

## ANNUAL SHAREHOLDERS MEETING

### A. CHAIRMAN'S INTRODUCTION

**Slide 1. Freightways – 30 October 2008, Annual Shareholders Meeting**

**Slide 2. Wayne Boyd, Chairman**

Ladies and Gentlemen, welcome to Freightways' Annual Shareholders Meeting. My name is Wayne Boyd. I am the Chairman of Freightways' Board of Directors.

**Slide 3. Agenda**

Before we get underway I will run through the structure of the meeting.

- I will begin with procedural matters, introduce the Freightways Board and senior executive team to you and then summarise some of the Company's 2008 highlights. I will then ask Dean Bracewell, Freightways' Managing Director, to provide a review of the Company and an update on current trading performance.
- I ask that you hold all questions about the performance of the Company until the close of the Managing Director's presentation and direct them through the Chair. Any questions related to resolutions should be asked when we consider those resolutions.
- Following the Managing Director's presentation, we will attend to the resolutions as outlined in the notice of meeting.
- The notice of meeting, which includes the explanatory notes, has been circulated to all shareholders, and I intend to take it as read.

The Company's constitution prescribes a quorum requirement of 5 shareholders. As you can see this requirement is met. As a quorum is therefore present, the meeting is duly constituted and I declare it open.

Proxies have been appointed for the purpose of this meeting in respect of approximately 59 million ordinary shares. As was indicated on the proxy form, where proxy discretion has been given, the Directors and myself, as Chairman, intend to vote those proxies we have received in favour of the resolutions before the meeting.

I would now like to introduce those at the table with me:

- Mark Royle, Freightways' Chief Financial Officer and Company Secretary. Mark has over 20 years accounting and commercial experience of which 13 years were with a major international chartered accounting firm. Mark was appointed Chief Financial Officer and Company Secretary of Freightways 8 years ago, having spent a number of years prior to that with Freightways' then Australian owner.

Your Directors at the table are:

- Dean Bracewell, Freightways' Managing Director. Dean has spent almost his entire career with Freightways after initially joining the company in 1978. He has worked his way through the company and held a number of senior Executive and General Management roles within Freightways' subsidiary businesses prior to his appointment to Managing Director in 1999.
- Warwick Lewis. Warwick was Dean's predecessor as Managing Director of Freightways. Prior to that role he spent 18 years in the shipping industry both in New Zealand and the United Kingdom. In 1974 Warwick established Chep Handling Systems Limited and after 13 years with Chep was appointed to the role of Commercial Manager at Freightways. Warwick became Managing Director in 1994 where he remained until his retirement in 1999.
- Sir William Birch. Sir William began his career in 1957, when he established a private practice as a surveyor in Pukekohe. His keen interest in community affairs led to six years as Deputy Mayor of Pukekohe and election to Parliament in 1972. During his 27 years in Parliament he served for 15 years as a Minister of the Crown, including 6 years as Minister of Finance between 1993 and 1999. Sir William retired from Parliament in 1999 and commenced a private consultancy. Currently he is a member of the ABN AMRO Australia and New Zealand Advisory Council in an advisory capacity on business transactions and is a Director of ABN AMRO Australia Holdings Pty Limited. He is also a director of a number of other public and private companies, Chairman of Investment Research Group Limited and is a trustee of the MFL and SIL Superannuation funds. Sir William was knighted by the Queen for public services in 1999.
- Sue Sheldon. Sue is a Chartered Accountant and full-time professional director. She is Chairman of the National Provident Fund Board of Trustees and Wool Industry Network Limited, Deputy Chairman of Christchurch International Airport Limited and a director of Smiths City Group Limited, FibreTech NZ Limited and Electronic Transaction Services Limited. Sue is a former president of the Institute of Chartered Accountants of New Zealand.
- I was appointed a Director and elected Chairman of Freightways in June 2003. After practising law for 18 years and spending 5 years in investment banking, I established a specialist advisory business and a career as a professional director. I am also Chairman of Telecom NZ, Meridian Energy and Vulcan Steel.

**Also present today are several members of the Freightways executive team who I would like to introduce to you:**

- Steve Wells, General Manager of New Zealand Couriers.
- Mark Troughear, General Manager of Freightways Information Management Division.
- Richard Mitchell-Lowe, General Manager of Freightways Information Services.
- Stewart Maclaren, General Manager of Online Security Services.
- Mark Brightwell, General Manager of DX Mail.
- Charles Gilliam, General Manager of Fieldair Holdings.
- Neil Wilson, General Manager of Post Haste Limited.

- Devon Buckingham, Auckland Regional Manager of New Zealand Couriers Limited.
- Mark Skews, General Manager of Castle Parcels Limited.

These people are representative of the wider Freightways team who operate in every town and city throughout New Zealand and on the eastern sea-board of Australia. This team has considerable experience, often in more than one Freightways business and has an average tenure at Freightways of approximately 15 years per executive. It is a particular strength of Freightways that it is able to identify and promote talent from within, not only in these senior roles but across many occupations within the greater company.

The Company's Auditors PricewaterhouseCoopers are represented here today by John Harvey & Vicki Lawson and the Company's legal advisors Lee Salmon Long are represented here today by Matthew Pasley.

The Financial Statements for the year ended 30 June 2008 are set out in the Company's Annual Report that was released to shareholders earlier this month.

I would now like to speak briefly to some of the general and financial highlights of Freightways' 2008 year. I will then ask Dean Bracewell to address you.

#### **Slide 4. General Highlights**

In July 2006 Freightways embarked on its Australian growth strategy with its first offshore acquisition of DataBank that operated in New South Wales and Victoria. Since then further businesses have been acquired and others have been started-up. Today Freightways also operates in Queensland, South Australia and Australian Capital Territory. The successful execution of its Australian growth strategy has created an important platform for further growth.

Freightways' primary objective is to defend and grow its core express package business. A vast number of initiatives are implemented by a very experienced and capable team of people to achieve this objective. The express package operating environment during 2008 has been challenging with negative organic volume growth, fluctuating month on month volumes and rising costs, particularly in relation to fuel which has had a significant effect. It is therefore particularly pleasing that the core express package business has been able to deliver a result above the prior corresponding period.

The information management businesses both in New Zealand and Australia returned an outstanding result. Organic growth occurred in all three of this division's primary revenue streams of document storage, computer media storage and document destruction. In addition to this organic growth, Freightways was again able to identify and execute a number of key strategic acquisitions.

Freightways' over-arching strategy, which focuses on the continuing development of its existing businesses while also seeking complementary growth opportunities, has been executed in a manner that has again enabled the delivery of a record result to shareholders.

#### **Slide 5. Financial Highlights**

The results for this latest full year have been prepared in accordance with NZIFRS for the first time. As there is no longer a charge for goodwill amortisation, the EBITA and NPAT for prior corresponding periods have also had goodwill amortisation excluded for comparative purposes.

Consolidated operating revenue of \$324 million for the full year was 14% higher than the prior corresponding period.

Earnings before interest, tax and depreciation (EBITDA) of \$68.5 million for the full year was 9% higher than the prior corresponding period, while earnings before interest and tax (EBITA) of \$60.5 million for the full year was 7% higher than the prior corresponding period.

Consolidated net profit after tax (NPAT) of \$32.3 million for the full year was 5% higher than the prior corresponding period.

Cash generated from operations before interest and tax of \$67.5 million was 8% higher than the prior corresponding period.

The achievement of 5% Earnings Per Share growth is a very good result.

#### **Slide 6. Dividends**

The Directors declared a final dividend of \$11.9 million reflecting Freightways' sound financial result. This translated to 9.25 cents per share, fully imputed at a tax rate of 33%, which was paid on 30 September 2008. This brought the total payout in respect of the year to \$24.1 million or 18.75 cents per share, fully imputed, and was 4% higher than the prior year.

In a challenging environment, your company has successfully executed its strategies to again deliver a record result. The Board acknowledges the outstanding work and dedication of the Freightways team throughout New Zealand and Australia.

I'll now call on Dean Bracewell to address the meeting.

#### **Slide 7. Freightways – Dean Bracewell, Managing Director**

### **B. MANAGING DIRECTOR'S REVIEW AND TRADING UPDATE**

Thank-you Wayne and thank-you ladies and gentlemen for coming along today.

#### **Slide 8. Managing Director's presentation agenda**

My presentation will provide an update on the industries that Freightways works in and its businesses. I will then touch on Freightways' over-arching strategy, before finishing with an update on recent trading performance and the outlook for the foreseeable future.

#### **Slide 9. Express package & Business Mail**

#### **Slide 10. Express package industry**

The express package industry is imbedded in New Zealand business. As such the use of the services the industry provides is not a discretionary spend. If a package up to 25kg in weight needs to be delivered across town or across the country then it will most likely travel with a business such as ours. If business activity increases or decreases so to will express package industry volumes, albeit Just-in-Time supply chain methodology used today by most New Zealand businesses means that the express package industry may not experience all the extremes of a market slowdown.

The express package industry services all industries in New Zealand. Most, if not all, NZ businesses will have a relationship with an express package operator. As such the industry is not reliant on one sector for its activity but rather it spans all industry sectors. This reduces the risk of a specific industry sector affecting the performance of the entire express package industry.

There are two major players in the express package industry – a NZ Post/DHL JV company and Freightways. As such the industry is relatively consolidated, although there does remain a number of other smaller niche operators.

Growth of the express package industry will continue to be underwritten by the increasing demand for goods and services to be supplied faster today than they were in years gone by. It is this demand for urgent Just-in-Time delivery that will continue to drive increasing volumes to the industry over the medium term.

#### **Slide 11. Freightways express package & business mail division**

Freightways operates a multi-brand strategy. During the latter half of the 2008 financial year Freightways acquired NOW Couriers, a local metropolitan Auckland express package operator. Our brands are positioned as specialists in their respective niches of the market to cater for the different service demands of their respective customers. This brand strategy provides customers with the benefit of choice without having to leave the Freightways group and ensures that we are well positioned to capture growth across the market.

Wayne earlier described the level of experience amongst Freightways' executive team. This type of experience is replicated throughout these businesses right through to the front line where we interact several times a day with customers. This experience is a significant contributor to Freightways' competitive advantage.

Freightways' network of independent contractors who provide the physical pick-up, linehaul and delivery of packages are our primary partners in the express package businesses. Our business model shares the risk and reward of doing business and ensures that our front line people are highly motivated to provide customers with the service levels they expect. It also means that accountability for the major cost of providing our service is directly attributed to those who can best control the cost of providing that service.

Freightways has a strong culture of operational excellence and profit achievement throughout its businesses that has underpinned its growth and development over many years. This has meant it has been able to deliver superior performance to all stakeholders over a sustained period of time.

#### **Slide 12. Information Management**

#### **Slide 13. Information management industry**

Freightways views the information management industry as an emerging growth opportunity. Within the information management industry, Freightways offers specialist off-site management of electronic media in climate-controlled vaults, archiving and physical storage of documents and document destruction services to a wide range of business customers.

Accelerating growth has contributed to the strong performance of Freightways' information management businesses. This growth is being driven by an increasing awareness in the market for the need to professionally and securely manage the increasing volume of business information,

manage risk, meet increasing compliance requirements and assess the cost-benefit of outsourcing. Specifically, in regard to document destruction, there is a growing market demand to securely destroy documents and recycle paper.

A particularly positive feature of the information management industry is its recurring revenue streams that contribute to its resilience during times of fluctuating external markets.

The industry is relatively consolidated with a small number of operators servicing both the New Zealand and Australian markets.

#### **Slide 14. Information Management Businesses**

Freightways' information management businesses are experiencing strong growth on both sides of the Tasman and continue to demonstrate their resilience to the current economic downturn. In New Zealand, the businesses of Archive Security, Data Security Services, and Document Destruction Services are based in five key locations that enable the provision of a national service. In Australia, our businesses are concentrated in New South Wales, Victoria and Queensland. During 2008 DataBank established a new branch in South Australia and recently acquired the businesses of National Records Managers in ACT and Moorside Document Storage in Victoria.

In July 2007, Freightways announced the acquisition of the document destruction businesses of Shred-X and Document Destruction & Paper Recyclers in Queensland. Shred-X subsequently acquired Fine Paper Suppliers in Victoria in April 2008. These acquisitions have delivered against Freightways' initial expectations and also enabled the closer investigation of further growth opportunities within Australia.

Both DataBank and Shred-X offer a national service, using agents in states where they have no established operations.

The information management division currently contributes approximately 15% of Freightways' revenue and earnings. The performance of this division has been outstanding.

#### **Slide 15. Business strategy**

#### **Slide 16. Business Strategy**

Freightways' strategy is well developed and straightforward and has not materially changed in the last year. Firstly, and most importantly, it centres on enhancing capability within the core business, to ensure the retention of existing customers and to grow market share. Secondly Freightways' strategy is to leverage this capability by extending its presence into complementary areas of growth.

Your company is very well positioned in each of its markets, which all continue to provide growth opportunities.

Freightways will continue to train, develop and appropriately reward its people to ensure the future of its business is in experienced hands.

Freightways will continue to innovate and wherever possible further improve its service performance to customers. Technology continues to play a key role in delivering innovation.

These strategies are designed to deliver good profitability and long-term value to shareholders.

Acquisitions and alliances will continue to be explored where they complement Freightways' capability and add value. In addition, start-up opportunities will also be considered if they make commercial sense.

**Slide 17.      Trading update**

**Slide 18.      Operating revenue**

Freightways' 2008 result has continued its long term revenue growth profile. Freightways has achieved 5-year compound average annual revenue growth of 11%.

**Slide 19.      EBITA**

Revenue growth has translated into EBITA or operating earnings growth at an average 14% p.a. over the same period.

**Slide 20.      Current financial performance**

This slide shows Freightways' most current 'unaudited' financial performance drawn from its management accounts for the quarter through until 30 September 2008.

For the first three months of the current financial year, Freightways has delivered a positive result compared with the corresponding period in the prior year.

Strong revenue growth translating to an EBITDA increase of 8%, an EBITA increase of 5% and a NPAT increase of 3% above the prior period is a very sound result, particularly given the challenging environment that we have been operating in.

Freightways' core express package business has delivered a sound operating earnings result that again proves the resilience of its business model, its strong market positioning and the attractive features of its industry. The winter months of July and August that included an extra accounting week compared to the prior year were particularly quiet, whereas September has shown some positive improvement. Revenue improvement from quality market share gains and some pricing improvement have been able to lessen the effect of lower volumes from some existing customers. Costs continue to be well managed, albeit fuel cost increases related to this period will not be fully recovered until future reporting periods. The business mail division continues to rebuild earnings; however its performance at this stage remains below the previous year. Despite continuing to significantly grow its overall volume and revenue, a changing business mix from higher margin box-to-box volume to lower margin general postal volume has been detrimental to its earnings.

Freightways' information management division is as expected continuing to deliver year on year earnings growth in both New Zealand and Australia. Freightways' past strategic decision to enter this market to diversify its revenue base and geographical presence continues to prove its worth. Revenues in this division have shown notable resilience and continue to grow in spite of the economic cycle. The NPAT result includes interest costs associated with capital that we have invested in significant new facilities in Wellington and Queensland and in a new document storage business in Melbourne. These investment decisions provide capacity for future earnings growth.

Given the challenging environment it is operating in, Freightways is pleased to deliver a trading update that again demonstrates its resilience and the successful execution of its growth strategies.

**Slide 21. Outlook**

**Slide 22. Outlook**

Freightways' core express package business is expected to continue to perform soundly overall in line with recent trends, although fluctuating month-on-month volume makes it difficult to accurately forecast near term performance. The business mail division is expected to continue to recover its performance against the prior year.

Freightways' information management businesses both in New Zealand and Australia are expected to continue to improve their year-on-year performance.

In recent years, Freightways has successfully embarked on diversifying its activities both geographically and deeper into the information management market. Freightways will continue to seek and develop growth opportunities to support this strategy and continue to explore other opportunities that complement its existing capabilities. Capital allocation decisions associated with these growth initiatives will continue to be carefully and prudently considered.

In the near term, Freightways' performance is expected to continue the trend shown in this and recent results announcements, subject to any further deterioration in the New Zealand and Australian economies. In the medium to long-term and subject to business factors beyond its control, Freightways is exceptionally well positioned to reap the benefits of any improvement in the marketplace and to deliver positive performance for shareholders and other stakeholders.

**Slide 23. Summary**

In summary, your company is strong and successful. It is well positioned to deliver continuing earnings growth and to pay a good dividend along the way.

Thank-you.