## Headline numbers

<table>
<thead>
<tr>
<th>NZ$m</th>
<th>Reported results</th>
<th>Last year</th>
<th>Variance</th>
<th>Full year 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from operations</td>
<td>679.7</td>
<td>652.0</td>
<td>+27.7</td>
<td>1279.7</td>
</tr>
<tr>
<td>Expenditure</td>
<td>638.1</td>
<td>638.8</td>
<td>-0.7</td>
<td>1309.6</td>
</tr>
<tr>
<td>Operating profit</td>
<td>41.6</td>
<td>13.2</td>
<td>28.4</td>
<td>(29.9)</td>
</tr>
<tr>
<td><strong>NPAT</strong></td>
<td><strong>35.4</strong></td>
<td><strong>21.7</strong></td>
<td><strong>13.7</strong></td>
<td><strong>(35.6)</strong></td>
</tr>
<tr>
<td>One-off costs</td>
<td>0.0</td>
<td>5.7</td>
<td>5.7</td>
<td>77.4</td>
</tr>
<tr>
<td><strong>NPAT pre on-off costs</strong></td>
<td><strong>35.4</strong></td>
<td><strong>27.4</strong></td>
<td><strong>8.0</strong></td>
<td><strong>41.7</strong></td>
</tr>
<tr>
<td>Total equity</td>
<td>833.0</td>
<td>843.9</td>
<td>-10.9</td>
<td>794.4</td>
</tr>
<tr>
<td>Total assets</td>
<td>15,153.3</td>
<td>13,821.7</td>
<td>1,331.6</td>
<td>14,682.0</td>
</tr>
<tr>
<td>Net debt</td>
<td>305.7</td>
<td>222.9</td>
<td>82.8</td>
<td>202.9</td>
</tr>
</tbody>
</table>
Improved performance

- Results were in line with expectations and benefited from an absence of negative on-off costs such as the ChCh earthquake.
- The group is on track for its FY profit target with a return to growth at Kiwibank more than offsetting the continuing decline in postal volumes.
- Strategic projects are all progressing well. Most of the changes remain in the planning stage but expect to make more public announcements during the rest of 2012.
- Focus on core portfolio is being achieve through a reduction in non core activities: Transend wound up last year, exit from loss making Australian businesses, ECN sale process well underway.
- However, the transformation of NZP will not be achieved without significant ongoing investment.
Conservative debt funding

→ NZP retains a conservative debt position with funding coming from a range of sources and tenor – reducing any re-financing risk in any given year

→ In H1 2012, NZP successfully replaced $100m maturing wholesale bond with a new $150m 5 year wholesale bond at 5.225%

→ NZP has continued access to substantial undrawn short term liquidity

→ S&P rating of AA- (negative) reflecting S&P’s assessment of NZP’s business and support from the NZ Government
  - “Strong” business profile – NZ’s postal operator and strong retail and distribution presence
  - “Intermediate” financial profile – modest capital structure and adequate funds from operations

![NZP capital structure](source: NZP)

![NZP debt maturity](source: NZP)
PROGRESS AGAINST OUR PLAN
THE PLAN

Bringing New Zealanders together with the people and things that matter to them

We’ll focus in 6 areas...

- Deliver a superior customer experience
- Grow the bank
- Build a sustainable physical network
- Build people capability
- Create a digital future
- Work smarter

...and key projects...

- Service strategy to deepen customer relationships
- Become a full service bank
- Physical network of the future
- Simplify products and services
- Digital post offering
- Future stores and kiosks

...to create 2015

- Easy, simple and enjoyable for customers to do business with us
- A bank for all New Zealanders
- NZ’s physical network provider of choice
- A place where talented people want to work
- Trusted with NZ’s essential digital information
- Competitive, commercial and sustainable

We’ll do it together

- One team
- Do what’s right
- Make it easy
- Raise the bar
The journey so far

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012 onwards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Analysis</strong></td>
<td><strong>Develop Plan</strong></td>
<td><strong>Execute Plan</strong></td>
</tr>
<tr>
<td>→ First members of the new management team in place</td>
<td>→ Completion of new Group Leadership Team including several external hires</td>
<td>→ Implementation of strategic programmes</td>
</tr>
<tr>
<td>→ Cameron Partners undertake strategy review</td>
<td>→ Restructure away from federated model and active portfolio management with long-term benefits but short-term restructuring costs</td>
<td>→ Continued growth through the bank</td>
</tr>
<tr>
<td>→ Decision to move from federated model</td>
<td>→ Plan on a page developed with a focus on long-term benefits</td>
<td>→ Target mid term ROCE of at least 12% and overall stronger financial performance</td>
</tr>
<tr>
<td>→ Development of initial strategic plan to tackle reduction in postal volumes and grow the bank</td>
<td>→ Work across strategic projects on:</td>
<td>→ NZ Post’s transformation is ongoing but benefits beginning to accrue</td>
</tr>
<tr>
<td></td>
<td>→ Physical network</td>
<td></td>
</tr>
<tr>
<td></td>
<td>→ Store network</td>
<td></td>
</tr>
<tr>
<td></td>
<td>→ Kiwibank</td>
<td></td>
</tr>
<tr>
<td></td>
<td>→ Digital</td>
<td></td>
</tr>
</tbody>
</table>
Building a sustainable network

Work has continued with identifying and implementing initiatives to reconfigure our current network to be sustainable both now and in the future:

- Altering the ratio of fixed to variable costs e.g. the Postie Pay model has been rolled out and relates to hours worked rather than fixed cost postie runs.

- Increasing the efficiency in the current network e.g. Integration of the Last Mile of both NZ Post and CourierPost will lower costs and increase efficiency across the various delivery networks. Current trial underway in Tauranga.

- Provide customer focused solutions – the Future Delivery programme is innovating services that will enable customers to have increased choice about when and how they will receive their mail – either through physical or digital means.

We are prepared to fundamentally redesign the network business model in the next 5 years to critically alter the fixed cost base versus falling volumes and process a larger proportion of parcels.

We are open to developing a partnering model – both locally and internationally – where the mutual benefits are appealing.
Growing the bank

→ Kiwibank has completed its 10 year strategic planning with an aim to become “A Kiwi bank for New Zealand”.

→ It will grow the bank by increasing its share of wallet of current customers, driving its main bank share and diversifying to reduce sector concentration risk and drive profitability:

  – Deepen existing customer relationships (through service channels and products
  – Meet market opportunities by growth through the existing business and through targeted diversification

    → Business Markets – expansion of current proposition including increased SME lending and business segment foreign exchange trading

    → Bancassurance – leveraging the existing bank customer base by selling them insurance products appropriate to their needs

    → Wealth – recent purchase of Gareth Morgan Investments is a step up for Kiwibank allowing the bank to achieve scale and improve profitability
Acquisition of GMI

Increased share of growing KiwiSaver market

→ Kiwibank announced the acquisition of GMI (Gareth Morgan Investments) in January 2012; the acquisition was completed in March 2012

→ The acquisition gives Kiwibank access to a new platform for growth in the KiwiSaver market and the combined GMI/Kiwibank is the 6th largest KiwiSaver fund in New Zealand

→ KiwiSaver is an attractive market because:
  ─ Industry projections are for Funds Under Management (“FUM”) in KiwiSaver to grow from $10bn now to $60bn in 2021
  ─ The GMI acquisition will help Kiwibank to strengthen its bank product and access its existing customers who do are not currently KiwiSaver customers - c. 600,000 current bank customers
  ─ The purchase of the full value chain will enable Kiwibank to increase its margin in KiwiSaver from 20bps to 50bps
  ─ Overall FUM growth will is a stepping stone to drive the overall Kiwibank growth in Private Wealth
Transforming our retail experience

→ We are working on transforming the network to give New Zealanders a wide choice of when, where and how they do business with us

→ A branch transformation pilot was launched in the Kapiti Coast in November 2011.
  
  ─ A mix of larger growth stores with separate banking and postal counters, and express stores located in places that Kiwis find most convenient in their daily routine
  
  ─ Our product offering was dramatically rationalised in order to deliver a simple and efficient range of solutions and services
  
  ─ Customers can complete simple self-service transactions without having to queue up allowing front line staff to be freed-up to complete more complex transactions and deliver solutions
  
  ─ The results from this trial will be used to improve the format and operation of new branches and transform existing branches over the medium term
Store transformation
Developing digital services

→ We are developing a digital postal option that integrates both the physical and digital offerings and is on target to be launched by xxxx

→ Kiwibank continues to develop its iGovt services – providing ID validation and application processing services on behalf of business (mainly financial providers) and Government

→ Localist helps NZ Post to reconnect with small and medium sized enterprises by brings hyper-local information to people using social media and digital means, in combination with a printed directory service.

→ We hold a 36% stake in Datacom – our exposure to the growing IT services segment

→ We will also use effective partnering with other experts in the digital field so that we can execute our own advantages at speed and with reduced risk.
# Contact Details

| **Mark Yeoman** | DDI: +64 4496 4099  
|                 | Mobile +64 21 778 404   
|                 | Email: mark.yeoman@nzpost.co.nz |

| **Rhiannon McKinnon** | DDI: +64 4496 4096  
|                       | Mobile: +64 212 488 882 |
|                       | Email: rhiannon.mckinnon@nzpost.co.nz |

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