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GROUP

MEDIA RELEASE

5 August 2010

New Zealand Post Announces Lower Profit Outlook

New Zealand Post Group expects its net profit after tax (NPAT) for the year ended 30 June 2010 to be about break even due to difficult trading conditions and a series of significant one-off items.

Group Chief Executive Brian Roche said today the operating NPAT is expected to be approximately \$72 million, some \$5 million down on the normalised operating NPAT of \$77.2 million last year, and lower than the \$80.8 million NPAT projected for the 2010 year in the 2009 Statement of Corporate Intent.

After various one-off adjustments the reported NPAT for the 2009 financial year was \$71.8 million. The reported NPAT for the 2010 financial year is expected to be about break even after taking into account four one-off costs arising at the Group level and in the postal services business in the second half of the financial year.

The final outcome will be known when the full-year audited accounts are completed. New Zealand Post expects to confirm its annual result on 20 August.

Mr Roche said that, given the non-recurring, largely non-cash nature of the one-off costs, the revised profit projection did not have a material effect on the Group's commercial value or its ability to service its debt obligations. The Group's cash position remained strong.

In keeping with Ministerial expectations for transparency by state owned enterprises, the Board had decided to provide an early public indication of its revised profit outlook.

From the 2011 financial year, NPAT is expected to return to the levels projected in the 2010 Statement of Corporate Intent. This envisages an NPAT of \$60.8 million in 2011, rising to \$84.3 million in 2012 and \$117.5 million in 2013.

Mr Roche said that, as signalled in the half-year report, the operating profit for the 2010 financial year has been affected by reduced contributions from across the Group, due primarily to declining mail volumes and generally tight margins in a competitive business environment, especially in the banking sector.

"The impact on New Zealand Post's letters business of economic conditions and digital substitution is well understood," he said. "We will continue to work with our Shareholders on a range of options to ensure a sustainable future for our mail processing and delivery networks."

“We continue to closely manage costs across the Group and we are advancing broader business strategies that address our need to remain relevant to customers in this age of rapidly developing technologies and digital communications.”

The estimated one-off expenses reflected in the revised NPAT range are (all figures approximate):

- \$20 million arising from a taxation change introduced in the May Budget affecting the depreciation treatment of property assets.
- \$19 million of write-downs and provisioning in our international mail business.
- \$4.0 million write-down of various assets, including property and aircraft, whose value had been affected by economic conditions.
- A reduction of \$28 million associated with ParcelDirect Group (PDG), New Zealand Post Group's 50:50 courier joint venture with DHL in Australia.

Mr Roche said all companies that prepare IFRS accounts and have significant property portfolios are affected by the Budget taxation change. New Zealand Post Group property affected by this change had a value of approximately \$123 million as at 30 June 2009.

The international postal business adjustment follows an internal review which identified inaccuracies and changes in estimates over recent years in settling payments due to New Zealand Post, and payments by New Zealand Post to overseas postal operators under the complex regime governing international cross-border mail flows.

Mr Roche said with a strengthening of internal processes and a move from a legacy information system to a tailored international mail accounting platform by the end of 2010, the Company was confident the issue had been resolved and would not reoccur.

Mr Roche said the reduction relating to New Zealand Post's PDG investment results from an annual valuation and reflects economic conditions as well as delays in integrating the six businesses that make up the joint venture. The reduction offsets gains previously recognised on the investment totalling \$30 million reported in the 2008 and 2009 financial years.

“We are confident that PDG's performance can be improved and we remain committed to our relationship with DHL.”

Ends

Contact:

John Tulloch
Head of External Communications
New Zealand Post Group
04 496 4924
027 429 9249

Note to Editors: The Group Chief Executive, Brian Roche, will be available for interviews until 12.00 noon on Thursday 5 August.