

## FREIGHTWAYS LIMITED

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2003 (unaudited)

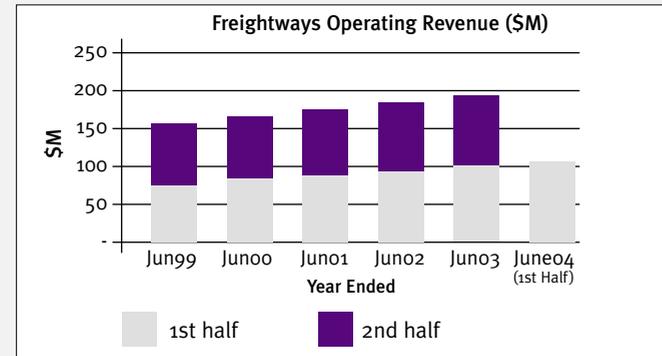
	December 2003 \$000
<b>Current assets</b>	
Cash and bank balances	3,024
Accounts receivable	30,857
Inventories	2,804
<b>Total current assets</b>	<b>36,685</b>
<b>Non-current assets</b>	
Fixed assets	40,770
Goodwill	71,236
Brand names	86,000
Deferred tax asset	1,050
Total non-current assets	199,056
<b>Total assets</b>	<b>235,741</b>
<b>Current liabilities</b>	
Payables and accruals	24,782
Provisions	354
Unearned income	15,068
<b>Total current liabilities</b>	<b>40,204</b>
<b>Non-current liabilities</b>	
Borrowings	131,000
Other	-
Total non-current liabilities	131,000
Total liabilities	171,204
<b>Net assets</b>	<b>64,537</b>

<b>Shareholders' equity</b>	
Share capital	54,045
Retained earnings	10,492
<b>Parent shareholders' equity</b>	<b>64,537</b>
Minority interest	-
<b>Total shareholders' equity</b>	<b>64,537</b>

## FREIGHTWAYS LIMITED

### CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY for the half year ended 31 December 2003 (unaudited)

	December 2003 \$000
<b>Equity at beginning of period, comprising:</b>	
- Ordinary shareholders' interest	40,318
- Minority interest	60,000
	100,318
<b>Net surplus for the period, comprising:</b>	
- Ordinary shareholders' interest	7,696
- Minority interest	789
<b>Total recognised revenues and expenses</b>	<b>8,485</b>
Dividends to ordinary shareholders	-
Dividends to minority interest	(789)
Distributions to minority interest on redemption of preference shares	(42,978)
Reduction in minority interest upon issue of ordinary shares	(17,499)
Issue of ordinary shares	17,499
Issue costs arising on issue of ordinary shares	(499)
<b>Movement in equity for the period</b>	<b>(35,781)</b>
<b>Equity at end of period, comprising:</b>	
- Ordinary shareholders' interest	64,537
- Minority interest	-
	64,537



## FREIGHTWAYS LIMITED

### ABRIDGED NOTES TO THE FINANCIAL STATEMENTS for the half year ended 31 December 2003 (unaudited)

#### 1. Statement of Accounting Policies

These unaudited interim financial statements are presented in accordance with the Companies Act 1993, the Financial Reporting Act 1993 and Financial Reporting Standard 24 and should be read in conjunction with the detailed historical financial information contained in the Freightways Investment Statement and Prospectus issued in August 2003 which was derived from the audited financial statements for the period ended 30 June 2003.

The accounting policies used in preparing these interim financial statements have been applied on a basis consistent with those reported in previous periods.

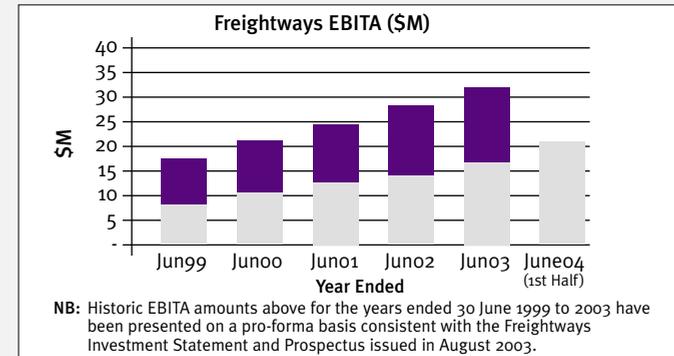
#### 2. Post Balance Date Events

On 2 February 2004, the Company announced the acquisition of the business and assets of records management company, Archive Security Limited, for \$7.5 million, payable in two equal tranches on 1 March and 1 June 2004.

On 9 February 2004, the directors declared an interim dividend of 5.85 cents per share or \$7.25 million to be paid on 31 March 2004 to the shareholders of record as at 19 March 2004. A supplementary dividend of 1.03 cents per share will be paid to overseas shareholders when the interim dividend is paid.

#### 3. Contingent Liabilities

As part of the 28 February 2003 sale of the Stocklink business, the Group gave normal commercial vendor warranties to the purchaser for twelve months from the date of sale, capped at approximately \$1.2 million. To date no claim has been received and none is expected in relation to these warranties. There are no other significant contingent liabilities relating to the Group at the date of this interim report.



#### 4. Capital Commitments

The Group had no capital commitments at the date of this interim report.

#### 5. Earnings Per Share

The earnings per share for the period were 6.85 cents per share. Calculated as net surplus after income tax divided by the number of fully paid shares on issue, including unpaid shares which were able to be converted to fully paid shares, as at 9 February 2004.

#### 6. Shares on Issue

As at 9 February 2004, the total number of fully paid ordinary shares on issue was 122,073,042. In addition, 1,877,392 unpaid shares were able to be converted to fully paid shares as at that date. A total of 4,450,445 unpaid shares were on issue as at 9 February 2004 which were not able to be converted to fully paid shares.

#### 7. Reconciliation of Net Surplus after Income Tax with Cash Flows from Operating Activities

	December 2003 \$000
<b>Net surplus after income tax</b>	<b>8,485</b>
<i>Add non-cash items:</i>	
Depreciation	2,436
Amortisation of goodwill	2,412
Movement in employee entitlements	298
Movement in provision for doubtful debts	6
Movement in deferred income tax	(518)
Net gain on sale and write off of fixed assets	(332)
<i>Movement in working capital:</i>	
Increase in receivables	(5,233)
Increase in inventories	(337)
Increase in trade and other creditors	2,668
Increase in income taxes payable	3,256
<b>Net cash inflows from operating activities</b>	<b>13,141</b>

#### 8. Leasing Commitments

The Group leases certain premises and plant & equipment and as a result has the following operating lease commitments:

	December 2003 \$000
- Payable not later than one year	3,938
- Payable between one and two years	2,627
- Payable between two and five years	3,589
- Payable later than five years	1,446
	<b>11,600</b>

# Freightways HALF YEAR REPORT

DECEMBER 2003

## HALF YEAR REVIEW

### From the Chairman and Managing Director

Directors are pleased to present the financial results for Freightways Limited (Freightways) for the half year ended 31 December 2003.

Operating performance for the prior comparable period has been presented on a pro-forma basis to reflect consolidated results had the parent entity existed at that time. Pro-forma adjustments enable a like for like comparison and take into account modestly higher compliance and depreciation costs as a result of Freightways' change of ownership and subsequent public listing.

Consolidated operating revenue of \$106 million for the half year was 7% higher than the prior corresponding period.

Earnings Before Interest Tax and Amortisation (EBITA) of \$20 million for the half year was 21% higher than the prior corresponding period.

Consolidated net profit after tax and minority interests was \$8 million. Cash generated from operations was \$20 million.

Directors have declared a dividend of \$7.25 million, exceeding the IPO forecast of \$6.75 million and reflecting the strong interim result. This dividend translates to 5.85 cents per share fully imputed, which will be paid on 31 March 2004. The record date for determination of entitlements to the dividend is 19 March 2004.

The half year result to 31 December 2003 reflects another record period for Freightways in which all its businesses have contributed improved profitability.

## REVIEW OF OPERATIONS

### Express Package

The express package businesses contribute the majority of Freightways' revenue and earnings. Results from our brands of New Zealand Couriers, Post Haste Couriers, Castle Parcels, SUB60 and Security Express showed strong growth over the prior half year. The favourable domestic economy and the characteristics of the express package niche of the transport industry continue to create growth opportunities that these businesses are developing in a disciplined manner.

Volume growth through increased activity from existing customers and some market share gains have been the primary driver of revenue growth. There has also been some small pricing and margin improvement. All express package brands increased their earnings and benefited from the leverage that is gained by adding revenue to Freightways' established national infrastructure.

### Business Mail

DX Mail continued to improve its profitability despite revenue not growing in comparison to the previous half year. A change in business mix to higher margin domestic mail products and improved productivity has contributed to this improved result. Demand for DX Mail's suite of postal services is high, with benefits flowing to the express package brands through mail pick-up and delivery.

### Information Management

The smaller information management brands of Document Destruction Services, Online Records Management and Data Security Services have delivered a significantly improved result. Document Destruction volumes are well up on the previous half year, greater market penetration is driving improved results in our Data Security Services brand and increased utilisation of our Online Records Management facilities have all contributed to a strong result.

The acquisition, announced earlier this month, of Archive Security, a long established privately owned records management business, adds scale and capacity to Freightways' growing records management business. This acquisition will position Freightways as the third largest

operator in New Zealand's records management industry. We believe our market differentiation strategies will continue to underpin the growth of our records management business in this growing market.

### Internal service providers

The internal service providers of Fieldair Holdings (air linehaul), Parceline Express (road linehaul) and Freightways Information Services (IT) continue to support our front line brands with outstanding service. Corporate costs continue to be managed within expectations.

### OUTLOOK

The half year results of Freightways have surpassed expectations. A continuation of current trading conditions and the continued successful implementation of Freightways' strategies are expected to deliver a result that will exceed Freightways' forecast for the full year to 30 June 2004 as shown in its IPO Investment Statement and Prospectus.

Freightways is a strong successful business that is well positioned to deliver continuing earnings growth. All markets that we operate in continue to show growth opportunities that will be developed in a disciplined manner. From Freightways' viewpoint, the domestic economy remains favourable and we do not foresee any material changes in our operating environment that will negatively impact on performance.

Directors acknowledge the outstanding work and dedication that has been shown by management and staff throughout Freightways.

The outlook for Freightways and its shareholders remains positive.



Wayne Boyd  
Chairman

9 February 2004



Dean Bracewell  
Managing Director

## FREIGHTWAYS LIMITED

### CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE for the half year ended 31 December 2003 (unaudited)

	Note	December 2003 \$000	December 2002 \$000	% variance
<b>Operating revenue</b>		106,358	99,814	7%
Other revenue		508	466	
<b>Total revenue</b>		<b>106,866</b>	<b>100,280</b>	<b>7%</b>
Earnings before interest, tax, depreciation and amortisation (EBITDA)				
	1	22,791	19,924	14%
Depreciation	2	(2,436)	(3,131)	
<b>Earnings before interest, tax and amortisation (EBITA)</b>		<b>20,355</b>	<b>16,793</b>	<b>21%</b>
Amortisation of goodwill		(2,412)		
Earnings before interest and tax (EBIT)				
		17,943		
Interest		(3,906)		
Net surplus before income tax and unusual items				
		14,037		
Income tax		(5,516)		
Net surplus after income tax and before unusual items				
		8,521		
Unusual items (loss of aircraft), net of tax:		(36)		
<b>Net surplus after income tax and unusual items (NPAT)</b>		<b>8,485</b>		
Net surplus attributable to minority interest		(789)		
<b>Net surplus attributable to members of the Company</b>		<b>7,696</b>		

#### Notes on comparative amounts:

Pro-forma amounts for 2002 are based on the reported performance of the Freightways Express Limited Group.

- EBITDA for 2002 has been increased by \$178,000 being the net savings in that period, on a pro-forma basis, of removing the historic management fees and recognising incremental compliance costs.
- Depreciation expense for 2002 has been increased by \$220,000 to reflect six months of depreciation on a comparable basis with the annual depreciation applicable to the assets that were restated to fair value at the time of Freightways' acquisition of the Freightways Express Limited Group in December 2002.

## FREIGHTWAYS LIMITED

### CONSOLIDATED STATEMENT OF CASH FLOWS for the half year ended 31 December 2003 (unaudited)

	December 2003 \$000
<b>Inflows (Outflows)</b>	
<b>Cash flows from operating activities</b>	
Receipts from customers	102,709
Payments to suppliers and employees	(82,516)
<b>Cash generated from operations</b>	<b>20,193</b>
Dividends received	1
Interest received	172
Interest and other costs of finance paid	(4,079)
Income taxes paid	(3,146)
<b>Net cash inflows from operating activities</b>	<b>13,141</b>
<b>Cash flows from investing activities</b>	
Payments for fixed assets	(1,528)
Insurance proceeds arising on loss of aircraft	2,381
Proceeds from sale of fixed assets	2
Proceeds from sale of business	385
<b>Net cash inflows from investing activities</b>	<b>1,240</b>
<b>Cash flows from financing activities</b>	
New bank borrowings	135,000
Repayment of bank borrowings	(109,955)
Costs of share issue	(499)
Dividends to minority interest	(1,469)
Distributions to minority interest on redemption of preference shares	(42,978)
<b>Net cash outflows from financing activities</b>	<b>(19,901)</b>
Net decrease in cash held	(5,520)
Cash at beginning of period	8,544
<b>Cash at end of period</b>	<b>3,024</b>

#### Non-Cash Financing and Investing Activities:

Freightways Limited raised \$17.5 million of ordinary share capital through the exchange offer included in the Freightways Limited Investment Statement and Prospectus (August 2003). Under the exchange offer \$17.5 million worth of Freightways Express Limited Preference Shares were exchanged for Freightways Limited Ordinary Shares. The exchange of shares took place on 29 September 2003, the date on which Freightways Limited listed on the NZX. \$0.5 million of transaction costs were netted against the equity raised, providing Freightways Limited with an additional \$17 million of equity.

