, the Company entered into a sublease agreement with DHL for portions of the Wilmington Air Park. The term of the sublease expires at the end of the transition period that follows termination of the ACMI agreement. The annual rent payable by the Company under the lease is \$2.0 million, and is reimbursable by DHL without mark-up.

Commitments

The Company has a commitment to acquire one used Boeing 767 in 2005. This aircraft is committed to be converted to a standard freighter configuration from its original passenger configuration. Payments for the aircraft and conversion of it and other recently purchased aircraft will approximate \$35.0 million during the remainder of 2005. There are currently no commitments for aircraft acquisitions or modifications extending beyond 2005.

Guarantees and Indemnifications

Certain operating leases and agreements of the Company contain indemnification obligations to the lessor, service provider or vendor that are considered ordinary and customary (e.g. use, tax, environmental and employee indemnifications), the terms of which range in duration and are often limited. Such indemnification obligations may continue after expiration of the respective lease or agreement.

The Company has fully and unconditionally guaranteed a senior note of DHL. The senior note, having a remaining amount outstanding of \$6.9 million, bears interest at a rate of 7.35% and matures in September 2005.

Legal Proceedings

(a) Department of Transportation ("DOT") Continuing Fitness Review

The Company filed a notice of substantial change with the DOT arising from its separation from Airborne. In connection with the filing, which was made in mid-July of 2003, the DOT will determine whether the Company continues to be fit, willing and able to engage in air transportation of cargo and a U.S. citizen.

Under U.S. laws and DOT precedents, non-U.S. citizens may not own more than 25% of, or have actual control of, a U.S. certificated air carrier. The DOT may determine that DHL actually controls the Company as a result of its commercial arrangements (in particular, the ACMI agreement and Hub Services agreement) with DHL. If the DOT determines that the Company is controlled by DHL, the DOT could require amendments or modifications of the ACMI and/or other agreements between the Company and DHL. If the Company were unable to modify such agreements to the satisfaction of the DOT, the DOT could seek to suspend, modify or revoke the Company's air carrier certificates and/or authorities, and this would materially and adversely affect the business.

Certain of DHL's competitors, including Federal Express Corporation ("FedEx") and United Parcel Service Inc. ("UPS") challenged the citizenship status of Astar Air Cargo, Inc. ("Astar"), formerly DHL Airways. DHL has entered into an ACMI agreement with Astar which accounts for a substantial portion of the business of Astar. FedEx and UPS alleged this relationship, among others, constituted control by DHL of Astar in violation of United States law. An Administrative Law Judge ("ALJ") for the DOT reviewed the citizenship of Astar and issued a decision recommending to the DOT that it find that Astar is a citizen. On May 13, 2004, the DOT issued its decision finding that Astar is a U.S. citizen and making the ALJ's recommended decision the DOT's final decision. Neither FedEx nor UPS appealed the DOT's final decision.

The DOT has issued a notice requesting comments on the procedures to be used in processing the Company's filing, and several parties have provided comments. The DOT has yet to specify the procedures it intends to use. In order to facilitate the

DOT's review, we filed supplemental information with the DOT on April 22, 2005, for the purpose of updating our initial filing. While Astar and ABX are different, and their respective relationships with DHL and Airborne are distinguishable, the DOT's decision regarding Astar will likely serve as a precedent for the DOT's review of the Company's filing.

Management believes the DOT should find that the Company continues to be fit, willing and able to engage in air transportation of cargo and a U.S. citizen.

(b) ALPA Lawsuit

On August 25, 2003, the Company intervened in a lawsuit filed in the U.S. District Court for the Southern District of New York by DHL Holdings (USA), Inc. ("DHL Holdings") and DHL Worldwide Express, Inc. ("DHL Worldwide") against the Air Line Pilots Association ("ALPA"), seeking a declaratory judgment that neither DHL entity is required to arbitrate a grievance filed by ALPA. ALPA represents the pilot group at Astar. The grievance seeks to require DHL Holdings to direct its subsidiary, Airborne, now DHL Express (USA), Inc., to cease implementing its ACMI agreement with ABX on the grounds that DHL Worldwide is a legal successor to Astar. ALPA similarly filed a counterclaim requesting injunctive relief that includes having DHL's freight currently being flown by ABX transferred to Astar. The proceedings were stayed on September 5, 2003, pending the National Labor Relations Board's ("NLRB") processing of several unfair labor practice charges the Company filed against ALPA on the grounds that ALPA's grievance and counterclaim to compel arbitration violates the National Labor Relations Act. In March 2004, the NLRB prosecuted ALPA on the unfair labor practice charges. On July 2, 2004, an ALJ for the NLRB issued a decision finding that ALPA's grievance and counterclaim violated the secondary boycott provisions of the National Labor Relations Act, and recommended that the NLRB order ALPA to withdraw both actions. ALPA has appealed the ALJ's finding to the full NLRB, which has yet to issue a decision. In the event the full NLRB were to sustain the decision of the ALJ, ALPA has the right to appeal the decision in federal court.

Management believes that the ALJ's decision will be sustained on appeal and that, regardless thereof, ALPA's claim to the work being performed by the Company is without merit and its grievance and counterclaim will be denied.

NOTE G—COMPONENTS OF NET PERIODIC BENEFIT COST

The Company sponsors a qualified defined benefit pension plan for its flight crewmembers and a qualified defined benefit pension plan for its other employees that meet minimum eligibility requirements. The Company also sponsors non-qualified defined benefit pension plans for certain employees. These non-qualified plans are unfunded. The Company sponsors a postretirement healthcare plan which is unfunded.

The accounting and valuation for these postretirement obligations are determined by prescribed accounting and actuarial methods that consider a number of assumptions and estimates. The selection of appropriate assumptions and estimates is significant due to the long time period over which benefits will be accrued and paid. The long-term nature of these benefit payouts increases the sensitivity of certain estimates on our postretirement costs.

The Company's net periodic benefit cost for its qualified defined benefit pensions and postretirement healthcare plans are as follows (in thousands):

	Three Months Ended March 31			
	Pension Plans		Postretirement Healthcare Plan	
	2005	2004	2005	2004
Service cost	\$ 7,455	\$ 6,556	\$ 498	\$ 384
Interest cost	5,851	4,939	395	329
Expected return on plan assets	(5,120)	(4,050)	—	—
Amortization of prior service cost	928	851	4	(10)
Amortization of net loss	1,626	974	251	179
Net periodic benefit cost	\$10,740	\$ 9,270	\$ 1,148	\$ 882

During the quarter ended March 31, 2005, the Company paid \$6.2 million of contributions to its defined benefit pension plans. The Company presently anticipates contributing an additional \$33.4 million to fund its pension plans during the remainder of 2005 for a total of \$39.6 million.

NOTE H—SEGMENT INFORMATION

The Company provides air cargo transport, line-haul logistics and package handling services to DHL under the ACMI and Hub Services agreements which are aggregated below as “DHL” (see Note A). The Company’s other activities, which include ACMI/charter services, parts sales, and aircraft maintenance services, do not constitute a reportable segment and are combined in “all other” below (in thousands):

	Three Months Ended	
	2005	2004
Revenues:		
DHL	\$ 340,174	\$ 273,256
All Other	6,420	3,430
Total	\$ 346,594	\$ 276,686
Earnings:		
DHL	\$ 5,105	\$ 4,709
All Other	1,978	1,271
Total	\$ 7,083	\$ 5,980
	March 31, 2005	December 31, 2004
Assets:		
DHL	\$ 450,529	\$ 463,904
All Other	40,813	9,019
Total	\$ 491,342	\$ 472,923

For the purposes of internal reporting, the Company does not allocate overhead cost to its other (non-DHL) activities. The provisions of the commercial agreements with DHL do not require an allocation of overhead until such time as ABX derives more than 10% of its total revenue from non-DHL business activities.

Assets in the All Other category include a 767 aircraft, cargo containers and material handling equipment currently being utilized in our non-DHL activities. The Company reached an agreement with DHL to temporarily defer one 767 freighter aircraft from DHL service beginning in March 2005 and instead deploy the aircraft in its non-DHL ACMI/charter operations for a 12 month period. During the 12 months, the depreciation, maintenance and other operating cost associated with the aircraft will be borne by the Company and not reimbursed by DHL under the ACMI agreement. After the 12 month deferral, which is expected to end during the second quarter of 2006, the aircraft will be placed back into service for DHL and reimbursed under the ACMI agreement. Similarly, a second 767 freighter is scheduled to be deferred in the second quarter of 2005 for a 12 month period, after which, it will service DHL under the ACMI agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis has been prepared with reference to the historical financial condition and results of operations of ABX Air, Inc. and its subsidiaries ("ABX"). The following discussion and analysis describes the principal factors affecting the results of operations, financial condition, cash flows, liquidity and capital resources. It should be read in conjunction with the accompanying unaudited financial statements and the related notes contained in this report and our Annual Report on Form 10-K for the year ended December 31, 2004.

BACKGROUND

On August 15, 2003, ABX was separated from its former parent, Airborne Inc., ("Airborne"), and became an independent, publicly-owned company. The separation of ABX from Airborne was a condition of the merger agreement between Airborne and DHL Worldwide Express, B.V., an integrated, global cargo carrier. The merger agreement required Airborne to separate its air operations from its ground operations with the air operations being retained by ABX. On January 1, 2005, Airborne was merged into DHL Express (USA), Inc., a wholly owned subsidiary of DHL Holdings (USA), Inc. ("DHL Holdings"). (Hereinafter, DHL Holdings, DHL Express (USA), Inc. and Airborne will sometimes be referred to individually and collectively as "DHL".)

At the time of the separation, ABX and DHL entered into an aircraft, crew, maintenance and insurance agreement ("ACMI agreement"), and a hub and line-haul services agreement ("Hub Services agreement"). Under the ACMI agreement, ABX provides air cargo transportation to DHL on a cost plus pricing structure. Under the Hub Services agreement, ABX provides staff to conduct package handling, package sorting, warehousing, line-haul logistics services, as well as airport facilities and equipment maintenance services for DHL, also on a cost plus pricing structure. Costs incurred under these agreements are generally marked-up by 1.75% and included in revenues. Both agreements also allow the Company to earn incremental mark-up above the base 1.75% mark-up (up to an additional 1.60% under the ACMI agreement, and an additional 2.10% under the Hub Services agreement) from the achievement of certain cost-related and service goals specified in the two agreements. Fuel, rent, interest on the promissory note to DHL, and ramp and landing fees incurred under the ACMI agreement are the most significant cost items reimbursed without mark-up. The ACMI agreement and the Hub Services agreement have initial terms of seven and three years, respectively. However, DHL can terminate specific ACMI aircraft, add to, delete or modify the air routes we operate under the ACMI agreement and increase or reduce the scope of services we provide under the Hub Services agreement. Additionally, DHL can terminate the agreements if ABX does not comply with certain performance standards specified in the agreements.

DHL INTEGRATION PLANS

As a result of its merger with Airborne in 2003, DHL is integrating its operating resources to eliminate duplicative costs, including the cost of overlapping air routes among its airlift suppliers. On November 3, 2004, DHL notified ABX of its plans to remove twenty-six of ABX's aircraft from service during 2005, affecting twenty-two scheduled air routes. DHL further indicated that the number of affected aircraft, the air routes and the timing of planned reductions are subject to change. Additionally, DHL is consolidating operations from its Northern Kentucky hub into a central U.S. hub at its Wilmington, Ohio facilities which we operate under the Hub Services agreement. The transition is expected to be completed by the end of 2005. Since the merger, DHL has expanded its ground network and added seven regional sorting hubs in 2004, which we also operate under the Hub Services agreement.

Through March 31, 2005, five aircraft have been removed from the ACMI agreement since November 3, 2004. These five aircraft are being used for spare parts, as service backups, or in furtherance of our non-DHL ACMI/charter operations. The impact of DHL's future airlift plans on ABX's operating results, cash flows and financial condition will depend upon several factors that are uncertain. These factors include the number and timing of aircraft removals, the air routes that will be affected, the fair market value of the aircraft, the demand for cargo airlift and the future level of ABX's stockholders' equity. The removal of aircraft from the ACMI agreement could result in non-reimbursable write downs if the fair market value of removed aircraft are less than their carrying value.

Pursuant to the terms of the ACMI agreement ABX has certain rights to put to DHL any aircraft that is removed from service. ABX can sell such aircraft to DHL at the lesser of fair market value or net book value. The decision to put aircraft to DHL will depend on a number of factors including the anticipated number of aircraft to be removed, the type of aircraft removed, demand for cargo airlift and the market value for aircraft. Management will assess the number and type of aircraft that it may want to put to DHL as the aircraft are removed from service. Provisions of the ACMI agreement stipulate that if ABX's stockholders' equity is less than or equal to \$100 million at the time of put to DHL, any amount by which fair market value is less than net book value would be applied to the promissory note owed to DHL. However, if equity is greater than \$100 million, any amount by which the fair market value is less than net book value would be recorded as an operating charge. For purposes of applying the \$100 million stockholders' equity threshold, ABX's stockholders' equity will be calculated after including the effect of any charges caused by the removal of aircraft.

In 2005, we were notified by DHL that it intends to assume administration of those charter aircraft that are currently contracted by ABX from other airlines to operate in tertiary markets for which the volumes do not justify the use of larger aircraft operated by ABX. This transition of such contracted aircraft to DHL is expected to occur during the third quarter of 2005. The expenses associated with such contracted aircraft totaled \$5.5 million during the first quarter of 2005. On an annualized basis, these expenses are projected at \$22.0 million. The annualized impact of the loss of this business volume from the ACMI agreement is projected at between \$0.4 million and \$0.7 million in net earnings and cash flow. For fiscal 2005, the impact on net earnings and cash flows is projected in a range of between \$0.2 million and \$0.4 million, as the reduction in business volume will be limited to the last half of the year.

RESULTS OF OPERATIONS

For the first quarter of 2005, we had net earnings of \$7.1 million compared to net earnings of \$6.0 million for the first quarter of 2004. Revenues increased 25.3% to \$346.6 million compared to the first quarter of 2004. Revenues from DHL increased 24.5% compared to the first quarter of 2004. The increase in DHL revenues was driven by increased cost under the Hub Services agreement and increased fuel prices as compared to the first quarter of 2004. During 2005, the average cost of aviation fuel increased 37.5% and our costs subject to mark-up under the Hub Services agreement increased 41.5% compared to the first quarter of 2004; accordingly, base revenues increased. Our hub services cost increased primarily due to the expansion of DHL's ground network since the first quarter of 2004. In the fourth quarter of 2004, DHL added seven new regional sort centers that we operate under the Hub Services agreement. Earnings on our base revenues increased \$0.7 million to \$4.5 million during the first quarter of 2005 compared to the corresponding 2004 quarter, due primarily to the higher cost level of providing hub services.

Under the two agreements with DHL, we have the potential to earn additional revenues from an incremental mark-up each quarter based on achieving certain cost-related goals. We earned \$0.6 million and \$1.0 million of incremental mark-up under the two agreements during the first quarter of 2005 and 2004, respectively. Incremental mark-up from the ACMI agreement was \$0.5 million while incremental mark-up from the Hub Services agreement totaled \$0.1 million for the first quarter of 2005. During the first quarter of 2004, incremental mark-up from the ACMI agreement totaled \$0.5 million and incremental mark-up from the Hub Services agreement totaled \$0.5 million. The incremental mark-up for the first quarter of 2005 under the ACMI agreement resulted from flying greater than anticipated aircraft hours during the quarter, while incurring lower than budgeted maintenance expenses. The factors contributing to the reduction in incremental mark-up under the Hub Services agreement as compared to 2004 included a more severe winter at the main sort hub in Ohio and in the Northeast. Additionally, during January 2005, we replaced a large number of contract workers supplied by an employment agency at DHL's main sort hub in Ohio and one of its regional hubs upon becoming concerned with the immigration status of some of those workers. These sort operations were negatively impacted until we were able to replace the contract workers.

No incremental mark-up contribution from the annual cost and service goals specified in the two agreements was included in our revenue for the first quarter of 2005. Any revenue earned through the achievement of annual goals will be recorded in the fourth quarter of 2005. The maximum incremental mark-up available from the annual cost goals is approximately 0.81% of eligible, annual costs under both commercial agreements. The maximum incremental mark-up available from the annual service goals is 0.25% of costs subject to mark-up under the ACMI agreement and 0.75% of costs subject to mark-up under the Hub Services agreement. If ABX's actual service performance for the first three months of 2005 were sustained for the year, incremental mark-up from the annual service incentives would be equivalent to 40.0% of the maximum available under the ACMI agreement and 36.7% of the maximum available under the Hub Services agreement.

Our earnings for the first quarter of 2005 included \$2.0 million from customers other than DHL. Earnings from non-DHL business increased 55.6% as compared to the first quarter of 2004 non-DHL earnings of \$1.3 million. Non-DHL revenues grew to \$6.4 million in the first quarter of 2005, an 87.2% increase over non-DHL revenues of \$3.4 million during the first quarter of 2004. The increase in non-DHL revenues was primarily the result of an increased level of aircraft maintenance services and part sales, as well as, revenues associated with ABX's operation of a U.S. postal hub, which we have operated since September of 2004. Revenues from these three sources increased by \$2.4 million as compared to the first quarter of 2004, while the earnings from these sources accounted for \$0.6 million of the increase in non-DHL earnings as compared to 2004.

A summary of our earnings is shown below (in thousands).

For the Three Months Ended March 31, 2005							
DHL						Customers other than DHL	Total
ACMI	Hub Services	Other Reimbursable	Subtotal				
Revenues:							
Base	\$122,698	\$136,880	\$ 79,955	\$339,533	\$ 6,420	\$345,953	
Incremental mark-up	561	80	—	641	—	641	
Total revenues	123,259	136,960	79,955	340,174	6,420	346,594	
Operating expenses	118,808	134,526	79,316	332,650	4,769	337,419	
Interest expense, net	1,780	—	639	2,419	(327)	2,092	
Total expense	120,588	134,526	79,955	335,069	4,442	339,511	
Earnings	\$ 2,671	\$ 2,434	—	\$ 5,105	\$ 1,978	\$ 7,083	

For the Three Months Ended March 31, 2004							
DHL						Customers other than DHL	Total
ACMI	Hub Services	Other Reimbursable	Subtotal				
Revenues:							
Base	\$120,069	\$96,732	\$ 55,474	\$272,275	\$ 3,430	\$275,705	
Incremental mark-up	465	516	—	981	—	981	
Total revenues	120,534	97,248	55,474	273,256	3,430	276,686	
Operating expenses	116,556	95,069	54,715	266,340	2,159	268,499	
Interest expense, net	1,448	—	759	2,207	—	2,207	
Total expense	118,004	95,069	55,474	268,547	2,159	270,706	
Earnings	\$ 2,530	\$ 2,179	—	\$ 4,709	\$ 1,271	\$ 5,980	

Our earnings from customers other than DHL do not include an allocation of overhead expenses. Our agreements with DHL require that after our non-DHL earnings reach 10% of our revenues, we must allocate a portion of our overhead expenses to the non-DHL business. At that time, the allocated expenses would not be subject to reimbursement under the DHL commercial agreements.

The table below compares selected operating statistics for the three months ended March 31, 2005 and 2004.

	Three Months Ended March 31		
	2005	2004	% Change
Pieces handled (millions)	160.6	122.8	30.8%
Pounds processed (millions)	667.9	537.5	24.3%
Pieces handled per labor hour paid	34.9	35.3	(1.1%)
Gallons of aviation fuel expensed (millions)	36.8	36.5	0.8%
Average price per gallon of aviation fuel	\$ 1.54	\$ 1.12	37.5%

Our operating expenses are impacted by the volume of packages handled for DHL and by the type of service we provide, such as air or ground delivery. Generally, higher piece volumes increase our expenses and positively impact revenues and earnings. The increase in pieces handled and pounds processed were primarily a result of the growth in DHL's ground delivery service and the expansion of DHL's ground network. Pieces handled per labor hour in 2005 declined slightly compared to the first quarter of 2004, reflecting a more severe winter at the main sort hub in Ohio and in the Northeast, and the replacement of a large number of contract workers at DHL's main sort hub in Ohio and one of its regional hubs.

Salaries, wages and benefits expense increased 18.3% in the first quarter of 2005 as compared to the first quarter of 2004. The increase reflects the higher levels of staffing and contracted labor necessary to operate seven additional hubs and process the increased piece volumes compared to the previous year. Total paid hours increased 32.3% for the first quarter of 2005 compared to the corresponding quarter in 2004.

Purchased line-haul expense increased 54.0% in the first quarter of 2005 compared to the corresponding quarter in 2004. The increase reflects continued growth in DHL's deferred delivery products that are generally transported via truck, as well as additional line-haul to accommodate more inter-hub shipments for DHL's expanded ground network. For the first quarter of 2005, this category also includes \$5.5 million for charter aircraft contracted by ABX for DHL. The administration of these charters and their related cost are expected to be transitioned to DHL during the third quarter of 2005.

Fuel expense increased 38.6% in the first quarter of 2005 compared to the corresponding period in 2004. The increases were driven by higher market prices for aviation fuel. The average aviation fuel price was \$1.54 and \$1.12 per gallon in the first quarters of 2005 and 2004, respectively. Our consumption of aviation fuel during the first quarter of 2005 remained largely unchanged compared to the first quarter of 2004. The risks of fuel price volatility are effectively assumed by DHL through the ACMI agreement.

Maintenance, materials and repairs increased 1.1% in the first quarter of 2005 compared to the corresponding periods in 2004. Increased flight hours of Boeing 767 aircraft resulted in higher maintenance cost which were offset by lower maintenance cost for declining flight hours of our fleet of DC-8 aircraft.

Depreciation and amortization expense increased 5.9% in the first quarter of 2005 compared to the corresponding quarter in 2004. The increase is primarily a result of three additional Boeing 767 aircraft that we placed in service since the first quarter of 2004. Our future depreciation expense will be impacted by the timing and the number of aircraft that DHL may elect to remove from the ACMI agreement, as well as additional Boeing 767 aircraft that we anticipate placing into service during 2005. We reached an agreement with DHL to temporarily defer one 767 freighter aircraft from DHL service beginning in March 2005 and instead deploy the aircraft in ABX's non-DHL ACMI/charter operations for a 12 month period. During the 12 months, the depreciation, maintenance and other operating cost associated with the aircraft will be borne by ABX and not reimbursed by DHL under the ACMI agreement. After the 12 month deferral, which is expected to end during the second quarter of 2006, the aircraft will be placed back into service for DHL and reimbursed under the ACMI agreement. Similarly, a second 767 freighter is scheduled to be deferred in the second quarter of 2005 for a 12 month period, after which, it will service DHL under the ACMI agreement.

Landing and ramp expense increased 24.1% in first quarter compared to the corresponding period in 2004. Included in this category are deicing costs, which were higher in 2005 due to more adverse winter weather in the first quarter compared to 2004.

Rent expense increased \$0.5 million in the first quarter of 2005 compared to the corresponding quarter of 2004 due to the transfer of rental cost from DHL to ABX.

Other operating expenses include travel, professional fees, insurance and utilities. Other operating expenses increased by \$1.5 million or 12.4% in the first quarter of 2005 compared to the corresponding quarter in 2004, due to increased travel, recruiting and the costs associated with the growth of our non-DHL business.

Our interest expense for the first quarter of 2005 remained largely unchanged compared to the first quarter of 2004 due to our mostly fixed-interest rate debt structure. Interest income increased by achieving higher yields on excess cash and cash equivalents compared to the first quarter of 2004. During 2004, interest earned on cash and cash equivalents reduced interest expense when calculating revenue under the DHL agreements. Beginning in 2005, interest earned on cash and cash equivalents is not included in the DHL revenue calculation.

During 2005 and 2004, the tax provision was offset by a reduction in the allowance for the deferred tax asset. The deferred tax asset was created primarily as a result of the 2003 impairment charge and was fully reserved under provisions of SFAS No. 109 "Accounting for Income Taxes." Assuming no significant change from the 2004 level of earnings, we do not expect ABX to pay federal income taxes until 2010 or later due to its net operating loss carryforwards.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Operating cash flows were \$31.3 million and \$32.8 million in the first three months of 2005 and 2004, respectively. Our net operating cash flows are primarily a function of aircraft depreciation expense reimbursed by DHL, the mark-up earned under our commercial agreements with DHL, and the differences between pension funding and pension expense, which is reimbursed with mark-up by DHL. Our future operating cash flows will be impacted by the timing and the number of aircraft that DHL may elect to remove from the ACMI agreement.

Capital spending levels are primarily a result of aircraft acquisitions and related modification costs. Total capital expenditures were \$15.2 million in the first three months of 2005 compared to \$29.5 million in the first three months of 2004. Our capital expenditures in the first three months of 2005 included the cargo modification costs for Boeing 767 aircraft. In the first three months of 2004, our capital expenditures included the acquisitions of one Boeing 767 aircraft, a spare engine and cargo modification cost for two Boeing 767 aircraft. The level of capital spending for all of 2005 is anticipated to be approximately \$58.0 million compared to \$73.7 million in 2004.

Commitments

We have 114 aircraft in service, consisting of 27 Boeing 767s, 15 DC-8s and 72 DC-9s. We have commitments to acquire one additional Boeing 767 in 2005, and to convert it to an industry standard freighter configuration from its original passenger configuration. In addition to this aircraft, we have one other Boeing 767 that is currently in the process of being converted to an industry standard freighter. Payments for the aircraft and conversions will approximate \$35.0 million during the remainder of 2005. There are currently no commitments for aircraft acquisitions or modifications extending beyond 2005.

We estimate that contributions to our qualified defined benefit pension plans will be \$33.4 million for the remainder of 2005. We estimate our total pension expense, which is reimbursable under the two DHL agreements, will be \$32.2 million for the remainder of 2005 for all pensions plans.

Liquidity and Capital Resources

At March 31, 2005, we had approximately \$53.0 million of cash balances and \$48.0 million of accounts receivable due from DHL. We anticipate that our current cash balances, combined with forecasted cash flows provided by the commercial agreements with DHL and growth in new business will be sufficient to fund our planned operations and capital expenditures for 2005 and beyond. If certain liquidity levels are not maintained, we will be able to request certain cash advances as specified by the ACMI agreement to supplement liquidity through December 31, 2005. Also, DHL guarantees our financing obligations for three Boeing 767 aircraft. The Company has a \$45.0 million credit facility through a syndicated Credit Agreement that expires in March 2007. Borrowings under the agreement are collateralized by substantially all of the Company's assets. The agreement contains an accordion feature to increase the borrowings to a total of \$50.0 million if the Company needs additional borrowing capacity. The agreement provides for the issuance of letters of credit on the Company's behalf. As of March 31, 2005, the unused credit facility totaled \$35.0 million, net of outstanding letters of credit of \$10.0 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

“Management’s Discussion and Analysis of Financial Condition and Results of Operations,” as well as certain disclosures included elsewhere in this report, are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to select appropriate accounting policies and make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingencies. In certain cases, there are alternative policies or estimation techniques which could be selected. On an on-going basis, we evaluate our selection of policies and the estimation techniques we use, including those related to revenue recognition, post-retirement liabilities, bad debts, self-insurance reserves, accruals for labor contract settlements, valuation of spare parts inventory, useful lives, salvage values and impairment of property and equipment, income taxes, contingencies and litigation. We base our estimates on historical experience, current conditions and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources, as well as for identifying and assessing our accounting treatment with respect to commitments and contingencies. Actual results may differ from these estimates under different assumptions or conditions. We believe the following significant and critical accounting policies involve the more significant judgments and estimates used in the preparation of the condensed consolidated financial statements.

Revenue Recognition

Revenues from DHL are recognized when the related services are performed. Expenses incurred under the commercial agreements with DHL are generally subject to a base mark-up of 1.75%, which is recognized in the period during which the expenses are incurred. Certain costs, the most significant of which include fuel costs, interest on the promissory note to DHL, airport rent, ramp and landing fees incurred for performance under the ACMI agreement, are reimbursed and included in revenues without mark-up.

In addition to a base mark-up of 1.75%, both the ACMI and Hub Services agreements provide for an incremental mark-up potential above the base 1.75%, based on our achievement of specified cost and service goals. The ACMI agreement provides for a maximum potential incremental mark-up of 1.60%, with 1.35% based on cost performance and 0.25% based on service performance. The Hub Services agreement provides for a maximum potential incremental mark-up of 2.10%, with 1.35% based on cost performance and 0.75% on service performance. Both contracts call for 40% of any incremental mark-up earned from cost performance to be recognized based on quarterly results, with 60% measured against annual results. Accordingly, a maximum mark-up of approximately 0.54% may be achieved based on quarterly results and recognized in our quarterly revenues. Up to a maximum mark-up of approximately 0.81% based on annual cost performance could be recognized during the fourth quarter, when full year results are known. Incremental mark-up potential associated with the service goals (0.25% in the ACMI agreement and 0.75% in the Hub Services agreement) is measured annually and any revenues earned from their attainment would be recognized during the fourth quarter, when full year results are known. Management cannot predict to what degree the Company will be successful in achieving incremental mark-up.

The Company derives a portion of its revenues from customers other than DHL. Non-DHL ACMI/charter service revenues are recognized on scheduled and non-scheduled flights when the specific flight has been completed. Aircraft parts and fuel sales are recognized when the parts and fuel are delivered. Revenues earned and expenses incurred in providing aircraft-related maintenance repair services or technical maintenance services are recognized in the period in which the services are completed and delivered to the customer. Revenues derived from transporting freight and sorting parcels are recognized upon delivery of shipments and completion of service.

Depreciation

Depreciation of property and equipment is provided on a straight-line basis over the lesser of the asset's useful life or lease term. We periodically evaluate the estimated service lives and residual values used to depreciate our property and equipment. The acceleration of depreciation expense or the recording of significant impairment losses could result from changes in the estimated useful lives of our assets. We may change the estimated useful lives due to a number of reasons, such as the existence of excess capacity in our air system or ground networks, or changes in regulations grounding or limiting the use of aircraft.

Self-Insurance

We self-insure certain claims relating to workers compensation, aircraft, automobile, general liability and employee healthcare. We record a liability for reported claims and an estimate for incurred claims that have not yet been reported. Accruals for these claims are estimated utilizing historical paid claims data, recent claims trends and, in the case of employee healthcare, an independent actuarial report. Changes in claim severity and frequency could result in actual claims being materially different than the amounts provided for in our results of operations.

Contingencies

We are involved in legal matters that have a degree of uncertainty associated with them. We continually assess the likely outcomes of these matters and the adequacy of amounts, if any, provided for these matters. There can be no assurance that the ultimate outcome of these matters will not differ materially from our assessment of them. There also can be no assurance that we know all matters that may be brought against us at any point in time.

Postretirement Obligations

We sponsor qualified defined benefit plans for our pilots and other eligible employees. We also sponsor unfunded postretirement healthcare plans for our flight crewmembers and non-flight crewmember employees. We also sponsor unfunded excess plans for certain employees in a non-qualified plan which includes our executive management, that provide benefits in addition to amounts permitted to be paid under provisions of the tax law to participants in our qualified plans.

The accounting and valuation for these postretirement obligations are determined by prescribed accounting and actuarial methods that consider a number of assumptions and estimates. The selection of appropriate assumptions and estimates is significant due to the long time period over which benefits will be accrued and paid. The long-term nature of these benefit payouts increases the sensitivity of certain estimates on our postretirement costs. In actuarially valuing our pension obligations and determining related expense amounts, assumptions we consider most sensitive are discount rates, expected long-term investment returns on plan assets and future salary increases. Additionally, other assumptions concerning retirement ages, mortality and employee turnover also affect the valuations. For our postretirement healthcare plans, consideration of future medical cost trend rates is a critical assumption in valuing these obligations. Actual results and future changes in these assumptions could result in future costs significantly higher than those recorded in our results of operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of business. ABX incurs market risk for changes in the price of jet and diesel fuel, however this risk is largely mitigated by reimbursement without mark-up through the ACMI agreement.

We have interest rate risk as a result of debt obligations. Variable interest rate debt exposes us to differences in future cash flows resulting from changes in market interest rates. This risk is largely mitigated, however, because our interest expense for the debt with variable rate risk is marked up and charged to DHL under the ACMI agreement. The debt issued at fixed interest rates is exposed to fluctuations in fair value resulting from changes in market interest rates. Our outstanding debt obligations are shown below (in thousands):

	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Fixed Rate	\$ 125,346	\$ 126,383
Variable Rate	54,105	55,427
Total Outstanding Debt	\$ 179,451	\$ 181,810

We did not have any derivative financial instruments at March 31, 2005.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of March 31, 2005, ABX carried out an evaluation, under the supervision and with the participation of the Company's management, of the effectiveness of the design and operation of ABX's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon the evaluation, ABX's Chief Executive Officer, and Chief Financial Officer concluded that ABX's disclosure controls and procedures were effective to ensure that information required to be disclosed by ABX in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within time periods specified in the Securities and Exchange Commission rules and forms.

(b) Changes in Internal Controls

There were no significant changes in ABX's internal controls over financial reporting during the quarter ended March 31, 2005 that have materially affected, or are reasonably likely to materially affect, ABX's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

i. Department of Transportation (“DOT”) Continuing Fitness Review

We filed a notice of substantial change with the DOT arising from our separation from Airborne. In connection with our filing, which we made in mid-July of 2003, the DOT will determine whether we continue to be fit, willing and able to engage in air transportation of cargo and a U.S. citizen.

Under United States laws and DOT precedents, non-U.S. citizens may not own more than 25% of, or have actual control of, a U.S. air carrier. The DOT may determine that DHL actually controls ABX as a result of our commercial arrangements (in particular, the ACMI agreement and Hub Services agreement) with DHL. If the DOT determines that ABX is controlled by DHL, the DOT could require amendments or modifications of the ACMI and/or other agreements between ABX and DHL. If ABX were unable to modify such agreements to the satisfaction of the DOT, the DOT could seek to suspend, modify or revoke our air carrier certificates and/or authorities, and this would materially and adversely affect our business.

Certain of DHL’s competitors, including Federal Express Corporation (“FedEx”) and United Parcel Service, Inc. (“UPS”) challenged the citizenship status of Astar Air Cargo, Inc. (“Astar”), formerly DHL Airways. DHL has entered into an ACMI agreement with Astar which accounts for a substantial portion of the business of Astar. FedEx and UPS alleged this relationship, among others, constituted control by DHL of Astar in violation of United States law. An Administrative Law Judge (“ALJ”) for the DOT reviewed the citizenship of Astar and issued a decision recommending to the DOT that it find that Astar is a citizen. On May 13, 2004, the DOT issued its decision finding that Astar is a U.S. citizen and making the ALJ’s recommended decision the DOT’s final decision. Neither FedEx nor UPS appealed the DOT’s final decision.

The DOT issued a notice requesting comments on the procedures to be used in processing our filing, and several parties, including ABX, have provided comments. The DOT has yet to specify the procedures it intends to use. In order to facilitate the DOT’s review, we filed supplemental information with the DOT on April 22, 2005, for the purpose of updating our initial filing. While Astar and ABX are different, and their respective relationships with DHL are distinguishable, the DOT’s decision regarding Astar will likely serve as a precedent for the DOT’s review of our filing.

We believe the DOT should find that ABX continues to be fit, willing and able to engage in air transportation of cargo and a U.S. citizen.

ii. ALPA Lawsuit

On August 25, 2003 the Company intervened in a lawsuit filed in the United States District Court for the Southern District of New York by DHL Holdings and DHL Worldwide Express, Inc. (“DHL Worldwide”) against the Air Line Pilots Association (“ALPA”), seeking a declaratory judgment that neither DHL entity is required to arbitrate a grievance filed by ALPA. ALPA represents the pilot group at Astar. The grievance seeks to require DHL Holdings to direct its subsidiary, Airborne, to cease implementing its ACMI agreement with ABX on the grounds that DHL Worldwide is a legal successor to Astar. ALPA similarly filed a counterclaim requesting injunctive relief that includes having Airborne’s freight currently being flown by ABX transferred to Astar. The proceedings were stayed on September 5, 2003, pending the National Labor Relations Board’s (“NLRB”) processing of several unfair labor practice charges the Company filed against ALPA on the grounds that ALPA’s grievance and counterclaim to compel arbitration violates the National Labor Relations Act. In March 2004, the NLRB prosecuted ALPA on the unfair labor practice charges. On July 2, 2004, an ALJ for the NLRB issued a decision finding that ALPA’s grievance and counterclaim violated the secondary boycott provisions of the National Labor Relations Act, and recommended that the NLRB order ALPA to withdraw both actions. ALPA has appealed the ALJ’s finding to the full NLRB, which has yet to issue a decision. In the event the full NLRB were to sustain the decision of the ALJ, ALPA has the right to appeal the decision in federal court.

Management believes that the ALJ’s decision will be sustained on appeal and that, regardless thereof, ALPA’s claim to the work being performed by the Company is without merit and its grievance and counterclaim will be denied.

Item 5. Other Information.

The Audit Committee of the Board of Directors has approved the services rendered by our independent auditors during the period covered by this Form 10-Q filing.

Item 6. Exhibits.

The following exhibits are filed as part of, or are incorporated in, the Quarterly Report on Form 10-Q:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
3.1	Amended and Restated Bylaws of ABX Air, Inc., filed herewith.
10	ABX Air, Inc. 2005 Long-Term Incentive Plan ¹
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

⁽¹⁾ Incorporated by reference to the Company's Proxy Statement filed with the Securities and Exchange Commission on March 31, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized:

ABX AIR, INC.,
a Delaware Corporation

Registrant

/s/ JOSEPH C. HETE

Joseph C. Hete
Chief Executive Officer

Date: May 10, 2005

/s/ QUINT O. TURNER

Quint O. Turner
Chief Financial Officer

Date: May 10, 2005

**AMENDED AND RESTATED BYLAWS
OF
ABX AIR, INC.**

**AMENDED AND RESTATED BYLAWS
OF ABX AIR, INC.
A DELAWARE CORPORATION**

**ARTICLE I
OFFICES**

Section 1.1 Principal Office.

(a) The principal executive office of ABX AIR, INC. (herein called the "Corporation") shall be at such place established by the Board of Directors (the "Board") in its discretion.

(b) The Board shall have full power and authority to change the location of the principal executive office.

Section 1.2 Registered Office.

The registered office in the State of Delaware is hereby fixed and located at The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. The Board is hereby granted full power and authority to change the place of said registered office within the State of Delaware.

Section 1.3 Other Offices.

The Corporation may also have from time to time branch or substitute offices at such other places as the Board may deem appropriate.

**ARTICLE II
STOCKHOLDERS' MEETINGS**

Section 2.1 Place.

Meetings of the stockholders shall be at such place within or outside the State of Delaware as the Board shall designate by resolution. In the absence of such designation, stockholders' meetings shall be held at the principal executive office of the Corporation.

Section 2.2 Annual Meetings.

The annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such time, date and place as determined by resolution of the Board.

Notice of each meeting of the stockholders shall be given by the Corporation either personally or by mail or other lawful means to each stockholder of record entitled to vote at such meeting not less than ten (10) days nor more than sixty (60) days before each annual meeting. Such notices shall specify the place, the day and the hour of such meeting, the names of the

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nominees for election and those matters which the Board intends to present for action by the stockholders, and shall state such other matters, if any, as may be expressly required by statute. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at such stockholder's address as it appears on the books of the Corporation. Without limiting the foregoing, any notice to stockholders given by the Corporation pursuant to these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any previously scheduled annual meeting of the stockholders may be postponed by resolution of the Board.

Section 2.3 Special Meetings.

Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, may be called at any time only by the Board, the Chairman of the Board or the President. Such meetings shall be held at the place, on the date and at the time as they or he or she shall fix. Said notice shall specify the purpose for which such special meeting is called. No business shall be transacted at a special meeting except as stated in the notice sent to stockholders.

Section 2.4 Nomination and Stockholder Business.

(a) Annual Meetings of Stockholders.

(1) Nominations of persons for election to the Board and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (A) pursuant to the Corporation's notice of meeting delivered pursuant to Section 2.2 of these Bylaws, (B) by or at the direction of the Board, or (C) by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 2.4, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.4.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of subparagraph (a)(1) of this Section 2.4, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive office of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event will the public announcement of an adjourned or postponed meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (A) as to each person whom the stockholder proposes to nominate for election or re-election as a director all information relating to such person that is required to be

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disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (iii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (iv) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies from stockholders in support of such proposal or nomination. The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(3) Notwithstanding anything in the second sentence of subparagraph (a)(2) of this Section 2.4 to the contrary, in the event that the number of directors to be elected to the Board of the Corporation is increased and there is no public announcement naming all of the nominees for Director or specifying the size of the increased Board made by the Corporation at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 2.4 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive office of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which, pursuant to the Corporation's notice of meeting, directors are to be elected either (A) by or at the direction of the Board or (B) by any stockholder of the Corporation who is a stockholder of record at the time of giving of

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notice provided for in this Section 2.4, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.4. Nominations by stockholders of persons for election to the Board may be made at such special meeting of stockholders if the stockholder's notice required by subparagraph (a)(2) of this Section 2.4 shall be delivered to the Secretary at the principal executive office of the Corporation not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.4 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.4. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 2.4 and, if any proposed nomination or business is not in compliance with this Section 2.4, to declare that such defective proposal shall be disregarded. Notwithstanding the foregoing provisions of this Section 2.4, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(2) For purposes of this Section 2.4, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 2.4, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.4. Nothing in this Section 2.4 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 2.5 Waiver of Notice.

Transactions at a meeting of stockholders, however called and noticed and wherever held, shall be valid as though transacted at a meeting duly held after regular call and notice if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of

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the persons entitled to vote, not present at the meeting in person or by proxy, gives a waiver of notice. Attendance by a person at a meeting shall constitute a waiver of notice of such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by law to be in the notice of the meeting but not so included, if that objection is expressly made at the meeting. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. The waiver of notice need not specify either the business to be transacted or the purpose of any annual or special meeting of stockholders.

Section 2.6 Quorum.

A majority of the voting power of the outstanding shares of stock entitled to vote at the meeting, represented in person or by proxy, constitutes a quorum for the transaction of business. No business may be transacted at a meeting in the absence of a quorum other than the adjournment of such meeting, except that if a quorum is present at the commencement of a meeting, business may be transacted until the meeting is adjourned even though the withdrawal of stockholders results in less than a quorum. If a quorum is present at a meeting, the affirmative vote of a majority of the voting power of the outstanding shares of stock entitled to vote at the meeting, represented at the meeting shall be the act of the stockholders unless the vote of a larger number is required by law, the Certificate of Incorporation or these Bylaws. If a quorum is present at the commencement of a meeting but the withdrawal of stockholders results in less than a quorum, the affirmative vote of the voting power of the outstanding shares of stock entitled to vote at the meeting, required to constitute a quorum shall be the act of the stockholders unless the vote of a larger number is required by law, the Certificate of Incorporation or these Bylaws. Any meeting of stockholders, whether or not a quorum is present, may be adjourned to a later date and time and the same or different place by the Chairman of the meeting or by the vote of voting power of the outstanding shares of stock entitled to vote at the meeting, represented at the meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 2.7 Notice of Adjourned Meetings.

Notice of an adjourned meeting need not be given if (a) the meeting is adjourned for thirty (30) days or less, (b) the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken, and (c) no new record date is fixed for the adjourned meeting. Otherwise, notice of the adjourned meeting shall be given as in the case of an original meeting.

Section 2.8 Voting.

Except as provided below or as otherwise provided by the Certificate of Incorporation or by law, a stockholder shall be entitled to one vote for each share held of record on the record date fixed for the determination of the stockholders entitled to vote at a meeting or, if no such date is fixed, the date determined in accordance with law. If any share is entitled to more or less than one vote on any matter, all references herein to a majority or other proportion of shares shall

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refer to a majority or other proportion of the voting power of shares entitled to vote on such matter. The Board, in its discretion, or the officer presiding at a meeting of stockholders in his discretion, may require that any votes cast at such meeting, including a vote for directors, be by written ballot.

Section 2.9 Proxies.

Excepts as otherwise provided in the Certificate of Incorporation or by law, a stockholder may be represented at any meeting of stockholders by a written proxy signed by the person entitled to vote or by such person's duly authorized attorney-in-fact. A proxy must bear a date within one (1) year prior to the meeting, unless the proxy specifies a different length of time. A revocable proxy is revoked by a writing delivered to the Secretary of the Corporation stating that the proxy is revoked or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy.

Section 2.10 Inspectors of Election.

(a) In advance of a meeting of stockholders, the Board may appoint inspectors of election to act at the meeting. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the Chairman of the meeting may, and on request of a stockholder shall, appoint inspectors of election (or persons to replace those who so fail or refuse) for the meeting. The number of inspectors shall be either one or three. If appointments are to be made at a meeting on the request of a stockholder, the majority of stockholder votes represented in person or by proxy shall determine whether the number of inspectors shall be one or three. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

(b) Such inspectors of election shall (i) determine the number of shares outstanding, the number of shares represented at the meeting, the voting power of each share, the existence of a quorum, and the validity of proxies; (ii) receive votes, ballots, or consents; (iii) hear and determine all challenges and questions arising in connection with the right to vote; (iv) count and tabulate votes or consents; (v) determine the result of an election; (vi) determine and retain for a reasonable period of time of this disposition of any challenges made to any determination by the inspectors; (vii) certify their determination of the numbers of shares of capital stock of the Corporation represented at the meeting and such inspector's count of all votes and ballots; (viii) do such other acts as may be proper in order to conduct the election with fairness to all stockholders; and (ix) perform such other duties as may be prescribed by law. The Chairman of the meeting shall announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at the meeting. If there are three inspectors of election, the decision of a majority shall be effective in all respects as the decision of all.

Section 2.11 List of Stockholders.

The Secretary of the Corporation shall prepare and make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at the

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meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. If the meeting is held at a place, then the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communications, then the list shall be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of meeting.

ARTICLE III DIRECTORS

Section 3.1 Powers and Duties.

(a) The business and affairs of the Corporation shall be managed and all corporate powers shall be exercised, by or under the direction of the Board, subject to any limitations contained in these Bylaws, the Certificate of Incorporation or the General Corporation Law. The Board may delegate the management of the day-to-day operation of the business of the Corporation, provided that the business and affairs of the Corporation shall remain under the ultimate direction of the Board.

Section 3.2 Number and Qualification of Directors.

Subject to the limitations set forth in the Corporation's Certificate of Incorporation, the Board of Directors shall consist of such number of directors as shall be determined from time to time by resolution of the Board. Until otherwise determined by such resolution, the Board will consist of no three members.

In the event of any increase or decrease in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his current term, or his prior death, retirement, resignation or removal, and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to maintain such classes as nearly equal as possible.

Section 3.3 Election and Term of Office.

Each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal.

Section 3.4 Resignation and Vacancies.

(a) A director may resign by giving written notice to the Board, the Chairman of the Board, the Vice Chairman of the Board, the President or the Secretary. Such resignation shall take effect upon receipt of such notice or at a later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. If the resignation of a director is effective at a future time, the Board may elect a successor to take office when the resignation becomes effective.

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(b) Should a vacancy occur or be created, whether arising through death, resignation or removal of a director, or through an increase in the number of directors of any class, such vacancy shall be filled by a majority vote of the remaining members of the Board. A director so elected to fill a vacancy shall serve for the remainder of the then present term of office of the class to which he is elected.

Section 3.5 Place of Meeting.

The Board may by resolution designate a place within or without the State of Delaware, including a location in Wilmington, Ohio or any other location, where a regular or special meeting of the Board shall be held. In the absence of such designation, meetings of the Board shall be held at a location in Wilmington, Ohio designated by the Chairman of the Board.

Section 3.6 Meetings by Conference Telephone.

A meeting of the Board may be held through the use of conference telephone or other communications equipment, so long as all members participating in such meeting can hear one another. Participation in such a meeting shall constitute presence at such meeting. Directors are entitled to participate in any and all Board meetings through the use of conference telephone or other communications equipment. No director shall be excluded from any Board meeting or any portion of a Board meeting because such director elects to participate through the use of conference telephone or other communications equipment and the Corporation shall make all necessary arrangements to allow directors to participate in Board meetings through the use of a conference telephone or other communications equipment. No notice of meeting shall require any director to attend a Board meeting in person.

Section 3.7 Meetings.

Meetings of the Board of Directors shall be held at the times fixed by resolutions of the Board or upon call of the Chairman of the Board or of the President or any three directors. The Secretary or officer performing his duties shall give reasonable notice (which shall not in any event be less than two (2) days) of all meetings of directors, provided that a meeting may be held without notice immediately after the annual election, and notice need not be given of regular meetings held at times fixed by resolution of the Board. Meetings may be held at any time without notice if all of the directors are present or if those not present waive notice either before or after the meeting. Notice by mail, telecopy or telegraph to the usual business or residence address of the directors not less than the time above specified before the meeting shall be sufficient.

Section 3.8 Waiver of Notice.

Transactions at any meeting of the Board, however called and noticed and wherever held, shall be valid as though transacted at a meeting duly held, after regular call and notice, if (i) a quorum is present, (ii) no director present protests lack of notice prior to the commencement of the meeting, and (iii) each director not present at the meeting gives a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

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Section 3.9 Quorum.

A majority of the authorized number of directors shall constitute a quorum for the transaction of business. Except as otherwise provided by the Certificate of Incorporation or these Bylaws, every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board. A majority of the directors present at a meeting, whether or not a quorum is present, may adjourn the meeting to another time and place.

Section 3.10 Adjournment and Notice Thereof.

Any meeting of the Board, whether or not a quorum is present, may be adjourned by a majority vote of the directors present. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 3.11 Action Without Meeting.

Any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board individually or collectively consent to such action in writing in accordance with applicable law. Any consent in writing or by electronic transmissions shall be filed with the minutes of the proceedings of the Board. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form. Such action by written consent shall have the same force and effect as a unanimous vote of the directors at a duly held meeting of the Board.

Section 3.12 Compensation.

Directors and members of committees may be paid such compensation for their services as may be determined by resolution of the Board. This section shall not be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation for those services.

Section 3.13 Committees.

(a) The Board may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the Board. In the absence or disqualification of any member of a committee of the Board, the other members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board to act in the place of such absent or disqualified member. The Board may designate one or more directors as alternate members of a committee who may replace any absent member at any meeting of the committee. To the extent permitted by resolution of the Board, a committee may exercise all of the authority of the Board to the extent permitted by Section 141(c)(2) of the General Corporation Law, except with respect to:

- (1) the approval of any action which, under the General Corporation Law, also requires stockholders' approval or approval of the outstanding shares;

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- (2) the filling of vacancies on the Board or in any committee;
- (3) the fixing of compensation of the directors for serving on the Board or on any committee;
- (4) the amendment or repeal of the Bylaws or the adoption of new Bylaws;
- (5) the amendment or repeal of any resolution of the Board;
- (6) a distribution to the stockholders of the Corporation, except at a rate or in a periodic amount or within a price range determined by the Board; or
- (7) the appointment of any other committees of the Board or the members of these committees.

(b) Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these Bylaws, Section 3.5 (place of meeting), Section 3.6 (meetings by conference telephone), Section 3.7 (meetings), Section 3.8 (waiver of notice), Section 3.9 (quorum), Section 3.10 (adjournment and notice), and Section 3.11 (action without meeting), with such changes in the context of those Bylaws as are necessary to substitute the committee and its members of the Board and its members, except that the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee; special meetings of committees may also be called by resolution of the Board or by resolution of the committee; special meetings of committees may also be called by resolution of the Board; and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

Section 3.14 Right of Inspection.

Each director shall have the right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the Corporation and its subsidiary corporations, domestic or foreign. Such inspection by a director may be made in person or by agent or attorney and includes the right to copy and make extracts.

ARTICLE IV OFFICERS

Section 4.1 Officers.

The Corporation shall have (i) a Chairman of the Board or a President (or both), (ii) a Vice President, (iii) a Secretary, and (iv) a Chief Financial Officer. The Corporation may also have, at the discretion of the Board, one or more other Vice Presidents, one or more Assistant Secretaries, a Treasurer, one or more Assistant Treasurers, and such other officers as the Board may deem appropriate. Any number of offices may be held by the same person.

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Section 4.2 Additional Officers.

Officers other than the Chairman of the Board, the President, the Secretary and the Chief Financial Officer are herein referred to as Additional Officers. The Board may elect, and may empower the President to appoint, such Additional Officers as the Board may deem appropriate. Each Additional Officer shall hold office for such period, shall have such authority, and shall perform such duties, as are provided in these Bylaws or as the Board may designate.

Section 4.3 Election and Term.

Except as otherwise herein provided, the officers of the Corporation shall be elected by the Board at its regular organizational meeting or at a subsequent meeting. Each officer shall hold office at the pleasure of the Board, or until his death, resignation or removal.

Section 4.4 Resignation and Removal.

(a) An officer may resign at any time by giving written notice to the Corporation. Such resignation shall be without prejudice to any rights the Corporation may have under any contract to which the officer is a party. Such resignation shall take effect upon the receipt of such notice or at a later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(b) The Board may remove any officer with or without cause, and such action shall be conclusive upon the officer so removed. The Board may authorize any officer to remove subordinate officers. Any removal shall be without prejudice to rights the officer may have under any employment contract with the Corporation.

Section 4.5 Vacancies.

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for election or appointment to such office.

Section 4.6 Chairman of the Board.

The Chairman of the Board shall preside at all meetings of the Board at which he is present and shall exercise and perform such other powers and duties as may be prescribed by the Board or Bylaws. Even if there is a President, the Chairman of the Board shall in addition be the Chief Executive Officer of the Corporation unless another person shall have been appointed as Chief Executive Officer. The Chief Executive Officer of the Corporation shall have and be vested with general supervisory power and authority over the business and affairs of the Corporation. He shall see that all orders and resolutions of the Board are carried into effect. He shall sign or countersign or authorize another officer of the Corporation to sign all certificates contracts, and other instruments of the Corporation as authorized by the Board, shall make reports to the Board and stockholders and shall perform all such other duties as may be directed by the Board or the Bylaws.

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The President shall, in the event of absence, disability or refusal to act of the Chief Executive Officer, perform the duties and exercise the powers of the Chief Executive Officer, and shall have such powers and discharge such duties as may be assigned from time to time by the Board.

Section 4.7 Vice Chairman.

The Vice Chairman of the Board shall not be an officer of the Corporation. If the Board appoints a Vice Chairman of the Board, he or she shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board and shall perform such other duties and possess such other powers as are assigned by the Board.

Section 4.8 President.

The President shall have and be vested with general supervisory power and authority over the business and affairs of the Corporation and shall perform all such duties as may be directed by the Board or these Bylaws, subject at all times to the authority of the Chief Executive Officer. The President shall also have and exercise all of the duties, power and authority prescribed for the Chief Executive Officer except with respect to such specific authority as is reserved for the Chief Executive Officer.

Section 4.9 Vice Presidents.

Vice Presidents shall have such powers and duties as may be prescribed by the Board or the President. A Vice President designated by the Board shall, in the absence or disability of the President, perform all the duties of the President; and when so acting such Vice President shall have all the powers of the President.

Section 4.10 Chief Financial Officer.

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board. He shall disburse the funds of the Corporation as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

If there be any Treasurer, the Treasurer shall, in the event of absence, disability or refusal to act of the Chief Financial Officer, perform the duties and exercise the powers of the Chief Financial Officer, and shall have such powers and discharge such duties as may be assigned from time to time by the President or by the Board.

Last Modified: February 18, 2005

Section 4.11 Secretary.

(a) The Secretary shall keep or cause to be kept full and accurate records of all meetings of stockholders and all meetings of directors. Such records shall include books of minutes of all meetings of stockholders, meetings of the Board, and meetings of committees. The information in such books of minutes shall include the names of those present at Board and committee meetings and the number of shares represented at stockholders' meetings.

(b) The Secretary shall give or cause to be given notice of all meetings of stockholders, of the Board, and of any committees, whenever such notice is required by law or these Bylaws.

(c) The Secretary shall keep or cause to be kept at the principal executive office, or at the office of the Corporation's transfer agent or registrar if either be appointed, a share register, or a duplicate share register, showing the names of the stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

(d) The Secretary shall keep or cause to be kept a copy of the Bylaws of the Corporation at the principal executive office.

(e) The Secretary shall keep the corporate seal in safe custody.

(f) The Secretary shall have all the powers and duties ordinarily incident to the office of a secretary of a corporation and such other duties as may be prescribed by the Board.

(g) If there be any Assistant Secretaries, one or more Assistant Secretaries, in order of seniority, shall, in the event of the absence, disability or refusal to act of the Secretary, perform the duties and exercise the powers of the Secretary, and shall have such powers and discharge such duties as may be assigned from time to time by the President or by the Board.

Section 4.12 Compensation.

The Board may fix, or may appoint a committee to fix, the compensation of all officers and employees of the Corporation. The Board may authorize any officer upon whom the power of appointing subordinate officers may have been conferred to fix the compensation of such subordinate officers.

Last Modified: February 18, 2005

**ARTICLE V
DIVIDENDS AND FINANCE**

Section 5.1 Dividends.

(a) Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

(b) Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 5.2 Deposits and Withdrawals.

The monies of the Corporation shall be deposited in the name of the Corporation in such bank or banks or trust company or trust companies as the Board shall designate, and shall be drawn out only by check signed by persons designated by resolutions of the Board.

Section 5.3 Fiscal Year.

The fiscal year of the Corporation shall begin the first day of January and end on the last day of December of each year.

**ARTICLE VI
MISCELLANEOUS**

Section 6.1 Record Date.

The Board may fix a time, in the future, not more than sixty (60) nor less than ten (10) days prior to the date of any meeting of stockholders, nor more than sixty (60) days prior to the date fixed for the payment of any dividend or distribution, or for the allotment of rights, or when any change or conversion or exchange of shares shall go into effect, as a record date for the determination of the stockholders entitled to notice of and to vote at any such meeting, or entitled to receive any such dividend or distribution, or such allotment of rights, or to exercise the rights in respect to any such change, conversion, or exchange of shares, and in such case except as provided by law, only stockholders of record on the date so fixed shall be entitled to notice of and to vote at such meeting or to receive such dividend, distribution or allotment of rights, or to exercise such rights as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after any record date fixed as aforesaid. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the Board fixes a new record date.

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Section 6.2 Maintenance of Share Register.

The Corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed and as determined by resolution of the Board, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of shares held by each stockholder. The Corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed and as determined by resolution of the Board, the Foreign Stock Record as described in its Certificate of Incorporation, as it may be amended from time to time.

Section 6.3 Registered Stockholders.

Subject to Section (B) of Article Sixth of the Certificate of Incorporation, registered stockholders only shall be entitled to be treated by the Corporation as the holders in fact of the shares standing in their respective names and the Corporation shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of Delaware.

Section 6.4 Inspection of Bylaws.

The Corporation shall keep at its principal executive office the original or a copy of these Bylaws as amended to date, which copy shall be open to inspection by stockholders at reasonable times during office hours.

Section 6.5 Corporate Seal.

The corporate seal shall be circular in form, and shall have inscribed thereon the name of the Corporation, the date of its incorporation and the word "Delaware."

Section 6.6 Certificates of Stock.

(a) Every holder of shares of the Corporation shall be entitled to certificates certifying the number of shares owned by the stockholder and the class or series of such shares. Each certificate shall be signed in the name of the Corporation by (i) the Chairman of the Board, a Vice Chairman of the Board, the President, or a Vice President, and (ii) the Treasurer, an Assistant Treasurer, the Secretary, or an Assistant Secretary. Any of the signatures on the certificate may be facsimile. If any officer, transfer agent or registrar whose signature appears on the certificate shall cease to be such an officer, transfer agent or registrar before such certificate is issued, the certificate may be issued by the Corporation with the same effect as if such person continued to be an officer, transfer agent or registrar at the date of issue.

(b) To the fullest extent permitted by law, certificates for shares may be issued prior to full payment under such restrictions and for such purposes as the Board may lawfully provide; provided, however, that on any certificate issued to represent any partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereof shall be stated.

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(c) Except as provided in this Section 6.6, no new certificate for shares shall be issued in lieu of an old one unless the old certificate is surrendered and canceled at the same time. The Corporation may, however, in case any certificate is alleged to have been lost, stolen or destroyed, authorize the issuance of a new certificate in lieu thereof; and the Corporation may require that it be given a bond or other adequate security sufficient to indemnify the Corporation against any claim that may be made against it (including expense or liability) on account of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate.

(d) Prior to due presentation of transfers for registration in the stock transfer book of the Corporation, the registered owner of shares shall be treated as the person exclusively entitled to vote, to receive notice, and to exercise all other rights and receive all other entitlements of stockholders, except as may be provided otherwise by Delaware law.

Section 6.7 Execution of Written Instruments.

As used in these Bylaws, the term “written instruments” includes without limitation any note, mortgage, evidence of indebtedness, contract, share certificate, conveyance, and any assignment or endorsement of the foregoing. All written instruments shall be binding upon the Corporation if signed on its behalf by the Chief Executive Officer or if signed in such other manner as may be authorized by the Board, or within the agency power of the officer executing it, so long as the party seeking to enforce such obligations had no actual knowledge that the signing officer was without authority to execute such written instrument.

Section 6.8 Representation of Shares of Other Corporations.

The Chairman of the Board, President, any Vice President, the Secretary, the Chief Financial Officer and such other officers as the Board may designate by resolution are each authorized to exercise on behalf of the Corporation all rights incident to shares of any other corporation standing in the name of the Corporation.

Section 6.9 Construction.

Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular includes the plural, plural number includes the singular, and the term “person” includes both a corporation and a natural person.

Section 6.10 Amendment of These Bylaws.

Subject to restrictions contained in the Corporation’s Certificate of Incorporation, these Bylaws, or any of them, may be amended, altered or repealed and new Bylaws may be adopted by the affirmative vote of at least 66 ²/₃% of the members of the Board, subject to repeal or change by action of the stockholders; provided, however, that any amendment, alteration or repeal of Section 2.4, Section 2.6 or Section 3.2 of these Bylaws by the stockholders shall require the affirmative vote of at least 66 ²/₃% of the stockholders.

Last Modified: February 18, 2005

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph C. Hete, certify that:

1. I have reviewed this report on Form 10-Q of ABX Air, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2005

/s/ JOSEPH C. HETE

Joseph C. Hete
Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Quint O. Turner, certify that:

1. I have reviewed this report on Form 10-Q of ABX Air, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2005

/s/ QUINT O. TURNER

Quint O. Turner
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ABX Air, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph C. Hete, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as enacted by § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to ABX Air, Inc. and will be retained by ABX Air, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ JOSEPH C. HETE

Joseph C. Hete
Chief Executive Officer

Date: May 10, 2005

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ABX Air, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Quint O. Turner, Chief Financial Officer, certify, pursuant to 18 U.S.C. 1350, as enacted by § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to ABX Air, Inc. and will be retained by ABX Air, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ QUINT O. TURNER

Quint O. Turner
Chief Financial Officer

Date: May 10, 2005