Mainfreight is pleased to report our six monthly financial results to 30 September 2017.

- Total revenue (sales) increased by $83.15 million, or 7.3% over the same period last year, to $1.23 billion (excluding foreign exchange effects, the increase is 7.4%).

- EBITDA improved $2.42 million or 2.8% to $88.77 million (no net foreign exchange effects).

- Net profit (before abnormals) is up 1.1% over the prior period at $42.77 million.
  Abnormal costs of $0.56 million after tax relate to restructuring our operations in the Americas.

Whilst our financial results are again ahead of the year prior, we had expected a better performance in this first half of our financial year.

Trading in our New Zealand Domestic operations was impacted by the additional costs associated with servicing inter-Island freight movements via road and coastal shipping following the Kaikoura earthquakes of last November.

Results from the Americas and Asia continue to disappoint, offset by a very satisfactory performance in Australia and ongoing improvement in Europe.

Trading through October and into November has seen improvement over the prior year, with increasing volumes of freight throughout all regions.
**Divisional Performance** (figures in local currencies)

**New Zealand (NZ$)**
Our New Zealand Domestic operations have had to contend with increased transport and overhead costs to address the difficulties of moving freight to and from the South Island via increased usage of road and coastal shipping alternatives. Offsetting this, stronger intra-Island volumes, together with an expanded and improving Logistics warehousing operation have assisted. In addition, the performance and resilience of our people has ensured continuity of supply chain services for our customers in what has been a challenging environment.

Total revenue for the New Zealand division was up 10.2% at $316.87 million, while EBITDA improved 3.5% compared to the same period last year, to $38.45 million.

**Domestic Transport** freight volumes are increasing as pre-Christmas retail builds towards its peak season. Our **Logistics** operation continues to develop and is experiencing substantial activity which is expected to continue through to year end. Our **Air & Ocean** business maintains steady progress, with import revenues continuing to see more growth over exports. A concentration of focus on our own global network development remains a key differentiator for this business unit.

**Australia (AU$)**
Strong sales improvement across our domestic and warehousing divisions has assisted an improved financial performance from our Australian division. Two new regional branches (Toowoomba, Queensland and Bendigo, Victoria) are expected to open by year end, extending our Australian network to 53 branches.

Sales revenues increased 13.7% to AU$292.91 million, and EBITDA levels improved 29.4% to AU$20.83 million.

Both **Domestic Transport** volumes and **Logistics** warehousing activity continue to increase as the pre-Christmas season influences October and November trading. **Air & Ocean** activity remains subdued compared to the prior period.
Asia (US$)
A disappointing performance from our Asian operations. Whilst headline revenue growth is satisfactory, gross margins were adversely affected by the decline in inter-company airfreight revenue.

Sales revenues increased 19.6% to US$37.61 million. EBITDA levels declined 52.70% on those of the prior period to US$2.03 million.

Senior management changes took effect from early October, with an ongoing focus on branch profitability improvement.

The Americas (US$)
A disappointing six months from our operations in the Americas.

Revenues declined 10.20% to US$203.06 million, and EBITDA performance reduced 14.0% to US$8.44 million, down US$1.37 million on the prior period.

The largest contributor to revenue and EBITDA decline was our Air & Ocean division, where the loss of a significant airfreight import account impacted our returns. When extracting this one-off large customer, divisional trading has seen market share and freight volumes improve.

The Domestic Transport and Logistics divisions did not achieve trading expectations during the period.

In the CaroTrans wholesale business, revenue levels were stable compared to the prior period, halting the decline of the previous two years. Gross margin levels declined slightly. A senior management change also took effect in CaroTrans from 7th June 2017, with a clear mandate to improve quality and sales growth.

Activity across all USA divisions improved through September and October, and we would expect to see results at year end similar to the 2017 full year.
Europe (Euro €)
Ongoing improvement in our European business units sees revenues up 19.1% over the same period last year to €162.51 million, an increase of €26.03 million, and EBITDA up 9.8% to €8.40 million.

Our Logistics operation has contributed significantly to this result, whilst absorbing set-up costs for an additional 26,000m² warehouse facility in The Netherlands. Further warehousing sales gains have been signalled subsequent to the half year, and will require investment in additional facilities in The Netherlands and Belgium.

Domestic forwarding is showing small progress across all countries with freight volumes markedly increasing during October, and now into November. Our new cross-dock facility has opened and is operational in Genk, Belgium.

Our Air & Ocean business continues to find good growth and is contributing to our profitability. Network expansion has seen our first Italian operation opened in Milan on 4th September 2017, and it is pleasing to see that branch contributing positively.

Trading through October and November remains ahead of the year prior.

Group Operating Cash Flows
Operating cash flows were NZ$57.15 million compared to the prior year’s half year figure of NZ$52.03 million.

During the half year, net capital expenditure totalled NZ$32.34 million, of which NZ$7.68 million related to property development, NZ$11.0 million to software development with the balance relating to plant and equipment across Europe, New Zealand and Australia.

Dividend
The Directors of Mainfreight have approved an interim dividend of 19.0 cents per share, up 2.0 cents on last year’s interim dividend level, reflecting current profit levels and ongoing confidence for further improvement at the year end result.
This dividend will be fully imputed and will be paid on 15 December 2017, with books closing on 8 December 2017. A supplementary dividend will be paid to non-resident shareholders.

**Outlook**

Whilst our expectations were higher for our first half result, to still be ahead of what was a strong performance in the prior period is a credit to our team, particularly in New Zealand, as they worked through the logistical difficulties and increased costs resulting from the Kaikoura earthquake.

With rail services reinstated and functioning to the South Island from the start of November, it is our expectation that our New Zealand Domestic operations will outperform the corresponding prior period in this next six months.

Our Australian businesses have significant momentum, and we expect full year results for this region to be at record levels.

Our European businesses continue to outperform the year prior, and we are seeing incremental improvements in Asia and the Americas as our new leadership teams settle into their roles.

It is our expectation that this current momentum will continue into the New Year, and will deliver another improved full year 2018 result.

Mainfreight will release its financial results for the full 2018 financial year to the market on 29 May 2018.

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