Financial Update

Investor Relations Presentation
Three stage transformation

<table>
<thead>
<tr>
<th>Year</th>
<th>Develop Plan</th>
<th>Execute Plan</th>
<th>Benefits accrue</th>
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<tbody>
<tr>
<td>2010</td>
<td>First new management team in place</td>
<td>Completion of new Group Leadership Team including several external hires</td>
<td>NZ Post’s transformation is ongoing but benefits from 2 years of restructuring will begin to accrue</td>
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<td></td>
<td>Review of businesses and group strategy</td>
<td>Strategic plan now being executed with long-term benefits but short-term restructuring costs</td>
<td>Target growth in core businesses and strong financial performance</td>
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<td></td>
<td>Development of a strategic plan to tackle reduced chronic reduction in postal volumes</td>
<td>Active portfolio management leading to further balance sheet write offs</td>
<td>Growth through the bank – committed to Kiwibank and funding its growth</td>
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<td></td>
<td>Initial write offs booked</td>
<td>These changes will rebuild the profitability in the business and reposition it for the future</td>
<td>Reposition as a trusted digital intermediary alongside heritage postal business</td>
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NZ Post’s transformation is ongoing but benefits from 2 years of restructuring will begin to accrue.

Target growth in core businesses and strong financial performance.

Growth through the bank – committed to Kiwibank and funding its growth.

Reposition as a trusted digital intermediary alongside heritage postal business.
Update for 2011 results

Execution of strategic plan leading to one-off costs

→ 2011 NPAT target of $60.8m will not be met due as short-term costs are booked in order to reposition the group for long-term growth

→ Strong cash position and underlying profitability maintained demonstrating proactive cost control against flat economic conditions however a variety of factors have impacted reported profitability:
  
  ─ Christchurch earthquake – costs of $35-40m including a $25m provision for bad debt at Kiwibank
  
  ─ Restructuring and write-down costs
    → Retail transformation in order to tackle the loss-making store network
    → Strategy to simplify to core activities leading to write downs in non core assets e.g. loss on sale of aircraft in H1 2011 of $5.7m
    → Continued flat economic conditions impact future valuations
  
  ─ Kiwibank bad debt provisions reported in H1 of $26m – increase versus the same period last year
Impact of Christchurch earthquake

Large impact on NZ Post Group

→ Tragic loss of a member of staff, Melissa Neale, who was visiting the REAL Aotearoa store from the Stamps team in Wellington

→ Overall staff impact from damage to their own homes and difficult living conditions – Wellbeing Centre opened and Crisis Coordination team established

→ Delivery re-established within 7 days of the earthquake to streets where delivery was possible

→ Contact centre moved from destroyed building in central city to the Christchurch mail centre within 3 days

→ ECL contributed to the response by providing freight and logistics at no cost to consumers

→ 6 stores permanently closed and 7 box lobbies relocated away from central city and damaged suburbs
Financial implications

Range of associated costs

→ The Christchurch earthquake had both immediate and ongoing costs for NZP

→ Building damage costs of c. $2.5m

→ $5-10m impact on EBIT
  - Costs associated to services provided for free during the crisis
  - Continued downturn in regional economy activity

→ $25m provision for potential Kiwibank bad debts relating to home loans
  - This is an initial estimate that may be updated as more information becomes available
NZ Post is focused on three core and growth businesses without the distraction of a large non-core portfolio.

<table>
<thead>
<tr>
<th>Division</th>
<th>Description</th>
<th>Brand Highlights</th>
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<tbody>
<tr>
<td>Financial</td>
<td>Kiwibank and New Zealand Home Loans</td>
<td></td>
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<tr>
<td>Postal</td>
<td>The delivery of post and packages via time and service based offerings, and the channels to maximise this</td>
<td></td>
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<tr>
<td>Digital</td>
<td>Platforms to link businesses with customers, leveraging trusted brand position</td>
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Focus on the core portfolio

Postal

- Re-organisation from 1 July 2011 – Operations and Customer Services and Solutions
- Removal of duplicated costs in previously siloed businesses
- Re-focus on customer creating solutions to answer their needs rather than market pre-designed product
- Continual improvement of efficiency in both processing and delivery
- Retail transformation to overhaul store network including introduction of new technology (e.g. kiosks) and new locations (e.g. PO boxes at local supermarket/petrol station)

Financial Services

- Kiwibank was launched in 2002 and has achieved excellent growth since inception and 8% main bank share
- Kiwibank continues to innovate and is targeting diversification into a wider range of services to maintain asset growth: business banking, wealth management, bancassurance
- Management of risk – containing costs while growing the business
- $310m injected by NZP to date but targeting capital self sufficiency in the medium term
- Healthy liquidity with core funding ratio of 82% well in excess of 70% RBNZ requirement from July 2011

Digital

- Need to leverage NZP’s trusted brand, networks and experience to create an innovative service where NZP is a trusted intermediary in communications and transactions in the digital space
- Potential development of a digital post network – NZP has recently licensed a digital postal platform from US-based Zumbox
- Localist – responding to the needs and demands of small, local businesses and the trend for consumers to both 1) use social media and 2) stay local
- Datacom – 36% stake in respected ICT provider with full service offering
# Group Leadership Team

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<tr>
<th>Name</th>
<th>Position</th>
<th>Years</th>
<th>Biography</th>
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<tbody>
<tr>
<td><strong>Brian Roche</strong>, CEO, NZ Post Group</td>
<td>2010</td>
<td></td>
<td>Brian has held a wide variety of leadership roles in New Zealand with a particular focus on transport, treaty settlements, education and housing. He was project manager for the successful bid to secure the hosting rights to Rugby World Cup 2011.</td>
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<tr>
<td><strong>Mark Yeoman</strong>, CFO, NZ Post Group</td>
<td>2009</td>
<td></td>
<td>Mark was previously CFO at Airways and before that CEO of Samoa’s telecom and postal company where he managed its transformation from a government department to a State-Owned Enterprise. Mark has held a number of executive roles in a wide-range of technology based industries in Australia and New Zealand after beginning his career with Deloitte.</td>
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<td><strong>Ashley Smout</strong>, Group GM, Operations</td>
<td>2011</td>
<td></td>
<td>Ashley was previously CEO at Airways Corporation of New Zealand. Before joining Airways Corporation in 1999, Ashley spent 10 years in general management roles with Schneider Electric, including positions in Australia and Singapore.</td>
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<td><strong>Mark Gibson</strong>, CEO, Express Couriers</td>
<td>2005</td>
<td></td>
<td>Mark was appointed as CEO of ECL after holding a number of senior roles within Courier Post. Mark has an executive management background across a number of different industries, including freight, distribution, retail and automotive.</td>
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<td><strong>Malcolm Shaw</strong>, Group Manager, Assurance</td>
<td>2000</td>
<td></td>
<td>Malcolm’s role also includes General Counsel and Company Secretary. He has an extensive legal background, as Legal Counsel for Contact Energy, Assistant General Counsel for the New Zealand Dairy Board and as a lawyer for a number of firms both in New Zealand and overseas.</td>
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<td><strong>Paul Brock</strong>, CEO, Kiwibank</td>
<td>2002</td>
<td></td>
<td>Paul has an extensive background in New Zealand's banking industry, including managerial roles with Westpac and Trust Bank. He was part of the team that created Kiwibank in 2002 and has held a number of key positions within the bank, including GM Marketing and GM Savings and Transactions.</td>
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<td><strong>Gary Woodham</strong>, Group GM, Customer Services &amp; Solutions</td>
<td>2004</td>
<td></td>
<td>Gary was previously CEO of Datam (formerly Datamail). He has extensive experience in business process outsourcing, change management, and customer experience, including 27 years with Databank/EDS in New Zealand and Asia Pacific.</td>
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<td><strong>Jacqui Cleland</strong>, Group Manager, HR</td>
<td>2007</td>
<td></td>
<td>Jacqui was previously GM IR at Inland Revenue and before that HR Manager in Fonterra’s Marketing and Innovation Division. She previously researched and lectured in human resource management at Massey University and has performed HR consulting both in New Zealand and overseas.</td>
</tr>
<tr>
<td><strong>Paul Reid</strong>, Group GM, Innovation &amp; Technology</td>
<td>2011</td>
<td></td>
<td>Paul was previously CEO at MetService Limited. Before joining MetService in 2007, Paul held a variety of senior commercial and operational positions with Air New Zealand, Carter Holt Harvey and Ernst &amp; Young.</td>
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FINANCIAL POSITION
Healthy cash flow

→ The majority of the financial impact on the 2011 results are balance sheet write downs, taken through the P&L, with limited adverse impact on cash

→ Net debt at NZP (excluding Kiwibank) has remained stable over the past few years given that the underlying performance of the group remains steady

→ Cash flow from operations remains very healthy aided by the cash flows from the mature postal business and Kiwibank has funded current year growth from its own balance sheet

→ Free cash flow set to benefit next year from rationalisation of projects and increased focus on capital returns

→ Transformation will not however be achieved without significant investment
Conservative debt funding

- NZP retains a conservative debt position with leverage of 23% with funding coming from a range of sources and tenor – reducing any refinancing risk in any given year
- NZP has access to various credit lines which it uses sparingly and has continued access to substantial short term liquidity
- Kiwibank capital adequacy measures continue to be in excess of regulatory minimums despite recent adverse events
- S&P rating of AA- (stable) reflecting S&P’s assessment of NZP’s business and support from the NZ Government
  - “Excellent” business profile – strong market position and trusted brand
  - “Intermediate” financial profile – low leverage of < 25% and strong liquidity
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