MAINFREIGHT GROUP LIMITED

Financial result for the three months ended June 2011 (Unaudited)

Commentary

The Mainfreight Group is pleased to report a net surplus after taxation and abnormals of $14.22 million for the first three months of the 2012 financial year; an increase of 109% on the previous year's result of $6.82 million (excluding abnormals the increase was 115%). Abnormals totalled just $0.43 million after tax and related to transaction costs for the Wim Bosman acquisition.

EBITDA performance reached record levels for a first quarter result, reaching $32.13 million up from $15.52 million for the same period a year ago.

Total revenue (sales) increased by 43% to $449.86 million from $315.25 million in the comparative periods last year (excluding foreign exchange, this represents an increase of 46%).

For comparison purposes, results excluding Wim Bosman contributions saw sales improve 5% to $331.04 million, and EBITDA improve 30% to $20.15 million.

Business performance improved in New Zealand, Australia, The United States and Europe with only Asia behind the previous year's result, as a consequence of increasing costs as we further develop our network in China.

Our domestic freight divisions in New Zealand, Australia, The United States and Europe are standout performers for this period.

Divisional Performance (all figures in New Zealand dollars)

New Zealand

New Zealand Domestic

New Zealand Domestic EBITDA improved 28% to $8.88 million; an increase of $1.94 million from the prior year. Sales revenues increased 9% to $73.44 million, an improvement of $6.31 million. Consistent freight volume and market share increases, particularly in the FMCG sector assisted this performance.

Trading in July and August continues to be positive with further market share gains assisting.

<u>New Zealand International</u>

New Zealand International revenue improved 9% to $30.74 million and EBITDA improved 29% to $1.18 million.

Despite currency issues hampering exports, we have been able to improve freight tonnage across all sectors apart from air export. Perishable exports, whilst improved, did not trade at levels expected.

Trading in July and August continued these trends albeit somewhat reduced in the export sector.

Australia

<u>Australian Domestic</u>

In our Domestic operations we have seen a marked increase in performance, with revenue improving 18% to $59.08 million (a 12% increase excluding foreign exchange). EBITDA increased 80% to $4.30 million, up $1.91 million (a 71% increase excluding foreign exchange).

Strong sales activities, margin and cost management has assisted this result. Trading through July and August has seen this trend continue, with further improvements likely as a number of new significant customers begin to trade.

<u>Australian International</u>

Sales revenues were at last year's level of $56.20 million (a 5% decrease excluding foreign exchange) as a consequence of currency and freight rate reductions. EBITDA however improved 15% to $1.38 million; an increase of $0.18 million as cost and margin improvement assisted.

Import volumes from Asia were on the decline through this period, however trading through July and August to date show improvement, with peak season import tonnage expected over the next three months.

Asia

An increase in sales saw revenues increase 6% to $9.24 million (a 20% increase excluding foreign exchange). However, as costs were incurred to further expand our network within China, EBITDA reduced 33% to $0.60 million (a decline of $0.30 million).

Airfreight volume has increased as our capability in this sector increases, however seafreight volumes have not met expectations.

European growth through the acquisition of Wim Bosman has seen an anticipated increase in seafreight and airfreight volumes to this region with expectations of further increases as we expand and develop the Asian – European network through the Wim Bosman operation.

Qingdao, our latest branch in China opened for trading on 1st of June.

United States of America

Revenues in our USA operations maintained levels to that of last year; at $102.35 million (excluding foreign exchange, revenues improved 10%). EBITDA improved 20% to $3.81 million (excluding foreign exchange an increase of 36%).

Divisional analysis saw revenues in **Mainfreight USA** improve 4% to $60.73 million up $2.41 million (excluding foreign exchange this increase improves 18%).

CaroTrans revenues declined 11% to $41.61 million, down $5.08 million (excluding foreign exchange this increases 1%). Poor export freight volumes in the USA contributed to the decline.

EBITDA performance in **Mainfreight USA** improved satisfactorily from breakeven to $1.61 million. Better margins and cost management alongside increasing domestic freight sales contribute to this result.

CaroTrans EBITDA declined 31% to $2.20 million down $0.98 million from the year prior, due to poor trading volumes through the quarter.

Mainfreight USA trading through July and August has continued the trends of the first quarter, and in **CaroTrans** an increase in export seafreight activity is providing better results.

Europe

This is our first quarter result for the newly acquired **Wim Bosman Group** which saw revenues of $118.82 million and EBITDA at $11.98 million. This performance was an improvement over their same period the year prior.

Seasonality trading differences are yet to be fully understood as the European holiday season takes effect during July and August.

Within this result we have seen good performances from our Netherlands and Eastern European transport divisions. The Belgium transport division disappointed as did our Air and Ocean (International) division. Logistics contributions were in line with expectations.

International freight development is underway to and from our Asian and USA operations and new management has been appointed to manage the Belgium activities.

We are delighted with this satisfactory result for our first quarter but are mindful of the seasonality differences as the year progresses.

Group Operating Cash Flows

Operating cash flows were $24.28 million, an increase of $10.63 million reflecting the improved trading performance.

The acquisition price for Wim Bosman of €110,000,000 was fully debt funded in this quarter on 1 April 2011.

Capital Expenditure totalled $11.97 million, of which $7.84 million related to property development, predominantly funding our new Wellington facility. Completion of this remains on track for a September opening.

Outlook

This satisfactory result is in line with our expectations and our commentary provided at our AGM late July.

Trading in July and August continues these trends, particularly in our domestic operations throughout the World.

We expect this improved financial performance to continue throughout the financial year.

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