MAINFREIGHT LIMITED

Financial result for the six months ended 30 September 2014 (Unaudited)

Commentary
Mainfreight is pleased to report our six monthly results to 30 September 2014. In this result, net profit before abnormals and foreign exchange movements increased 16.7% to $33.65 million over the same period last year. (Including foreign exchange effects the increase is 12.6%).

EBITDA before foreign exchange effects improved 13.1% to $69.30 million. (Including foreign exchange effects the increase is 9.4%).

Total revenue (sales) also increased; up 7.8% to $987.10 million. (Including foreign exchange effects the increase is 3.6%).

In the half-year result last year, a net abnormal gain was reported of $11.96 million, primarily relating to the settlement of the dispute with the previous owners of our European acquisition.

All five regional divisions contributed positively to EBITDA for the half year. However the improvement in trading was more pronounced earlier in the period, with performance falling below our expectations in August and September. Weekly trading results in October were at a similar level of improvement to that of the half year result.
Divisional Performance (figures in local currencies)

New Zealand (NZ$)
Our New Zealand business units continue to find growth and improved profitability across the logistics supply chain.

Total revenue for the New Zealand operations increased 5.3% to $255.94 million, while the EBITDA result was $29.89 million, 8.1% ahead of the same period last year.

Domestic Transport freight volumes remain strong and are anticipated to increase as we enter the pre-Christmas peak. Included in the New Zealand result are lower than usual results from our Logistics business, as costs of new warehousing facilities are incurred ahead of maximising utilisation. These new warehouses include the expanded footprint which is part of our Christchurch facility rebuild, and a new-build temperature-controlled warehouse in Auckland.

New Zealand Air & Ocean volumes continue to exceed those of the prior year, however revenue levels were impacted with declining ocean freight rates.

Subsequent to the six month balance date, a small air and ocean acquisition has been made in Dunedin to assist our regional growth. (Acquisition costs were not material to the Group’s financial results).

Australia (AU$)
Whilst our Australian regional performance improved at both revenue and EBITDA level, with increases of 5.3% and 9.4% respectively, both were below our expectations. Sales revenues increased to AU$236.21 million and EBITDA to AU$15.40 million.

Our Domestic Transport division contributed positively to the region’s EBITDA growth, with Logistics and Air & Ocean results comparable to the same period in the year prior.
New facilities in Brisbane and Adelaide, and building extensions in Sydney, increased cost structures for all three divisions, however adding valuable capacity to support growth expectations for our Australian operations.

Margins are recovering in our domestic operations and while revenues continue to increase, our expectations are for stronger sales growth into the new financial year.

**Asia (US$)**
Our Asian business continues to expand – both geographically, and in terms of its performance.

Sales revenues improved by 17.3% to US$21.75 million, and EBITDA was up 23.0% to US$2.24 million compared to the same period last year.

China-domiciled branches contributed significantly to this result, while the development of our interests in Taiwan, Thailand and Singapore remains on track, albeit at lower levels of performance to date. It is our expectation to have an airfreight operation opened in Beijing within the next month.

Trading in October remained strong, with the traditional peak season delivering good freight volumes.

We remain committed to developing our network with larger, stronger operations throughout Asia in the medium term.

**The Americas (US$)**
Our performance in this region has continued to improve, particularly for the retail freight operations of Mainfreight USA. Regional sales revenues were ahead of the same period in the prior year by 16.2% at US$206.91 million, with EBITDA up 19.4% to US$10.03 million.
Mainfreight USA, in both Domestic freight services and our Air & Ocean division, markedly improved performance over the same period last year. This saw Mainfreight USA achieve improved sales and EBITDA, by 23.9% and 69.9% respectively.

Better sales performance, management accountability, margin and linehaul improvement have all contributed to these results. Dedicated, standalone Logistics warehouses have been initiated for Los Angeles, Dallas and Newark, allowing further development of this service for customers – in the same format that we have elsewhere in the world. It is expected, by doing so, that we will see an increase in global supply chain activity for our US business units.

Conversely, CaroTrans (our independent NVOCC wholesale business) has had a disappointing first six months.Whilst sales revenues have kept pace with the prior year, margins have contracted and EBITDA performance disappointed, declining 14.3% for the period.

We have seen some improvement in CaroTrans’ results for October, however we are not confident of regaining lost ground by year end.

Offsetting this, expectations are high for further improvement in Mainfreight USA, in both sales growth and increased EBITDA contribution, supporting our commitment to the Americas and our determination to increase our market share.

Europe (Euro €)
We have seen some improvement in our results from the European region.

Sales revenues improved 4.1% over the same period last year to €129.84 million, and EBITDA totalled €5.19 million, up €1.22 million or 30.8%.

Whilst this may be seen as satisfactory, the majority of these gains were achieved during the first three months of the half year. The European holiday period through July and August saw results give up some of the gains made earlier. Trading into October and November is better, but still below our expectations.
Our most challenging area remains Belgium, where management changes and restructuring continue to dominate our focus as we look to improve returns.

**Group Operating Cash Flows**
Operating cash flows were NZ$33.58 million compared to the prior year’s half year figure of NZ$41.83 million; a reflection of the abnormal gain in that latter period of NZ$11.96 million. Cash collections are satisfactory.

During the half year, net capital expenditure totalled NZ$70.22 million, of which NZ$56.09 million related to property development.

**Dividend**
The Directors of Mainfreight have approved an interim dividend of 14.0 cents per share (an increase of 1 cent on last year’s interim dividend of 13.0 cents per share).

This dividend will be fully imputed and will be paid on 12 December 2014, with books closing on 5 December 2014. A supplementary dividend will be paid to non-resident shareholders.

**Outlook**
This satisfactory six-month result has provided good stability for another acceptable full year performance. Whilst we would have expected a stronger performance during August and September, peak season volumes are strong across New Zealand, Australia, Asia and the United States of America. Our European performance continues to better that of the year prior, with only our Belgian operations providing difficulties.

Our capital investment in significant facilities for Australia and New Zealand will continue to add high quality logistics capability and expanded services for our customers, enabling us to increase market share.
Our global developments and sales activities continue to provide plenty of growth opportunities. Expectations for our sales revenues to exceed $2 billion for the 2015 financial year remain high, and we do expect to have improved earnings over the prior year.

Mainfreight will release its financial results for the full 2015 financial year to the market on 27 May 2015.

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