

Statement of Changes in Equity for the Six Months Ended 30 September 2018

	ORDINARY SHARES	ASSET REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	DEFINED BENEFIT PENSION RESERVE	RETAINED EARNINGS	TOTAL
Balance at 1 April 2018	85,821	51,254	(10,644)	(232)	583,359	709,558
Profit for the period					55,703	55,703
Other Comprehensive Income		325	14,721	(7)		15,039
Total Comprehensive Income for the Period	-	325	14,721	(7)	55,703	70,742
Transaction with Owners in Their Capacity as Owners:						
Shares Issued						-
Executive Share Scheme Costs						-
Supplementary Dividends					(989)	(989)
Dividends Paid					(26,182)	(26,182)
Foreign Investor Tax Credit					989	989
Balance at 30 September 2018	85,821	51,579	4,077	(239)	612,880	754,118

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	(12,037)	(420)	518,982	642,962
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	(13,235)	(449)	537,031	661,040

Statement of Changes in Equity for the Twelve Months to 31 March 2018

	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	(12,037)	(420)	518,982	642,962
Profit for the period					107,678	107,678
Other Comprehensive Income		638	1,393	188		2,219
Total Comprehensive Income for the Period	-	638	1,393	188	107,678	109,897
Transaction with Owners in Their Capacity as Owners:						
Shares Issued						-
Executive Share Scheme Costs						-
Supplementary Dividends					(1,497)	(1,497)
Dividends Paid					(43,301)	(43,301)
Foreign Investor Tax Credit					1,497	1,497
Balance at 31 March 2018	85,821	51,254	(10,644)	(232)	583,359	709,558

Balance Sheet as at 30 September 2018

	30 Sept 2018 \$000	30 Sept 2017 \$000	31 March 2018 \$000
Current Assets			
Bank	85,318	67,487	80,521
Trade Debtors	432,321	330,872	361,737
Income Tax Receivable	-	644	270
Properties Available for Sale	8,473	-	7,852
Other Debtors	53,446	51,170	60,811
	579,558	450,173	511,191
Non-current Assets			
Property, Plant & Equipment	605,584	586,300	582,310
Software	49,956	45,326	49,374
Goodwill	216,681	204,093	207,919
Brand Names	8,096	11,262	7,863
Other Intangible Assets	8,237	10,065	9,164
Deferred Tax Asset	9,189	9,149	8,882
	897,743	866,195	865,512
TOTAL ASSETS	\$1,477,301	\$1,316,368	\$1,376,703
Current Liabilities			
Bank	-	-	36
Trade Creditors & Accruals	355,666	284,152	298,916
Employee Entitlements	56,093	50,698	53,373
Provision for Taxation	2,234	7,569	12,323
Finance Lease Liability	1,956	1,838	2,077
	415,949	344,257	366,725
Non-current Liabilities			
Bank Term Loan	277,595	284,892	270,753
Employee Entitlements	3,856	745	3,634
Deferred Tax Liability	21,835	23,769	21,526
Finance Lease Liability	3,948	2,565	4,507
	307,234	311,971	300,420
Shareholder's Equity			
Share Capital	85,821	85,821	85,821
Accumulated Surplus	612,880	537,031	583,359
Revaluation Reserve	51,579	50,972	51,254
Foreign Currency Translation Reserve	4,077	(13,235)	(10,644)
Defined Benefit Pension Reserve	(239)	(449)	(232)
	754,118	660,140	709,558
TOTAL EQUITY	754,118	660,140	709,558
TOTAL LIABILITIES AND EQUITY	\$1,477,301	\$1,316,368	\$1,376,703



MAINFREIGHT LIMITED

INTERIM REPORT
TO SHAREHOLDERS

SIX MONTHS TO
30 SEPTEMBER 2018
(UNAUDITED)

REGISTERED OFFICE

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Financial result for the six months ended 30 September 2018 (Unaudited)

Commentary

Mainfreight is pleased to report our six monthly financial results to 30 September 2018, with comparisons to the same period last year.

Revenue	\$1.43 billion	Up \$205.41 million or 16.8%
EBITDA	\$108.34 million	Up \$19.58 million or 22.1%
Net profit (before abnormals)	\$55.90 million	Up \$13.12 million or 30.7%

Adjusted for foreign exchange impact, revenue is up 13.2%, and EBITDA up 19.3%.

This satisfactory performance is attributable to ongoing growth and profitability across all five regions in our global network. Our offshore divisions are now contributing 58.1% of EBITDA, totalling \$62.92 million. Sales generated offshore in this first half year totalled \$1.09 billion, 76.0% of our total revenue.

Within this result, our Air & Ocean division contributed significantly to both revenue and EBITDA performance, and our expectation is that this division of the business will contribute more over time.

Trading through October and into November has seen the trend of improved financial performance continue.

Divisional Performance (figures in local currencies)

New Zealand (NZ\$)		
Revenue	\$343.12 million	Up \$26.25 million or 8.3%
EBITDA	\$45.43 million	Up \$6.98 million or 18.2%

Strong regional freight growth and reliable rail services, compared to the long periods without South Island rail in the prior year, has assisted our Domestic operations to deliver sales growth and increase EBITDA performance. Our Air & Ocean operation has also improved their trading results compared to the same period last year, with Logistics (warehousing) remaining level with the prior year.

Domestic freight volumes were at record levels for this six-month period, with existing customer and new business increases, particularly from regional New Zealand, where we continue to invest in infrastructure to strengthen our services to those communities.

Our **Air & Ocean** division has seen a lift in revenue and EBITDA as our global network strategy bears fruit.

The **Logistics** operations are also performing well at the revenue level, and with increased levels of warehouse utilisation, will require additional commitment to new facilities, impacting EBITDA returns in the short-term but positioning for further growth.

Pre-Christmas freight volumes across all three divisions are at record levels.

Australia (AUS)		
Revenue	AUS\$341.70 million	Up AUS\$48.79 million or 16.7%
EBITDA	AUS\$22.52 million	Up AUS\$1.69 million or 8.1%

The continuing increase in sales revenues across all three divisions has assisted an improved financial performance, albeit with slower growth at the EBITDA level as higher growth-related overhead costs impacted our Transport division through the first quarter.

Improving quality in our **Transport** division is attracting new customers and assisting in the retention of our current loyal customer base. Freight volumes continue to grow heading into the pre-Christmas period. The use of rail is assisting to ease pressure on road transport.

Our **Logistics** warehousing activity continues to find growth, necessitating further short term warehouse leases as volume increases. The new purpose-built facility in Sydney is expected to assist early in the New Year.

Air & Ocean, like the other divisions, has achieved improved revenue and EBITDA results for the first half year as international freight volumes assist performance.

Asia (US\$)		
Revenue	US\$40.33 million	Up US\$2.72 million or 7.2%
EBITDA	US\$3.17 million	Up US\$1.15 million or 56.6%

Renewed energy and a clear international Air & Ocean freight strategy within our Asian operations has seen financial performance improve markedly compared to the same period last year.

Network development across Southeast Asia has also gained momentum with our first Malaysian operation opening post-result, on 15 October 2018. We also expect to have our first Japanese operation open early in 2019, with licensing and business documentation requirements completed and accepted by Japanese authorities.

The Americas (US\$)		
Revenue	US\$237.15 million	Up US\$34.10 million or 16.8%
EBITDA	US\$10.99 million	Up US\$2.55 million or 30.2%

A pleasing result from our North American operations, with performance improvement largely driven by our **Domestic Transport** operations, where new customer gains have lifted revenue and EBITDA.

Our **Logistics** division has also secured new business, improving warehouse utilisation across all five locations. Further gains are expected as the year progresses, likely necessitating new facilities.

Our Air & Ocean operations saw revenues increase but we were unable to convert this to positive returns as gross margins declined. Improvements in margin are evident during October and November, providing confidence for an improved EBITDA result from Air & Ocean at year end.

Trading within the **CaroTrans** wholesale business has been steadily improving during the year, with an increase in revenue and EBITDA.

All our USA divisions have seen trading conditions in October and November remain positive, and it is our expectation for this current level of improvement to continue.

Europe (Euro €)		
Revenue	EU€182.33 million	Up EU€19.82 million or 12.2%
EBITDA	EU€10.40 million	Up EU€2.00 million or 23.8%

We continue to find further financial and operational improvement in our European business, with sales growth across all divisions.

Our **Domestic forwarding** operations contributed significantly to this improvement, providing improved EBITDA results through better line-haul and pick-up-and-delivery management. Whilst our Belgian forwarding operations are yet to be profitable, the infrastructure investment in two new cross-docks is assisting.

Our **Logistics** operation grew sales revenue, but saw EBITDA at similar levels to the prior period, as new warehouse leases and new customer implementations increased overhead costs.

Similarly to our global Air & Ocean development, our European **Air & Ocean** division achieved improved revenues and EBITDA contributions.

Trading through October and November sees current trends continue and expectations are for a satisfactory year end result.

Group Operating Cash Flows

Operating cash flows were NZ\$71.00 million compared to the prior year's half year figure of NZ\$57.15 million.

During the half year, net capital expenditure totalled \$40.19 million of which \$21.14 million related to property development.

Dividend

The Directors of Maintfreight have approved an interim dividend of 22.0 cents per share, up 3.0 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 14 December 2018, with books closing on 7 December 2018. A supplementary dividend will be paid to non-resident shareholders.

Outlook

This first half result is satisfactory, compared with a somewhat muted result in the prior year, and provides us with a good platform for further improvement over the longer term.

To have all regions contributing improved financial and operational results is pleasing. Therefore it is our expectation that financial performance will continue to be better for the full year, delivering another improved full year profit.

Our land and building projects are generally progressing well. Capital expenditure for land and buildings for the full year is likely to be in line with our projections.

Importantly, these new and refurbished land and building projects will bring improved facilities complementing the development of our network and providing our people with the resources to develop further growth over the long term.

Mainfreight will release its financial results for the full 2019 financial year to the market on 28 May 2019.

Income Statement for the Six Months Ended 30 September 2018

	30 Sept 2018 \$000	30 Sept 2017 \$000	31 March 2018 \$000
Operating Revenue	1,430,994	1,225,583	2,616,189
Interest Income	-	-	511
Total Revenue	1,430,994	1,225,583	2,616,700
Transport Costs	(875,751)	(748,541)	(1,605,459)
Labour Expenses Excluding Share Based Payments	(305,700)	(266,441)	(538,483)
Occupancy Expenses and Rental Recharge	(40,247)	(35,727)	(73,192)
Depreciation and Amortisation Expenses	(26,080)	(23,115)	(47,788)
Other Expenses	(100,954)	(86,108)	(183,941)
Finance Costs	(3,966)	(3,927)	(7,567)

Profit Before Abnormal Items and Taxation for the Year	78,296	61,724	160,270
Income Tax on Profit Before Abnormal Items	(22,400)	(18,952)	(48,266)
Net Profit Before Abnormal Items for the Year	55,896	42,772	112,004

Abnormal Items	(291)	(906)	(7,224)
Income Tax on Abnormal Items	98	351	2,898
Abnormal Items After Taxation	(193)	(555)	(4,326)
Profit Before Taxation for the Year	78,005	60,818	153,046
Income Tax Expense	(22,302)	(18,601)	(45,368)
Net Profit for the Year	55,703	42,217	107,678

Statement of Comprehensive Income for the Six Months Ended 30 September 2018

Net Profit for the Year	55,703	42,217	107,678
Other Comprehensive Income			
Exchange Differences on Translation of Foreign Operations	13,780	(1,198)	(1,978)
Income Tax effect	941	-	3,371
Revaluation of Land including Foreign Exchange Movements	325	356	638
Income Tax effect	-	-	-
Defined Benefit Pension Provision	(7)	(29)	325
Income Tax effect	-	-	(137)
Other Comprehensive Income for the Year, Net of Tax	15,039	(871)	2,219
Total Comprehensive Income for the Year, Net of Tax	70,742	41,346	109,897

Statement of Cash Flows for the Six Months Ended 30 September 2018

Operating Activities	71,006	57,148	140,236
Investing Activities	(40,187)	(32,131)	(64,729)
Financing Activities	(29,918)	(31,898)	(69,767)
FXRate Fluctuations on Cash Held	3,932	3	380
NET INCREASE (DECREASE) IN CASH	4,833	(6,878)	6,120

Mainfreight Segmental Reporting

The Group operates in various geographical freight markets.

Geographical Segments

Mainfreight Six Months Ended September 2018 (\$000's)

This Year	Revenues	EBITDA	Total Assets
New Zealand	343,120	45,426	471,840
Australia	370,530	24,418	333,419
The Americas	345,655	16,018	234,783
Asia	58,786	4,623	66,839
Europe	312,903	17,857	389,360
Intercompany	-	-	(18,940)

Total Group	\$1,430,994	\$108,342	\$1,477,301
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Last Year	Revenues	EBITDA	Total Assets
New Zealand	316,867	38,446	438,047
Australia	314,319	22,351	305,730
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	\$1,316,368
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EBITDA is defined as earnings before net interest expense, tax, depreciation, amortisation, abnormals, share based payment expense, minority interests and associates.