

PRELIMINARY HALF YEAR REPORT ANNOUNCEMENT

Mainfreight Limited For Half Year Ended 30 September 2019

Preliminary half year report on consolidated results (including the results for the previous corresponding half year).

This report also has non GAAP information showing in the Income Statement for the current period showing what the results would have looked like prior to adopting the NZ IFRS 16 Lease changes (labelled Non-GAAP). Management and the Board believe this is necessary to show a better comparative with prior periods which have not been adjusted for the impact of NZ IFRS 16.

In other respects, this report has been prepared in a manner which complies with the New Zealand equivalent to International Accounting Standard 34

Interim Financial Reporting and fairly presents the matters to which the report relates and is based on unaudited financial statements.

The Listed Issuer has a formally constituted Audit Committee of the Board of Directors.

Income Statement for the Six Months Ended 30 September 2019

Note	GAAP	Non-GAAP	GAAP	GAAP
	30 Sept 2019 \$000	30 Sept 2019 \$000	30 Sept 2018 \$000	31 March 2019 \$000
Operating Revenue	1,500,466	1,500,466	1,430,994	2,953,414
Interest Income	-	-	-	673
Total Revenue	1,500,466	1,500,466	1,430,994	2,954,087
Transport Costs	(883,029)	(883,029)	(875,751)	(1,791,573)
Labour Expenses Excluding Share Based Payments	(342,792)	(342,792)	(305,700)	(612,641)
Other Expenses	(98,188)	(98,188)	(90,422)	(186,695)
Earnings before Interest, Tax, Depreciation, Amortisation, Abnormal Items and Lease Costs	176,457	176,457	159,121	363,178
Lease Costs	-	(57,344)	(50,779)	(105,456)
Depreciation of Right of Use Assets	(53,435)	-	-	-
Finance Costs Relating to Lease Liabilities	(8,226)	-	-	-
Other Depreciation and Amortisation Expenses	(28,542)	(28,542)	(26,080)	(53,107)
Other Finance Costs	(3,406)	(3,406)	(3,966)	(7,541)
Profit Before Abnormal Items and Taxation for the Year	82,848	87,165	78,296	197,074
Income Tax on Profit Before Abnormal Items	(23,719)	(24,952)	(22,400)	(55,990)
Net Profit Before Abnormal Items for the Year	59,129	62,213	55,896	141,084
Abnormal Items	4	-	(291)	(4,965)
Income Tax on Abnormal Items	4	-	98	1,505
Abnormal Items After Taxation	4	-	(193)	(3,460)
Profit Before Taxation for the Year	82,848	87,165	78,005	192,109
Income Tax Expense	(23,719)	(24,952)	(22,302)	(54,485)
Net Profit for the Year	59,129	62,213	55,703	137,624

Earnings per share for profit attributable to the ordinary equity holders of the company are:

	Cents	Cents	Cents	Cents
Basic Earnings Per Share: Total Operations	58.72	61.78	55.32	136.67
Diluted Earnings Per Share: Total Operations	58.72	61.78	55.32	136.67

Statement of Comprehensive Income for the Six Months Ended 30 September 2019

Net Profit for the Year	59,129	62,213	55,703	137,624
Other Comprehensive Income				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange Differences on Translation of Foreign Operations	17,827	17,827	13,780	1,144
Income Tax effect	1,487	1,487	941	(1,006)
Net Other comprehensive income to be reclassified to profit (loss) in subsequent periods	19,314	19,314	14,721	138
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Revaluation of Land including Foreign Exchange Movements	663	663	325	43,506
Income Tax effect	-	-	-	(4,106)
Net Other comprehensive income not to be reclassified to profit (loss) in subsequent periods	663	663	325	39,400
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Defined Benefit Pension Provision	(15)	(15)	(7)	(93)
Income Tax effect	-	-	-	23
Net Other comprehensive income not to be reclassified to profit (loss) in subsequent periods	(15)	(15)	(7)	(70)
Other Comprehensive Income for the Year, Net of Tax	19,962	19,962	15,039	39,468
Total Comprehensive Income for the Year, Net of Tax	79,091	82,175	70,742	177,092

Balance Sheet as at 30 September 2019

	Note	GAAP 30 Sept 2019 \$000	GAAP 30 Sept 2018 \$000	GAAP 31 March 2019 \$000
Current Assets				
Bank		102,334	85,318	115,184
Trade Debtors		420,659	432,321	389,376
Income Tax Receivable		-	-	200
Properties Available for Sale		-	8,473	-
Other Debtors		64,511	53,446	55,304
		587,504	579,558	560,064
Non-current Assets				
Property, Plant & Equipment		741,549	605,584	666,629
Right of Use Assets	2	587,593	-	-
Software		51,988	49,956	51,052
Goodwill		218,545	216,681	208,522
Brand Names		3,991	8,096	3,807
Other Intangible Assets		5,656	8,237	6,581
Deferred Tax Asset		6,405	9,189	6,234
		1,615,727	897,743	942,825
TOTAL ASSETS	2	\$ 2,203,231	\$ 1,477,301	\$ 1,502,889
Current Liabilities				
Bank		-	-	4
Trade Creditors & Accruals		347,125	355,666	314,925
Employee Entitlements		65,168	56,093	62,832
Provision for Taxation		3,964	2,234	18,868
Lease Liability for Right of Use Assets	2	110,166	-	-
Finance Lease Liability		2,266	1,956	2,246
		528,689	415,949	398,875
Non-current Liabilities				
Bank Term Loan		283,648	277,595	238,653
Employee Entitlements		3,122	3,856	2,815
Deferred Tax Liability		18,600	21,835	19,473
Lease Liability for Right of Use Assets	2	481,853	-	-
Finance Lease Liability		4,150	3,948	4,758
		791,373	307,234	265,699
Shareholders' Equity				
Share Capital	3	85,821	85,821	85,821
Accumulated Surplus		698,823	612,880	673,931
Revaluation Reserve		90,034	51,579	89,371
Foreign Currency Translation Reserve		8,808	4,077	(10,506)
Defined Benefit Pension Reserve		(317)	(239)	(302)
TOTAL EQUITY	2	883,169	754,118	838,315
TOTAL LIABILITIES AND EQUITY	2	\$ 2,203,231	\$ 1,477,301	\$ 1,502,889

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity for the Six Months Ended 30 September 2019

Six Months to 30 September 2019

	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	GAAP TOTAL \$000
Balance at 1 April 2019	85,821	89,371	(10,506)	(302)	673,931	838,315
Profit for the Period					59,129	59,129
Other Comprehensive Income		663	19,314	(15)		19,962
Total Comprehensive Income for the Period	-	663	19,314	(15)	59,129	79,091
Transactions with Owners in Their Capacity as Owners:						
Supplementary Dividends					(1,394)	(1,394)
Dividends Paid					(34,237)	(34,237)
Foreign Investor Tax Credit					1,394	1,394
Balance at 30 September 2019	85,821	90,034	8,808	(317)	698,823	883,169

Six Months to 30 September 2018

	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	GAAP TOTAL \$000
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
Transactions with Owners in Their Capacity as Owners:						
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

Twelve Months to 31 March 2019

	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	GAAP TOTAL \$000
Balance at 1 April 2018	85,821	51,254	(10,644)	(232)	583,359	709,558
Profit for the Period					137,624	137,624
Transfer of Revaluation Reserve for Land Sold		(1,283)			1,283	
Other Comprehensive Income		39,400	138	(70)		39,468
Total Comprehensive Income for the Period	-	38,117	138	(70)	138,907	177,092
Transactions with Owners in Their Capacity as Owners:						
Supplementary Dividends					(1,879)	(1,879)
Dividends Paid					(48,335)	(48,335)
Foreign Investor Tax Credit					1,879	1,879
Balance at 31 March 2019	85,821	89,371	(10,506)	(302)	673,931	838,315

Cash Flow Statement for the Six Months Ended 30 September 2019

	Note	GAAP 30 Sept 2019 \$000	GAAP 30 Sept 2018 \$000	GAAP 31 March 2019 \$000
Cash Flows From Operating Activities				
Receipts from Customers		1,710,462	1,603,121	2,931,037
Interest Received				673
Payments to Suppliers and Team Members		(1,592,965)	(1,495,938)	(2,674,532)
Interest Paid		(3,406)	(3,965)	(7,541)
Income Taxes Paid		(40,132)	(32,212)	(52,214)
NET CASH FLOWS FROM OPERATING ACTIVITIES		73,959	71,006	197,423
Cash Flows From Investing Activities				
Proceeds from Sale of Property, Plant & Equipment		1,202	2,391	14,048
Proceeds from Sale of Software		38	-	50
Repayments by Team Members		6	7	8
Purchase of Property, Plant & Equipment		(84,624)	(33,129)	(87,673)
Purchase of Software		(7,147)	(9,456)	(15,603)
Advances to Team Members		-	-	(3)
Establishment of Franchises and Subsidiaries		-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(90,525)	(40,187)	(89,173)
Cash Flows From Financing Activities				
Proceeds of Long Term Loans		42,391		320
Proceeds of Share Issues				-
Dividend Paid to Shareholders		(34,237)	(26,182)	(48,335)
Repayment of Loans		(9,213)	(3,736)	(26,755)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,059)	(29,918)	(74,770)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(17,625)	901	33,480
Net Foreign Exchange Differences		4,779	3,932	1,215
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		115,180	80,485	80,485
CASH AND CASH EQUIVALENTS AT END OF PERIOD		102,334	85,318	115,180
Comprised				
Bank and Short Term Deposits		102,334	85,318	115,184
Bank Overdraft		-	-	(4)
		102,334	85,318	115,180

The accompanying notes form an integral part of these financial statements.

1 Corporate Information

The preliminary half year report announcement of Mainfreight Limited ("the parent") and its subsidiaries ("the Group") for the six months ended 30 September 2019 were authorised for issue in accordance with a resolution of the Directors.

Mainfreight Limited is a company limited by shares incorporated in New Zealand whose shares are publicly traded on the NZX Main Board (New Zealand Stock Exchange).

2 Accounting Policies

Accounting policies remain consistent with the prior year ended 31 March 2019 financial statements except for the adoption of NZ IFRS 16 Leases.

(Please see Note 2 (f) of the Financial Statements in the March 2019 Annual Report for further information).

These September 2019 Financial Statements have shown results pre NZ IFRS 16 and post NZ IFRS 16 in the Income Statement.

The impact on profit before tax was a reduction of \$4,317,000 and after tax by \$3,084,000 in the 30 September 2019 six months. The impact on EBITDA (adjusted) was an increase of \$57,344,000. There is no impact on cash flows.

The impact on total assets was an increase of \$587,593,000, an increase in total liabilities of \$590,755,000 and a decrease in Shareholder's Equity of \$3,162,000 (see below).

	\$000
Total Assets as per 30 September 2019 Balance Sheet	2,203,231
Less Right of Use Assets	<u>(587,593)</u>
Total Assets after removing NZ IFRS 16 Leases Impact	<u>1,615,638</u>
Total Liabilities as per 30 September 2019 Balance Sheet	1,320,062
Less Current Lease Liability for Right of Use Assets	(110,166)
Less Non-current Lease Liability for Right of Use Assets	(481,853)
Change in Deferred Tax Liability	<u>1,264</u>
Total Liabilities after removing NZ IFRS 16 Leases Impact	<u>729,307</u>
Total Shareholders' Equity as per 30 September 2019 Balance Sheet	883,169
Add back NZ IFRS 16 Leases Impact on Profit for the Period (Accumulated Surplus)	3,084
Add back Movement in Foreign Currency Translation Reserve	<u>78</u>
Total Shareholder's Equity after removing NZ IFRS 16 Leases Impact	<u>886,331</u>

3 Required NZX Disclosures

Movements in Ordinary Shares on Issue	Parent			GAAP 31 March 2019 Shares
	GAAP 30 Sept 2019 Shares	Non-GAAP 30 Sept 2019 Shares	GAAP 30 Sept 2018 Shares	
Closing Balance	100,698,548	100,698,548	100,698,548	100,698,548
Net Tangible Assets	654,977	658,139	521,104	619,405
Net Tangible Assets per Security (cps)	650.43	653.57	517.49	615.11

Dividends Paid and Proposed

	Group	
	30 Sept 2019 \$000	30 Sept 2018 \$000
Recognised Amounts		
Declared and Paid During the Year to Parent Shareholders		
Final Fully Imputed Dividend for 2019: 34.0 cents (2018: 26.0 cents)	34,237	26,182
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	34,237	26,182
Unrecognised Amounts		
Interim Fully Imputed Dividend for 2020: 25.0 cents (2019: 22.0 cents)	25,175	22,154

After the balance date, the above unrecognised dividends were approved by directors' resolution dated 12 November 2019. These amounts have not been recognised as a liability as at 30 September 2019 but will be brought to account in the full year to 31 March 2020.

4 Abnormal Items

During the six months the Group had no abnormal expenses (September 2018 \$291,000). The related after tax expense was nil (September 2018 \$193,000).

These items comprised of:

<u>September 2019 Six Months</u>	<u>Pre-Tax</u>	<u>Tax</u>	<u>Group</u>
	<u>\$000</u>	<u>\$000</u>	<u>After Tax</u>
Redundancies	-	-	-
	<hr/>	<hr/>	<hr/>
	-	-	-
	<hr/>	<hr/>	<hr/>
<u>September 2018 Six Months</u>	<u>Pre-Tax</u>	<u>Tax</u>	<u>Group</u>
	<u>\$000</u>	<u>\$000</u>	<u>After Tax</u>
Redundancies	(291,000)	98,000	(193,000)
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	(291,000)	98,000	(193,000)
	<hr/>	<hr/>	<hr/>

5 Segmental Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

The Group operates in the domestic supply chain (i.e. moving and storing freight within countries) and air and ocean freight industries (i.e. moving freight between countries).

New Zealand, Australia, The Americas and Europe are each reported to management as one segment as the businesses there perform both domestic and air and ocean services.

The accounting policies of the operating segments are the same as those described in the notes in note 2 with the exception of deferred tax and the fair value of derivative financial instruments which are not reported on a monthly basis. The segmental results from operations are disclosed below.

Geographical Segments

The following table represents revenue, margin and certain asset information regarding geographical segments for the six months ended 30 September 2019 and 30 September 2018. Inter segment transactions are entered into on a fully commercial basis.

Post NZ IFRS 16	New Zealand	Australia	The Americas	Asia	Europe	Inter-Segment	2019 \$000
Operating Revenue							
- Sales to customers outside the group	362,571	380,635	372,068	54,872	330,320	-	1,500,466
- Inter-segment sales	(108)	9,364	24,441	33,695	18,645	(86,037)	-
Total Revenue	362,463	389,999	396,509	88,567	348,965	(86,037)	1,500,466
EBITDA (adjusted)	58,747	43,236	28,667	5,402	40,405	-	176,457
Depreciation & Amortisation	22,402	22,148	11,353	1,545	24,529	-	81,977
Capital Expenditure	24,566	54,905	2,846	288	7,926	-	90,531
Trade Receivables	92,004	115,219	118,512	26,116	91,008	(22,200)	420,659
Non-current Assets	540,643	466,396	198,161	17,245	393,282	-	1,615,727
Total Assets	636,459	614,936	350,370	68,142	555,524	(22,200)	2,203,231
Total Liabilities	318,269	391,409	235,840	37,859	358,885	(22,200)	1,320,062
Pre NZ IFRS 16 Where different	New Zealand	Australia	The Americas	Asia	Europe	Inter-Segment	2019 \$000
EBITDA (adjusted)	46,778	23,893	20,490	4,260	23,692	-	119,113
Depreciation & Amortisation	11,867	4,562	3,675	361	8,077	-	28,542
Non-current Assets	436,456	248,707	97,139	11,840	233,992	-	1,028,134
Total Assets	532,271	397,248	249,348	62,737	396,234	(22,200)	1,615,638
Total Liabilities	213,618	172,682	133,870	32,331	199,006	(22,200)	729,307
Pre NZ IFRS 16	New Zealand	Australia	The Americas	Asia	Europe	Inter-Segment	2018 \$000
Operating Revenue							
- Sales to customers outside the group	343,120	370,530	345,655	58,786	312,903	-	1,430,994
- Inter-segment sales	(577)	9,324	25,401	38,200	18,486	(90,834)	-
Total Revenue	342,543	379,854	371,056	96,986	331,389	(90,834)	1,430,994
EBITDA (adjusted)	45,426	24,418	16,018	4,623	17,857	-	108,342
Depreciation & Amortisation	11,211	3,852	3,226	313	7,478	-	26,080
Capital Expenditure	12,772	12,044	3,462	652	11,264	-	40,194
Trade Receivables	92,744	114,383	114,603	29,111	100,420	(18,940)	432,321
Non-current Assets	373,519	187,845	91,219	11,573	233,587	-	897,743
Total Assets	471,840	333,419	234,783	66,839	389,360	(18,940)	1,477,301
Total Liabilities	203,523	165,444	133,408	34,282	205,466	(18,940)	723,183

Product Segments

The following table represents revenue and EBITDA (adjusted) regarding the three main types of services for the six months ended 30 September 2019 and 30 September 2018.

	Domestic Transport	Warehousing	Air & Ocean Forwarding	2019 \$000
Revenue	759,107	179,591	561,768	1,500,466
EBITDA (adjusted) Post NZ IFRS 16	96,314	44,785	35,358	176,457
EBITDA (adjusted) Pre NZ IFRS 16	70,859	19,831	28,423	119,113

	Domestic Transport	Warehousing	Air & Ocean Forwarding	2018 \$000
Revenue	720,252	162,062	548,680	1,430,994
EBITDA (adjusted) Pre NZ IFRS 16	67,733	15,261	25,348	108,342

	Post NZ IFRS16 2019 \$000	Pre NZ IFRS16 2019 \$000	Pre NZ IFRS16 2018 \$000
Reconciliation between Segment EBITDA (adjusted) and the Income Statement			
Profit from Operations Before Taxation for the Year	82,848	87,165	78,005
Abnormal Items	-	-	291
Interest Income	-	-	-
Derivative Fair Value Movement	-	-	-
Non-cash Share Based Payment Expense	-	-	-
Finance Costs	11,632	3,406	3,966
Depreciation & Amortisation	81,977	28,542	26,080
EBITDA (adjusted)	<u>176,457</u>	<u>119,113</u>	<u>108,342</u>

EBITDA (adjusted) is defined as earnings before net interest expense, tax, depreciation, amortisation, abnormal items, royalties, share based payment expense, minority interests and associates.

There are no customers in any segment that comprise more than 10% of that segment's revenue.

Bank term loan is allocated based on segment net assets excluding bank term loan.

The geographical segments are determined based on the location of the Group's assets.