MAINFREIGHT LIMITED

Financial result for the six months ended September 2009 (Unaudited)

The Mainfreight Group is pleased to report a net profit (before abnormals) of $12.18 million for the first six months of the 2010 financial year. This represents a decrease of 29.3% when compared to the same period last year. Importantly, second quarter performance saw revenues and profitability improve markedly from our first quarter's results.

Consolidated sales revenues for the six-month period were $535.83 million, a decrease of 14.3%. Excluding foreign exchange adjustments, the decrease is 19.1%.

EBITDA performance declined 17.0% to $29.36 million from the prior year's result of $35.36 million. Excluding foreign exchange adjustments, the decrease is 19.3%.

Abnormal costs (after tax) of $1.32 million were incurred during the period; the majority of which ($1.27 million) were incurred and disclosed during our first quarter announcement. These related to restructuring that was undertaken to improve operational performance.

During the second quarter trading conditions in all countries were much improved on those experienced in the first quarter. Direct comparisons see revenues increased by 4.8% and EBITDA improved by 50.5%. While seasonality of freight volumes is a contributor, trading during the second quarter has seen a general improvement which continues into our third quarter. We welcome the upturn but remain cautious about overall economic conditions in each country where we are located.

Prior year comparisons include our people's team bonus accruals. These are not included in this year's results.

Dividend

The Directors of Mainfreight have approved an interim dividend 8.5 cents per share, consistent with the prior year.

This dividend will be fully imputed and will be paid on 11 December 2009, with books closing on 4 December 2009. A supplementary dividend will be paid to non-resident shareholders.

Divisional Performance (all figures in New Zealand dollars)

New Zealand Domestic

New Zealand Domestic EBITDA declined 14.5% to $14.46 million compared with the same period last year. Sales revenues declined 16.4% to $128.35 million, down $25.15 million from the previous year. However as the quarter progressed EBITDA performance improved, with September 2009 month EBITDA exceeding that of September 2008 by 9.8%.

Trading through October and November continues to show improvement, albeit in relatively small amounts. Our warehousing volumes and utilisation remain strong as customers build towards December sales. Domestic freight volumes are on the rise with increased market share assisting revenues. A freight rate review has been successfully implemented and is effective from 1 November.

New Zealand International

EBITDA continues to improve, up 23.6% to $2.02 million. Revenues further declined 5.7% as export volumes slowed and air and sea freight rate structures remain constrained. Our market share continues to increase, particularly in airfreight. Perishable exports remain strong, particularly dairy and horticultural products.

This performance continues through October and November, however import orders for the New Year remain significantly below prior year levels.

Australia

Our Domestic operations in Australia have performed to expectations and while our International operations have not, our overall performance in Australia is satisfactory.

Australian Domestic

EBITDA continues to improve, up 41.5% to $6.01 million from $4.25 million. Sales revenues declined 4.7% to $90.61 million.

Both Distribution and Logistics operations are performing well. Warehousing volumes have been strong through September and October as suppliers to retail build stock volumes for Christmas. These volumes will decline through November and December as product is moved to retail markets. Distribution continues to increase its market share as a number of competitors experience trading difficulties.

Australia International

Our International revenues have declined as international seafreight rates reduce below the prior year's levels. Import volumes continue to stagnate.

EBITDA increased 1.8% to $2.84 million. Performance in the month of September was below expectations and trading through October has been disappointing. November has seen improvement.

United States of America

Trading continues to be difficult in both the domestic and export sectors. Even with a weak US dollar, export volumes have declined from their peaks at this time last year.

Total revenues declined 24.7% to $164.69 million, down from $218.82 million. (Excluding foreign exchange the decline is 35.1%).

EBITDA for the region was $2.96 million (64.8%) down from $8.41 million in the year prior.

Again the biggest decline is in our Mainfreight USA operations, with revenues down from $127.74 million to $92.17 million. CaroTrans' revenues declined from $91.08 million to $72.52 million.

EBITDA performance in CaroTrans improved 15.1% to $5.74 million, up from $4.99 million in the prior year. Improved LCL margins and US currency weakness have assisted this performance. FCL volumes are markedly down on the prior year.

Domestic freight volumes and intense competition for market share has seen a continued decline in EBITDA performance in Mainfreight USA. EBITDA declined 181.1% to a negative $2.78 million, down from a positive $3.43 million in the year prior. While this loss is less than the prior quarter indicating some improvement, we are far from satisfied with progress.

Trading for Mainfreight USA during October and November has again been marginally better but is still of concern. Sales growth and improved efficiency remains our highest priority. Despite this performance we remain committed to our developments within the USA and have confidence that Mainfreight USA still represents a valuable beachhead for further expansion.

CaroTrans' trading in October and November remains consistent with results in the second quarter, but behind the year prior. Interestingly, export forward bookings for December and January are strong and the likelihood of improved performance for CaroTrans into the fourth quarter appears very real.

Asia International

Revenue for the period for our Asian operations rose slightly by 0.5% to $11.95 million, up from $11.88 million (excluding FX this was a decrease of 13.3%). Freight volumes and freight rate values remain substantially reduced from the year prior. Second quarter performance saw revenue and EBITDA improve 24.2% and 6.8% respectively over the June quarter.

EBITDA year to date was down 21.6% to $1.07 million on the prior year.

Peak season tariff increases have seen shipping rates rise during October and November. Overall our market share remains small and sales growth remains our highest priority.

Group Operating Cash Flow

Operating cash flows were $23.75 million, an increase of $3.52 million when compared to the same period last year. Whilst trading performance was below last year, an improved cash collection performance has assisted.

Capital expenditure in the half year totalled $11.77 million of which $6.29 million related to property development.

Net debt of $100.77 million is in line with the $100.00 million reported as at 30 June 2009. Currency fluctuations have continued to assist.

Funding facilities remain more than adequate for the Group's requirements, and we are comfortably within banking covenant limits.

Outlook

Group performance during this second quarter has been satisfactory and is improved from the previous quarter. EBITDA performance for the second quarter was down only 6.2% on the prior year's second quarter. This compares to a decrease of 29.2% for the first quarter.

Trading during October and November indicates further improvements likely for the third quarter. We believe that the market will be fragile for the first quarter of calendar 2010 therefore we remain focused on improving margins and sales growth with strong sales campaigns.

In our strongest markets of New Zealand and Australia, we still have growth opportunities and have been successful with freight rate reviews.

Our Asian and USA operations have greater market share aspirations and the opportunities for growth remain.

Bonus payments for our people are not included in this result, but remain a high priority to be reinstated once profitability reaches satisfactory levels.

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