














HALF YEAR REPORT | DECEMBER 2005

Freightways

Freightways

 <p>Kiwi Express Couriers www.kiwiexpress.co.nz</p>	 <p>Security Express</p>	 <p>DX Mail www.dxmail.co.nz</p>	 <p>Parceline Express</p>
 <p>Online Security Services www.onlinesec.co.nz</p>	 <p>Document Destruction Service www.destruction.co.nz</p>	 <p>Data Security Services www.datasecurity.co.nz</p>	 <p>Archive Security www.onlinerecords.co.nz</p>
 <p>Air Freight NZ</p>	 <p>Fieldair Engineering www.fieldair.co.nz</p>	 <p>Freightways Information Services</p>	 <p>New Zealand Couriers www.nzcouriers.co.nz</p>
 <p>Castle Parcels www.castleparcels.co.nz</p>	 <p>Post Haste Couriers www.posthaste.co.nz</p>	 <p>SUB60 www.sub60.co.nz</p>	

Registered Office:
32 Botha Road
Penrose
DX CX10120
Telephone: (09) 571 9670
Facsimile: (09) 571 9671
www.freightways.co.nz

HALF YEAR REVIEW FROM THE CHAIRMAN AND MANAGING DIRECTOR

The Directors are pleased to present the financial results for Freightways Limited (Freightways) for the half year ended 31 December 2005.

Consolidated operating revenue of \$130 million for the half year was 11% higher than the prior corresponding period.

Earnings Before Interest Tax and Amortisation (EBITA) of \$29 million for the half year was 10% higher than the prior corresponding period.

Consolidated net profit after tax and minority interests of \$14 million for the half year was 20% higher than the prior corresponding period.

The Directors have declared a dividend of \$10.9 million reflecting the strong interim result. This dividend translates to 8.5 cents per share fully imputed, 13% higher than the previous interim dividend, and will be paid on 31 March 2006. The record date for determination of entitlements to the dividend is 17 March 2006.

The half year result to 31 December 2005 reflects another record period for Freightways. All Freightways businesses have delivered improved year on year performance.

REVIEW OF OPERATIONS

Express Package

The express package businesses contribute the majority of Freightways' revenue and earnings. Results from the brands of New Zealand Couriers, Post Haste Couriers, Castle Parcels, SUB60 and Security Express were all ahead of the prior half year. This performance demonstrates the underlying strength of Freightways' well recognised and strongly positioned brands in the marketplace. It also demonstrates the success with which Freightways has continued to implement its growth strategies in an environment where existing customers are not growing their express package deliveries at the same rate as they have done in recent years.

Modest growth from existing customers, good market share gains and disciplined pricing strategies have all contributed to revenue growth. Included in the express package businesses' revenue growth during this period is sales revenue achieved from the recent acquisition of Kiwi Express and pricing increases that have been introduced to offset the cost impact of the exceptionally high fuel prices during this period.

Investment has occurred in a number of areas, including increased network capacity and additional personnel to assist our service quality and growth strategies. The second year of our transition to a next generation IT operating environment has been managed to budget and timetable. Customer service initiatives further enhancing Freightways' competitive advantage will leverage this new system.

The acquisition in October 2005 of Kiwi Express, a well established point-to-point courier business operating in Auckland and Wellington, has been very successful. The Kiwi Express brand has been maintained in the marketplace and will continue to operate in its own right while leveraging the existing capability of Freightways' SUB60 business. Benefits of this acquisition are being evidenced through the delivery of improved operational performance for both SUB60 and Kiwi Express customers. This has been achieved through the ability to cross-utilise a significantly greater combined fleet of couriers for urgent across town delivery. Fleet size is the primary factor in an urgent point-to-point courier business' ability to achieve 1 hour deliveries in increasingly congested cities.

HALF YEAR REVIEW FROM THE CHAIRMAN AND MANAGING DIRECTOR

Business Mail

DX Mail has again delivered strong revenue growth in comparison to the previous half year. Demand for DX Mail's broad suite of alternative letter delivery services is continuing to grow from its targeted market of business mail customers. The development of DX Mail's domestic street mail delivery network is also progressing to plan. Although still in its infancy, the domestic street mail delivery network is contributing positively to an overall improved result for DX Mail.

Information Management

Archive Security, Document Destruction Services, and Data Security Services have again delivered a greatly improved result. Relocation of the Auckland operations into a purpose-built facility adjacent to Freightways' main operating site in Penrose was completed in October 2005. The Archive Security business in particular is experiencing significant growth, both from existing customers and from new customers who have made the decision to outsource the management of their archived documents. Consequently we have brought forward plans to extend our facilities in Auckland and Christchurch, with Wellington to follow shortly thereafter.

Internal service providers

The internal service providers of Fieldair Holdings (air linehaul/aviation engineering), Parceline Express (road linehaul) and Freightways Information Services (IT) continue to support our front line brands with outstanding service. In addition, Fieldair Engineering, the engineering arm of Fieldair Holdings that offers design, manufacturing and maintenance services to the aviation market, has experienced particularly strong growth. Corporate costs continue to be managed within expectations. Freightways' financing structure has been adequate to accommodate the growth and development of the business during this period.

OUTLOOK

Freightways will continue to take consistent, well-developed strategies to the market in areas where it has proven capability. Growth opportunities that exist in all three of its core markets will continue to be aggressively yet pragmatically pursued. It is expected that in the near term we will continue to see lower growth from our existing customers than has been experienced in recent years and that the business environment will remain challenging. Freightways' growth strategies are designed to lessen the impact of this slower growth, as has been evidenced in this half year result.

The Directors acknowledge the outstanding work and dedication that continues to be shown by management and staff throughout Freightways.



Wayne Boyd
Chairman



Dean Bracewell
Managing Director

7 February 2006



PricewaterhouseCoopers Tower
188 Quay Street
Private Bag 92162
Auckland
New Zealand
DX CP24073
www.pwc.com/nz
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

ACCOUNTANTS' REPORT

To the shareholders of Freightways Limited

We have reviewed the summary financial report ("financial statements") on pages 4 to 12. The financial statements provide information about the past financial performance and cash flows of the Group, comprising Freightways Limited and its subsidiaries for the half year ended 31 December 2005 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 9.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 December 2005 and its financial performance and cash flows for the half year ended on that date.

Accountants' responsibilities

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the half year ended 31 December 2005 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as accountants conducting this review and as auditors under the Companies Act 1993.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly the financial position of the Group as at 31 December 2005 and its financial performance and cash flows for the half year ended on that date in accordance with Financial Reporting Standard No. 24.

Our review was completed on 7 February 2006 and our review opinion is expressed as at that date.

Chartered Accountants, Auckland

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	6 mths ended 31 Dec 2005 Unaudited \$000	6 mths ended 31 Dec 2004 Unaudited \$000	Variance %
Operating revenue	129,796	117,226	11%
Other revenue	105	69	
Total revenue	129,901	117,295	11%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	31,043	28,212	10%
Depreciation	(2,375)	(2,212)	7%
Earnings before interest, tax and amortisation (EBITA)	28,668	26,000	10%
Amortisation of goodwill	(2,470)	(2,547)	(3%)
Earnings before interest and tax (EBIT)	26,198	23,453	12%
Net interest expense	(4,651)	(5,278)	(12%)
Net surplus before income tax	21,547	18,175	19%
Income tax	(8,011)	(6,937)	15%
Net surplus after income tax (NPAT)	13,536	11,238	20%
Net surplus attributable to minority interest	-	-	-
Net surplus attributable to members of the Company	13,536	11,238	20%

