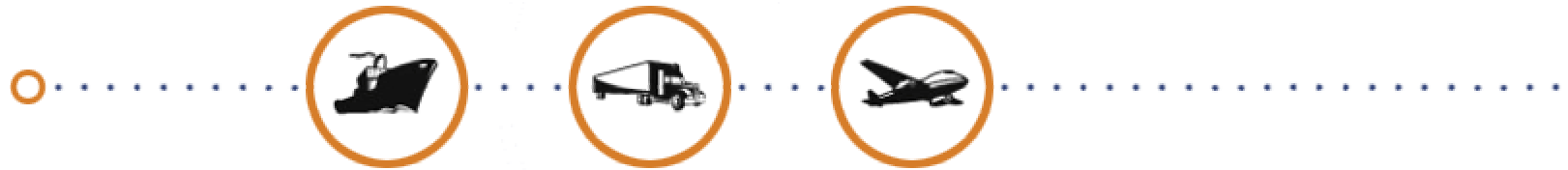




DESCARTES EVOLUTION 2007 USER GROUP CONFERENCE



Global Customs Compliance Review



Helping Customers Deliver™

- **ViaSafe/Flagship are Divisions of Descartes Systems Group Inc. (DSGX (NASDAQ); DSG (TSX))**
- **ViaSafe and Flagship** are leading provider of cross border services and compliance for Global Trade.
- **Viasafe** to focus on local (Canadian) truck cross border carrier/broker Fax & Forget Service
- **Flagship** Services chosen as Descartes Global Customs Compliance Platform

Program underway to migrate all ViaSafe ACI & AMS clients to Flagship Import2000 Platform



Global Automation Triggered by 9/11

- ***Pre 9/11- Customs Filing Environment:***
 - Information Required After Cargo Arrived at Port of Discharge
 - Electronic Filing the Exception, typically done on Paper
 - Information Required at a Summary Level (Consolidated) Only
 - No Critical Requirement for end-to-end Visibility and Supply Chain Integration
- ***Post 9/11 – Customs Filing became a Critical Tool in the “War on Terror”***
U.S. Moved Quickly (Trade Act 2002 – 24 Hour Rule) - First Step to Secure Supply Chain Requiring:
 - Mandated to File Electronically
 - Information Required Before Cargo Loaded at Port of Departure
 - Information Required at Detail Level (“House Bill” providing Shipper, Consignee)
 - “24 Hour”: U.S. Customs First Step to Secure Supply Chain

9/11 – Initiated a Global Automated Compliance Focus Overnight

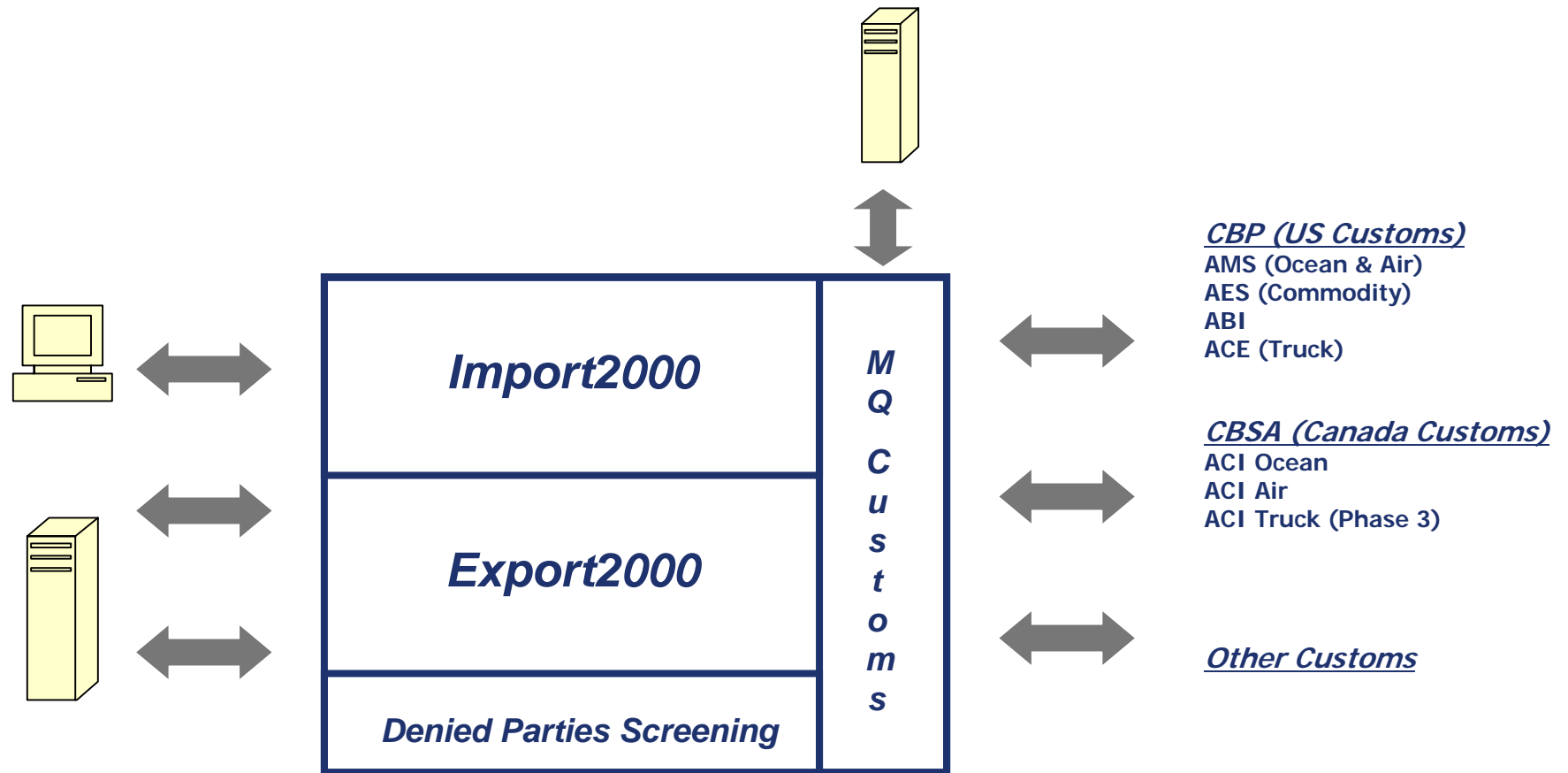
Spearheaded by the U.S. – Rest of the World Adopting Same Approach

Where are we in the Major Trading Blocks?

- **USA: (In Progress)**
 - Ocean Imports Mandated to be Filed Electronically
 - Air Imports Mandated to be Filed Electronically
 - **Land Imports (Truck from Mexico/Canada) Mandate (ACE) Start Q1 2007**
 - All Exports (already largely automated – AESDirect) Mandate Scheduled 2007?
 - **Safe Port Act – Ocean Compliance – Next Wave of Global Security Compliance (2007/8)**
 - **Freight Forwarder Participation in Air AMS**
- **Canada: (In Progress)**
 - Ocean Imports Mandated to be Filed Electronically
 - Air Imports Mandated to be Filed Electronically
 - Land Shipments (Truck from USA) Mandate Scheduled late 2008 onwards
 - All Exports: Mandate Scheduled 2007
- **Mexico: (Automation Imminent?)**
 - All Modes (Ocean/Air/Land) 2007/8
- **European Union: (First Steps being Taken)**
 - National Requirements emerging
 - EU Wide Requirement in Early Stages – Completion 2009
- **Far East: (Pre-9/11 Automation In Place)**
 - “Old Style Automation” in place in most major trading nations
 - Steps to Re-Tool to Post 9/11 Automation Model being looked at
 - Specific Countries taking the lead – e.g. India, Australia

GLN Customs Compliance Services

Integrated Service Offering Provides Platform for Global Compliance



Full Service or Connectivity Service Available for all Customs Systems



Key 2007 North American Programs

- **U.S. ACE for Trucks:**
Land Imports (Truck from Mexico/Canada) Mandate (ACE) Start Q1 2007
- **Air Cargo Security AMS Compliance and Reporting:**
Emerging Freight Forwarder Participation
- ***U.S. Safe Port Act – Ocean Compliance:***
Next Wave of Global Security Compliance (late 2007/2008)

Driving The Next Wave of U.S. Customs Automation

Following the Safe Port ACT CBP Issued White Paper Outlining Plans for Public Comment:

“The Information that CBP currently analyzes...contains the same data elements that were originally established by the 24 Hour Rule....While this was a sound initial approach to take after the tragic events of September 11th; internal and external government reviews have concluded that more complete advance shipment data would provide more effective and more vigorous cargo risk assessments”

“..the additional data elements requested under this proposal will be used for security and enhanced targeting and are not intended for commercial or trade enforcement purposes”



Driving The Next Wave of U.S. Customs Automation

- *Proposed Rule in June 2007 (may slip)*
- *60-90 day comment period*
- *Phased in over 1 year*
- *Start with ocean but will move into all modes*

What is The CBP Proposal Saying?

Zero Tolerance - Gate out Policy – Increased Compliance

- Terminals Penalized for unauthorized Gate Releases
- Will require Terminals to obtain AMS interface to acquire Customs Information

10 New Data Elements – Source Date Outside of the Transportation Chain

- Manufacturer – Information: Seller Information: Buyer Information, Importer Information:
- Stuffing Location
- HTS Code (6 Digit)
- Remains to be seen which filer will send VOCC, NVOCC, Importer (or Agent)

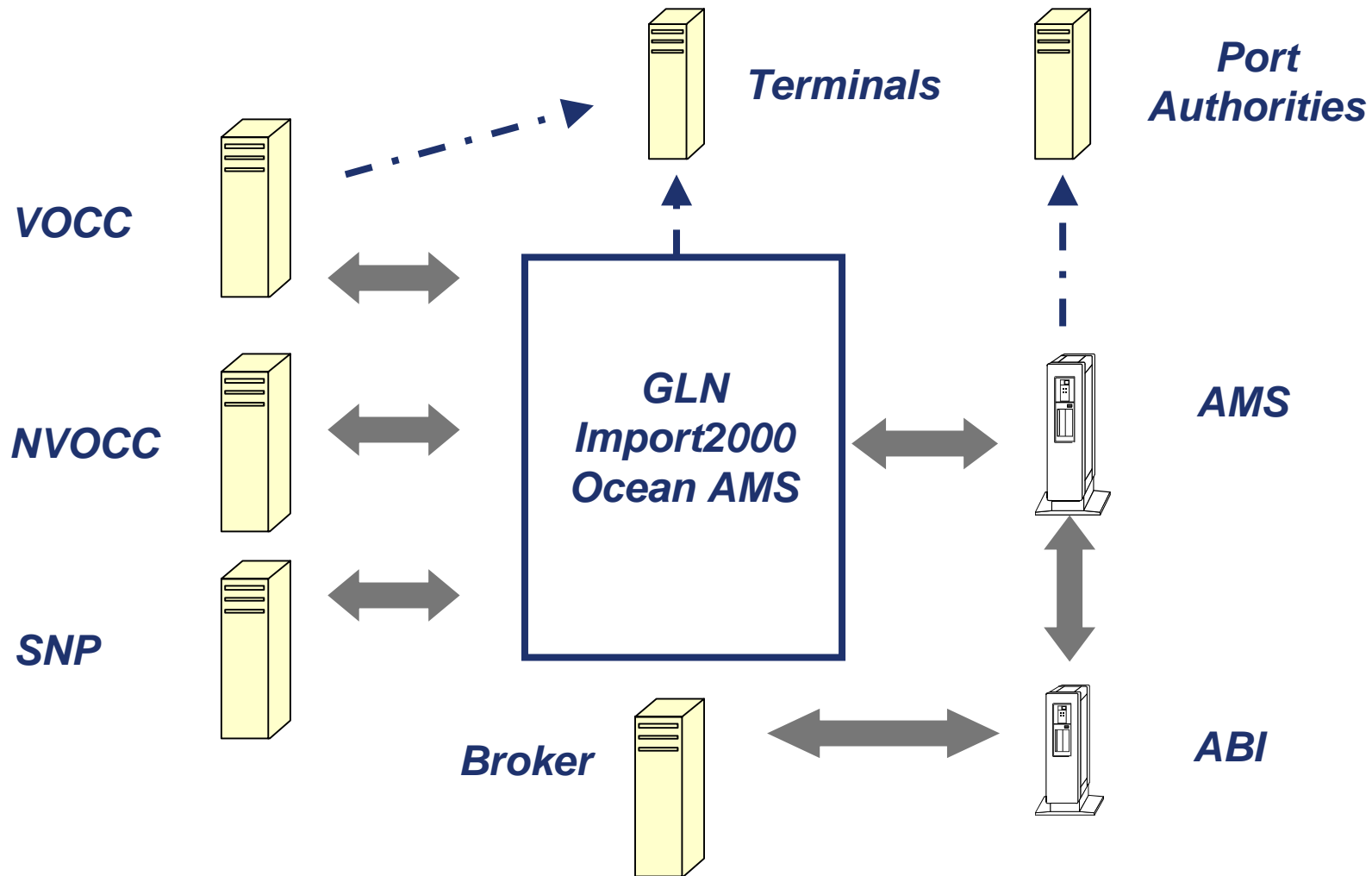
2 New Messages – Global Equipment Location/Tracking

- Gate Activities (322 Message) – Foreign & Domestic – Filer probably VOCC
- Baplie (Stow Plan) – Filer Probably Vessel Operator

Will Create Increased AMS participation, Increased Data Requirement, Global Adoption

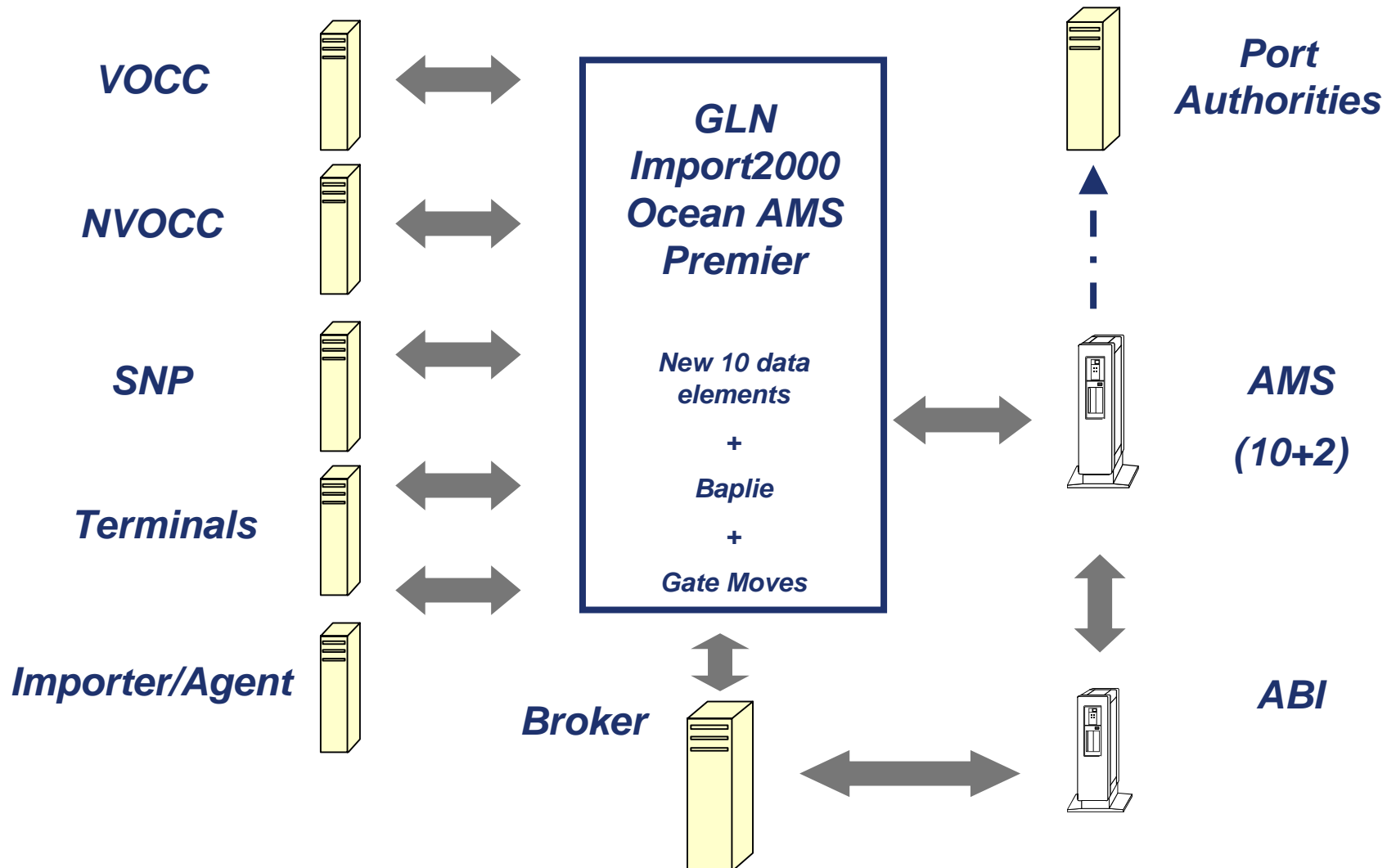
Safe Port Act – November 2006

Ocean AMS Today – Driven by Trade Act 2002



Safe Port Act – November 2006

Ocean AMS 2008 – Other Modes To Follow



Implications

- *Expands Reach of Customs Compliance*
- *Greatly Increases Scope of Compliance Data & Volume*
- *Creates Change & Complexity that will Challenge Existing Legacy Systems*
- *Increases need for Centralized Networked Approach*
- *Will Set New Global Compliance Standard (e.g. 24 Hour Rule)*

Descartes (Flagship) will Follow Regulation Progress and Quickly move to Upgrade Compliance Services