NEW ZEALAND POST GROUP

MEDIA RELEASE

QUAKES AND WRITE-OFFS HIT NZ POST RESULT

26 August 2011

New Zealand Post Group has recorded a loss for the year ended 30 June 2011 due to a number of adverse impacts over the past 12 months.

Group Chief Executive Brian Roche announced a loss of - $35.6 million which included a negative impact of $29.1 million as a result of the devastating Canterbury earthquakes. This compared with a Net Profit after Tax (NPAT) of $1.3 million for 2009/10.

Other factors impacting on the result were restructuring within the Group, costs associated with exiting certain components of the Australian investments held by the company, and ongoing depressed economic conditions.

Adverse events included;

- An increase in Kiwibank bad debt provisioning of $67 million compared to last year in response to the impacts of depressed economic conditions and the Christchurch earthquakes.
- As foreshadowed in the half year result, the divestment and sale process of part of the Group's Australian holdings, Parcel Direct Group, (PDG), resulting in a write down of $35 million.
- Restructuring costs of $12.3 million as part of a major realignment of the business to be able to better meet the changing needs of New Zealanders.

The underlying Group profit is $41.7 million after tax compared to $73.6 million last year.

"While the result is very disappointing, the Group is confident of a return to a positive NPAT in the coming financial year," Mr Roche said.

Mr Roche said the underlying performance of the Group however showed some resilience with major business units such as the traditional postal services performing adequately in very challenging conditions.

“There is a need for significant change in the way we operate parts of our business if we are to be sustainable. We have made substantial progress in implementing some of those changes and will continue the process in the coming year.

“A plan of action to create a viable, sustainable postal network for the future in the face of ongoing and inevitable declines in mail volumes will be put to the Board this financial year.

“Work will also continue towards transformation of the store network to ensure economic viability. These changes will improve access to and convenience of services for customers utilising technology while continuing to provide a valued community presence,” said Mr Roche.

Mr Roche said other major work underway to reposition the business consisted of:

- Continuing to grow Kiwibank, building on the strong base that has been established.
- Building a digital future to meet the changing requirements of our customers and to create earnings growth and diversity.

Mr Roche said the past two financial years had been extremely challenging ones for the Group. In addition to weaker market conditions and the Canterbury earthquakes, the business has had to make some tough decisions on the carrying value of assets and investments which have had negative short-term impacts on the NPAT.

With the majority of the significant items affecting the reported result being non-cash coupled with the trends of recent months, the issues are not expected to have a material effect on the Group’s ability to meet its dividend or debt obligations. The Group’s cash position remains strong. The Standard and Poor’s credit rating is AA- (stable).

“The Group has taken necessary and prudent actions which have seen us create a solid foundation to reinvigorate the business. While the challenges are significant it is an exciting time for New Zealand Post. We are actively involved in detailed planning of the changes that will secure our future, improve service to our customers and provide a better return to our shareholders,” Mr Roche said.

	FY 2011 $m	FY 2010 $m
Revenue	1279	1204
Expenditure	1309	1179
EBIT	(25.0)	47.4
NPAT	(35.6)	1.3

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