NEW ZEALAND POST GROUP

MEDIA RELEASE

New Zealand Post Group posts improved operating profit; parcels overtakes letters revenue

29 August, 2014

The first year of the New Zealand Post Group's five-year strategy has yielded an improved operating performance in 2014.

The *Delivering our Future* refreshed strategy, announced last year, aims to transform the Group in response to falling letter volumes and profit growth opportunities in financial services and parcels.

The Group's reported net profit after tax (NPAT) for the year was $107 million. The corresponding figure from the previous year was $121 million – which was bolstered by a gain of $72 million from the sale of Datacom.

At an operating level, the Group's net profit after tax in the year ended 30 June 2014 increased to $124 million, up from $111 million the previous year (up 11 per cent). The improvement was driven by lower structural costs, growth in the parcels and logistics business, and a steady financial result from Kiwibank.

A dividend of $5 million was returned to the Government.

Group Chief Executive Brian Roche said the better operating performance was an encouraging validation of New Zealand Post's strategy so far, as the Group starts to rebuild sustainable profitability. Transformation from a traditional postal service business would continue and New Zealand Post expected to make further progress this year.

Mr Roche said overall, the delivery services (mail and logistics) business had performed well in 2014 and improved its contribution, in a year that marked a historic shift in revenue mix.

"For the first time in New Zealand Post's history, revenue from packages and parcels has exceeded revenue from letters. This marks a significant moment for us and reinforces the need to make the changes we have embarked upon.

"We will continue to invest in an integrated parcels, logistics and letters business, move non-corporate retail outlets to a 'store within a store' basis and seek parcel growth and ecommerce opportunities as letter volumes drop further."

Domestic letter volumes fell by around 7 per cent to 642 million in 2014 and are forecast to drop to below 500 million a year within three years.

Kiwibank returned a 3 per cent improvement in after-tax profit of $100 million, driven primarily by increased interest margins and release of bad debt provisions, Mr Roche said.

Kiwibank grew its main bank (personal banking) market share from 10.3% to 11.0% during the year and, following a final $40m equity investment by New Zealand Post, is continuing to track towards capital self-sufficiency. Lending growth was softer than forecast amid a rising interest rate environment in the second half of the year, but still above that of major competitors.

In a significant change in emphasis, Kiwibank has recently been given operational responsibility for all corporate retail stores, to further develop and deepen customer service relationships.

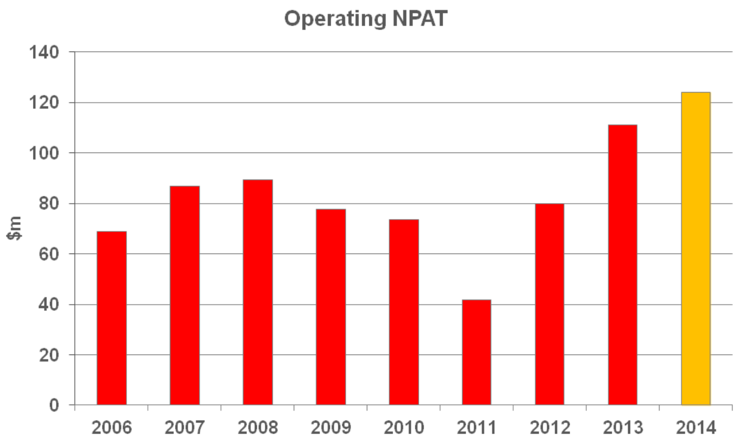
The Group's balance sheet remains stable and supportive of the long term focus on employing capital in areas of the business with the most profit growth potential.

Mr Roche said overall he was satisfied with progress made during the year against the Group's strategy.

"The changes we have made are starting to flow through in our financial performance and we expect further improvements from these changes over time.

"However, the continuing decline of letter volumes here and overseas and a highly competitive environment for banking and parcels means we cannot afford to take our foot off the accelerator. Our total focus on successful implementation of the strategy will continue in 2015."

	FY 2014 $m	FY 2013 $m
Revenue	1,661	1,688
Expenditure	1,505	1,623
Operating EBIT	187	163
NPAT	107	121
Operating NPAT	124	111



Underlying (operational) net profit after tax since 2006

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