**MAINFREIGHT GROUP LIMITED**

Financial result for the twelve months ended 31 March 2011 (Unaudited)

## Commentary

Mainfreight is pleased to announce our year end results to 31 March 2011. Prior to abnormal costs, these results are our best ever, with a net surplus before abnormals of $47.24 million on revenue (sales) of $1.34 billion. EBITDA is also a record at $91.58 million.

These record results were achieved through improved performance from all divisions across all countries. Recovery in world freight volumes across most trade-lanes assisted this improvement, together with Mainfreight's ability to grow market share through focused sales campaigns and enhanced products and services. As a result, our customers are receiving increased quality and efficiency across their supply chains through these initiatives.

Across all divisions in Australasia, Asia and the United States we are performing better and have been able to reintroduce our full team discretionary bonus, along with our regular wage and salary reviews.

The sizeable acquisition of the Wim Bosman Group provides us with an important European footprint. Our ability to embed that company into our growing network will deliver considerable opportunities.

Following year-end we have also established a small beachhead in Santiago, Chile for CaroTrans. This is our first presence on the South American continent.

These global initiatives provide an excellent platform from which to develop our world-wide supply chain logistics ambitions and strategies.

Included in this year's result is an improved performance from our North American operations which continues into the new financial year, and significant growth (relative to its size) of our Asian operation.

Abnormal costs were incurred as changes to the IFRS accounting rules were applied; in particular the booking of a deferred tax liability for tax depreciation, a non-recurring, non-cash item as a result of the Government's ludicrous and absurd legislation change effective 1 May 2010.

Also incurred were one-off costs associated with the acquisition of the Wim Bosman Group which are no longer able to be allocated to the cost of purchase, also due to a change under IFRS accounting regulations.

This past year has been a defining period for Mainfreight as we find ourselves in a position to take advantage of the scale that our growing global presence will offer; a very satisfactory financial performance.

This level of performance has continued into the first two months of trading of the new financial year.

**Divisional Performance** (all figures in NZ dollars)

New Zealand

The improved disciplines of cost management instilled during the prior year and a stronger, more aggressive sales focus has assisted all our New Zealand business units to improve returns despite tough economic conditions, exacerbated by the Christchurch earthquake.

Notwithstanding external pressures, we remain positive about the New Zealand economy and are confident of continuing to find improvement during the 2012 financial year.

Total revenues for the **New Zealand group** operations increased 10.0% to $412.57 million from $374.97 million. EBITDA improved 8.6% to $47.86 million, now just 52.3% of total Group EBITDA as offshore operations significantly contributes to profitability.

In our New Zealand **Domestic** operations, revenues improved 8.7% to $290.76 million, and EBITDA improved 8.3% to $42.25 million.

As an indication of our growing off-shore profitability in this coming year we would expect profits from our Melbourne domestic operations to surpass those of our largest branch in New Zealand, Mainfreight Auckland.

September will see the completion of our new Wellington rail-serviced facility and the subsequent benefits of increased rail linehaul.

A greater range of services continues to be offered to our New Zealand customers, particularly in the food sector, where the trialling of dedicated refrigerated transport vehicles is underway.

Domestic warehousing performed satisfactorily despite the substantial disruption to our Christchurch warehouses in the September earthquake.  Actions subsequently taken saw negligible damage from the February earthquake.

We have seen a migration of warehousing back to Auckland due to the issues in Christchurch and this is likely to become permanent as our customers reconfigure their supply chains.

In our New Zealand **International** operations, revenues improved 13.3% to $121.81 million. EBITDA improved 11.4 % to $5.61 million.

Import strength assisted this result.  Exports, while still strong, were inhibited by the strong NZD/USD cross rate, particularly in the Perishables sector.

Initiatives in our Perishables business have seen us increase our capabilities across the full supply chain, particularly for customers with seafood and horticulture exports to Asia.

Import capability continues to strengthen as our overseas network develops.

Australia

We continue to find growth in the Australian market as we build our resources, ability and network strength. All of our business units increased revenue levels by taking more market share and developing opportunities with our existing customers across the supply chain. Despite this we still have much to do to increase our network intensity; nor have we yet achieved the level of quality-driven, integrated services to fully meet our customers' expectations. By market size we remain small, however our growth predictions and expectations remain high.

Total revenues for the **Australian group** operations increased 20.4 % to $472.29 million from $392.33 million and EBITDA improved 14.1% to $25.63 million.

Changes have been made during the year to our management structure to add impetus and drive change and further expansion. We expect to gain strategic advantage from this and to deliver on our growth aspirations.

In our Australian **Domestic** operations revenues improved 18.8% to $225.29 million and EBITDA improved 27.4% to $16.91 million.

Regional branch development continued with the opening of a branch on the Gold Coast; five more branches are planned to open over the next 24 months.

The increase in Domestic freight tonnage has created the need to improve our facilities, particularly in the large metropolitan cities of Melbourne and Brisbane, with construction likely to begin in Brisbane during this financial year.

Our warehousing operations have seen an improvement in returns but are still far from performing satisfactorily. We have improved premises and achieved better utilization with the gaining of high activity FMCG customers and expect this to lift performance in the coming year.

In our Australian **International** operations we improved revenues by 21.9% to $247.00 million but were unable to improve EBITDA which declined 5.2% to $8.72 million.

Regardless, this revenue growth positions us very well as we strengthen our product and service range across airfreight and sea freight, particularly inbound. We have diversified our trade-lane development to incorporate European trade, together with a greater number of Southeast Asian destinations, both of which position us well for more inter-company trade as our Asian and European expansion continues.

We have extended our branch network to now include Newcastle and Townsville, with further regional development planned over the next 12 months. New products developed include Grain and Seed, Perishable Services, and Car and Aviation Logistics.

Asia

A remarkable year in our Asian operations where we have found the momentum previously lacking, with revenue improving 29.8% to $36.17 million and EBITDA improving 68.7% to $3.47 million.

While market share remains small relative to the total market, we now have significant capability to see more aggressive growth particularly with the European opportunities that the Wim Bosman Group will present.

We have established three further branches in Xiamen, Tianjin and Singapore, with Qingdao set to open in June.

CaroTrans has mirrored this branch development by opening its own branches alongside those of Mainfreight.

Our Asia/USA/Asia trade route is now our largest within the International sector. It is our expectation that Asia air and sea freight trade with Europe will surpass this US trade-lane growth within five years. Such is the development potential available from the Wim Bosman Group acquisition.
Singapore provides us with a much needed beachhead for Southeast Asian development.

United States of America

Given the economic woes that this market has experienced, our two operations, Mainfreight and CaroTrans, have performed creditably.

Combined revenues increased 24.8% to $420.47 million and EBITDA improving 101.3% to $14.63 million.

Both businesses consolidated their market share and are well positioned to take advantage of our improved Domestic operations and our developing International network in Europe and South America.

The initiatives taken by **Mainfreight USA** over the past two years have begun to produce improved performance.

Revenue growth improved by 25.0% to $237.71 million and EBITDA increased to a surplus of $1.93 million from a deficit last year of $4.21 million.

Though still far from satisfactory, momentum has carried into the new financial year and we expect greater improvement in these next 12 months.

New branches opened in San Diego, Portland and Seattle, and post-year end we completed the purchase of the formerly franchise-owned Norfolk branch.

Dedicated road linehaul between major cities has reduced transportation costs and our owner driver programme is well underway.

International development has good impetus and will likely develop further as Wim Bosman European trade begins to grow.

In our NVOCC operations at **CaroTrans** revenue grew 24.4% to $182.76 million and EBITDA continued its improvement to $12.69 million, an increase of 10.6%.

This volume increase allowed us to initiate a further 18 new direct export consolidation services from our United States branch network, improving service frequency for our customers.

We opened our thirteenth CaroTrans branch for the US in Dallas, and expect to open Seattle in mid-2011.

The CaroTrans network now extends throughout the United States, China, Hong Kong, Australia and New Zealand, and post-year end we established a beachhead in Santiago, Chile for our South American expansion.

Europe

As previously reported, post-year end we completed the acquisition of the Wim Bosman Group based in the Netherlands with 14 branches located in six European countries.

This is a strong strategic fit for Mainfreight and will provide an excellent base from which to expand further in the region, and to increase trade significantly with our Asian and United States operations.

Mark Newman, who previously managed our New Zealand Domestic operations, has assumed the leadership role for the European operations, and in the short time we have been in control we can confirm the opportunities we envisaged prior to ownership are all available to us.

Progress has begun transferring the Wim Bosman Asian International business into the Mainfreight network, and new customer opportunities are already developing across the Group network.

Trading remains under a monthly accounting structure, therefore results for April will only be available to us in June.  We would expect weekly reporting systems to be established by mid-year to provide more timely financial information.

We are delighted with the acquisition and the future this brings for the Mainfreight Group.

## Group Operating Cash Flows

Operating cash flows were $71.78 million up from $53.69 million, with an improvement in working capital movement of $13.6 million, largely due to bonus and acquisition cost accruals.

During the year net capital expenditure totalled $18.14 million. Property development accounted for $8.72 million of this.

Net debt decreased to $47.55 million from $82.89 million due to US dollar loan currency fluctuations and low capital expenditure during the year.

## Dividend

The Directors have approved a final dividend of 11 cents per share fully imputed at the 30% company tax rate, with the books closing on 15 July 2011; payment will be made on 22 July 2011. This takes the full dividend for the year to 20 cents per share.

## Outlook

The past 12 months have been defining for Mainfreight. Our record, highest ever financial performance provides confidence of the opportunity for ongoing improvement. All divisions are well positioned; growing market share, increasing our range of services and products, intensifying our network and importantly, are confident of more growth as the world's freight economy continues to improve and develop.

This momentum has carried into the new financial year and with the additional contributions that the Wim Bosman Group will provide, we are excited by the results that are available to us.

As this financial performance strengthens, capital expenditure will increase to continue our branch facility improvement programme and other commitments required to allow our teams around the world to develop our business further.

Our commitment to deliver exceptional service and performance for our customers and shareholders has never been as strong.

We expect improved financial performance to continue through 2011 and 2012.

Mainfreight will release its financial results for the first quarter of the 2012 financial year to the market on 10 August 2011.

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