



MAINFREIGHT LIMITED

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MAINFREIGHT LIMITED

SCRIPTED ADDRESS AND PRESENTATION

22nd Annual Meeting of Shareholders

4.00 pm, Thursday 27 July 2017



CHAIRMAN'S ADDRESS

Ladies & Gentlemen – our financial results for the year ending March 31st 2017 showed some very satisfactory aspects.

First – our global sales increased by NZ\$49M over the year – to NZ\$2.33 billion.

Second – our net profit after tax increased by NZ\$15M over the year – to NZ\$103M.

Third – We paid NZ\$43M in Company taxation.

Fourth – We paid a discretionary bonus of NZ\$19M to our worldwide team.

Fifth – we paid an annual dividend to shareholders of NZ\$40M.

Sixth – since listing in 1996, our compound annual growth rate to date has been 6045%, or 21.6% per year compounding. Only one other NZX company has exceeded this rate of growth over 21 years.

Are we proud of these achievements? Well, I was pretty pleased when we began to see the possibility that we would create \$100M dollars after tax profit for the full year. I know that all of us at Mainfreight felt special about that achievement.

But now it is back to work in every country in which we operate, battling floods, together with bush fires, snow, storms and occasional earthquakes as norms.

As investors in Mainfreight we should all be grateful to the commitment and dedication of our team of 7006 people, spread over 239 branches in 22 countries, who believe in our culture of hard work, quality and success – and make it possible.

In May I had the pleasure of joining with *The New Zealand Initiative* and some 40 members on a one-week study of Switzerland and the way in which it operates.

The country works very differently from New Zealand – as all the Swiss say, the country is run from the bottom up, not the top down. There is a strong feeling of equality among the people.

How is this achieved?

To get some comparison with New Zealand, Switzerland is 1/6 our size with 8.3 million people, and is bordered by France, Germany, Austria and Italy. It is not part of the EU but has a special relationship with it, and mostly tries not to offend. Their currency is Swiss Francs which are worth about NZ\$1.50.

The country is divided into 26 geographical areas called cantons - with over 2000 municipalities.

Each canton is self-governing and collects and keeps a percentage of all taxes, GST, Company Tax and PAYE tax.

Central Government is made up of only 6 members, all of whom meet 4-5 times per year. Each year they pick a new leader from amongst themselves. They also all have day jobs.

Education is the responsibility of each canton, but operating within a country wide framework. One of the most distinctive features is a national exam at about age 15/16. 20% of the students will be approved to attend University, and the balance of 80% continue schooling for 2 days per week, and 3 days begin 4-year apprenticeships with local businesses which prepares them for high tech careers, health sector roles and traditional and newly-developing trades. There are some 230 vocational categories.

This education system has resulted in all technical careers being highly respected with a national unemployment rate of 3% and a youth unemployment rate of 8%.

Switzerland, with its stunningly educated and respected workforce, continues to build on the cultural values of the country, of working hard, excellence in everything, precision and punctuality.

Because of the system, the cantons compete with each other offering competitive company tax rates, and this provides the employment opportunities for the school leavers, and population.

Many of the farms in Switzerland are small and a farming subsidy of some 1% of GDP ensures that many people live in the country rather than mass movements to the cities. This has resulted in at least some large businesses remaining established in the countryside, providing local employment.

The passenger train service which runs between all the main centres is high speed, world class, regular and leaves and arrives to the minute.

Returning to New Zealand with a central government made up of competing parties, where all of our GST tax, Company tax and PAYE tax is collected in Wellington feels by comparison with Switzerland like bureaucratic madness. This is so different to the way in which most successful companies, including Mainfreight, operate, with as much decentralisation as possible.

The time may be here to debate and discuss a change to the way we are governed.

I hope that you have enjoyed our Annual Report, and regard our July Newsletter as part of this meeting. Our Newsletters tell much about the Company that is not suited to the Annual Report, and are mailed to all shareholders and to the homes of our 7,006 world-wide team members.

39 years ago, we set out to create a company that would last for more than 100 years, one that would far outlive its founders, and create a way of doing business and relating to society that was of the highest standard. Thank you shareholders for believing.

Group Managing Director's Presentation

Please refer to separate PowerPoint slide presentation.

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