Financial result for the twelve months ended 31 March 2020 (Unaudited)

Commentary
Mainfreight is pleased to announce our full year financial results to 31 March 2020; a satisfactory improvement on the prior year. Sales revenues for the year are $3.09 billion, and net profit before abnormals $147.98 million. A dividend of 34 cents per share has been approved, payable on 17 July 2020.

As with our half-year financial results released in November 2019, the full year financial results are reported under the NZ IFRS 16 Leases standard, which took effect for our accounting periods commencing from 1 April 2019. For the purpose of providing clarity, we have provided figures for the full year with and without applying NZ IFRS 16, in both our financial statements and in this commentary.

Without NZ IFRS 16 (“apples with apples”)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Change</th>
<th>Percentage Change</th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$3.095 billion</td>
<td>Up $141.31 million or 4.8%</td>
<td></td>
</tr>
<tr>
<td>EBITDA*</td>
<td>$281.01 million</td>
<td>Up $23.96 million or 9.3%</td>
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</tr>
<tr>
<td>Net profit</td>
<td>$156.10 million</td>
<td>Up $15.02 million or 10.6%</td>
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Adjusted for foreign exchange impact, revenue is up 3.6%, EBITDA up 8.6%, and net profit (before abnormals) is up 9.9%. Abnormal items reflect a gain of $11.23 million, and include a positive tax adjustment of $14.70 million, one-off redundancy costs in Europe of $0.51 million, and $2.96 million relates to the final write-off of the European brand name.

* EBITDA (Adjusted): Earnings before net interest expense, tax, depreciation, amortisation, abnormal items, royalties (segment only; not Group)
Under NZ IFRS 16 (“apples with oranges”)

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<table>
<thead>
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<tbody>
<tr>
<td>Revenue</td>
<td>$3.095 billion</td>
<td>Up $141.31 million or 4.8%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$398.67 million</td>
<td>Up $141.62 million or 55.1%</td>
</tr>
<tr>
<td>Net profit</td>
<td>$147.98 million</td>
<td>Up $6.89 million or 4.9%</td>
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NZ IFRS 16 introduces a single lessee accounting model, requiring Mainfreight as a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. As a lessee, we are required to recognise a right-of-use asset representing our right to use the underlying leased asset, and a lease liability representing our obligation to make lease payments.

The impact of NZ IFRS 16 on profit before tax for the full year is a decrease of $11.23 million (net profit decrease of $8.13 million), but an increase in EBITDA of $111.88 million. Total assets increased by $618.04 million to $2.305 billion.

We are pleased with this result, and the contributions and development of all our businesses across the world. This financial performance provides us with the confidence to now tackle the ongoing supply chain disruptions brought about by the COVID-19 pandemic, and the depressed economic conditions we expect to encounter.

As noted in our trading updates released on 8 April 2020, the Company has taken a number of actions to lessen the impact of the COVID-19 pandemic, as trading conditions become uncertain. The following measures remain in place and have assisted the business to transition through the pandemic crises in as reasonable shape as we could expect:

- Hiring freeze in place, and our usual annual wage and salary review deferred
- Elimination of casual labour, and holiday leave utilised where appropriate
- All unnecessary discretionary expenditure reduced
- A 50% reduction in Managing Director’s salary and other Directors’ fees
- The New Zealand Government’s wage subsidy was accessed in early April, but has been returned (see commentary below for more detail)
- Capital expenditure of $120 million has been deferred.
Trading across the global business for the seven weeks from 1 April 2020, has seen sales revenues improve 5.7% on the prior year (down 0.3% excluding FX), bolstered in part by air charter revenues, albeit at lower margins. Profit before tax is $9.0 million, down $6.48 million. This trading update is an estimate, based on the weekly profit and loss details provided by our 282 world-wide branches.

**Group Operating Cash Flows**
Operating cash flows were $300.80 million ($200.16 million pre-NZ IFRS 16), up from $197.42 million in the prior year, reflecting increased profitability and acceptable cash collection.

Current debt facilities total $499 million, of which $235 million remained undrawn. Net debt at 31 March 2020, was $157.38 million, up from $130.48 million at 31 March 2019, an increase of $26.90 million. Gearing ratios remained consistent at 14.0% (13.5% at 31 March 2019).

At 30 April 2020, net debt is estimated at $132 million. Cash collection remains satisfactory across all five regions.

During the year net capital expenditure totalled $155.03 million, with expenditure for land and buildings accounting for $111.72 million, plant and equipment of $26.64 million, and information technology of $16.67 million.

With our decision to defer several capital projects, our expectations are for capital expenditure for the full financial year ending 31 March 2021 to be approximately $80 million.

**Dividend**
After careful consideration, the Directors have approved a final dividend at the same level as the prior year, being 34.0 cents per share fully imputed at the 28% company tax rate. With the record date on 10 July 2020; payment will be made on 17 July 2020.

This decision was made following careful review of the Company’s position including current and expected trading, capital expenditure requirements, cash flows and debt facility levels. This takes the full dividend for the year to 59.0 cents per share; a 5.4% increase year on year.
**Divisional Performance** (figures in local currencies)

**New Zealand (NZ$)**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Change</th>
<th>% Change</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>$752.91 m</td>
<td>Up $34.12 m</td>
<td>4.7%</td>
</tr>
<tr>
<td>EBITDA (pre-NZ IFRS 16)</td>
<td>$115.89 m</td>
<td>Up $5.33 m</td>
<td>4.8%</td>
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<tr>
<td>EBITDA (post-NZ IFRS 16)</td>
<td>$139.77 m</td>
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Our New Zealand businesses continued to expand the network, giving us a stronger regional presence across all three products.

Although we have chosen to reduce capital expenditure in the 2021 financial year, we will continue with the completion of our new **Transport** facilities for Mount Maunganui, Levin, Blenheim, Gore and Oamaru.

Additional **Warehousing** sites, some leased, are being considered for Auckland.

Our **Air & Ocean** division continued to find market share and post-year end has had considerable success in gaining new customers.

**April/May 2020 Trading Estimates**

<table>
<thead>
<tr>
<th>Level</th>
<th>Dates</th>
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<tbody>
<tr>
<td>Lockdown Level 4</td>
<td>26 March to 27 April 2020</td>
</tr>
<tr>
<td>Lockdown Level 3</td>
<td>28 April to 14 May 2020</td>
</tr>
<tr>
<td>Lockdown Level 2</td>
<td>15 May</td>
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</table>

*During the seven-week trading period to 19 May 2020, New Zealand has seen a 16% decline in sales revenues, and a resulting reduction in profit before tax to be at break-even, down $7 million. Trading improved as New Zealand moved from Alert Level 4 through to Level 2, with some May weekly profits now exceeding those of the equivalent weeks in the prior year.*

*Taking a somewhat cautious view, we expect to see Transport volumes increase; delivery expectations are being met and we have good levels of sales activity. We are seeing increased enquiry for our Warehousing solutions, and significant air freight volumes are being moved via air charters to and from Asia and the USA.*
**Australia (AU$)**

Revenue  AU$756.80 million  Up AU$46.63 million or 6.6%
EBITDA (pre-NZ IFRS 16)  AU$61.80 million  Up AU$6.42 million or 11.6%
EBITDA (post-NZ IFRS 16)  AU$99.60 million

A strong recovery during our second half was led by pleasing progress from our Warehousing and Transport divisions.

**Warehousing** increased their footprint by an additional 18,400m², with utilisation of 87% at year end. The majority of this new volume has found its way into our domestic Transport freight network.

**Transport**’s regional expansion has seen improving profitability from branches alongside an increasing number of new customers.

Our **Air & Ocean** operations have continued on steadily, albeit not developing similar levels of air freight activity as the other regions.

**April/May 2020 Trading Estimates**

*Partial lockdown  April / May 2020*

*The partial lockdown response by the Australian Government has seen freight volumes continue at more-or-less normal trading levels.*

*Sales revenues for the seven-week period increased 13% compared to the same period in the prior year, and profit before tax improved to AU$6 million, up by AU$4 million.*

*Strong sales enquiry continues and gains in market share see results improving through May. We expect this to continue through the 2021 financial year.*
**Europe (Euro €)**

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<thead>
<tr>
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<th>EU€401.39 million</th>
<th>Up EU€25.11 million or 6.7%</th>
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<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA (pre-NZ IFRS 16)</td>
<td>EU€29.57 million</td>
<td>Up EU€6.30 million or 27.1%</td>
</tr>
<tr>
<td>EBITDA (post-NZ IFRS 16)</td>
<td>EU€49.70 million</td>
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Ongoing improvement in our levels of service, better freight mix, warehouse management, and an increase in sales capability has resulted in progress for our European operations.

In our **Transport** division, stronger cross-dock and vehicle management has seen margins improve, with a significant increase in sales revenues.

**Warehousing** utilisation improved, and a further commitment to increasing our Zaltbommel facility with a “phase 2” development of 26,000 m2 was completed. Utilisation across all facilities is currently at 93.9%.

Our **Air & Ocean** business saw nominal revenue growth and a decline in profits, as additional overhead costs were incurred in developing network and sales capability, including the opening of our first Spanish operation, in Barcelona.

**April/May 2020 Trading Estimates**

- **Lockdown**
  - Different levels adopted by each country
- **Full lockdown**
  - For Spain, Italy, France, UK and Russia (now starting to relax)
- **Partial lockdown**
  - Across the balance
- **Borders remained open for freight**

Trading for April and May saw short weeks due to several public holidays, impacting already depleted freight volumes and activity.

Sales revenues declined 5% in the seven weeks compared to the same period last year, with profit before tax at break-even, down EU€1 million.

As European countries begin to reopen for trading, we are seeing freight volumes improve, and pick activity in our warehouses increase. Our Air & Ocean operations have had more frequent import air freight shipments.
Our Asian business has had a disappointing finish to the year, as US import tariffs reduced volumes from China, and activity from Hong Kong decreased due to civil unrest, both contributing to lacklustre financial results for the full year.

The pandemic coincided with the usual Chinese New Year shut down of trade, and affected freight volume to and from all regions during February and March. While production in China has returned, the inability of importers to receive product under the varying levels of lockdown within our other regions, has seen fluctuating freight tonnage.

Development of our Southeast Asian operations remains a key to diversifying our Asian business and reducing reliance on China trade alone.

**April / May 2020 Trading Estimate**

Restrictions in China have eased, but remain more substantial in Southeast Asia

The seven-week period from 1 April 2020 has seen revenues improve 41% on the same period last year, and profit before tax increase by US$0.5 million to US$1.1 million. The large revenue increase is assisted by low margin air charter activity from China and Hong Kong. We expect this level of improvement to continue for a period of time, particularly while demand for PPE product continues.

We continued to expand the network in Southeast Asia with the opening of our first branch in South Korea, in Seoul.
### The Americas (US$)

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>EBITDA (pre-NZ IFRS 16)</th>
<th>EBITDA (post-NZ IFRS 16)</th>
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<tbody>
<tr>
<td></td>
<td>US$493.29 million</td>
<td>US$28.01 million</td>
<td>US$39.11 million</td>
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</table>

A mixed result from our USA business, as sales revenues flat lined with lower than expected sales gains in Transport and Air & Ocean operations. EBITDA however showed improvement as Transport managed road volume better, improving margins. Warehousing activity levels also lifted their result.

**CaroTrans**, our wholesale sea freight consolidation business, finished ahead of the year prior with improving margins.

Our **Warehousing** division has seen good development throughout the year, and has further increased its footprint to 85,935m², an increase of 44%. Utilisation across the business was 79.0% at year end.

In our **Transport** business, we continue to be focused on growing our own road line-haul network, along with gaining more FMCG customers, to better complement our desire for regular, every day freight volumes.

The **Air & Ocean** division struggled earlier in the first half year with declining revenues, particularly related to China imports. Our four largest branches have since split their air and sea operations, to allow greater focus on these two distinct modes and we have seen some early signs of improvement.

#### April / May 2020 Trading Estimate

**Lockdown** Restrictions vary by State in the USA (“stay at home” mandate is widespread), and in areas of Canada, Chile and Mexico

As the USA moved into full lockdown, Transport freight volume declined significantly. Stronger air freight volume has assisted Air & Ocean revenue to increase.

Sales revenues overall have remained in line with the year prior during the seven weeks from 1 April 2020, however profit before tax has declined to US$1 million, a reduction of US$2 million. Operating margins have reduced through poor transport utilisation and air charters from Asia.
The Americas remains a key area of development potential for us.

Based on the weekly results and discussions with our team, the economic effects of the pandemic may well be greater and last longer in the USA than in other parts of our global network.

**New Zealand Wage Subsidy**

Early in the New Zealand lockdown, our New Zealand Transport and Warehousing operations experienced significant revenue reduction. We were uncertain at this time, just how bad trading would become. Uppermost in our minds was the protection of jobs for our people.

Accordingly, we applied for and were granted the Government 12-week wage subsidy. We applied for a total of 1,526 people. The $10.61 million subsidy was received by 16 April.

Pleasingly, our trading levels have improved through late April and into May, and our efforts to reduce overhead costs, defer capital expenditure, and gain new business in the period, have been relatively successful. Our offshore businesses have also traded better than expected for the most part. Cash flows remain positive, and our bank debt headroom has not been needed.

Therefore we are in a better position than many, and while qualifying under the Government’s criteria, we felt it was appropriate to return the subsidy.

We are supportive of the Government measures taken in these extreme circumstances, with the aim to protect New Zealand employment. Our congratulations to them for those decisions.
**Outlook**
The past year’s result is satisfactory and confirms the ongoing success of our growth strategies.

The COVID-19 pandemic has had a significant impact, and will continue to affect economic conditions for some time. While freight remains able to cross borders, slowing consumer demand will see freight volumes and supply chain activity contract.

In the first seven weeks of trading in the 2021 financial year, Mainfreight has adapted as well as we would have expected to the erratic trading conditions. We have been positively surprised at the levels of activity in New Zealand, Australia, Asia, and some parts of Europe, and this has been reflected in our estimated weekly profits in April and May. The Americas region has seen less activity than others, and appears to be the one region that will take more time for us to see a significant level of recovery.

The actions taken by the business to reduce costs and adapt to the economic changes is providing a measure of assurance for the year ahead. Our sales teams are very active and we are gaining new business.

We have full confidence in our strategies, network, customers – and most importantly, our people – to deliver improving results as we progress through a period of uncertain economic recovery.

We remain cautiously optimistic.

Mainfreight will release its financial results for the first half of the 2021 financial year to the market on 11 November 2020.

*For further information, please contact Don Braid, Group Managing Director, telephone +64 9 259 5503, +64 274 961 637 or email don@mainfreight.com.*