MAINFREIGHT LIMITED
FULL YEAR RESULT
TO MARCH 2016
Result Summary

**NET SURPLUS**
Net surplus after tax and before abnormal items up 5.6% to $88.18 million

**REVENUE**
Revenue up 11.2% to $2.28 billion
Excluding FX up 4.3%
An increase of $230 million

**EBITDA**
Another record figure for EBITDA: $174.85 million; up 7.8%
Excluding FX up 3.4%

**OUTLOOK**
Very satisfactory – with momentum carrying into new financial year
Final dividend of 23.0 cents per share
Books close 15 July 2016; payment on 22 July 2016
Total dividend for year 37.0 cents per share, increase of 3.0 cents (8.8%) over the previous year
Capital Management

<table>
<thead>
<tr>
<th>NZ$ MILLION</th>
<th>THIS YEAR</th>
<th>LAST YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow</td>
<td>130.27</td>
<td>113.65</td>
</tr>
</tbody>
</table>

- Capital expenditure totalled $93.2 million

  Land & Buildings: $55.1 million, including:
  - Melbourne Building (Epping) $44.2 million
  - Hamilton Building $5.5 million
  - Christchurch Rebuild $2.6 million
  - Westney Road Extension $2.6 million
### Capital Management...

<table>
<thead>
<tr>
<th>Capital Expenditure Expectations FY17</th>
<th>NZ$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Capital</strong></td>
<td>49.6</td>
</tr>
</tbody>
</table>

**Property**

<table>
<thead>
<tr>
<th>Description</th>
<th>Type</th>
<th>NZ$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christchurch (Air &amp; Ocean)</td>
<td>Land/Building</td>
<td>9.4</td>
</tr>
<tr>
<td>Sundry Building Completion</td>
<td>Building</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Total New Zealand</strong></td>
<td></td>
<td><strong>11.6</strong></td>
</tr>
<tr>
<td>AU Melbourne Completion</td>
<td>Building</td>
<td>2.2</td>
</tr>
<tr>
<td>EU Romania</td>
<td>Building</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Total Property</strong></td>
<td></td>
<td><strong>17.6</strong></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td><strong>32.0</strong></td>
</tr>
</tbody>
</table>

*Epping VIC*
## Full Year Analysis: Revenue

<table>
<thead>
<tr>
<th>$000</th>
<th>THIS YEAR</th>
<th>LAST YEAR</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand: NZ$</td>
<td>563,245</td>
<td>542,667</td>
<td>3.8%</td>
</tr>
<tr>
<td>Australia: AU$</td>
<td>503,256</td>
<td>490,646</td>
<td>2.6%</td>
</tr>
<tr>
<td>USA: US$</td>
<td>457,760</td>
<td>422,163</td>
<td>8.4%</td>
</tr>
<tr>
<td>Asia: US$</td>
<td>47,058</td>
<td>44,230</td>
<td>6.4%</td>
</tr>
<tr>
<td>Europe: EU€</td>
<td>264,585</td>
<td>259,711</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>Total Group: NZ$</strong></td>
<td><strong>2,284,807</strong></td>
<td><strong>2,054,339</strong></td>
<td><strong>11.2%</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>(excl FX) 4.3%</strong></td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Region</th>
<th>Variance to Prior Year</th>
<th>Variance with Intersegment Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand: NZ$</td>
<td>3.8%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Australia: AU$</td>
<td>2.6%</td>
<td>2.7%</td>
</tr>
<tr>
<td>USA: US$</td>
<td>8.4%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Asia: US$</td>
<td>6.4%</td>
<td>35.9%</td>
</tr>
<tr>
<td>Europe: EU€</td>
<td>1.9%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Total Group: NZ$</td>
<td>11.2%</td>
<td>13.4%</td>
</tr>
<tr>
<td>(excl FX) 4.3%</td>
<td>(excl FX) 5.9%</td>
<td></td>
</tr>
</tbody>
</table>
Full Year Analysis: EBITDA

<table>
<thead>
<tr>
<th></th>
<th>THIS YEAR</th>
<th>LAST YEAR</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand: NZ$</td>
<td>77,642</td>
<td>73,606</td>
<td>5.5%</td>
</tr>
<tr>
<td>Australia: AU$</td>
<td>34,199</td>
<td>37,239</td>
<td>(8.2)%</td>
</tr>
<tr>
<td>USA: US$</td>
<td>18,688</td>
<td>19,108</td>
<td>(2.2)%</td>
</tr>
<tr>
<td>Asia: US$</td>
<td>6,349</td>
<td>4,989</td>
<td>27.3%</td>
</tr>
<tr>
<td>Europe: EU€</td>
<td>14,223</td>
<td>11,913</td>
<td>19.4%</td>
</tr>
<tr>
<td><strong>Total Group: NZ$</strong></td>
<td><strong>174,847</strong></td>
<td><strong>162,195</strong></td>
<td><strong>7.8%</strong></td>
</tr>
<tr>
<td><strong>(excl FX)</strong></td>
<td></td>
<td></td>
<td>3.4%</td>
</tr>
</tbody>
</table>
## Second Half Comparison: Revenue

<table>
<thead>
<tr>
<th>$000</th>
<th>2&lt;sup&gt;ND&lt;/sup&gt; HALF THIS YEAR</th>
<th>2&lt;sup&gt;ND&lt;/sup&gt; HALF LAST YEAR</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand: NZ$</td>
<td>292,288</td>
<td>286,728</td>
<td>1.9%</td>
</tr>
<tr>
<td>Australia: AU$</td>
<td>254,672</td>
<td>254,432</td>
<td>0.1%</td>
</tr>
<tr>
<td>USA: US$</td>
<td>229,588</td>
<td>215,254</td>
<td>6.7%</td>
</tr>
<tr>
<td>Asia: US$</td>
<td>25,408</td>
<td>22,485</td>
<td>13.0%</td>
</tr>
<tr>
<td>Europe: EU€</td>
<td>133,815</td>
<td>129,871</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Total Group: NZ$</strong></td>
<td><strong>1,170,666</strong></td>
<td><strong>1,067,238</strong></td>
<td><strong>9.7%</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(excl FX)</td>
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</tbody>
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# Second Half Comparison: EBITDA

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<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand: NZ$</td>
<td>48,653</td>
<td>43,712</td>
<td>11.3%</td>
</tr>
<tr>
<td>Australia: AU$</td>
<td>21,015</td>
<td>21,835</td>
<td>(3.8)%</td>
</tr>
<tr>
<td>USA: US$</td>
<td>9,032</td>
<td>9,075</td>
<td>2.5%</td>
</tr>
<tr>
<td>Asia: US$</td>
<td>2,804</td>
<td>2,751</td>
<td>1.9%</td>
</tr>
<tr>
<td>Europe: EU€</td>
<td>8,323</td>
<td>6,721</td>
<td>23.8%</td>
</tr>
<tr>
<td><strong>Total Group: NZ$</strong></td>
<td><strong>103,265</strong></td>
<td><strong>92,898</strong></td>
<td><strong>11.2%</strong></td>
</tr>
</tbody>
</table>

(excl FX) 7.5%
## Domestic vs Air & Ocean Performance

<table>
<thead>
<tr>
<th>NZ$000</th>
<th>THIS YEAR</th>
<th>LAST YEAR</th>
<th>VARIANCE</th>
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<tbody>
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<td>Group Revenue</td>
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<td>2,054,339</td>
<td>11.2%</td>
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<tr>
<td>EBITDA</td>
<td>174,847</td>
<td>162,195</td>
<td>7.8%</td>
</tr>
<tr>
<td>Domestic Revenue</td>
<td>1,315,550</td>
<td>1,230,986</td>
<td>6.9%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>119,949</td>
<td>120,197</td>
<td>(0.2)%</td>
</tr>
<tr>
<td>Air &amp; Ocean Revenue</td>
<td>969,257</td>
<td>823,353</td>
<td>17.7%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>54,898</td>
<td>41,998</td>
<td>30.7%</td>
</tr>
</tbody>
</table>
New Zealand

- Satisfactory performance from all divisions
  - Better overhead cost management in H2
  - Improving gross margins
  - Sales revenue improvements from better cross-selling between divisions
- Domestic
  - Strong focus on continuing our quality improvements
  - Hamilton and Christchurch facilities assisting with quality and increased rail usage
- Logistics
  - New Auckland chilled site still under-utilised
New Zealand ...

- Air & Ocean
  - Continuing to grow NZ market share and revenues, despite low ocean rates
  - Strong performance in Ocean Imports and Perishable Export sectors
- Capex
  - Much reduced as new facilities find better utilisation
  - Additional rail-served land still required in Auckland, Tauranga and Dunedin
- Technology
  - New domestic software implementation expected April 2017
New Zealand ...

- Current performance to continue
- Revenue growth increases as supply chain activity improves across customer base
Australia

- Satisfactory performance from Air & Ocean and Logistics operations
- Disappointing performance from Domestic Transport operations
  - Higher overhead costs
  - Weaker margins from PUD management
  - Lower than expected revenue growth
- Logistics
  - High occupancy assisting utilisation
  - High activity levels assisting margin improvement
- Air & Ocean
  - Strong growth in exports, particularly Perishables
  - Gross margin improvements
  - Import control for UK trade-lane assisting UK expansion
Australia ...

- Melbourne and Perth facilities now occupied
  - Melbourne – our largest ever project
  - Warehouse utilisation ahead of expectations
  - Transport only just moved in
  - Perth – dedicated facility improving quality and capacity issues

- Technology
  - Domestic software upgrade to be completed after New Zealand implementation
Australia ...

OUTLOOK

- Progress in Domestic financial performance; expect this to continue throughout 2017 financial year
- Further market share gains for Logistics and Air & Ocean businesses
- Stronger Domestic sales activity a priority
- Management focus on Sydney financial performance
The Americas

- Strong Mainfreight Air & Ocean performance overshadowed by Domestic and CaroTrans results

- Mainfreight Air & Ocean
  - Growth driven by air and sea import growth
  - Strong customer growth still to come

- Mainfreight Domestic
  - LCL freight volumes poor; requires better sales performance
  - Fixed line-haul now being better managed – margin opportunity still exists as volumes improve
  - New senior management
  - 90 road line-hauls per week (152 legs), servicing 40 significant cities
The Americas

- Mainfreight Logistics
  - Capability now in place: Los Angeles, Dallas, Newark, Chicago
  - Still yet to reach break-even; utilisation improving

- CaroTrans
  - Revenue affected by low ocean rates
    - Significantly suppressed
    - Our own sales activity not strong enough
  - Gross margin improvements through better container utilisation
  - Import growth is heartening
  - Agent network addressed to improve import growth
  - Expecting inland freight tonnage to assist Mainfreight line-haul utilisation
The Americas...

- Air & Ocean capability and profitability to further improve
- Domestic sales capability improving and sales pipeline now with substance

- Likely to return similar result to that of 2016 financial year
Europe

- Continuing improvement in financial performance
  - Better gross margins
  - Improved overhead cost management
  - Sales growth still disappoints

- Logistics – continued improvement
  - Good utilisation of all sites
  - Increased activity
  - Better labour efficiencies

- Increased current customer activity and new customer gains requiring new facilities across Netherlands and Belgium
  - Construction to begin within next three months
  - All will be leased properties
Europe …

- Forwarding & Transport
  - Small improvement seen in Belgium
  - New facilities required in:
    - Genk, Belgium (lease expiry)
    - Ostend, Belgium (location)
  - Netherlands sales growth requiring improvement
  - French performance improving
  - Balance of European Forwarding operations minimal improvements
Europe ...

- Air & Ocean
  - Good growth across Belgium and the Netherlands
  - French performance poor
  - Good German development
  - UK office opened and operating – focus on Australia, NZ and USA trade-lanes

- Technology
  - Domestic software upgrade currently being implemented
Europe...

- Expect overall financial improvement to continue
- Stronger branch performance expected to assist Forwarding & Transport results
- Air & Ocean improvements on back of Mainfreight global network
- Logistics sales pipeline very strong – will assist cross-selling opportunities
Asia

- Steady approach to market producing satisfactory results
- Strong airfreight volume to USA has assisted Hong Kong development
  - This may abate during current year, replaced by an increase in seafreight volume
- Vietnam – Ho Chi Minh City opened and operating
- Now in 6 countries and have 19 branch operations across Asian network
- Hong Kong warehouse open and operating – not yet profitable
Asia ...

- In-country sales a high priority for further improvement
- Expecting a continuation of these financial improvements
Group Outlook

**SHORT-TERM**
- Current financial results improved on year prior providing confidence of a stronger first six months
- Australian Domestic improvements are evident
- American Domestic performance is encouraging
- Stronger sales activity focus across all regions

**MEDIUM TO LONG-TERM**
- Expect stronger Air & Ocean growth
- Cross-selling activity across global network and supply chain products to benefit network development

**CAPITAL**
- Expectations of lower capital spend on property for next 12 months
Annual Meeting of Shareholders  
28 July 2016

Investor Day – Melbourne  
12 October 2016

F17 – 6 months ended 30 September 2016  
9 November 2016

F17 – 12 months ended 31 March 2017  
30 May 2017

Mainfreight app available