MD-900 EXPLORER UTILITY HELICOPTER (NOTAR)

- CARGO DELIVERY TO OIL RIGS, REMOTE DRILLING SITES
- CORPORATE DELIVERY OF HIGH PRIORITY DATA, PACKAGES, PARTS
- SMALL PACKAGE DELIVERY WAS A DESIGN CONSIDERATION
MD-900 CARGO CAPACITY
FEDEX LD-3s AWAITING LOADING
FEDEX PARETO ANALYSIS OF “DELIVERY FAILURES”

- PERCENT OF PACKAGES NOT BEING DELIVERED BY “10 AM NEXT DAY” WAS ANALYZED (e.g. 1 1/2% )
- EACH FACTOR ANALYZED ( WRONG ZIPCODE, ROUTING MISTAKES, LOST PACKAGES, ETC.
- A FEDEX V.P. WAS ASSIGNED TO ELIMINATE EACH FAILURE CAUSE
- THE “SEE THROUGH” CONTAINER WAS THE SOLUTION TO SMALL PACKAGES “LOST” IN THE BOTTOM OF CONTAINERS!!
“SEE-THROUGH” CONTAINERS
FEDEX “VIRTUAL INVENTORY SYSTEM”

- PIONEERED SOFTWARE TO PROVIDE “SEAMLESS” INTERFACE FROM:
  - PRODUCT DESIGN
  - ORDER PLACEMENT
  - RAW MATERIAL P/U & DELIVERY
  - FINISHED PRODUCT PICK-UP & DELIVERY TO END CUSTOMER

FEDEX PROVIDES ALL PICK-UPS AND DELIVERIES WORLD-WIDE

COMPANY CAN OPERATE WITH ZERO INVENTORY!!!
FEDEX: SUPPLY CHAIN SOLUTIONS

• PROVIDE WAREHOUSING AT MEMPHIS FOR CUSTOMERS WANTING TO OFFER 1 or 2 DAY DELIVERY OF CRITICAL ITEMS WORLD-WIDE (CATERPILLER TRACTOR)

• OFFER CUSTOMS BROKERAGE, INTERNATIONAL OCEAN FREIGHT FORWARDING, TRADE FACILITATION
WHERE IS THE MARKET FOR AIR CARGO EXPECTED TO GO?
AVERAGE FREIGHT REVENUE PER TON MILE

CENTS PER TON-MILE

U.S. TON-MILES OF FREIGHT

BILLIONS OF TON-MILES

SOURCE: NATIONAL TRANSPORTATION STATISTICS, U.S. GOVERNMENT, BUREAU OF TRANSPORTATION STATISTICS, 2002
AVERAGE LENGTH OF HAUL
DOMESTIC FREIGHT

STATUTE MILES

TOTAL U.S. FREIGHT EXPENDITURES

NOTES: 1. INCLUDES INFRASTRUCTURE COSTS, TAXES, SUBSIDIES, AMTRAK
ICAO AIR CARGO FORECAST FOR THE YEAR 2010

WORLDWIDE

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<tbody>
<tr>
<td>FREIGHT TONNE – KM - MILLIONS</td>
<td>57,215</td>
<td>108,043</td>
<td>202,650</td>
<td>6.6%</td>
<td>6.0%</td>
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NOTE: EXCLUDES CIS
# ICAO Regional Forecast of Air Cargo for 2010

(Freight Tonne – Kilometres in Millions)

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<tbody>
<tr>
<td>Africa</td>
<td>1,176</td>
<td>19,693</td>
<td>3440</td>
<td>5.3%</td>
<td>5.0%</td>
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<tr>
<td>Asia-Pacific</td>
<td>15,634</td>
<td>37,564</td>
<td>83,000</td>
<td>9.2%</td>
<td>7.5%</td>
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<tr>
<td>Europe</td>
<td>19,246</td>
<td>31,193</td>
<td>52,120</td>
<td>4.9%</td>
<td>4.5%</td>
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<tr>
<td>Latin America</td>
<td>2626</td>
<td>4221</td>
<td>6950</td>
<td>4.9%</td>
<td>4.5%</td>
</tr>
<tr>
<td>North America</td>
<td>15,962</td>
<td>29,028</td>
<td>51,000</td>
<td>6.2%</td>
<td>5.0%</td>
</tr>
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</table>

Source: ICAO 2010 Forecast
OUTLOOK FOR AIR CARGO

• WORLD AIRLINE PAX TRAFFIC FORECAST TO GROW 1999-2010 @ 4.5%
• WORLD AIR FREIGHT GROWTH 1999-2010 FORECAST @ 6.0%
  . ASIA-PACIFIC REGION EXPECTED TO DOMINATE AIR FREIGHT GROWTH MARKET
  . UNIT COSTS (OPERATING COST PER AVAILABLE TONNE-KILOMETERS) (ATK) DECLINED AT AN AVERAGE ANNUAL RATE OF 3.0% FOR PERIOD 1960-1999)

LARGER, MORE EFFICIENT FREIGHTERS ARE MAKING AIR FREIGHT MORE COMPETITIVE!
CONCLUSIONS

- AIR CARGO MARKET IS TIED TO WORLD GDP; ALMOST A LEADING ECONOMIC INDICATOR

- USED PAX AIRCRAFT CONVERTED TO FREIGHTERS ARE COST-EFFECTIVE!

- CORPORATE FOCUS ON “LEAN” HAS DRIVEN INTERNATIONAL AIR CARGO GROWTH

- AIR CARGO IS RAPIDLY GROWING NICHE IN TOTAL CARGO MARKET!!!