NZ Post Group
Half Year Results
FY2016
## Headline numbers

<table>
<thead>
<tr>
<th>NZ$m</th>
<th>H1 2016</th>
<th>H1 2015</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from operations</td>
<td>766</td>
<td>836</td>
<td>↓70m</td>
</tr>
<tr>
<td>Expenditure</td>
<td>668</td>
<td>741</td>
<td>↓73m</td>
</tr>
<tr>
<td>Operating profit (reported)</td>
<td>98</td>
<td>95</td>
<td>↑3m</td>
</tr>
<tr>
<td><strong>NPAT (reported)</strong></td>
<td>110</td>
<td>100</td>
<td>↑10m</td>
</tr>
<tr>
<td>Adjustments*</td>
<td>(36)</td>
<td>(14)</td>
<td></td>
</tr>
<tr>
<td><strong>NPAT (underlying)</strong></td>
<td>74</td>
<td>86</td>
<td>↓12m</td>
</tr>
<tr>
<td>Operating EBIT</td>
<td>112</td>
<td>127</td>
<td>↓15m</td>
</tr>
<tr>
<td>Total equity**</td>
<td>1,259</td>
<td>1,252</td>
<td>↑7m</td>
</tr>
<tr>
<td>Total assets</td>
<td>19,863</td>
<td>17,999</td>
<td>↑1,864m</td>
</tr>
<tr>
<td>Net debt</td>
<td>87</td>
<td>159</td>
<td>↓72m</td>
</tr>
</tbody>
</table>

* Gain on sale of Converga and other one-off items
Highlights of the year, so far...

Strategic
- Integrated deliver agent programme (for multi-product delivery vehicles) approved following trials in Wellington and pilot in Taranaki
- Process Innovation programme receives Board endorsement
- Final stage of the Kiwibank’s CoreMod programme (Stage III) gains approval in principle

Operational
- Mail delivery frequency changes for standard mail successfully implemented from 1 July
- Teamed up with TradeMe to offer a worldwide shipping solution, online quotes & parcel pick-ups
- Print & send from anywhere: kiosk trial at NZPH with more to come this year
- Z Energy: parcel collection trial at 5 Wellington sites
- Retail store substitution from corporate ownership continues with 17 company owned stores converted to agencies and another 13 planned by the end of June 2016

Portfolio
- Sale of the Converga Group in November for A$75m produced a NZ$42m gain on sale
- S&P raises credit rating outlook from ‘negative’ to stable’
- Real Aotearoa business set to cease trading
Profitability

Kiwibank remains the major contributor to Group earnings

→ Underlying Group NPAT of $74m for the first half of the year is reflective of a **stable performance** across the Group and is expected to translate into a marginally positive year-on-year improvement by June.

→ Half year dividend held at $2.5m ($5.0m full year) reflecting the need to conserve capital whilst strategic initiatives take effect at the **mid-point** of the Group’s 5 year transformation programme.

→ **Dividends** from Kiwibank to the NZ Post will likely form the basis of a revised dividend policy to the Crown in the future.
Balance sheet

Capital demands increasing

→ Core debt levels remain stable and supportive of the Group’s long term strategy of employing capital in the transformation of the business

→ Wholesale bond (NZ Post bonds) of $150m due for maturity/replacement in November this year

→ Balance sheet cash resources (ex KB) of c. $300m produced a ‘stable’ credit rating outlook improvement from S&P. Capital is being managed to balance strategic investment timing with any impact on the credit rating

→ Further potential undrawn lines of liquidity total $310m in addition to the Crown’s uncalled capital facility of $300m (being emergency support for Kiwibank)

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### NZP debt maturity $m as at 31 December 2015

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Facility/ Programme size (NZDm)</th>
<th>Drawn (NZDm)</th>
<th>Maturity</th>
<th>Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash advance</td>
<td>100</td>
<td>0</td>
<td>1-2 years</td>
<td>n/a</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>200</td>
<td>40</td>
<td>&lt;94 days</td>
<td>~2.80%</td>
</tr>
<tr>
<td>NZP Bonds</td>
<td>200</td>
<td>150</td>
<td>Nov-16</td>
<td>5.225%</td>
</tr>
<tr>
<td>NZP Hybrid Notes</td>
<td>200</td>
<td>200</td>
<td>Nov-39</td>
<td>6.35%</td>
</tr>
</tbody>
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Source: NZP

Commercial Paper

Wholesale Bond

Hybrid Bond

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NZP debt maturity $m as at 31 December 2015

- 2016
- 2039

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FY 2016 Half Year Results
SEGMENTAL PERFORMANCE
POST, FINANCIAL SERVICES & INVESTMENTS
Profit mix

Operating Net Profit After Tax (NPAT) $m

- Financial Services
- Group ex-Fin Serv
- Group Underlying NPAT

Half Year operating result

- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- H1 2016

FY 2016 Half Year Results
Revenue mix*

* Proportional underlying revenue mix, net of assets sales

** Print Mail, Stamps & Collectables, BPO
The first six months produced a solid interim result and underpins continuing change activities, mid-way through the 5 year transformation programme.

The decline in letter volumes has continued as expected, with letter numbers falling by 30 million during this period, or 9.1%. This is despite the more than 4.8 million letters sent during the NZ Flag referendum.

The focus on the customer and growing the parcels business remain key priorities, driving activities that will lift both parcel volume and revenue.

Growth in online shopping saw parcel volume increase by 7% during the pre-Christmas period (November and December) compared with the previous year.

<table>
<thead>
<tr>
<th>Segment NPAT (per Half Year Report)</th>
<th>One-off costs</th>
<th>Operating NPAT</th>
<th>Change from H1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$(7)m</td>
<td>$6m</td>
<td>$(1)m</td>
<td>n/c</td>
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</table>

→ The first six months produced a solid interim result and underpins continuing change activities, mid-way through the 5 year transformation programme

→ The decline in letter volumes has continued as expected, with letter numbers falling by 30 million during this period, or 9.1%. This is despite the more than 4.8 million letters sent during the NZ Flag referendum

→ The focus on the customer and growing the parcels business remain key priorities, driving activities that will lift both parcel volume and revenue.

→ Growth in online shopping saw parcel volume increase by 7% during the pre-Christmas period (November and December) compared with the previous year.
Volume trends - at the half year point

Rolling 12 month volume changes

Flat line implies steady rate of change. Slope implies an acceleration of change.

↑ 4.2% Packages & Parcels

↓ 9.8% Letters

Total volume trend
Mail volumes

volume decline forecast to accelerate, with minor uplift from electoral driven activity in H1 FY18
Parcel volumes

steady growth especially from international markets, plus a focus on increasing share of the domestic market

Forecast annual parcel growth path forecast in excess of our current Business Plan
## Financial Services

<table>
<thead>
<tr>
<th>Banking Services (per Disclosure Statement)</th>
<th>Reported NPAT</th>
<th>Change from H1 FY2015</th>
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<tbody>
<tr>
<td>$71m</td>
<td>n/c</td>
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<table>
<thead>
<tr>
<th>Non-Banking Services (mostly Wealth &amp; Insurance)</th>
<th>Reported NPAT</th>
<th>Change from H1 FY2015</th>
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<tbody>
<tr>
<td>$2m</td>
<td>↑$1m</td>
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</table>

- **Total lending** (home loans, business banking and credit cards) increased 8.6% from $15.05 billion to $16.35 billion
- **Customer deposits** increased 8.6% from $13.3 billion to $14.4 billion
- **Customer base** continues to grow: total customer base now at 920,000 (880,000 at the same time in 2014)
- **Funds under management** up 6.7% to $3.8 billion
- **Dividend paid** to NZ Post of $24m, bringing total dividends paid in 2015 to $46m
## Investments

Divestment in favour of the core businesses has continued over the first half of the year, and all but complete...

<table>
<thead>
<tr>
<th>Converga Group</th>
<th>Performance commentary</th>
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<tr>
<td></td>
<td>On 30 November Converga Group was sold to Canon Australasia for AUD$75m, which created a gain on sale of NZD$42m</td>
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<table>
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<th>Reachmedia (50% owned)</th>
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<tr>
<td></td>
<td>Continues to perform in line with management expectations. Small contribution to external earnings. No immediate plans for divestment</td>
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## Contact Details

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>DDI</th>
<th>Mobile</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
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<td>+64 21 346 104</td>
<td><a href="mailto:david.walsh@nzpost.co.nz">david.walsh@nzpost.co.nz</a></td>
</tr>
<tr>
<td>Kevin Hastings</td>
<td>Investor Relations Manager</td>
<td>+64 4496 4923</td>
<td>+64 27 706 6485</td>
<td><a href="mailto:kevin.hastings@nzpost.co.nz">kevin.hastings@nzpost.co.nz</a></td>
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<td></td>
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<tr>
<td>Investor Centre</td>
<td></td>
<td><a href="http://www.nzpost.co.nz/about-us/investor-centre">http://www.nzpost.co.nz/about-us/investor-centre</a></td>
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