



## NEW ZEALAND POST PROFIT GUIDANCE

30 May 2011

New Zealand Post Group expects that it will not meet its net profit after tax (NPAT) target for the year ended 30 June 2011 due to a number of significant one-off items including the Christchurch earthquake, and continued weak economic trading conditions.

Earlier this year Group Chief Executive Brian Roche announced the half year result stating that meeting the NPAT target of \$60.8 million outlined in the Statement of Corporate Intent 2010-2013 was “challenging”. Mr Roche now says that the target will not be met.

Mr Roche said the underlying performance of the Group remained solid, with the major businesses performing on target, as a result of tight cost management. However continued flat economic conditions, combined with impacts arising from the Canterbury earthquake and a series of one-off costs would impact significantly on the end year result.

“We foreshadowed a difficult time ahead in the half year result announcement when we booked increased bad debt provisioning in Kiwibank and a loss on sale of an aircraft.

“Following that announcement, the 22 February Canterbury earthquake struck. This impacted on our people, customers and on our retail and postal businesses. In addition, further Kiwibank bad debt provisioning has been made to address the impact that the earthquake may have on our lending portfolio in Christchurch. The combined negative impact of the quake on the Group is currently estimated to be in the order of \$35 - \$40 million for 2010/11.

“While the quake had a commercial impact on New Zealand Post, it also had a deeply personal one, with the tragic loss of life of one of our staff.

“I am proud of the way New Zealand Post responded to the disaster. Despite many of our people being affected, they had operations up and running quickly. Postal deliveries resumed within seven days and our PostShop Kiwibank network opened where it could within days,” he said.

Mr Roche said the consequences of the earthquake will continue to be felt into the next financial year as the people and businesses of Christchurch rebuild. In particular, bad debt provisioning could remain an issue well into 2011/12 as the insurance climate and other uncertainties become clearer.

Aside from the earthquake impacts, New Zealand Post has been implementing several initiatives which will strengthen the Group for the future, but which have resulted in a series of one-off costs for the 2010/11 financial year.

These include a restructuring process which has been undertaken to address the strategic challenges that the Group is facing. The establishment of two new divisions – Customer Solutions and Services, and Operations are simplifying the business and improving customer focus.

“The flatter economic conditions are likely to give rise to some impairment in asset values, including investments in other businesses. As indicated at the half year, we are pursuing the partial divestment of Parcel Direct Group, our 50:50 joint venture with DHL in Australia. This work is expected to be completed by 30 June,” said Mr Roche. The full impact of impairments will not be known until year end and when the divestments are finalised.

Mr Roche said that, given the non-recurring, largely non-cash nature of the one-off costs, and the strong underlying operating performance of both Kiwibank and postal businesses, the issues are not expected to have a material effect on the Group’s commercial value or its ability to meet its dividend and debt obligations. The Group’s cash position remains strong. The Standard & Poor’s credit rating is currently at AA- (stable).

New Zealand Post is proactively meeting the challenges of declining physical mail volumes which are forecast to continue to fall at the rate of 5 percent per annum, and significant costs have already been taken out of the business in the last two years. An action plan to ensure a sustainable mail processing and delivery network for the future will be prepared for presentation to the Board in 2011/12.

Mr Roche said the Group is confident of meeting rapidly changing customer behaviours including provision of digital solutions and markedly improved quality and access to services through investing in technology.

“The past two financial years have been difficult ones for New Zealand Post. However the continuing effects of the weak economic environment and the Canterbury earthquake have not

deterred the Group from taking the necessary and prudent measures which will see us in a stronger position in the near future,” Mr Roche said.

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