VISTA ADVISORY GROUP

STRATEGIC CONSULTING • MERGERS & ACQUISITIONS

2004 Logistics & Distribution Industry Report

Logistics Industry Outlook

Signals from independent forecasts and industry professionals point to the same growth outlook for the logistics industry in 2004: continued strong shipping volumes fueled by economic growth in the U.S. and around the world. The Organization for Economic Cooperation and Development forecasts world trade volume to grow 7.8% in 2004 versus 4.0% in 2003, which can drive stronger demand for various logistics services. The logistics outsourcing market is expected to grow 8%-12% in 2004.

While forecasted market trends vary by transportation mode, there are several overarching themes we can expect continuing in 2004: further implementation of security measures and the efficient use thereof, greater utilization of

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Distribution Industry Outlook

By most accounts, 2004 is expected to be a growth year for many distributors thanks to rebounds in key sectors that purchase goods from distributors and to a general economic recovery.

In 2004, overall revenues for U.S. wholesaler-distributors across 18 industries are forecast to rise 5.6%, outpacing projected 2004 GPD growth of 3.8%., according to Pembroke Consulting and the National Association of Wholesaler-Distributors' *2004 Economic Forecast.* Employment in wholesale-distribution is expected to rise 1.4%, slightly ahead of the projected national average employment growth of 1.2%. The aerospace and defense,

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CEO Spotlight - Lee Perlman of New Age Electronics, Inc.

Since its founding in 1988, New Age has been a leader in developing advanced, integrated logistics solutions for the consumer technology industry. Its powerful sales channels and extensive resources have made it the provider of choice for the leading consumer technology manufacturers, and enabled it to serve more than 5,000 retail establishments across North and South America. Lee Perlman is a co-founder and the Chief Executive Officer .

VISTA: New Age has been a wholesale distributor for over 15 years. When did you realize that managing your supply chain was just as important as the buy/sell aspect of the business?

Lee Perlman ("LP"): Early on we developed a low cost model to distribute large volumes of product. The demands of our customers and need to stay lean really forced us to be more than just a buy/sell outfit. We knew that to maintain success in the business we would have to be more efficient. Many of our first customers were big box retailers and we experienced growing pains in order to satisfy their delivery and packaging needs. That was the beginning of our logistics education. Today, we have become logistics experts. It wasn't like, "let's learn logistics and then become a distributor". We learned logistics so that we could remain a distributor.

VISTA: Did your customers ask New Age to focus on obtaining logistics expertise or was it a proactive plan?

LP: We have become more and more proactive in understanding the supply chain. Our business model needed to evolve from just buy/sell.

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Mergers & Acquisition Activity

Mergers and acquisition activity picked up dramatically in 2003 over 2002. There were several blockbuster deals including Yellow Corporations acquisition of Roadway, DHL's acquisition of Airborne and most recently Fedex's acquisition of Kinko's.

Yellow's acquisition of Roadway makes it a dominant force in the long haul LTL ("Less than Truckload") giving it a 60% market share in the space. Early results of the merger appear to be disappointing. Roadway's fourth quarter LTL tonnage per day fell 8.9% in an environment where GDP grew roughly 4% and other regional LTL service providers reported strong growth. However, these results may be clouded due to the integration. Time will tell if the merger was a failure, Roadway still can prove to be a great acquisition if it can rebound from its integration issues and take advantage of synergies and the economic recovery.

DHL's acquisition of Airborne creates the third largest player in the United States for the domestic overnight market., with an approximate market share of 23%. Before the acquisition, DHL only had 3% market share and greatly needed to reinforce its position in the U.S., which accounts for 40% of DHL's global volume feed. Though still too early to truly judge the effectiveness of the merger, within three weeks of closing the merger, DHL already achieved 50% of its 2005 U.S. synergy targets. The integration of Airborne looks to be off to a promising start.

Fedex's acquisition of Kinko's mirrors the UPS acquisition of Mail Boxes Etc. in 2001. Fedex acquired Kinko's to gain presence in key markets such as the small to medium sized business market. Furthermore, Kinko's will allow Fedex customers to utilize a large network of stores to fulfill their logistics needs. This appears to be a smart acquisition for Fedex in the long run, however, there will be hurdles up front and integrating a capital intensive retail business of Kinko's size will take some time.

A number of factors propelled M&A activity including the economic recovery, improved corporate earnings, expanded debt multiples, better availability of financing and the re-emergence of large strategic acquisitions. The economic recovery and improved corporate earnings have made buyers more confident about pursuing acquisitions. Expanded debt multiples and better availability of senior debt and high-yield financing have also encouraged deal flow. And while both equity sponsors and strategic buyers have returned to the market, large, strategic acquisitions have re-emerged in a big way as evidenced by the aforementioned mergers.

Mergers & Acquisition Trends

We expect the M&A trend to increase in 2004 and we reiterate our belief that deals will get done for strategic reasons rather than for market share. Although there are still foreign buyers with the capital and means to make a major acquisition, we do not believe that there are viable acquisition targets available for purchase.

The key considerations driving acquisitions in 2004 are globalization, vendor consolidation and technology. Globalization is nothing new, however the impact China has on worldwide manufacturing will forever change the relationships between manufacturers and suppliers/vendors. The growth in China will emphasize the shipper's needs for a global vendor that can manage freight coming out of China as well as distribution in the United States, Europe and other parts of the world.

This has led to a number of shippers looking to consolidate their vendor base. Having fewer vendors that have comprehensive geographic coverage and services enables shippers to streamline their supply chain strategy. Smaller independent companies will become less relevant in gaining major accounts and their survival and growth will depend on either achieving significant sales to remain competitive or offering niche geographic or service expertise. More and more companies are seeking a merger with a larger entity to gain relevant size or add additional services to offer its existing customers.

Radio frequency identification ("RFID") has been mandated by Wal-Mart and other major retailers. Companies may possess the expertise, but not the customer base and others may own the customer relationship, but not the technology. It would seem that the marriage of the two makes logical sense. We are still in the early stages of adopting RFID, but Wal-Mart's mandate may have a significant trickle affect and in a few years it will be standard operating practice.

2003 Representative Logistics Transactions

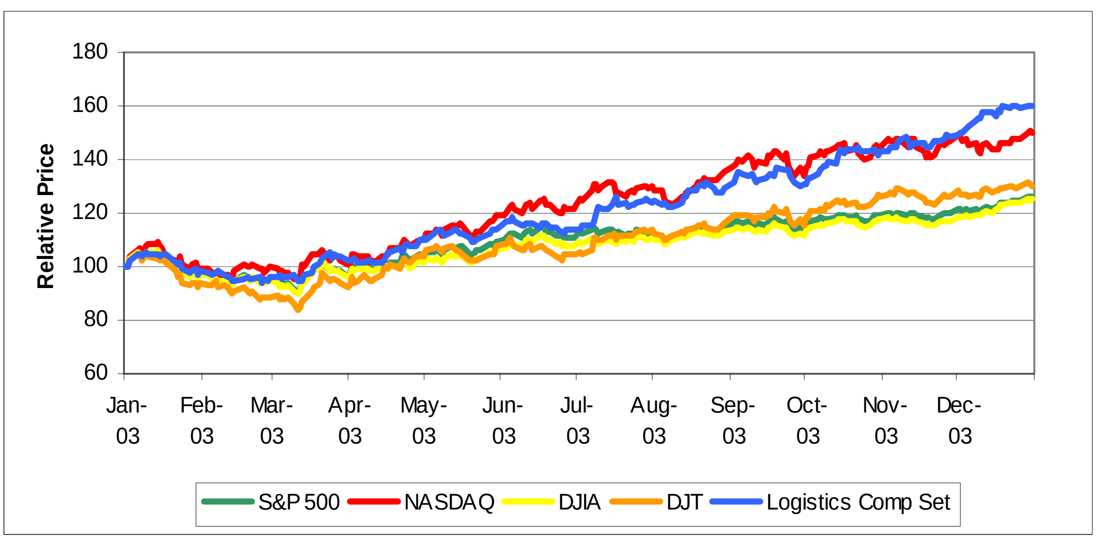
Date	Seller	Company Type	Buyer
Dec-03	East Ocean Logistics Ltd.	3PL	Stonepath Group, Inc.
Dec-03	GLE Transport Services	3PL	Stonepath Group, Inc.
Dec-03	Group Logistics Ltd.	3PL	Stonepath Group, Inc.
Dec-03	Planet Logistics Express Ltd.	3PL	Stonepath Group, Inc.
Dec-03	Transbeynak	3PL	Exel PLC
Dec-03	TransAmerica Transportation Services LLC	3PL	Alexander & Baldwin, Inc.
Dec-03	Vertex Aerospace LLC	Military Logistics	L-3 Communications Corp
Nov-03	WM Cargonet GmbH & Co KG	3PL	Kuehne & Nagel International AG
Nov-03	InTransit, Inc.	LTL Carrier	Endeavor Capital Management
Oct-03	Packaging Compliance Database Ltd.	Packaging IT	Exel PLC
Oct-03	Cochranes Transport	TL Carrier	K&S Corp
Oct-03	BCS Transportation Systems, Inc.	3PL	Segmentz, Inc.
Sep-03	MRS Companies, Inc.	Freight Forwarder	Burlington Northern Santa Fe Corp
Sep-03	Carrier Connection International	3PL	PBB Global Logistics Income Fund
Sep-03	GPS Logistics Group Ltd.	3PL	Yellow Corp
Sep-03	Supply Solutions, Inc.	3PL	CH Robinson Worldwide, Inc.
Aug-03	Deicmar SA Despachos Aduaneiros	3PL	Kuehne & Nagel International AG
Aug-03	Mercury Business Services	Courier	Management Buy Out
Aug-03	Air Cargo, Inc.	Air Carrier	Carlyle Group
Jul-03	Roadrunner Freight Systems, Inc.	LTL Carrier	American Capital Strategies Ltd.
Jul-03	Unidock	3PL	Exel PLC
Jul-03	American Eagle Tankers, Inc.	Ship Liner	Malaysia International Shipping Corp
Jul-03	Customs Services International, Inc.	Freight Forwarder	Stonepath Group, Inc.
Jul-03	Primorsk Shipping Corporation	Freight Forwarder	Rinaco
Jul-03	DHL Airways	Air Carrier	Blum Capital Partners
Jul-03	Droppoint Ltd.	3PL	D.Logistics AG
Jul-03	Med Turn, Inc.	Reverse Logistics	Carolina Logistics
Jul-03	Power Logistics division of Power Packaging, Inc.	3PL	Exel PLC
Jul-03	Roadway Corporation	LTL Carrier	Yellow, Inc.
Jul-03	Apparel Transportation	3PL	Crowley Logistics
Jul-03	Merit Distribution Services, Inc.	Refrigerated LTL	Swift Transportation, Inc.
Jun-03	Cormar	3PL	DHL
Jun-03	Palmer Industries	Intermodal	Palmer industries
Jun-03	Nordstrom Freighting Corporation	Freight Forwarder	Odyssey Logistics and Technology Company
Jun-03	Regroup Express	3PL	Stonepath Group, Inc.
May-03	BM&P International	Freight Forwarder	Scarbrough
May-03	Ruscon	Ship Liner	Zim Israel Navigation
May-03	FMI	3PL	KRG Capital
Apr-03	Plymouth Rock Transport	Intermodal	USF Red Star
Apr-03	Global Logistics of Tampa Bay	Parcel	Smartmail
Apr-03	Miami International Forwarder	Freight Forwarder	EGL, Inc.
Apr-03	Osowski & Company	Freight Forwarder	Livingston International
Apr-03	Aero Logistics	3PL	Montebello Capital
Mar-03	Airborne Express Ground	Express Delivery	DHL
Mar-03	Derwent Services	Freight Forwarder	Phoenix International
Mar-03	G Link	3PL	Stonepath Group, Inc.
Mar-03	Freight Rate	Logistics Software	Jaguar Investments
Mar-03	Momentum Logistics	3PL	R.R. Donnelly Logistics
Feb-03	Air Global International	Air Carrier	Arrow Air
Feb-03	R.P. Holdings BV	Express Delivery	Deutsche Post
Feb-03	CCW Group	3PL	Stinnes AG (Schenker USA)
Feb-03	East Coast Transport, Inc.	Freight Forwarder	P.A.M. Transportation Services
Jan-03	Securicor	Parcel Distribution	Deutsche Post

Logistic Company Public Market Valuations

($ in millions, except per share data)

	Stock Price 1/20/04	LTM Date	Equity Market Value	Enterprise Value	LTM Revenue	LTM EBITDA	LTM EPS	Fiscal Yr. EPS Est.	EV/LTM Revenue	EV/LTM EBITDA	P/E
CH Robinson Worldwide Inc.	$38.84	9/30/2003	$3,279.9	$3,055.4	$3,510.8	$187.3	$1.27	$1.33	0.9x	16.3x	30.6x
EGL Inc.	17.00	9/30/2003	804.9	810.2	2,077.7	74.0	0.45	0.53	0.4x	10.9x	37.5x
Expeditors International	38.55	9/30/2003	4,047.1	3,754.1	2,584.7	207.6	1.12	1.10	1.5x	18.1x	34.6x
Forward Air Corp.	29.13	9/30/2003	625.4	549.8	235.7	45.1	1.15	1.13	2.3x	12.2x	25.3x
Pacer International Inc.	20.52	9/30/2003	762.1	989.7	1,645.4	86.2	0.73	1.01	0.6x	11.5x	28.0x
UTi Worldwide Inc.	41.43	10/31/2003	1,273.6	1,162.2	565.6	70.9	1.30	1.36	2.1x	16.4x	31.9x
Non Asset Based Mean									1.3x	14.2x	31.3x
Non Asset Based Median									1.2x	14.2x	31.3x
C2 Inc.	$14.25	9/30/2003	$75.2	$126.8	$265.4	$15.7	$0.56	NA	0.5x	8.1x	25.5x
CNF Inc.	34.55	9/30/2003	1,718.0	2,130.4	5,028.1	338.9	1.44	1.58	0.4x	6.3x	24.1x
Hub Group Inc.	24.78	9/30/2003	191.4	273.5	1,346.5	34.2	0.92	1.07	0.2x	8.0x	26.8x
Ryder System Inc.	37.44	9/30/2003	2,401.2	4,079.8	4,790.0	863.3	2.03	2.04	0.9x	4.7x	18.4x
USF Corp.	36.90	9/30/2003	1,012.0	1,178.8	2,334.9	191.9	1.43	1.46	0.5x	6.1x	25.7x
Vitran Corp Inc.	14.81	9/30/2003	142.5	168.6	344.5	21.1	0.94	1.01	0.5x	8.0x	15.7x
Yellow Roadway Corp.	37.44	9/30/2003	1,793.4	1,885.8	2,882.1	191.3	1.86	2.23	0.7x	9.9x	20.1x
Asset Based Mean									0.5x	7.3x	22.3x
Asset Based Median									0.5x	8.0x	24.1x
FedEx Corp.	$69.20	11/30/2003	$20,648.2	$21,843.2	$22,982.0	$2,903.0	$2.13	$3.30	1.0x	7.5x	32.6x
United Parcel Service Inc.	72.10	9/30/2003	81,057.9	80,991.9	32,810.0	5,996.0	3.12	2.44	2.5x	13.5x	23.1x
Integrators Mean									1.7x	10.5x	27.8x
Integrators Median									1.7x	10.5x	27.8x
Aggregate Average									1.0	10.5	26.7
Aggregate Median									0.7	10.5	25.7

Logistics Stock Performance vs. Major Indices



Valuation Methodologies

It is very difficult to accurately appraise what a company is worth. Not only are there a variety of methods, but often times the purpose of the valuation can influence the value. For example, valuing your business for estate planning, liquidation or a sale may have completely different outcomes. The most common valuation methods are discounted cash flow ("DCF") analysis, asset based analysis, public company comparables, and transaction comparables. More often than not, the final valuation is based on a combination of the above methodologies.

The discounted cash flow analysis is a financial formula that places a value on the future cash flow streams that a company will generate and then values the sum of the cash flows in today's dollars. This is a very good method in theory, but it has it shortfalls. Because you are forecasting future earnings, the analysis relies on the accuracy of the future projections. Though the formula itself is objective, the inputs and assumptions are subjective. Not only do you have to accurately forecast future earnings, but you have to place an assumption on the discount rate and terminal value. The DCF methodology is a great way to benchmark a company if the assumptions are accurate and reliable.

The asset based valuation is simply the sum of company's assets. Depending on the purpose of the valuation, the "value" of the assets may differ. If the valuation is for a bankruptcy sale, then the assets will be priced at a discount for liquidation, thus lowering the overall value of the business. If the purpose of the valuation is to get a new line of credit, the value of the assets may be higher based on fair market value. If there are intangible assets, such as a brand name or intellectual property, the subjectivity of the valuation increases. Additionally, asset based valuations are not relevant for companies that operate without significant assets. Many service businesses do not have much equipment and machinery, thus most of the assets are office equipment and furniture.

Public company comparables is a fast and easy way to benchmark valuation. Essentially, you compare your business to comparable public entities and draw conclusions based on financial ratios. For example, if the median enterprise value/EBITDA ratio for a set of companies is 5x, then value can be can be extrapolated by multiplying 5 by your company's EBITDA. The accuracy of this method depends on how close the public companies resemble the company being valued. Revenue size, growth, market share, and services offered need to closely resemble the public company to draw an accurate conclusion. If your company has $50 million in sales, comparing it to a company with $1 billion in sales may not make sense.

Private transaction multiples is the most relevant method for valuing a business for sale. The concept is very similar to real estate comparables. Unfortunately, the neighbor that sold their house with the same house floor plan probably did not sell a business that mirrors yours. Because transaction details of privately held businesses are usually not disclosed, it is often difficult to gather good intelligence to make comparisons.

What Can I Sell My Business For?

There is no exact science when it comes to predicting what a private company will sell for. There are valuation methodologies to determine a benchmark, but at the end of the day the company is only worth what the market will bear. The valuation methodologies above are a good place to start to get objective figures to assess offers from buyers. However, the subjective nature of various buyers will probably yield a wide range of valuations. What buyers are analyzing is risk and return. More than anything else, they need to feel comfortable with the deal. Many buyers may cite that a prospective acquisition target is a well run operation with tremendous growth, but may fear what happens to that company after they acquire it. Does the magic go away with the sale of the business? Place yourself in the shoes of a buyer and ask yourself the same questions, doing so will enable you to properly position your company when it comes time to sell. The following are key components that you can address prior to a sale:

- Preparation and documentation—Be prepared. Organize your financials, company strategy and future plan. The more organized you are the more comfort a buyer is going to have with purchasing your business. An organized data room will facilitate faster due diligence and quicker closing time.
- Full disclosure—If there are any issues with the company (i.e. pending litigation, customer or employee issues, etc.), be upfront in disclosing the facts. These issues will only come out later down the road. By disclosing them up front, you control the spin on the information. If a buyer discovers something material later that was not disclosed, the integrity of all the information becomes tainted.
- Management—Is there a succession plan in place? What happens when you leave the business? If your plan is to exit the business, make sure that there is a succession plan for management to take over. If customers are tied to you alone, it makes for a difficult sale of the business if you are planning to leave. The more you can remove yourself from the day to day operations, the better.

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Logistics Industry Outlook Cont'd.

technology to share and analyze critical information, relieving congestion at major shipping points and improved customer service on many fronts. Our look back at 2003 and forecast for 2004 reveals several challenges for various logistics providers, but also presents many attractive opportunities to drive new revenue and higher margins:

SEGMENT	2003 TRENDS	2004 OUTLOOK
LOGISTICS	• Rapid growth in volume of product sourcing from China, requiring logistics providers to handle increasing international shipments with efficiency • Greater use of new technologies such as RFID, smart tags, GPS tracking and other new products. • Logistics providers offered clients an increased visibility into shipping information. • Greater utilization of installed supply chain technology to improve ROI and performance metrics. • Further integration of disparate IT systems. • Greater complexity of international shipping regulations since Sept. 11 forces logistics providers to develop greater mastery of legal guidelines. • With greater sourcing from overseas, many companies sought efficiency in longer shipping routes.	• Continued development and adoption of wireless technologies such as RF ID. Wal-Mart's implementation of RFID may cause many vendors, logistics providers and others to adopt this new technology. • Greater product sourcing from overseas, with a notable increase from China, will drive logistics suppliers to expand global operations. • Logistics providers continue to shift toward a one-stop model to offer comprehensive services and control more of the supply chain. • The Internet continues to enable faster supply chains and provide greater communication with oversees parties. • Greater focus on organizing, analyzing and sharing purchasing information. • Utilization of data mining and advanced analysis to make more informed decisions regarding inventory, production patterns, and other key processes, particularly with longer lead times from overseas sourcing. • Further development of security to protect freight and supply chain data, while still facilitating trade.
AIR	• International air freight saw the first signs of recovery in 2003 since 2000. • Many major air carriers added considerable China service to their routes • Trans-Atlantic market remained fiercely competitive with high capacity and not enough cargo.	• Despite fierce competition on rates, industry executives expect 2004 will be a better year for air carriers as the resurging U.S. economy drives higher demand for European and Asian products. • If the economy continues to improve, more product may temporarily switch from ocean to air freight as customers select improved product distribution and delivery times over low cost. • China will be the holy grail of volume in 2004 as the country's manufacturing base continues to expand. • Tighter U.S. security regulations could lead to sharply higher costs for air carriers in 2004.
SEA	• Improved volumes and rates • Many carriers' profitability improved, however the negative effects of high fuel prices, high export container pricing and other costs kept some unprofitable. • More security to prevent intermodal smuggling of harmful products by terrorists • More capacity to rapidly growing routes, such as the booming Shanghai port and the Central China region	• Trans-Atlantic market remains stable, if not improve slightly, with a good balance of supply and demand. • Trans-Pacific trade continues to grow more rapidly than the more mature Trans-Atlantic market. • Eastbound shipments to the U.S. from Asia will outpace shipments westbound by a factor of 2x. • Greater technological advances at ports and real-time information systems will allow more proficient shipping and greater safety.
LAND / TRUCKING	• State and local governments are encouraging seaports to shift more cargo from truck to rail to reduce pollution and relieve highway congestion. • Intermodal continues to suffer from a reputation as less reliable than trucking: rail quality metrics declined in 2003 for the first time since the late 1990's.	• Potential increase in trucking volumes, at the expense of intermodal, if an improved economy allows customers to focus on delivery performance and away from pricing. • New truck driver hours of service rules will lead to higher driver pay. The new trucking service rules could be the biggest change since the Motor Carrier Act deregulated the industry in the 1980's.
RAIL	• Scheduled railroading created a more precise, time-sensitive product for customers. • Focus on improving intermodal profitability. Rail companies are focused on improving asset utilization of intermodal. • Intermodal rail continues to suffer from a reputation as less reliable than trucking: rail quality metrics declined in 2003 for the first time since the late 1990's. • Greater security measures implemented throughout the rail market. • Rail continues to be more efficient than other transportation modes.	• More progress toward a coordinated and integrated scheduled railroad system across North America, enabled by technology to track shipments and select optimal routing, and monitoring workload in yards. • More cooperation among rail carriers to best serve the customer. Joint industry projects among various carriers are expanding services and reducing costs for the client. • Increasing conversion of freight movement from highway to rail if rail companies can prove more efficiencies and faster performance. • Continue working with state and local agencies to build out greater infrastructure to accommodate growing domestic and international freight volumes.

Distribution Industry Outlook Cont'd.

semiconductor, industrial machinery and computer equipment markets are expected to grow in 2004, lending greater sales momentum to distributors serving these industries. The report also expects strongest growth for distributors in the Southeast, Midwest and Mountain states.

However, despite favorable growth forecasts, distributors continue to face challenges to sales growth and margin improvement which include: consolidating customer markets leading to greater retail power and distributors' margin erosion, productivity requirements forcing distributors to leverage lower amounts of overhead, and a long-term decline in U.S. manufacturing.

Many distributors have responded to these pressures by contributing greater effort and resources to help their customers and suppliers succeed. In particular, many distributors are adding value-added services to their offerings which enables customers to lower their cost of sales and focus on core business activities. These value-added services also allow distributors to differentiate their service offering with hopes of improved pricing and new sales opportunities. Examples of such high value services include contract manufacturing and kitting, or assembling like products in a ready-to-use package for customers. Distributors are also driving faster, more reliable customer support to their channels and becoming integral parts of their suppliers' and customers' supply chains. These services will allow many distributors to solicit recurring fees for their services, which is rather unconventional in traditional distribution pricing. During 2004 we expect the wholesale distribution industry to continue its evolution to a higher-value added role. Distributors that postpone responses to these market pressures and simply ride the wave of economic recovery are vulnerable to competitive disadvantage in the long-term, and may ultimately fail or be forced to sell their businesses under unfavorable conditions.

We believe consolidation among distributors will be a continuing trend in 2004, particularly due to globalization and cost pressures. As international distribution increases, there will be new pressures on distributors to offer international services. Acquisition will allow many acquirers, both domestic and foreign, to gain competency in foreign markets and legal guidelines. Acquisitions also allow target companies to quickly expand distribution and breadth of services. Ongoing consolidation in certain end markets, particularly in retail, will increase the demand for large, national wholesalers that can provide single points of distribution and leverage economies of scale. Retail consolidation also forces large and small distributors to compete for the same customers. Retailers will continue to reduce their numbers of distribution partners, preferring to work with fewer vendors. The distribution companies with highly experienced teams, keen focuses on customer service and value-added services, strong delivery track records, and product breadth and depth can become attractive targets to the larger consolidators.

What Can I Sell My Business For? Cont'd

- Customers Mix—Does a single customer represent more than 20% of the business? Generally speaking, customer concentration will net a discount to a deal. There is more inherent risk in buying a company when the loss of a single customer will have a dramatic negative impact on company performance. Various buyers will have differing views on customer concentration depending on what their own corporate strategies. A large single customer may be the most valued asset if the buyer is trying to penetrate access to that account. Long term contracts can mitigate some of the risks associated with customer concentration.
- Deal structure—Structure is generally used to bridge the valuation gap between buyer and seller. Often sellers want to get paid on future projections and buyers want to pay on past performance. Deal structure with contingent payments or deferred payments can make both parties happy.
- Buyer diligence—Conduct research on the buyer universe before you contact anyone or make a decision. Don't just respond to the buyer that solicits you to sell. See what else is out there and determine who makes the most sense to sell to. Strategic buyers all have their own agenda and it will be reflected in their valuation. What's worth $20 million to one buyer may be worth $40 million to another.

CEO Spotlight—Lee Perlman of New Age Electronics Cont'd.

As our volumes increased, margins deteriorated and we recognized that we would need to generate alternative revenue streams as well as maximize profitability in the existing business. Our evolution led to more service fee revenue opportunities, remanufacturing and recovery capabilities. These new revenue streams are growing significantly and are the most profitable contributors.

VISTA: Do you place a priority on IT investments? Is RFID in New Age's future?

LP: We have robust IT capabilities and we recognize that technology is important and investments are needed, however, we don't try to over serve the customer and implement new technology for the sake of implementing new technology. We try to be smart about our investments to cater to customers' needs, while maintaining flexibility for changing demands.

New Age does not stock 500,000 SKU's, so we've never needed a sophisticated SAP system. That would be overkill and it wouldn't necessarily benefit the customer. If we feel an IT investment is justified, we are committed to making the investment.

In regards to RFID, we will implement it at the appropriate time. Since the technology and implementation is relatively new, we would like to see which are the winning applications. It is not immediately needed, but I think that it is the wave of the future.

VISTA: How has the company evolved since the beginning in 1988?

LP: We are able to better implement our business strategy and remain competitive in the industry. Our strategy is to be the low cost provider while maintaining an extremely high level of service and flawless execution. Typically, one associates the low cost leader with shoddy service and an inferior product. New Age on the other hand remains an industry leading distributor for some of the largest manufacturers in the world. Our understanding of logistics not only enhances our margins, but it enables us to properly service the customer.

A typical wholesaler make their money on the "buy". More importantly, we believe that *value* is created on the execution. So being a logistics expert and leader is a competitive advantage we have today that we did not have when we started.

VISTA: Does New Age currently offer logistic services not related to the buy/sell business?

LP: We have not fully exploited our core competency and translated it into additional service revenue. This is a growing area for us and it is in its infancy. We are starting to get some traction with prospective customers, but it takes a while to establish ourselves as a service provider rather than a distributor.

VISTA: Do you think there will be confusion in the marketplace on what New Age does?

LP: Initially there may be some of that, but we are addressing the issue. We have staffed a full time marketing person to get out our branding and message. We believe that the more we develop partnership type relationships with our customers, we will see more opportunities for service revenue.

VISTA: New Age has built an expertise in consumer technology industry, are there plans to enter other industries?

LP: I honestly believe that we could be successful in a variety of industries where the product can be commoditized and we can leverage our cost structure. Our goal is to be the low cost leader of getting goods from point A to point B, and that applies to a broad range of industries and products.

That being said, I believe that peripheral products to our existing line make the most sense given our current distribution channels. Items like consumer electronic accessories, digital media and net gear would make a lot of sense. We'll also be very active in digital music, photography and televisions.

VISTA: Where do you see New Age 5 years from now?

LP: It is very difficult to predict the types of products we will be distributing in 2009. We are in the midst of a digital revolution and new products and platforms are hitting the market at an accelerated rate. I imagine that we will be heavily involved in the computer, consumer electronics, and digital space. We hope to have our service revenue be a major contributor and I would foresee total revenue in excess of $2 billion.

The Red Tide Fuels Growth in Asia

The flood of foreign manufacturers flocking to the People's Republic of China along with China's accession to the World Trade Organization (WTO) has created an immense opportunity for logistics service providers. The size of the potential market for such services in China is astounding, given the country's population of approximately 1.3 billion and a GDP of US$1.1 trillion. China's GDP is outpacing other western countries by almost 100% (see chart below). Transportation and logistics expenditures were $230 billion in 2001, about 21% of GDP. Even though outsourcing accounts for only $4.7 billion, just two percent of transportation and logistics expenditures, the market for such services is still in its infancy. While there are already a number of third party logistics providers (3PLs) in China, the majority of them are closer to their carrier roots than to real contract distribution providers, says Perry Lam, president of the Hong Kong Roundtable on the Council of Logistics Management.

Between 2000 and 2005, outsourced logistics services in China are anticipated to grow by 25% per year compared to 7.5% for overall logistics services in China. This growth rate also eclipses both the North America 3PL growth rate of 10 – 15% and the rest of the world at 5 – 10%. In a survey performed by Mercer Management Group (MMG), several leading 3PL providers in the Chinese market reported annual doubling of revenue in the past couple of years. Shippers with operations in the geographic region also reported expectations for outsourcing to account for 50 – 60% of total logistics expenditures in three to five years.

The key drivers behind the growth of outsourcing include rapid growth in manufacturing, increasing activity of multinational corporations in China, and pressure to reduce the cost of goods, both domestically and for export. Particularly, the country's entrance into the WTO has committed the

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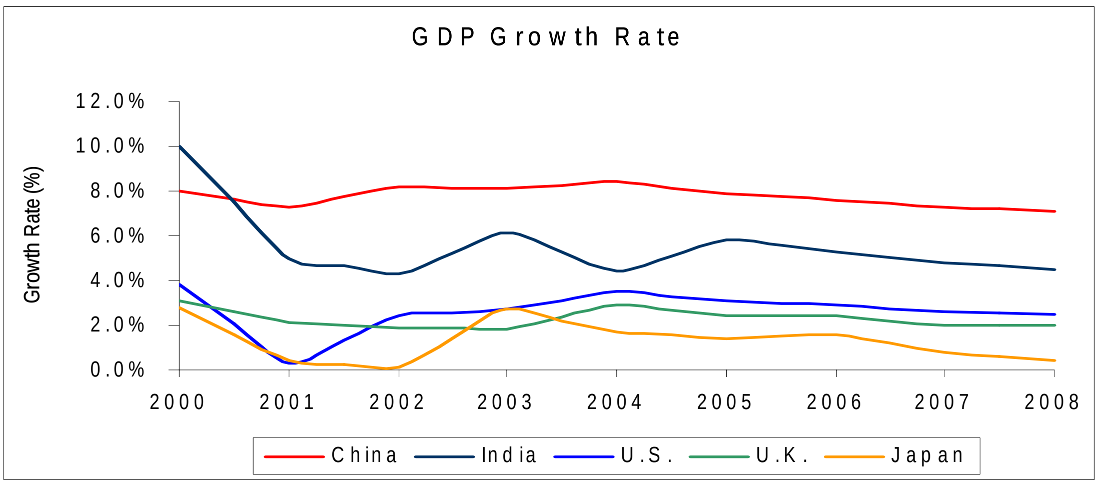


Major Players in China

Foreign logistics providers

- APL
- Maersk
- HTB
- Panalpina
- Exel
- Danzas
- TNT
- Schenker
- FedEx
- UPS
- DHL

Traditional Chinese transportation companies

- COSCO
- Sinotrans
- China Materials Storage and Transportation Co.
- China Shipping
- China Resources
- China Post

Logistics departments of Chinese companies

- Annto Logistics
- Haier Logistics
- Attend Logistics
- Ding Xin Logistics
- TCL
- Bright Dairy & Food
- Konka

Emerging Chinese logistics companies

- EAS
- St-Anda
- PGL
- Hurry Top
- China Overseas Logistics
- Jiuchuan Logistics

2003 China Export / Import Growth

EXPORTS	2003	% Growth
North America	$88.6	31.7%
United States	83.4	31.8%
Canada	5.1	30.5%
Asia	$197.1	27.7%
Hong Kong	67.4	27.2%
Japan	53.3	22.1%
South Korea	17.6	26.5%
Taiwan	7.9	34.2%
Europe	$78.3	49.5%
Germany	15.6	53.8%
Netherlands	11.9	44.7%
United Kingdom	9.6	30.2%
France	6.4	76.0%
Russia	5.4	68.0%
Latin America	$10.7	23.3%
Africa	$9.1	45.3%
Oceania	$6.5	36.1%
Total Exports	$390.3	32.9%

IMPORTS	2003	% Growth
North America	$34.3	22.7%
United States	30.3	22.9%
Canada	4.0	21.3%
Asia	$244.6	41.7%
Hong Kong	10.1	3.0%
Japan	66.7	38.3%
South Korea	38.6	51.0%
Taiwan	44.3	29.0%
Europe	$62.9	33.6%
Germany	21.8	46.8%
Netherlands	1.8	22.1%
United Kingdom	3.2	4.2%
France	5.5	43.9%
Russia	8.9	16.5%
Latin America	$13.6	78.8%
Africa	$7.5	52.3%
Oceania	$7.7	24.1%
Total Exports	$370.1	39.1%

2003 Representative Distribution Transactions

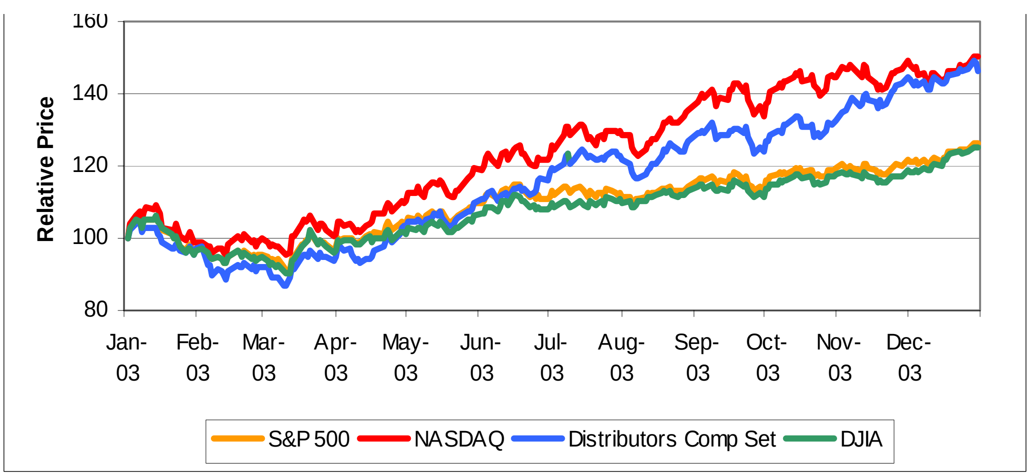
Date Closed	Seller	Industry	Buyer
Dec-03	Sams Bumper Service	Automotive	Keystone Automotive Industries, Inc.
Dec-03	Specialty Construction Products, Inc.	Building Materials	White Cap Construction Supply
Dec-03	Safety West, Inc.	Safety	Airgas, Inc.
Oct-03	EBM Mayorista SA	Computer	Bell Microproducts, Inc.
Oct-03	Stylin Concepts	Automotive	Riverside Companies
Sep-03	TTP LLC	Automotive	Riverside Companies
Sep-03	AbilityOne Products Corp	Healthcare	Patterson Dental
Sep-03	Reliable Transportation Components, Inc.	Automotive	Nationwide Wheels, Inc.
Aug-03	Mo-Kan Auto Body Supply, Inc.	Automotive	Keystone Automotive Industries, Inc.
Jul-03	Christophers Original Formulas	Healthcare	Vital Living, Inc.
Jul-03	North Star Medical Systems, Inc.	Healthcare	Otter Tail Corp
Jun-03	Butler Companies	Healthcare	Heritage Partners, Inc.
Jun-03	AlphaNet Solutions, Inc.	Computer	CIBER, Inc.
Jun-03	Reptron Distribution, Inc.	Electronics	Jaco Electronics, Inc.
Jun-03	Consumer Choice Systems, Inc.	Healthcare	Medifast, Inc.
Jun-03	Topline Medical, Inc.	Healthcare	Otter Tail Corp
Jun-03	US Crash Parts, Inc.	Automotive	Keystone Automotive Industries, Inc.
Jun-03	Nail Fast, Inc.	Building Materials	White Cap Industries, Inc.
May-03	Pharmaceutical Supplies Ltd.	Healthcare	Trent Drugs Ltd.
May-03	Alternative Office Systems, Inc.	Office Equipment	Global Imaging Systems, Inc.
May-03	DPI	Computer	Laboratory of New Information Technologies
May-03	ISA International PLC	Computer	ISA Trading Ltd.
May-03	Computer Parts International Ltd.	Computer	Acal PLC
May-03	Delta Safety Supply, Inc.	Safety	Airgas, Inc.
May-03	Groupe 5 Tech, Inc.	Healthcare	Atlas Medical Technologies
May-03	Prime Perforating Systems Ltd.	Oil & Gas	Austin Explosives, Inc.
Apr-03	Landmark Autoparts	Automotive	Keystone Automotive Industries, Inc.
Apr-03	Lex Harvey Ltd.	Automotive	Finning International, Inc.
Apr-03	Syzygy Auto Distribution, Inc.	Automotive	Hastings Manufacturing Company
Apr-03	Corporate PC Source, Inc.	Computer	Zones, Inc.
Apr-03	ELCO Automotive Distributors	Automotive	Genuine Parts Company
Mar-03	Azlan Group PLC	Computer	Tech Data Corp
Mar-03	Campbell Hearing Aids Ltd.	Healthcare	Starkey Laboratories, Inc.
Mar-03	Kel-Welco Distributing, Inc.	Building Materials	White Cap Industries, Inc.
Mar-03	Transit Security Business of Pacific Communications	Security & Alarm	Innovonics Ltd.
Mar-03	Dare	Personal Care	Colomer Group
Mar-03	Pain Management Business	Healthcare	Advanced Neuromodulation Systems, Inc.
Mar-03	Newact Media Ltd.	Computer	CyberKey Corp
Mar-03	On-Line Computers Ltd.	Computer	Software Box Ltd.
Mar-03	Spartan Automotive, Inc.	Automotive	General Parts, Inc.
Mar-03	So-Cal Speed Shop	Automotive	Private Group Led By Chapouris
Mar-03	Biolab Ltd.	Healthcare	Alesco Corp Ltd
Feb-03	Orlando Computer Systems Ltd.	Computer	Apex Business Systems Ltd.
Feb-03	Brown Security Designs, Inc.	Security & Alarm	Red Hawk Industries
Feb-03	Kar Products LLC	Industrial	Barnes Group, Inc.
Feb-03	JD Instruments, Inc.	Industrial	Industrial Controls Distributors LLC
Jan-03	Spectrum Holdings Ltd.	Consumer Electronics	ISS Services Ltd.
Jan-03	Tec-Mar Distribution Services, Inc.	Automotive	Automodular Corp
Jan-03	Harvey Westbury Company	Automotive	Private Group Led By Chiaramonte
Jan-03	Seward Laboratory Ltd.	Healthcare	Williams Medical Supplies Plc
Jan-03	MLB Distribution	Industrial	Premier Tech Ltd.
Jan-03	DCS Battery Sales Ltd.	Battery	Pivotal Self-Service Technologies, Inc.

Distribution Company Public Market Valuations

($ in millions, except per share data)

	Stock Price 1/20/04	LTM Date	Equity Market Value	Enterprise Value	LTM Revenue	LTM EBITDA	LTM EPS	Fiscal Yr. EPS Est.	EV/LTM Revenue	EV/LTM EBITDA	P/E
Fisher Scientific International Inc.	$43.28	9/30/2003	$2,717.9	$4,036.6	$3,410.0	$338.3	$1.48	$2.29	1.2x	11.9x	29.2x
Genuine Parts Co.	32.13	9/30/2003	5,589.6	6,308.9	8,357.5	709.5	2.05	2.03	0.8x	8.9x	15.7x
Hughes Supply Inc.	48.85	10/31/2003	1,153.0	1,568.0	3,155.0	133.7	2.38	2.41	0.5x	11.7x	20.5x
WESCO International Inc.	11.20	9/30/2003	505.5	907.8	3,252.1	99.6	0.54	0.57	0.3x	9.1x	20.7x
WW Grainger Inc.	46.05	9/30/2003	4,202.2	4,052.6	4,633.0	479.5	2.46	2.45	0.9x	8.5x	18.7x
Diversified Mean									0.7x	10.0x	20.9x
Diversified Median									0.8x	9.1x	20.5x
Arrow Electronics Inc.	$27.60	9/30/2003	$2,782.7	$4,334.3	$8,089.4	$335.6	$0.20	$0.64	0.5x	12.9x	138.2x
Avnet Inc.	25.53	9/30/2003	3,059.2	4,109.7	9,282.2	222.5	(0.48)	0.66	0.4x	18.5x	NM
Bell Microproducts Inc.	9.97	9/30/2003	264.8	456.6	2,123.2	21.7	(0.29)	(0.17)	0.2x	21.0x	NM
CDW Corp.	67.93	9/30/2003	5,654.3	5,125.3	4,369.7	307.5	2.04	2.16	1.2x	16.7x	33.3x
Ingram Micro Inc.	17.45	9/30/2003	2,643.9	1,960.4	21,742.0	212.5	0.61	0.68	0.1x	9.2x	28.6x
Tech Data Corp.	42.39	10/31/2003	2,415.0	2,838.0	16,498.7	212.9	(4.20)	1.72	0.2x	13.3x	NM
Electronics Mean									0.4x	15.3x	66.7x
Electronics Median									0.3x	15.0x	33.3x
Sysco Corp.	$35.96	9/30/2003	$23,271.6	$24,355.3	$26,850.2	$1,648.4	$1.22	$1.37	0.9x	14.8x	29.5x
Performance Food Group Co.	37.92	9/30/2003	1,737.6	2,010.5	5,227.9	197.2	1.50	1.69	0.4x	10.2x	25.2x
Nash Finch Co.	28.40	9/30/2003	343.7	664.8	3,840.8	128.4	2.46	2.45	0.2x	5.2x	11.5x
United Natural Foods Inc.	39.44	10/31/2003	770.9	899.6	1,450.3	57.8	1.16	1.49	0.6x	15.6x	34.1x
Food and Grocery Mean									0.5x	11.4x	25.1x
Food and Grocery Median									0.5x	12.5x	27.4x
Cardinal Health Inc.	$59.40	9/30/2003	$25,716.8	$27,448.8	$59,039.6	$2,603.5	$3.22	$3.66	0.5x	10.5x	18.5x
McKesson Corp.	30.23	9/30/2003	8,809.5	10,156.5	63,141.6	1,193.4	2.10	2.21	0.2x	8.5x	14.4x
AmerisourceBergen Corp.	55.46	9/30/2003	6,219.1	7,203.2	49,657.3	965.1	3.89	4.14	0.1x	7.5x	14.3x
Owens & Minor Inc.	23.39	9/30/2003	911.4	1,093.2	4,157.1	121.2	1.35	1.40	0.3x	9.0x	17.3x
Henry Schein Inc.	69.00	9/30/2003	3,011.6	3,172.1	3,154.3	258.6	3.00	3.09	1.0x	12.3x	23.0x
Healthcare Mean									0.4x	9.6x	17.5x
Healthcare Median									0.3x	9.0x	17.3x
Aggregate Average									0.5x	11.8x	29.0x
Aggregate Median									0.5x	11.1x	20.7x

Distribution Stock Performance vs. Major Indices



The Red Tide Fuels Growth in Asia, Cont'd

country to greater liberalization in domestic logistics, including allowing foreign companies to operate wholly owned logistics units by December 2004.

While China presents a great opportunity to 3PLs, in order to achieve their full potential, operators have significant hurdles to overcome. One issue to contend with is infrastructure constraints. Though some areas of China have seen significant development in the past several years, there are still many limitations such as inland transportation. Further development of rail, road, and river transportation is essential. The result of poor infrastructure can add up to six to eight weeks to the supply chain, says Foster Finley, Vice President at Atlanta-based consulting firm A.T. Kearny Inc.

Although weak infrastructure creates service roadblocks, a greater obstacle for 3PLs is regulatory issues. According to Rick Moradian, Vice President, Middle East and Asia for Oakland, California-based APL Logistics, "Licenses are required for many activities that we take for granted, such as the right for trucks to travel in certain provinces or for foreign companies to acquire Chinese transportation and logistics services providers. There's no one pan-Chinese authority that issues those permits and licenses. It's done regionally, province by province, city by city." Excessive administrative intervention as well as regional protectionism has limited the development of logistics services.

Also keeping contract logistics from rapidly developing is the fact that many Chinese executives remain unaware of the competitive importance of logistics. A number of Chinese companies surveyed by MMG reported that they did not track logistics costs, making it difficult to illustrate the cost benefit that 3PLs could provide.

Even with all the challenges 3PLs face, the future development of logistics outsourcing in China is not a question of "if" but "when." China's contract logistics industry remains a sleeping giant and it will take a great deal of resources and politics to wake that giant up.

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