

Statement of Changes in Equity for the Six Months Ended 30 September 2017

	ORDINARY SHARES	ASSET REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	DEFINED BENEFIT PENSION RESERVE	RETAINED EARNINGS	TOTAL
Balance at 1 April 2017	85,821	50,616	(12,034)	(420)	521,619	645,602
Profit for the period					42,217	42,217
Other Comprehensive Income		356	(1,198)	(29)		(871)
Total Comprehensive Income for the Period		356	(1,198)	(29)	42,217	41,346
Transaction with Owners in Their Capacity as Owners:						
Shares Issued						-
Executive Share Scheme Costs						-
Supplementary Dividends					824	824
Dividends Paid					(24,168)	(24,168)
Foreign Investor Tax Credit					(824)	(824)
Balance at 30 September 2017	85,821	50,972	(13,232)	(449)	539,668	662,780

Statement of Changes in Equity for the Six Months Ended 30 September 2016

	ORDINARY SHARES	ASSET REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	DEFINED BENEFIT PENSION RESERVE	RETAINED EARNINGS	TOTAL
Balance at 1 April 2016	73,912	52,303	(4,619)		459,477	581,073
Profit for the period					41,848	41,848
Other Comprehensive Income		(780)	(13,248)			(14,028)
Total Comprehensive Income for the Period		(780)	(13,248)	-	41,848	27,820
Transaction with Owners in Their Capacity as Owners:						
Shares Issued	11,854					11,854
Executive Share Scheme Costs	55					55
Supplementary Dividends					(652)	(652)
Dividends Paid					(23,160)	(23,160)
Foreign Investor Tax Credit					652	652
Balance at 30 September 2016	85,821	51,523	(17,867)	-	478,165	597,642

Statement of Changes in Equity for the Twelve Months to 31 March 2017

	ORDINARY SHARES	ASSET REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	DEFINED BENEFIT PENSION RESERVE	RETAINED EARNINGS	TOTAL
Balance at 1 April 2016	73,912	52,303	(4,619)		459,477	581,073
Profit for the period					101,523	101,523
Transfer of Revaluation Reserve for Land Sold		(898)			898	-
Other Comprehensive Income		(789)	(7,415)	(420)		(8,624)
Total Comprehensive Income for the Period		(1,687)	(7,415)	(420)	102,421	92,899
Transaction with Owners in Their Capacity as Owners:						
Shares Issued	11,854					11,854
Executive Share Scheme Costs	55					55
Supplementary Dividends					(1,212)	(1,212)
Dividends Paid					(40,279)	(40,279)
Foreign Investor Tax Credit					1,212	1,212
Balance at 31 March 2017	85,821	50,616	(12,034)	(420)	521,619	645,602

Balance Sheet as at 30 September 2017

	30 Sept 2017 \$000	30 Sept 2016 \$000	31 March 2017 \$000
Current Assets			
Bank	67,487	76,486	75,312
Trade Debtors	330,872	304,443	314,888
Income Tax Receivable	644	-	1,829
Properties Available for Sale	-	2,240	-
Other Debtors	51,170	38,732	48,008
	450,173	421,901	440,037
Non-current Assets			
Property, Plant & Equipment	586,300	556,534	570,706
Software	45,326	39,142	43,086
Goodwill	204,093	198,974	200,721
Brand Names	11,262	10,693	10,546
Other Intangible Assets	10,065	12,058	10,814
Deferred Tax Asset	8,851	7,905	8,855
	865,897	825,306	844,728
TOTAL ASSETS	\$1,316,070	\$1,247,207	\$1,284,765
Current Liabilities			
Bank	-	-	947
Trade Creditors & Accruals	280,521	258,813	261,206
Employee Entitlements	50,698	42,846	47,907
Provision for Taxation	7,569	4,275	14,121
Finance Lease Liability	1,838	1,896	1,801
	340,626	307,830	325,982
Non-current Liabilities			
Bank Term Loan	284,892	312,561	283,029
Employee Entitlements	745	715	3,800
Deferred Tax Liability	24,462	25,698	23,879
Finance Lease Liability	2,565	2,761	2,473
	312,664	341,735	313,181
Shareholder's Equity			
Share Capital	85,821	85,821	85,821
Accumulated Surplus	539,668	478,165	521,619
Revaluation Reserve	50,972	51,523	50,616
Foreign Currency Translation Reserve	(13,232)	(17,867)	(12,034)
Defined Benefit Pension Reserve	(449)	-	(420)
TOTAL EQUITY	662,780	597,642	645,602
TOTAL LIABILITIES AND EQUITY	\$1,316,070	\$1,247,207	\$1,284,765

**MAINFREIGHT LIMITED****INTERIM REPORT
TO SHAREHOLDERS****SIX MONTHS TO
30 SEPTEMBER 2017
(UNAUDITED)**

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Financial result for the six months ended 30 September 2017 (Unaudited)**Commentary**

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.

Income Statement for the Six Months Ended 30 September 2017

	30 Sept 2017 \$000	30 Sept 2016 \$000	31 March 2017 \$000
Operating Revenue	1,225,583	1,142,437	2,333,088
Interest Income	-	-	503
Total Revenue	1,225,583	1,142,437	2,333,591
Transport Costs	(748,541)	(701,578)	(1,432,556)
Labour Expenses Excluding Share Based Payments	(266,441)	(242,085)	(476,256)
Occupancy Expenses and Rental Recharge	(35,727)	(31,790)	(65,792)
Depreciation and Amortisation Expenses	(23,115)	(21,454)	(43,492)
Other Expenses	(86,108)	(80,636)	(160,942)
Finance Costs	(3,927)	(3,790)	(7,728)
Non-cash Share Based Payment Expense	-	(55)	(55)
Profit Before Abnormal Items and Taxation for the Year	61,724	61,049	146,770
Income Tax on Profit Before Abnormal Items	(18,952)	(18,723)	(43,606)
Net Profit Before Abnormal Items for the Year	42,772	42,326	103,164

Abnormal Items	(906)	(679)	(2,448)
Income Tax on Abnormal Items	351	201	807
Abnormal Items After Taxation	(555)	(478)	(1,641)
Profit Before Taxation for the Year	60,818	60,370	144,322
Income Tax Expense	(18,601)	(18,522)	(42,799)
Net Profit for the Year	42,217	41,848	101,523

Statement of Comprehensive Income for the Six Months Ended 30 September 2017

Net Profit for the Year	42,217	41,848	101,523
Other Comprehensive Income			
Exchange Differences on Translation of Foreign Operations	(1,198)	(13,248)	(5,260)
Income Tax effect	-	-	(2,155)
Revaluation of Land	356	(780)	(789)
Defined Benefit Pension Provision	(29)	-	(635)
Income Tax effect	-	-	215
Other Comprehensive Income for the Year, Net of Tax	(871)	(14,028)	(8,624)
Total Comprehensive Income for the Year, Net of Tax	41,346	27,820	92,899

Statement of Cash Flows for the Six Months Ended 30 September 2017

Operating Activities	57,148	52,034	131,226
Investing Activities	(32,131)	(27,904)	(61,647)
Financing Activities	(31,898)	(36,472)	(85,556)
FXRate Fluctuations on Cash Held	3	(3,904)	(2,394)
NET INCREASE (DECREASE) IN CASH	(6,878)	(16,246)	(18,371)

Mainfreight Segmental Reporting

The Group operates in various geographical freight markets.

*Geographical Segments***Mainfreight Six Months Ended September 2017 (\$000's)**

This Year	Revenues	EBITDA	Total Assets
New Zealand	316,867	38,446	438,047
Australia	314,319	22,351	305,432
The Americas	284,037	11,809	188,813
Asia	52,611	2,833	55,733
Europe	257,749	13,327	345,123
Intercompany	-	-	(17,078)
Total Group	\$1,225,583	\$88,766	\$1,316,070

Last Year

Last Year	Revenues	EBITDA	Total Assets
New Zealand	287,546	37,163	437,129
Australia	273,950	17,110	275,763
The Americas	319,798	13,878	193,025
Asia	44,481	6,052	55,097
Europe	216,662	12,145	306,666
Intercompany	-	-	(20,473)
Total Group	\$1,142,437	\$86,348	\$1,247,207

EBITDA is defined as earnings before net interest expense, tax, depreciation, amortisation, abnormals, share based payment expense, minority interests and associates.