HALF YEAR REPORT
DECEMBER 2013

Freightways

Freightways

New Zealand Couriers
www.nzcouriers.co.nz

Post Haste Couriers
www.posthaste.co.nz

Castle Parcels
www.castleparcels.co.nz

Now Couriers
www.nowcouriers.co.nz

SUB60
www.sub60.co.nz

Kiwi Express Couriers
www.kiwiexpress.co.nz

Security Express
www.securityexpress.co.nz

Pass The Parcel
www.passtheparcel.co.nz

Stuck
www.stuck.co.nz

DX Mail
www.dxmail.co.nz

Dataprint
www.dataprint.co.nz

Air Freight NZ

Fieldair Engineering
www.fieldair.co.nz

Parceline Express

Freightways Information Services

Online Security Services
www.onlinesecurity.co.nz

Archive Security
www.onlinesecurity.co.nz

Data Security Services
www.onlinesecurity.co.nz

Document Destruction Service
www.onlinesecurity.co.nz

Databank
www.databank.com.au

Shred-X
www.shred-x.com.au

Filesaver
www.filesaver.com.au

HALF YEAR REVIEW FROM THE CHAIRMAN AND MANAGING DIRECTOR

The Directors are pleased to present the financial result of Freightways Limited (Freightways) for the half year ended 31 December 2013.

Highlights include the widespread strength of this result, which has delivered record performance in the express package and information management businesses, the successful execution of a number of acquisitions that has enhanced the strategic positioning of the Company, and express package market leader New Zealand Couriers reaching the 50th year milestone.

Operating performance

In respect of the prior comparative period (pcp) for the half year ended 31 December 2012, a one-off $1 million non-taxable benefit to operating profit relating to the reversal of an accrued acquisition earnout payment that was not payable was recorded in the Income Statement as a non-recurring item. The Directors believe that this non-recurring income amount should not be included when assessing the underlying operating performance of the Company and again this benefit has been excluded from the pcp numbers referred to in this narrative.

Consolidated operating revenue of $218 million for the half year was 6% higher than the pcp.

Earnings (operating profit) before interest, tax, depreciation and amortisation (EBITDA), of $42 million for the half year and Earnings (operating profit) before interest, tax and amortisation (EBITA) of $36 million for the half year were 6% and 7% higher, respectively, than the pcp.

Consolidated net profit after tax (NPAT) of $22 million for the half year was 9% higher than the pcp.

Cash flows generated from operations were again strong at $40 million.

Earnings per share (EPS) for the half year was 14.1 cents per share, an improvement of 8% over the pcp.

Dividend

The Directors have declared an interim dividend of 10 cents per share, fully imputed at a tax rate of 28%. This represents a pay out of approximately $15.4 million compared with $13.9 million for the pcp interim dividend of 9 cents per share. The interim dividend will be paid on 7 April 2014. The record date for determination of entitlements to the interim dividend is 21 March 2014.

The Dividend Reinvestment Plan (DRP) will not be offered in relation to this interim dividend. As a capital management tool, the application of the DRP will be reviewed for each future dividend.

REVIEW OF OPERATIONS

Divisional results are provided below for the express package & business mail division and the information management division for the half year ended 31 December 2013.

Express package & business mail

The express package & business mail division operates a multi-brand strategy in the domestic market through New Zealand Couriers, Post Haste, Castle Parcels, NOW Couriers, SUB60, Security Express, Kiwi Express, Stuck, Pass The Parcel, DX Mail and Dataprint.

Operating revenue of $168 million for the half year was 7% higher than the pcp.

EBITDA of $31 million for the half year and EBITA of $28 million for the half year were 6% and 7% higher than the pcp, respectively.

Freightways' express package brands are positioned to service different niches of the market, including urgent one hour delivery, premium through economy metropolitan, and overnight to two day nationwide deliveries. Our brands service a wide range of industry sectors. A particularly positive characteristic of our half year performance is that it was widespread, with all Freightways brands recording improved performance compared to the pcp. Underpinning this result is the successful execution of a range of business strategies that have been rewarded with continuing support and progressively increasing activity from our existing customer base. Quality market share gains and pricing improvement, that has assisted in offsetting cost increases, have also been achieved during the period.

HALF YEAR REVIEW FROM THE CHAIRMAN AND MANAGING DIRECTOR

Freightways' suite of express package brands includes the iconic New Zealand Couriers, or NZC, as it is often labelled. NZC was the pioneer of New Zealand's express package industry when it started as a local door-to-door delivery company in 1964. Demand grew quickly and so did the services it offered. Today NZC services every New Zealand town and city and delivers to around 98% of all addresses throughout the nation. NZC's business model is supported by a large team of employees and a fleet of independent contractors who provide the physical pick-up, linehaul and delivery of packages, including some individuals who have contracted to NZC for over 30 years. NZC's growth and development has been characterised by constant operational and service innovation and, most importantly, by a service culture that sets it apart as a market leader. 2014 sees NZC reach its '50th year' milestone.

Our business mail operator, DX Mail, is successfully executing a wide range of growth strategies. At the half year its performance, as expected, was behind the pcp, however the traction it is achieving in the market is encouraging, particularly in regards to its physical postal delivery business. On the back of customer demand, DX Mail continues to expand its nationwide offering of 'overnight' delivery for standard-priced letters. DX Mail's strategies also include working alongside its existing and new customers as they contemplate the benefits of moving to increased digital communication, and accordingly is experiencing good activity levels in the digital services offered by its Dataprint mailhouse business.

Overall the express package & business mail division has delivered a strong result.

Information management

The information management division is established in New Zealand through the brands of Online Security Services, Archive Security, Document Destruction Services and Data Security Services and in Australia through the brands of DataBank, Archive Security, Filesaver and Shred-X.

Operating revenue of $51 million for the half year was 3% above the pcp.

EBITDA of $12 million for the half year and EBITA of $10 million for the half year were 5% and 8% higher than the pcp, respectively.

The information management division has again recorded a strong result on both sides of the Tasman, with revenue growth in their respective currencies of 13% in New Zealand and 9% in Australia ahead of the pcp.

Growth in document and computer back-up tape storage, increased document destruction service activity and a growing take-up of the digital services offered by this division have all contributed to this strong performance. Four acquisitions were completed during the latter stages of the half year that add scale to our existing operations and significantly expand our customer base. All these acquisitions have migrated successfully and are at this early stage performing to expectations.

Overall, the performance of the information management division has again been very strong.

Internal service providers

Fieldair Holdings provides airfreight linehaul services, Parceline Express provides road linehaul services and Freightways Information Services provides IT development and support to the express package & business mail division. All three internal service providers have continued to deliver outstanding service, underpinning the service offered by our front line businesses.

Corporate

Corporate overhead costs continue to be well contained. Acquisitions during the half year have been funded from operating cash flows and an increase of approximately $9 million in net debt drawn from existing finance facilities.

Capital expenditure of $9 million was invested during the half year, primarily to provide capacity for growth, including expenditure on facilities and related equipment, IT infrastructure and airfreight capability.

HALF YEAR REVIEW FROM THE CHAIRMAN AND MANAGING DIRECTOR

OUTLOOK

We expect the positive growth evident in this half year result to continue for the foreseeable future.

Within our express package businesses we are particularly encouraged by the growth that has led to this half year result. We expect this growth to continue both from Business to Business (B2B) and Business to Consumer (B2C) deliveries.

Our smaller DX Mail business will continue to operate in a challenging and overall declining physical letters market, despite which it is expected to continue to attract increasing customer demand for its street delivery, mailhouse and digital services (that also leverages the information management division's capabilities).

The growth that we are experiencing in our information management businesses is expected to continue and will be compounded by the benefit of our newly-acquired businesses. Revenue earned from the sale of recycled paper is expected to remain at similar levels to those which have been achieved within this half year result and are not expected to recover in the near term.

Capital expenditure for the half year was $9 million and is expected to be approximately $16 million to support the growth and development of both Freightways operating divisions. Overall, cash flows are expected to remain strong throughout the 2014 financial year.

Freightways will continue to seek out and develop growth opportunities, including acquisitions and alliances that complement its core capabilities.

Subject to business factors beyond its control, Freightways is well positioned to benefit from any further improvement in the markets in which it operates.

CONCLUSION

Freightways has delivered a record half year result. The positive features of the markets it operates in, the resilience and flexibility of its business models and the successful execution of its growth strategies by a very experienced and capable team are evident in this result. Accordingly, the Directors have been able to declare a fully imputed 10 cents per share interim dividend.

The Directors acknowledge the outstanding work and ongoing dedication of the Freightways team of people throughout New Zealand and Australia and in particular acknowledge NZC's 50th year.

Susan Sheldon	**Dean Bracewell**
Chairman	***Managing Director***

24 February 2014

INDEPENDENT ACCOUNTANTS' REPORT

To the shareholders of Freightways Limited

Report on the interim financial statements

We have reviewed the interim condensed financial statements ("financial statements") of Freightways Limited on pages 5 and 7 to 19, which comprise the balance sheet as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the interim financial statements

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 2013, and its financial performance and cash flows for the period ended on that date.

Accountants' responsibility

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.

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 period ended 31 December 2013 in accordance with the Review Engagement Standards issued in New Zealand.

Other than in our capacity as accountants conducting this review and auditors under the Companies Act 1993, we have no relationship with, or interests in, Freightways Limited.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 31 December 2013 and its financial performance and cash flows for the period ended on that date.

Restriction on distribution or use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an accountants' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our review procedures, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
Auckland
24 February 2014

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 (9) 355 8000, F: +64 (9) 355 8001, www.pwc.com/nz

CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

	Note	6 mths ended 31 Dec 2013 $000	6 mths ended 31 Dec 2012 $000	Variance %
Operating revenue	3	218,282	206,712	6%
Transport and logistics expenses		(91,916)	(86,638)	6%
Employee benefits expenses		(55,490)	(53,737)	3%
Occupancy expenses		(9,454)	(9,129)	4%
General and administrative expenses		(19,389)	(17,573)	10%
Operating profit before interest, income tax, depreciation and software amortisation, amortisation of intangibles and non-recurring items		42,033	39,635	6%
Depreciation and software amortisation		(5,869)	(5,871)	-
Operating profit before interest, income tax, amortisation of intangibles and non-recurring items		36,164	33,764	7%
Amortisation of intangibles		(478)	(140)	241%
Operating profit before interest, income tax and non-recurring items		35,686	33,624	6%
Non-recurring items before income tax*		-	1,000	-
Operating profit before interest and income tax	3	35,686	34,624	3%
Net interest and finance costs		(5,942)	(6,661)	(11%)
Profit before income tax		29,744	27,963	6%
Income tax		(8,001)	(6,929)	15%
Profit for the period attributable to shareholders		21,743	21,034	3%
Earnings per share for the period:**				
Basic earnings per share (cents)		14.1	13.7	
Diluted earnings per share (cents)		14.1	13.6	

* The non-recurring item in the prior period relates to the reversal of an accrued acquisition earnout payment for which the financial hurdle required to be met as at 30 June 2013 was not expected to be achieved.

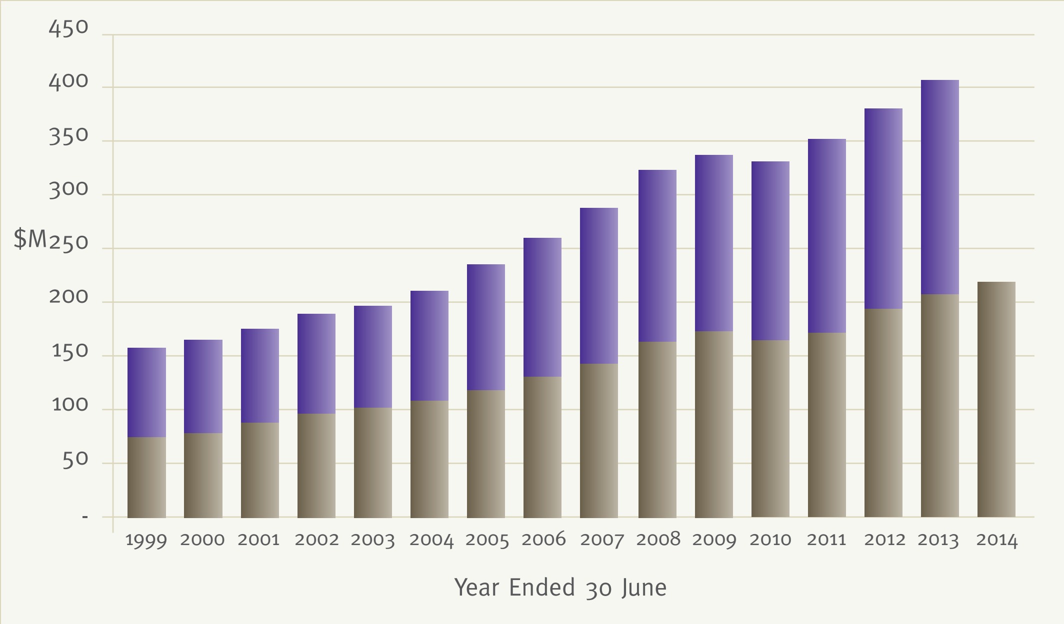
** Basic and diluted earnings per share for the 6 months ended 31 December 2012, calculated on the profit for the period excluding non-recurring items, were both 13.0 cents.

NB: All revenue and earnings are from continuing operations.

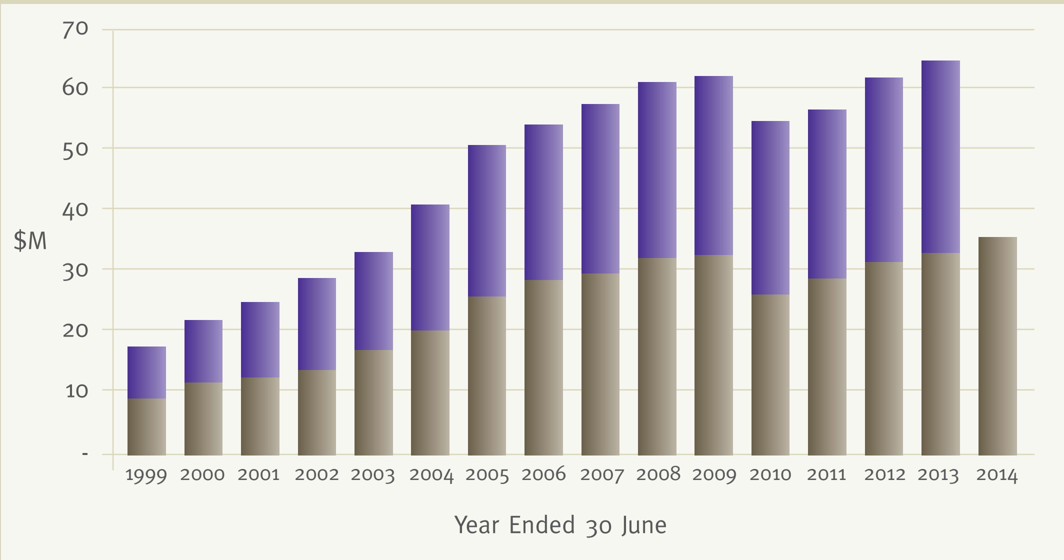
The above Income Statement should be read in conjunction with the accompanying notes.

FINANCIAL SUMMARY (UNAUDITED)

FREIGHTWAYS OPERATING REVENUE



FREIGHTWAYS EBITA*



* This EBITA graph represents the operating results of the company, exclusive of any non-recurring items.

1st half 2nd half

NB:

– Historic EBITA amounts above for the years ended 30 June 1999 to 2003 have been presented on a pro-forma basis consistent with the Freightways Investment Statement and Prospectus issued in August 2003.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

	6 mths ended 31 Dec 2013 $000	6 mths ended 31 Dec 2012 $000
Profit for the period	21,743	21,034
Other comprehensive income		
Exchange differences on translation of foreign operations	(2,547)	714
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges taken directly to equity, net of tax	2,837	78
Total other comprehensive income after income tax	290	792
Total comprehensive income for the period attributable to the shareholders	22,033	21,826

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

	Note	6 mths ended 31 Dec 2013 $000	6 mths ended 31 Dec 2012 $000
Equity at the beginning of the period		187,299	173,304
Profit for the period		21,743	21,034
Exchange differences on translation of foreign operations		(2,547)	714
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges taken directly to equity, net of tax		2,837	78
Total comprehensive income for the period		22,033	21,826
Dividends paid		(15,038)	(14,630)
Issue of ordinary shares, net of costs		386	371
Equity at the end of the period	4	194,680	180,871

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013 (UNAUDITED)

	Note	As at 31 Dec 2013 $000	As at 31 Dec 2012 $000	As at 30 Jun 2013 $000
ASSETS				
Current assets				
Cash and cash equivalents		1,120	4,023	3,484
Trade and other receivables		67,781	62,549	54,894
Inventories		8,659	8,613	8,562
Total current assets		77,560	75,185	66,940
Non-current assets				
Trade and other receivables		419	656	456
Property, plant and equipment		91,195	91,514	89,522
Intangible assets		287,422	281,027	276,034
Deferred tax asset		-	588	313
Total non-current assets		379,036	373,785	366,325
Total assets		456,596	448,970	433,265
LIABILITIES				
Current liabilities				
Trade and other payables		59,342	48,721	48,694
Finance lease liabilities		107	88	114
Provisions		347	333	313
Derivative financial instruments		320	649	440
Unearned income		14,559	14,067	13,833
Total current liabilities		74,675	63,858	63,394
Non-current liabilities				
Trade and other payables		2,828	4,179	3,250
Borrowings (secured)	5	166,978	177,624	160,763
Deferred tax liability		9,139	6,040	6,561
Provisions		1,996	1,615	1,858
Finance lease liabilities		72	122	121
Derivative financial instruments		6,228	14,661	10,019
Total non-current liabilities		187,241	204,241	182,572
Total liabilities		261,916	268,099	245,966
NET ASSETS		194,680	180,871	187,299
EQUITY				
Contributed equity	4	122,046	121,634	121,660
Retained earnings		82,679	70,508	75,974
Cash flow hedge reserve		(5,017)	(11,373)	(7,854)
Foreign currency translation reserve		(5,028)	102	(2,481)
TOTAL EQUITY	4	194,680	180,871	187,299

The above Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

	Note	6 mths ended 31 Dec 2013 $000 INFLOWS (OUTFLOWS)	6 mths ended 31 Dec 2012 $000 INFLOWS (OUTFLOWS)
Cash flows from operating activities			
Receipts from customers		207,145	200,116
Payments to suppliers and employees		(167,270)	(163,321)
Cash generated from operations		39,875	36,795
Interest received		32	8
Interest and other costs of finance paid		(6,021)	(7,033)
Income taxes paid		(9,489)	(8,947)
Net cash inflows from operating activities	6	24,397	20,823
Cash flows from investing activities			
Payments for property, plant & equipment		(7,915)	(6,716)
Payments for software		(1,089)	(629)
Proceeds from disposal of property, plant & equipment		49	40
Payments for businesses acquired		(15,511)	(2,983)
Payments for other investing activities		(229)	(410)
Net cash outflows from investing activities		(24,695)	(10,698)
Cash flows from financing activities			
Dividends paid		(15,038)	(14,630)
Increase (decrease) in bank borrowings		12,721	(679)
Net proceeds from issue of ordinary shares		206	159
Finance lease liabilities repaid		(88)	(40)
Net cash outflows from financing activities		(2,199)	(15,190)
Net decrease in cash and cash equivalents		(2,497)	(5,065)
Cash and cash equivalents at the beginning of the period		3,484	9,130
Exchange rate adjustments		133	(42)
Cash and cash equivalents at the end of the period		1,120	4,023

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

1. BASIS OF PREPARATION

The interim financial statements are those of Freightways Limited (the 'Company') and its subsidiary companies (together with the Company, referred to as the 'Group'). The Company is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

The Group is designated as a profit-orientated entity for financial reporting purposes.

The financial statements are stated in New Zealand dollars and rounded to the nearest thousand, unless otherwise indicated.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards (IFRS).

2. CHANGES IN ACCOUNTING POLICIES

The interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these condensed consolidated group interim financial statements are to be read in conjunction with the most recent annual report which can be obtained from the Company's registered office or www.freightways.co.nz.

- NZ IFRS 10 Consolidated Financial Statements, NZ IFRS 11 Joint Arrangements, NZ IFRS 12 Disclosure of Interests in Other Entities and revised NZ IAS 27 Separate Financial Statements and NZ IAS 28 Investments in Associates and Joint Ventures (mandatory for annual reporting periods beginning on or after 1 January 2013). The major changes under the standards are:

    - NZ IFRS 10 replaces all of the guidance on control and consolidation in NZ IAS 27 *Consolidated and Separate Financial Statements* and NZ SIC-12 *Consolidation – Special Purpose Entities.* The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships.

    - NZ IFRS 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. NZ IFRS 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

    - NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28.

    - NZ IAS 27 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements.

    - Amendments to NZ IAS 28 provide clarification that an entity continues to apply the equity method and does not re-measure its retained interest as part of ownership changes where a joint venture becomes an associate and vice versa. The amendments also introduce a "partial disposal" concept.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

The Group adopted these new standards from 1 July 2013 and there has been no material impact on the financial statements.

- NZ IFRS 13 Fair Value Measurement (mandatory for annual reporting periods beginning on or after 1 January 2013). NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures.

  The Group adopted this new standard from 1 July 2013 and there has been no material impact on the financial statements.

- IAS 16 (Amendment as part of annual improvements project 2011) (effective for annual periods beginning on or after 1 January 2013). The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. Following the amendment, equipment used for more than one period is classified as property, plant and equipment.

  The Group adopted this amendment from 1 July 2013 and there has been no material impact on the financial statements.

3. SEGMENT REPORTING

(a) Description of segments

The Group is organised into the following reportable operating segments which categorise the business into its primary markets and reflect the structure and internal reporting used by the Managing Director, as the chief operating decision maker, and the Board to assist strategic decision-making and allocation of resources:

Express package & business mail
Comprises network courier, point-to-point courier and postal services.

Information management
Comprises secure paper-based and electronic business information management services.

Corporate & other
Comprises corporate, financing and property management services.

The Group has no individual customer that represents more than 2% of external sales revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

(b) Segment analysis

	EXPRESS PACKAGE & BUSINESS MAIL	INFORMATION MANAGEMENT	CORPORATE & OTHER	INTER-SEGMENT ELIMINATION	CONSOLIDATED OPERATIONS
	$000	$000	$000	$000	$000
Half year ended 31 December 2013					
Sales to external customers	167,001	51,281	-	-	218,282
Inter-segment sales	1,065	48	2,043	(3,156)	-
Total revenue	168,066	51,329	2,043	(3,156)	218,282
Operating profit before interest, income tax, depreciation and software amortisation and amortisation of intangibles	30,857	11,718	(542)	-	42,033
Depreciation and software amortisation	(3,007)	(2,156)	(706)	-	(5,869)
Operating profit before interest, income tax and amortisation of intangibles	27,850	9,562	(1,248)	-	36,164
Amortisation of intangibles, excluding software amortisation	(25)	(453)	-	-	(478)
Operating profit before interest and income tax	27,825	9,109	(1,248)	-	35,686
Net interest and finance costs	(76)	(34)	(5,832)	-	(5,942)
Profit before income tax	27,749	9,075	(7,080)	-	29,744
Income tax	(7,820)	(2,764)	2,583	-	(8,001)
Profit for the period attributable to the shareholders	19,929	6,311	(4,497)	-	21,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

(b) Segment analysis (continued)

	EXPRESS PACKAGE & BUSINESS MAIL	INFORMATION MANAGEMENT	CORPORATE & OTHER	INTER-SEGMENT ELIMINATION	CONSOLIDATED OPERATIONS
	$000	$000	$000	$000	$000
Half year ended 31 December 2012					
Sales to external customers	156,852	49,860	-	-	206,712
Inter-segment sales	911	84	1,952	(2,947)	-
Total revenue	157,763	49,944	1,952	(2,947)	206,712
Operating profit before interest, income tax, depreciation and software amortisation, amortisation of intangibles and non-recurring items	28,983	11,164	(512)	-	39,635
Depreciation and software amortisation	(2,928)	(2,288)	(655)	-	(5,871)
Operating profit before interest, income tax, amortisation of intangibles and non-recurring items	26,055	8,876	(1,167)	-	33,764
Amortisation of intangibles, excluding software amortisation	(50)	(90)	-	-	(140)
Operating profit before interest, income tax and non-recurring items	26,005	8,786	(1,167)	-	33,624
Non-recurring items before income tax	-	-	1,000	-	1,000
Operating profit before interest and income tax	26,005	8,786	(167)	-	34,624
Net interest and finance costs	(12)	16	(6,665)	-	(6,661)
Profit before income tax	25,993	8,802	(6,832)	-	27,963
Income tax	(7,359)	(2,552)	2,982	-	(6,929)
Profit for the period attributable to the shareholders	18,634	6,250	(3,850)	-	21,034

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

4. EQUITY

	CONTRIBUTED EQUITY $000	RETAINED EARNINGS $000	CASH FLOW HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	TOTAL EQUITY $000
Balance at 1 July 2013	121,660	75,974	(7,854)	(2,481)	187,299
Profit for the period	-	21,743	-	-	21,743
Dividend payment	-	(15,038)	-	-	(15,038)
Shares issued, net of costs	386	-	-	-	386
Cash flow hedges taken directly to equity, net of tax	-	-	2,837	-	2,837
Exchange differences on translation of foreign operations	-	-	-	(2,547)	(2,547)
Balance at 31 December 2013	122,046	82,679	(5,017)	5,028	194,680
Balance at 1 July 2012	121,263	64,104	(11,451)	(612)	173,304
Profit for the period	-	21,034	-	-	21,034
Dividend payment	-	(14,630)	-	-	(14,630)
Shares issued, net of costs	371	-	-	-	371
Cash flow hedges taken directly to equity, net of tax	-	-	78	-	78
Exchange differences on translation of foreign operations	-	-	-	714	714
Balance at 31 December 2012	121,634	70,508	(11,373)	102	180,871

Contributed equity

Fully paid ordinary shares

As at 31 December 2013, there were 154,234,424 fully paid ordinary shares on issue (2012: 153,997,286). All fully paid ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

Partly paid ordinary shares

On 11 September 2013, 148,386 partly paid shares were issued to certain senior executives under the rules of the Freightways Senior Executive Performance Share Plan (2012: 155,832). The issue price per share was $4.12 (2012: $3.97) and the shares have been paid up by the relevant participants to one cent per share. The balance of the issue price per share may only be paid up upon the participants meeting agreed performance hurdles and upon the expiry of the applicable three-year escrow period in accordance with the Plan rules. As at 31 December 2013, there were 507,845 partly paid ordinary shares on issue (2012: 521,597). Partly paid ordinary shares have no voting rights and no rights to dividends and surplus on winding up.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

Partly paid shares, fully paid up to ordinary shares

On 11 September 2013, 162,138 (2012: 84,127) partly paid shares were fully paid-up by certain Freightways senior executives upon the achievement of agreed performance targets in accordance with the terms of the original issue of the relevant partly paid shares under the Freightways Senior Executive Performance Share Plan. The average issue price per share was $2.85 (2012: $2.84).

Employee share plan

On 12 September 2013, the Company issued 75,000 fully paid ordinary shares at $3.71 each to Freightways Trustee Company Limited, as Trustee for the Freightways Employee Share Plan (2012: 75,000 fully paid ordinary shares at $3.57 each). In total, participating employees were provided with interest-free loans of $0.3 million to fund their purchase of the shares in the Share Plan (2012: $0.3 million). The loans are repayable over three years and repayment commenced in October 2013.

5. BORROWINGS (SECURED)

As at 31 December 2013, the Group's debt facilities comprised NZ$110 million and A$82 million (2012: NZ$110 million and A$70 million), of which NZ$92 million and A$69 million (2012: NZ$99 million and A$62 million) had been drawn, respectively. The Group also had an undrawn bank overdraft facility of NZ$8 million available (2012: NZ$8 million).

The Group was in compliance with all its banking covenants throughout this financial period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

6. RECONCILIATION OF PROFIT FOR THE PERIOD WITH CASH FLOWS FROM OPERATING ACTIVITIES

	6 mths ended 31 Dec 2013 $000	6 mths ended 31 Dec 2012 $000
Profit for the period	21,743	21,034
Add non-cash items:		
Depreciation and amortisation	6,347	6,011
Movement in provision for doubtful debts	174	79
Movement in deferred income tax	2,892	1,462
Net loss (gain) on disposal of fixed assets	(11)	(17)
Net foreign exchange loss (gain)	(47)	-
Movement in derivative fair value	30	39
Items not included in profit for the period:		
Cash flow hedges taken directly to equity	(2,837)	(78)
Movement in working capital, net of effects of acquisitions of businesses:		
(Increase) decrease in trade and other receivables	(12,995)	(8,845)
(Increase) decrease in inventories	(148)	(484)
Increase (decrease) in trade and other payables	10,673	5,026
Increase (decrease) in income taxes payable	(1,424)	(3,404)
Net cash inflows from operating activities	24,397	20,823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

7. TRANSACTIONS WITH RELATED PARTIES

Trading with related parties: The Group has not entered into any material external related party transactions which require disclosure.

Key management compensation: Compensation paid during the period (or payable as at 31 December 2013 in respect of the half year) to key management, which includes senior executives of the Group and non-executive independent directors, is as follows:

	2013 $000	2012 $000
Short-term employee benefits	3,056	2,905
Long-term employee benefits	-	-
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payments	109	72

8. FINANCIAL RISK MANAGEMENT

The Group has a treasury policy which is used to assist in managing foreign exchange and interest rate risks. The interim financial statements do not include all financial risk management information and disclosures and should be read in conjunction with the Group's annual financial statements as at 30 June 2013 contained in its Annual Report, which can be obtained from the Company's registered office or www.freightways.co.nz.

There have been no significant changes in the Group's risk management objectives and policies since 30 June 2013.

In the period to 31 December 2013 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

Fair values

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - Quoted prices (adjusted) in active markets for identical assets or liabilities at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - Inputs that are observable for the asset or liability, either directly (i.e., as prices; other than quoted prices referred to in Level 1 above) or indirectly (i.e., derived from prices). The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the fair value of an instrument is included in Level 2.

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs). In these cases, the fair value of an instrument would be included in Level 3.

Specific valuation techniques used to value financial instruments include:

- In respect of interest rate swaps, the fair value is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- discounted cash flow analysis for other financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

The Group's derivative financial instruments are all Level 2 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments in the period to 31 December 2013.

There were no reclassifications of financial assets and finance liabilities since 30 June 2013.

The carrying value of the following financial assets and liabilities approximate their fair value:

- cash and cash equivalents
- trade and other receivables
- trade and other payables
- bank borrowings

9. BUSINESS COMBINATIONS

During the half year ended 31 December 2013, the Group acquired a number of small information management businesses in Australia and New Zealand for purchase consideration totalling approximately $17.4 million. These businesses have been integrated into the Group's information management division.

The contribution of these businesses to the Group results for the half year ended 31 December 2013 was revenue of $0.8 million and operating profit before interest, income tax and amortisation of intangibles of $0.3 million. In addition, $0.4 million was incurred in execution costs during the period.

If these acquisitions had all occurred at the beginning of the period, the contribution to revenue and operating profit before interest, income tax and amortisation of intangibles for the period is estimated at $3.8 million and $1.1 million, respectively.

Details of net assets acquired and goodwill for these acquisitions are as follows:

	$000
Purchase consideration	
Cash paid during the period	14,766
Estimated additional cash consideration payable for working capital	550
Fair value of future earn-out payments	2,049
Total purchase consideration	17,365
Fair value of assets and liabilities arising from the acquisition	
Cash and cash equivalents	248
Trade and other receivables	895
Plant and equipment	1,282
Customer relationships	8,686
Goodwill	9,582
Trade and other payables	(639)
Unearned income	(208)
Deferred tax liability	(2,481)
	17,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

Future earn-out payments up to a maximum discounted amount of $2.1 million, included in purchase consideration above, may be payable over the next two years, but are contingent upon certain financial performance hurdles being achieved. The potential undiscounted amount of all future earn-out payments of purchase consideration that the Group could be required to make in respect of these acquisitions is between nil and $2.2 million.

The goodwill of $9.6 million arising upon these acquisitions is attributable to such benefits as the strategic value of increasing and strengthening the respective national network coverage of the Group's information management services in both New Zealand and Australia, intellectual property obtained and economies of scale expected to be enhanced by integrating these businesses into the operations of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquisition accounting for these acquisitions has been determined on a provisional basis. The fair value of assets and liabilities acquired, including identified intangible assets, will be finalised within 12 months from the respective acquisition dates and upon confirmation of certain determinants.

10. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2013, the Group had capital commitments to purchase equipment for $1.7 million (2012: $1.2 million to purchase equipment).

As at 31 December 2013, the Group had outstanding letters of credit and bank guarantees issued by its lenders totalling approximately $2 million (2012: $2 million). The letters of credit relate predominantly to support for regular payroll payments. The bank guarantees relate to security given to various landlords in respect of leased operating facilities.

There were no other contingent liabilities as at 31 December 2013 (2012: nil).

11. NET TANGIBLE ASSETS PER SECURITY

Net tangible assets (liabilities) per security at 31 December 2013 was ($0.55) (2012: ($0.60)).

12. POST BALANCE DATE EVENTS

Dividend declared

On 24 February 2014, the Directors declared a fully imputed interim dividend of 10 cents per share (approximately $15.4 million) in respect of the year ended 30 June 2014. The dividend will be paid on 7 April 2014. The record date for determination of entitlements to the dividend is 21 March 2014. A supplementary dividend of 1.765 cents per share will be paid to overseas shareholders when the interim dividend is paid. The Freightways Dividend Reinvestment Plan will not operate for this dividend.

As pioneers of New Zealand's express package industry, we trace our origins back to 1964.

For inquiries in relation to Freightways' services and products contact the offices listed below or refer to Freightways' website at www.freightways.co.nz.

Messenger Services Limited
32 Botha Road
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www.kiwiexpress.co.nz
www.stuck.co.nz
www.securityexpress.co.nz

New Zealand Couriers Limited
32 Botha Road
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DX CX10119
AUCKLAND
Telephone: 09 571 9600
www.nzcouriers.co.nz

Post Haste Limited
32 Botha Road
Penrose
DX EX10978
AUCKLAND
Telephone: 09 579 5650
www.posthaste.co.nz
www.passtheparcel.co.nz

Castle Parcels Limited
163 Station Road
Penrose
DX CX10245
AUCKLAND
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www.castleparcels.co.nz

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PO Box 1184
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www.shred-x.com.au

New Zealand Document Exchange Limited
32 Botha Road
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Telephone: 09 526 3150
www.dxmail.co.nz
www.dataprint.co.nz

Online Security Services Limited
33 Botha Road
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AUCKLAND
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www.onlinesecurity.co.nz

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