

MAINFREIGHT LIMITED

SCRIPTED ADDRESSES BY

THE CHAIRMAN AND MANAGING DIRECTOR

16th Annual Meeting

4.00 pm, Thursday 28 July 2011

CHAIRMAN'S ADDRESS

Ladies and Gentlemen, your Company has performed satisfactorily in the past year.

Our profits have increased by some 21% on the previous year and global sales are up by 19%.

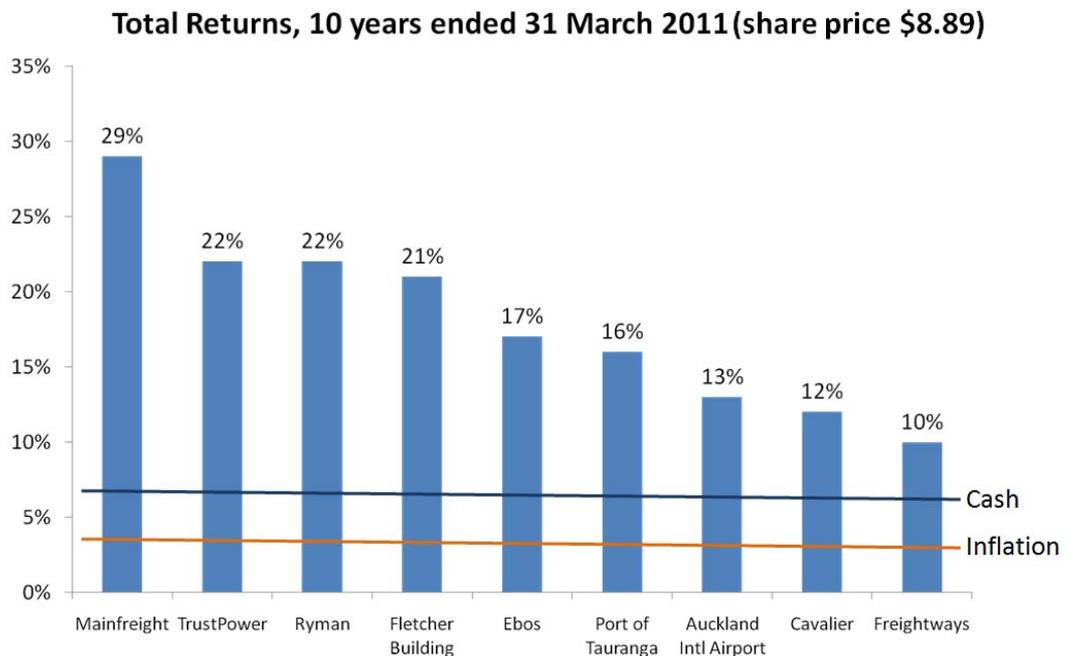
Every country in which we operate recorded more profit before tax than in the previous year. Significantly, we reinstated our team bonuses for the period totalling \$12 million – the highest in our history.

Also, we were able to make salary adjustments in line with inflation, and do not have significant deferred or repressed expenses in any area of the business.

Perhaps the result which will please shareholders the most is our relative success to all other New Zealand listed companies.

Over the past 15 years we are the best performing stock in terms of wealth creation, of all companies listed on the New Zealand Stock Exchange. Average annual compound growth in share value, including dividends for the past 15 years, has been 26% per annum.

Here is a graph showing the performance of your Company, compared to the next top **eight** companies.



Source: Craigs Investment Partners (data sourced from Bloomberg CIP calculations)

This is what we are here for, this enables us to grow, keep our good people, contribute to society and build a better country.

It is because of these results that we are a little dismayed when some shareholders and others question the makeup of our Board of Directors.

Firstly, as the best performing company in the country over the past fifteen years, wouldn't that suggest that we have, at the very least, a committed board?

If we take another business which has been extremely successful over a long period - Berkshire Hathaway - the average age of their board members is 70 years, and there has been a core of directors for more than 30 years.

Warren Buffett himself is 81 years old, and is still Chairman and CEO.

Nelson Mandela was 72 years old when he was released in 1990 after 28 years in prison. He went on to become Prime Minister of South Africa at 77 and help the Springboks win the Rugby World Cup in 1995.

As Mainfreight has hundreds of team members who have been with the company for between 10 and 40 years, so we all have a long view of how the business is – and should be. We are not a business fixated by the short term. We are not looking to sell out at a big profit when the price is right.

We have a long strategy to create a business which is always going to last for another hundred years; one which seeks to enrich and inspire all we come into contact with.

This Board has been handpicked after long consideration, in most cases for many years.

We have looked for:

- Success in their own careers
- Courage
- Business ethics
- Strong interest in business
- Well read
- A positive outlook
- Logistics experience
- A fit with the existing board members and CEO
- An enquiring mind.

This Board could be viewed like the Crusaders rugby team. There are no egotists; everyone has been selected because they have a long proven track record to try their hardest to win and keep winning over a long period, regardless of difficulties.

Shareholders must understand that directors are not commodities that one picks from a list supplied by some Directors Association, and any size will do.

During many of our purchases of other businesses we have almost always found some level of dysfunction in their boards. The workers in many of them had no chance of finding success, prosperity, enjoyment or fulfilment. No business will prosper with a dysfunctional board.

The next point that shareholders should consider carefully when suggesting that since we are in Europe, China, USA, and Australia we need to have a national from some, or all, of those countries on our Board.

Certainly, over time that will probably happen, but in the meantime, consider the education that our existing Board has had, and the

knowledge that they have acquired of those other countries, through contact with people at all levels in the companies we operate.

They also have the most acute understanding of our Mainfreight culture, the way we do things and why. They are all highly equipped to discuss the merits of internal promotion, weekly profits, whiteboards, clean trucks, open plan offices, eating together etc and can spot an inflated ego from a thousand metres.

For those who may not be aware, we hold all our Board meetings over two days (likely to become three days) at different branches of our businesses in the countries in which we operate.

Not only do the senior people of the country where we are meeting report to the Board, senior people from other countries also report at the same meetings. This enables regular

learning and interaction between our teams from different countries and branches.

Lunches are always held in the lunch room or cafeteria of the branch where our Board meeting is being held, with the Board mingling with the local team. Frequently in the evenings the Board meets with senior local and overseas people together with local customers and local team members.

Please believe me – we have a very competent Board.

Forty-eight years ago in 1963 I joined perhaps New Zealand's premier company of the time – Fisher & Paykel.

The company was run by Woolf Fisher and Maurice Paykel, but the most talked about man was their factory manager, "Don Rowlands".

He had the most enormous reputation for every skill known to man, but including man management, getting things done, going incredibly fast, multi-tasking, meeting the Queen and Duke, having the most modern ideas, creating a great team etc etc.

It was two years before I got to stand quite close to this extraordinary man and listen to him talk. His theme that first time I saw him was “if you have a union problem you probably have a management problem”. From that day, although he didn’t know it, he became my mentor.

In 1966 I was fortunate to be moved to a new venture of Fisher & Paykel’s – “Champion Spark Plugs”. Here, Don Rowlands was the GM, John Hough the Accountant and me Assistant Accountant.

What a fantastic four years I spent observing Don, listening to everything he said, and learning to understand his way of thinking and doing. His generosity of spirit was legendary. Ask him if you could borrow his trailer – he would make one out of next to nothing so as not to let you down.

In 1970 I left Champion and joined the freight industry and on 6th March 1978 began the business Mainfreight, with a couple of mates in a 17,000' building at 135 Morrin Road, Panmure.

Don turned up on about day 3. Between beers he observed that our shed was close to empty and wondered if he could have a few thousand feet to manufacture rowing starting pontoons for the 1978 World Rowing Championship at Karapiro which he was organising.

It wasn't long before we had to work around the volunteer rowers who were making and painting pontoons.

I should mention that to get the Championship held in New Zealand, Don had to guarantee to buy all the skiffs off the other countries after the event.

Naturally they all arrived back at 135 Morrin Road from where they were sold over a reasonably short period.

By now Don was Managing Director of Fisher & Paykel and I felt privileged to have him regularly visit for drinks over the years.

In 1983, Mainfreight was going pretty well but needed more structure and discipline. I asked Don if he would become our Chairman to which he agreed.

This role he fulfilled for 13 years until 1996 when the Company was listed on the Stock Exchange, and he continued as a Director.

So Don, our hero, friend, mentor and fellow director has been associated with Mainfreight for 33 years - and a Director for 28 years.

He is now 85, is still married to his first wife Coralie , has had two heart bypass operations, goes to the gym twice a week, hasn't lost a single marble, still calls into Mainfreight most weeks and thinks it is now time he moved on.

Well, we have grudgingly accepted his intention to retire from the Mainfreight Board - to take effect later this year.

Before I invite Don to say a few words, I also have to tell you that as advised to the NZX on Tuesday this week, Neil Graham, who has been my partner for the whole time Mainfreight has

existed, tendered his resignation as a Director of Mainfreight, because of his health.

Neil has battled a number of health problems throughout his life. Recently, the loss of virtually all his property in Christchurch including his family home, as a result of the multiple earthquakes, has added hugely to his difficulties, and he has chosen to stand aside.

Neil and I have been friends and business associates since 1970, when I joined the freight industry in Auckland – he was the Christchurch Branch Manager.

Without Neil here, it is perhaps not appropriate to make a long summation. However, in our 41 years together we have only ever had one serious argument. It occurred when we were staying in a hotel in London in 1983 when, after watching a Canterbury/Auckland rugby match, I had the temerity to suggest the Canterbury

team might have been guilty of foul play. It took more than 2 days for the air to clear, and for us to start talking again.

Neil's contribution to Mainfreight has been huge, particularly in the gaining and keeping of some of the biggest business customers in New Zealand. Some are names that have now ceased to exist or have morphed into other companies, but the names New Zealand Wheat Board, New Zealand Honey Marketing Authority, Carter Holt, Firestone Tyres, Dulux, Canterbury Timber Products, Abcal, Wickliffe Press, Skellerup, and Crown Crystal Glass are only a few.

It is unlikely that we will have such a big personality in our business again. People with Neil's unique skills and personal attributes perhaps only come along once in a lifetime.

Neil will always remain a part of Mainfreight and we will miss him and know that he will deal with his present health problems with all his strength.

Ladies and Gentlemen – Don Rowlands.

Don Rowlands to address the shareholders.

Group Managing Director's Report

Ladies and Gentlemen

It is a pleasure to speak with you today.

Whilst this meeting provides an opportunity to reflect on Mainfreight's performance during the previous twelve months, it is also an important time, for you, our shareholders, to learn more about your Company and the future we see for the business.

It is the performance and activities of the past twelve months that have redefined Mainfreight's future.

During this period we have been able to improve our revenues to \$1.34 billion and achieve a record net profit before abnormals of \$47 million.

Our operating profit, our largest ever, finished the year at \$92 million.

The disciplines and sales strategies put in place during the recessionary years provided the basis for this improved result. More importantly, strong and focussed performance from all our business units allowed us the time to identify and complete the acquisition of our first European operation, the Wim Bosman Group.

The momentum of our organic growth and profit performance from our established businesses, coupled with the Wim Bosman Group provides the basis for the exciting future that we see for Mainfreight.

The rationale for the acquisition was to:

- Firstly, provide us with a European footprint, with a business that complements and mirrors Mainfreight.

Wim Bosman Group provides defined-day delivery (express LCL freight) across most of Western Europe and is developing services to Eastern Europe; it has exceptional third party logistics (warehousing) facilities; and has an under-developed international Air and Ocean operation – our area of expertise.

- Secondly, provide us with the logistics capability to grow our international freight between Europe and our Asian and American interests.

These two trade lanes, coupled with our already successful Asia-America trade lanes, are the three largest freight lanes in the world.

What better place to be when developing an international transport and logistics group of businesses? For this is what we intend to become.

Whilst still small when compared to our competition and the size of the market, we are on our way.

When including the expected financial contribution from the Wim Bosman Group with our results of this past twelve months, next year's results will likely see revenues close to \$1.9 billion, and EBITDA in excess of \$130 million, shifting EBITDA ratios to more than 70% earned offshore, and 77% of revenue being generated outside of New Zealand.

These numbers exclude the improvement in performance we should expect of our established businesses in Australasia, Asia and the United States of America.

This is not to say we are turning our back on New Zealand.

We are proud to be here, to be New Zealand owned and publicly listed; although a better

managed and informed share market would make life a little easier.

Our New Zealand operations continue to find more growth; we have secured more distribution for the supermarket industry; we expect to continue to invest in and develop our New Zealand network.

Our new Wellington facility, linked by rail, is expected to be operational as the Rugby World Cup kicks off in September.

Capital expenditure for development continues for Kaitaia, Palmerston North, Blenheim, Invercargill and Christchurch. All our New Zealand business is trading at levels ahead of the year prior; we still see opportunities for growth in our home market.

In Australia, our Domestic operations continue to grow revenue and improve profitability; how long these levels of growth can be sustained remains in our hands. We still only have a small percentage of the available market share and providing we continue to develop more quality and innovative services, the more opportunity we have to maintain growth at these levels.

Our Logistics and International operations require a greater impetus to find growth. We expect to have a greater share of these markets than we do currently.

Capital expenditure will be substantial in Australia as we commit to land and buildings in the near term for Brisbane and Melbourne.

Our Asian business remains small by market standards, however we are achieving growth and our commitment to the region has seen us establish operations in Singapore and more locations in China.

Southeast Asian growth remains high on our agenda as we look to develop intra-Asia trade with areas of manufacturing outside of China.

We were fortunate enough to be invited to participate in the Prime Minister's recent Trade Mission to India.

This provided a valuable insight into the opportunities available to us there, initially for inbound international freight to India as domestic consumption and growth rallies in this region.

India certainly has a place in our network, and likely in the near term.

Our Asian volumes are expected to double as we develop trade through the Wim Bosman Group in Europe, and will likely overtake the level of volume on the China/USA trade lane over time.

In the United States, our NVOCC operation, CaroTrans continues to perform well and is expanding its network to include Dallas, Seattle and Chile. However USA export sea freight volumes have disappointed of late, affecting revenue levels and profitability.

Stronger management of costs, margins and more aggressive sales strategies are needed to achieve CaroTrans' targets for this coming year.

Expansion of the CaroTrans world-wide network will continue to feature in our plans with a likely entry into the European market in the near term.

Mainfreight USA continues to improve its performance from the disappointing levels seen since acquisition.

It is our goal to achieve a 2% return on revenue at the profit before tax line in this coming year. Profit performance to date gives us confidence that we are on track to achieve this. Obviously over time we would expect returns to further improve to levels that we achieve elsewhere.

Again we expect good levels of growth from the USA to Europe to assist our European development.

Splitting Mainfreight USA into Domestic and International divisions, as we do elsewhere, will assist our focus on developing both aspects of the business at greater pace.

We have achieved a lot during these past twelve months; we are well positioned and excited about the potential for increased growth and development that is in front of us.

We do have much to do to achieve this, and are very aware of the risks and challenges. We are well prepared and with the passion, energy, commitment and skills that are evident across the business – from the freight terminal to the Boardroom – we will find our way.

Expect our first quarter results, scheduled for release on the 11th of August, to reflect some of this growth.

I would like to take this opportunity, on behalf of the Mainfreight Team, to also acknowledge the contributions of Don Rowlands and Neil Graham; not just at the Board table, but also their assistance on a daily basis, offering

support and guidance to all of us, no matter our position or role.

From Don Rowlands, the regular visits, particularly on Mondays when the profit calls would begin, always with a smile, an offer of encouragement and the application of simple logic to solve a problem. When he spoke, you knew you were receiving a leadership lesson worth bottling. Thank you, Don.

And Neil, a fellow Cantab – who was inextricably linked to me by Bruce who thought our brains were wired differently because of that Cantab breeding, often referring to our behaviour as “oafish”. Neil’s commitment and passion for Mainfreight could never, and will never, be questioned; nor will the effective part that he has played in building this company to what it is today. His attention to the detail, whether it be the sales teams’ performance, the claims statistics, the cleanliness and

presentation of our trucks, or simply our ability to beat the competition – meant you always knew you would be challenged.

This desire to be better, lies at the heart of our performance. Neil, you may not be here in person, but thank you.

This Company has been proudly served by these two gentlemen; we will be the poorer for not having them with us, either at the Board table or on the Dock.

However it is not a sad moment in our history; it is part of the journey, and we intend having them both as part of the Mainfreight family for many years to come.

I simply cannot understand the criticism that has been levelled at our Board for its age and longevity of tenure.

As CEO I can advise this meeting that the help and assistance I receive from these Board members is crucial to our success.

Each has a deep knowledge of the transport industry, and the culture and reasons for the success of Mainfreight.

Importantly, we are all significant shareholders. To bow to politically correct and pedantic opinion is not part of our make-up. Replacing these men from a “pool” of retired businessmen and professional directors could significantly impact your investment in us.

We are in defining times.

Thank you