H1 2014 Results
Investor Relations Presentation
## Headline numbers

<table>
<thead>
<tr>
<th>NZ$m</th>
<th>H1 2014 (31 Dec 2013)</th>
<th>H1 2013 (31 Dec 2012)</th>
<th>Variance</th>
<th>Full year 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from operations</td>
<td>860</td>
<td>872</td>
<td>-12</td>
<td>1,688</td>
</tr>
<tr>
<td>Expenditure</td>
<td>761</td>
<td>793</td>
<td>-32</td>
<td>1,623</td>
</tr>
<tr>
<td>Operating profit</td>
<td>99</td>
<td>79</td>
<td>+20</td>
<td>65</td>
</tr>
<tr>
<td><strong>NPAT</strong></td>
<td><strong>71</strong></td>
<td><strong>60</strong></td>
<td><strong>+11</strong></td>
<td><strong>121</strong></td>
</tr>
<tr>
<td>One-off impacts</td>
<td>0</td>
<td>0</td>
<td></td>
<td>-10</td>
</tr>
<tr>
<td><strong>NPAT (after one-off impacts)</strong></td>
<td><strong>71</strong></td>
<td><strong>60</strong></td>
<td><strong>+11</strong></td>
<td><strong>111</strong></td>
</tr>
<tr>
<td>Total equity</td>
<td>1,163</td>
<td>1,020</td>
<td>+143</td>
<td>1,089</td>
</tr>
<tr>
<td>Total assets</td>
<td>16,977</td>
<td>16,237</td>
<td>+740</td>
<td>16,139</td>
</tr>
<tr>
<td>Net debt</td>
<td>200</td>
<td>402</td>
<td>-202</td>
<td>186</td>
</tr>
</tbody>
</table>
Profitability

Strategic changes delivering results

→ Financial performance driven by lower costs in the mail business contributing to stronger profitability

→ A new Deed of Understanding has been finalised

→ Mail volumes continue to decline at 6% compared to H1 2012/13 but cost management is off-setting reduced postal revenues.

→ Kiwibank produced a satisfactory first-half result. The banking sector continues to be subject to increasing regulatory activity such as the LVR speed limits

<table>
<thead>
<tr>
<th>$m</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>H1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported NPAT</td>
<td>72</td>
<td>1</td>
<td>(36)</td>
<td>170</td>
<td>121</td>
<td>71</td>
</tr>
<tr>
<td>Christchurch earthquake</td>
<td>-</td>
<td></td>
<td></td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property depreciation and other writedowns</td>
<td>-</td>
<td>72</td>
<td>14</td>
<td>51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>11.0</td>
<td>-</td>
<td>8</td>
<td>6</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Courier (gains)/impairments</td>
<td>(5)</td>
<td>-</td>
<td>35</td>
<td>(96)</td>
<td>(75)</td>
<td></td>
</tr>
<tr>
<td>Underlying NPAT</td>
<td>78</td>
<td>73</td>
<td>41</td>
<td>80</td>
<td>111</td>
<td>71</td>
</tr>
</tbody>
</table>
Stable debt structure

- CP on issue has returned to normal liquidity management levels
- Hybrid bond coupon will re-set in November 2014. NZ Post is working through re-marketing options
- Undrawn liquidity lines amount to $310m in addition to the Crown uncalled capital facility of $300m

### NZP funding lines (forecast to 30 June 2014)

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Facility (NZDm)</th>
<th>Drawn (NZDm)</th>
<th>Maturity</th>
<th>Coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash advance</td>
<td>50</td>
<td>0</td>
<td>Dec-14</td>
<td></td>
</tr>
<tr>
<td>Cash advance</td>
<td>50</td>
<td>0</td>
<td>Dec-15</td>
<td></td>
</tr>
<tr>
<td>Commercial paper</td>
<td>200</td>
<td>40</td>
<td>various</td>
<td></td>
</tr>
<tr>
<td>NZP Bonds</td>
<td>200</td>
<td>150</td>
<td>Nov-16</td>
<td>5.23%</td>
</tr>
<tr>
<td>NZP Hybrid Notes</td>
<td>200</td>
<td>200</td>
<td>Nov-39</td>
<td>7.50%</td>
</tr>
</tbody>
</table>

### NZP debt maturity (forecast to 30 June 2014)

- Source: NZP
Mail & Communications

Mail operations

→ Volumes remain sensitive to bulk sender activity, who account for approx 95% of all sent items

→ Cost management has offset declining core postal revenues for H1 2014, with further structural cost reductions underway
Mail & Communications

Parcels

→ Both ECL and NZ Post businesses continue to improve in tandem with changes in consumer activity and increased economic confidence

→ International inbound volumes are up while strong domestic price competition persists. Total parcels activity increased by 1.5% pa to 31 December 2013

→ Opportunities to extract more value from closer co-operation is an ongoing feature of the Group’s parcels strategy, including customer-driven user preference delivery options
Financial Services

Margins tighten and compliance costs soften results

→ H1 NPAT was $52m, 10% lower than the corresponding period due to H1 2013 featuring a lower bad debt provision expense. Tighter lending margins and higher costs associated with compliance and infrastructural investments also impacted the latest half-year performance.

→ With over 840,000 customers, of which 385,000 are considered main bank customers, Kiwibank has secured approx. 11% of personal markets share.

→ Deposits account for 82% of all bank funding, with wholesale sources continuing to provide diversification through various local and overseas programmes.

→ Impaired assets relative to gross loans continued to improve from 0.41% in June to 0.28%.

→ The Retail Transformation Project (RTP) opened eight growth stores on Auckland’s North Shore with the emphasis on customer growth and deepening banking relationships while streamlining NZ Post services.
5 year strategic plan announced

The path to increasing shareholder value

→ Over the past 12-30 months the Group has been strengthening the balance sheet, with the divestment of assets and release of capital tied up in non-core activities

→ Our focus is to operate both our Financial Services and our Mail & Logistics businesses at sustainable return-on-equity levels in the medium term

→ The plan announced last year puts in place the right strategy to deliver a sustainable future, and with Deed changes finalised, the traction on cost savings over the next 2 years will improve free cash flow generation for the business
# Strategy re-set

Reflecting a changing operating environment

## 2013

- Predominantly **physical** customer access & delivery points
- **Multiple points** of sales/service contact
- **Over-serviced** standard offering
- **6 day** delivery frequency
- **139** corporate owned stores
- Proliferation of IT applications
- Largely fixed labour cost

## 2018

- **Mix** of online/mobile & physical customer access & delivery points
- **Right product**, right channel
- **3 day** service standard (standard mail) value-based pricing
- Minimum of **alternate day/5 day** delivery frequency
- **50** corporate owned stores
- Simplified IT; major cost reduction
- More flexible labour model

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NEW ZEALAND POST GROUP

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Half Year Results Presentation
New Deed underpins the re-set

→ An updated Deed was announced on 23 October 2013 enabling NZ Post to respond to the structural decline of the core postal business

→ From 1 July 2015 we will have implemented:
  ─ A reduction to an alternate day delivery frequency for metropolitan areas
  ─ A reduction to a 5 day delivery frequency for rural areas
  ─ 6 day a week Premium mail service (not prescribed in the Deed)

→ We have greater flexibility in the composition and definition of our store network:
  ─ A store network of at least 880 points of presence (no change to the number, but can include a self-service kiosk)
  ─ At least 240 service points (versus traditional postal outlets) where personal assistance is available and bill payments can be made as required
Contact Details

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

**Kevin Hastings**  
Investor Relations Advisor  
DDI: +64 4496 4923  
Mobile: +64 27 706 6485  
Email: kevin.hastings@nzpost.co.nz

**Investor Centre**  
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