NEW ZEALAND POST GROUP

MEDIA RELEASE

24 August 2012

IMPROVED RESULT BUT CHALLENGES REMAIN FOR NEW ZEALAND POST

A bounce-back by Kiwibank, a substantial one-off non-cash gain resulting from the acquisition of DHL's 50 percent share in the joint venture courier and logistics business Express Couriers Limited (ECL) and the continued decline in postal revenues are features of New Zealand Post Group's 2011/2012 annual result.

In announcing the result today, the New Zealand Post Group Board said while the recorded Net Profit after Tax (NPAT) of $169.7 million, compared to last year's result of -$35.6 million, is pleasing, it cautioned that it was largely driven by a significantly improved performance by Kiwibank and the gain arising from the ECL acquisition.

Group Chief Executive Brian Roche said "the net profit figure must be considered in the context of our core postal business which continues to be in decline in both revenue and volumes. Kiwis posted 54 million fewer letters in the past year, contributing to a decline in letters revenue of $17 million".

Excluding one-off adjustments the Group operating NPAT was $79.8 million compared to $41.7 million last year.

"Our postal business is benefiting from improvements to product and service offerings, careful management of costs and continued improvements to our operations model. However, we have exhausted these short-term fixes. The continuing volume and revenue decline in our traditional core business is further evidence we must proceed with fundamental change," he said.

Kiwibank has emerged from a challenging couple of years in which it bore the brunt of bad debt provisioning resulting from flat economic conditions and the Christchurch earthquakes. Kiwibank achieved an improved after-tax profit of $79.1 million compared to $21.2 million the previous year.

The acquisition of Gareth Morgan Investments has greatly enhanced the Group's existing KiwiSaver offering and extends its investment management capability.

The Group result was positively impacted by an accounting adjustment which added $96.2 million to the NPAT resulting from the acquisition of DHL's share of ECL. This transaction led to the release for accounting purposes of the previously unrealised gain that arose when the joint venture was created in 2005. There were also $6.3 million of other restructuring costs.

Mr Roche said further progress had been made on the strategies to which the Board committed two years ago – to build a sustainable physical network, to deliver a superior customer experience, to grow Kiwibank, and to create a digital future.

"We now have a 100 percent owned courier and logistics company which is able to take advantage of the growth in the parcels and logistics markets.

“We are continuing to test new banking and postal services, self service kiosk technology and store designs. Results of this testing are being applied to the design of the next phase of development in our retail network.

“Much of the work to ‘clear the decks’ of non-performing non-core businesses has also been completed, enabling us to concentrate capital investment in New Zealand-based financial, postal and digital services,” he said.

Mr Roche said while it was pleasing to have advanced these initiatives, much work lay ahead to achieve the design of a sustainable, viable physical network, and an improved service delivery network.

“It is imperative New Zealand Post has the regulatory certainty to allow us to adapt to present market conditions and to plan for the future. We are currently constrained by the 1998 Deed of Understanding committing us to service obligations and network design pre-dating the digital revolution.

“I am confident if the necessary regulatory changes are made, New Zealand Post Group has the strategies to grow and prosper, benefiting businesses and communities. Work is ongoing with the Government to secure changes to the Deed of Understanding” Mr Roche said.

	FY 2012 $m	**FY 2011 $m**
Revenue	1309.4	1266.9
Expenditure	1223.5	1297.2
EBIT	204.7	(25.0)
NPAT	169.7	(35.6)

END

Media contact: John Tulloch (External Communications Manager) 027 429 9249;
john.tulloch@nzpost.co.nz