

Annual Financial Results For The Year Ended March 2010



Agenda

 Chairperson's Overview

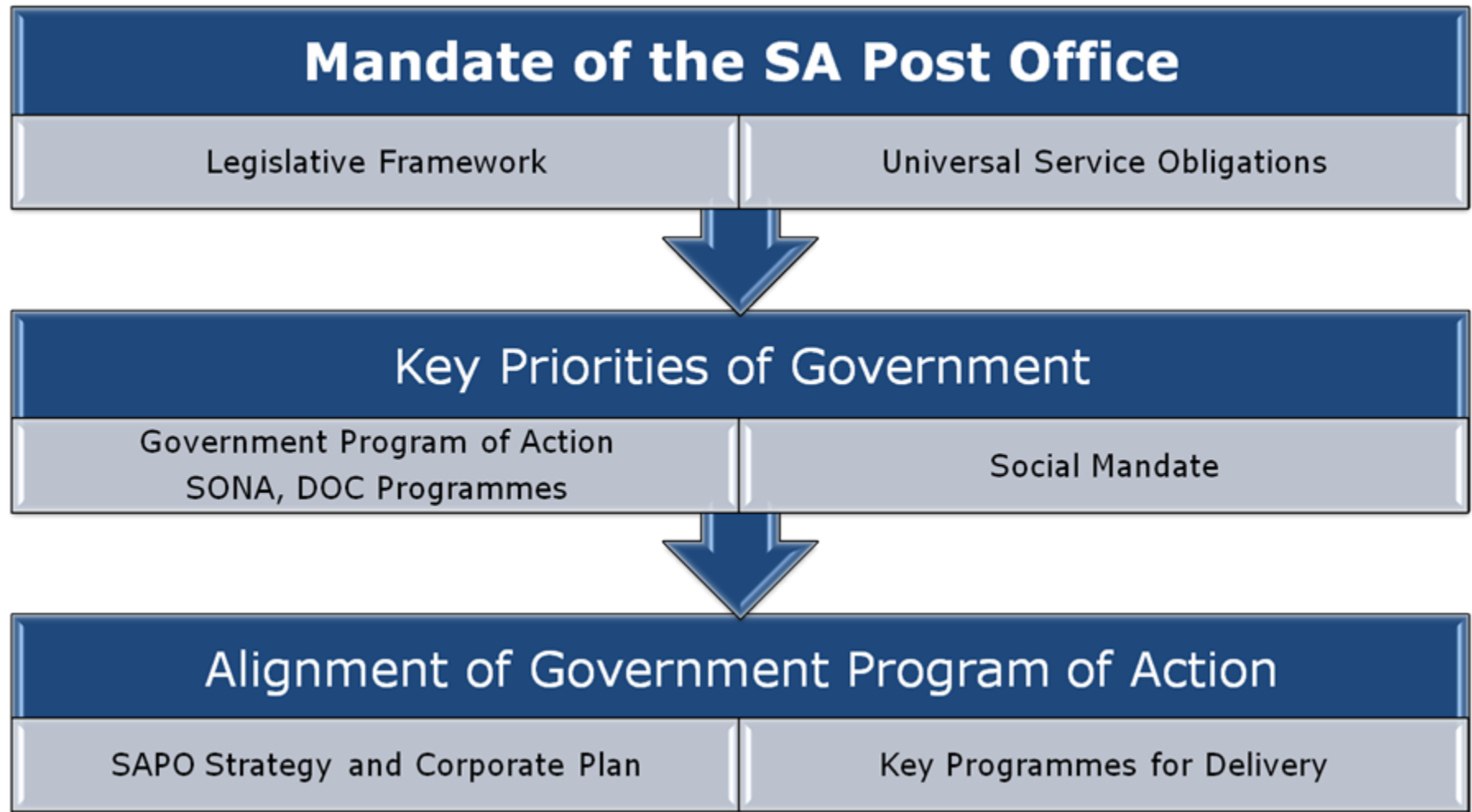
 Group CEO Report

 Group CFO Report

 Group CEO - Conclusion

SA Post Office Board Chairperson

Ms VF Mahlati



- ✉ Position SAPO to be the delivery arm of Government Services
- ✉ Delivery to all household on an equitable basis and achieve delivery standard targets of 95%
- ✉ Increase public's access to postal services with a new address target of 1.5 million and expanding the network of retail outlets;
- ✉ Increase access to financial services through Postbank;
- ✉ HR development through learning opportunities;
- ✉ Improve the IT infrastructure & modernise its facilities;
- ✉ Partnering with Government and growing government related business opportunities;
- ✉ Revenue growth through a growing customer base and achieve operational excellence and Strong Post Office brand;
- ✉ Meet shareholder's expectation of affordable & effective postal service;
- ✉ Internal customer and employee satisfaction & a transformed and productive workforce



- ✉ Prior to 1991 – Dept of Post and Telecommunications
- ✉ 1 Oct 1991 – South African Post Office and Telkom started trading as two separate companies, whilst a small component of staff remained as Dept of Post and Telecommunications to establish an oversight function
- ✉ After 1994, the Dept of Communications and ICASA was formed

1991 – 1998 : The Initial Commercialization Era

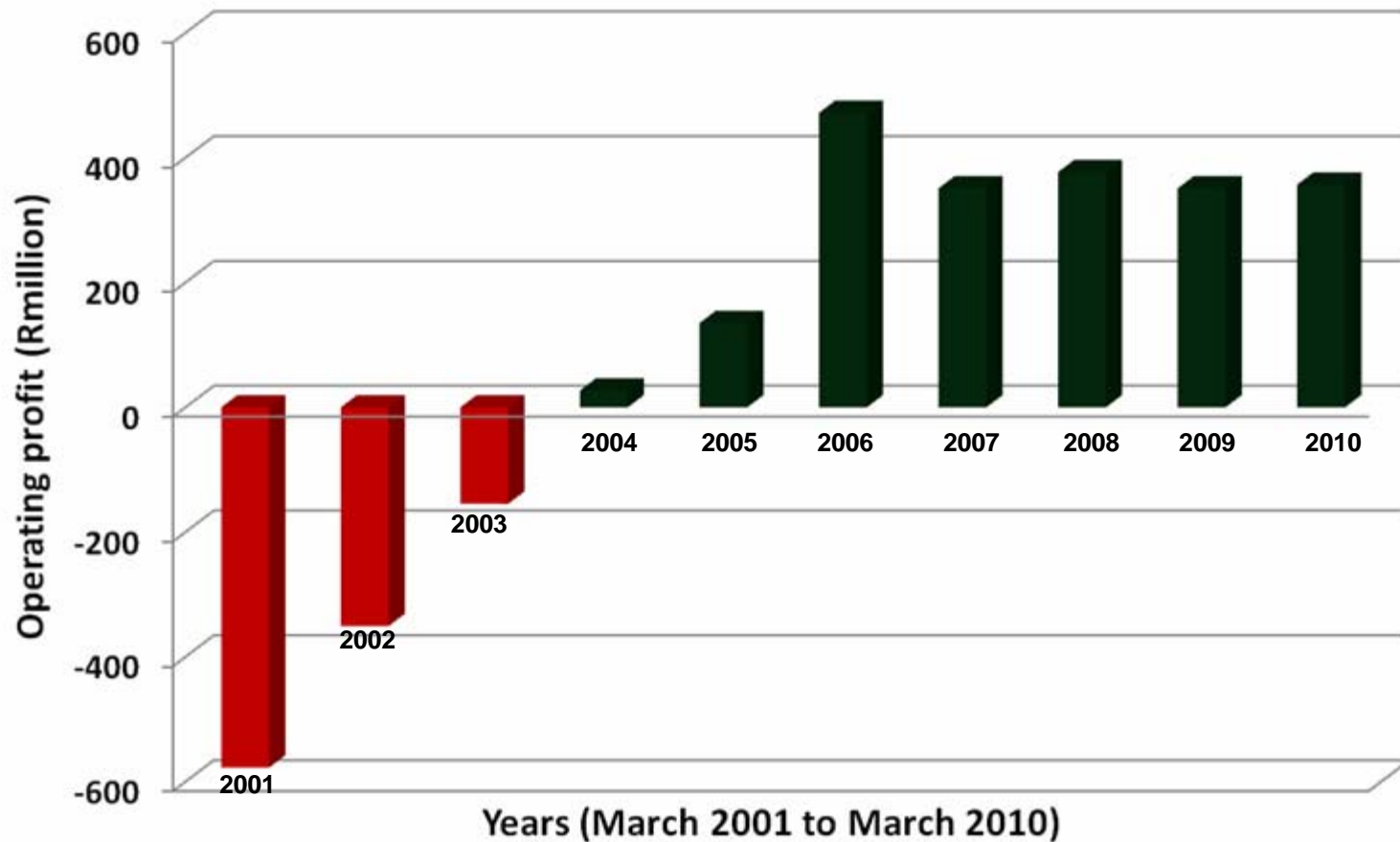
1999 – 2002 : The Strategic Management partner Era

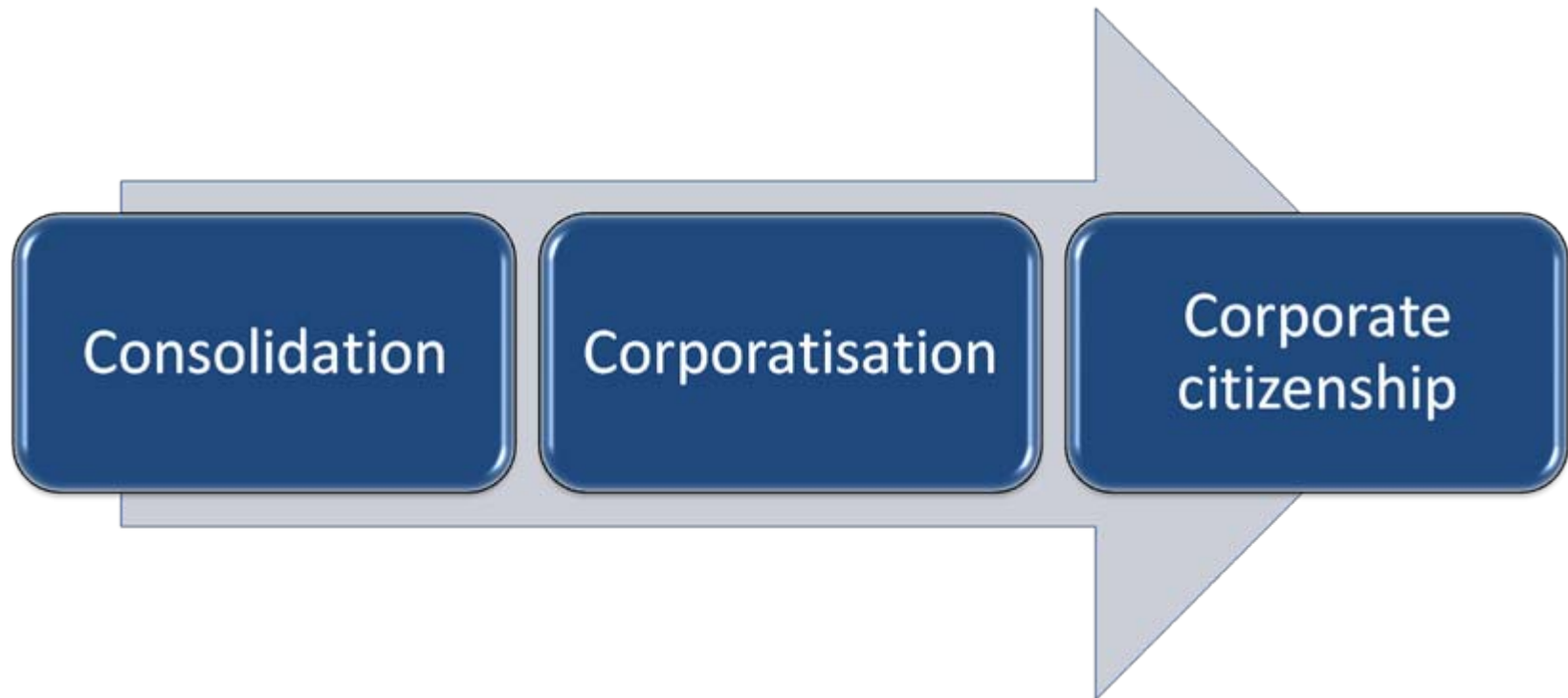
2001 – 2004 : The Restructuring and Transformation Era

2005 – 2006 : The Repositioning Era

2007- 2010: Growth, Development and Sustainability Era

-  Stakeholder Relation Building (Int/Ext)
-  Organizational Health Check (in collaboration with CWU)
-  Governance Policies and Systems Review
-  Organizational Vision and Strategy Review (Development of 2007-2011 Strategy)
-  Governance and Board Operational Plan
-  Anti-corruption focus (with CWU)
-  Reduction of Contingent Liability
-  Enhancing a Culture of Compliance
-  Business Strategy Enablement, Innovation





Corporatisation

- Group Holding Structure (Business Model Implementation)
- Postbank Corporatisation [Bill passed 14/09/2010]
- Logistic company re-organisation and consolidation [Business Case]

Consolidation

Multichannel Strategy

- Financial Services: Consolidation of all financial services
- Logistics: Consolidation of all parcels
- Synergy exploitation
- Business support services: Consolidation of all support services
- Assets (Properties, etc.)

Technology enablement

- Information Infrastructure [Investment in Network Upgrade]
- Business platforms – Business Enablement
- e-Business Strategy [New revenue Stream]
 - ICT and ePostal
 - Trust Centre Positioning [Lockdown 14/09/2010]

- 📄 2008/9: Economic Crisis – Decline in Revenue, Operating Profit and Profit Margin (2009/10)
- 📄 Parastatal Crisis (Oversight Implications)
- 📄 Business model operationalisation – CFG, Postbank
- 📄 Government Mandate: Conflicting Legal & Policy Reality
 - 📄 Subsidy Cut Threat
- 📄 Governance and Compliance

-  Placing SAPO within the evolving Country Growth Path and Development Trajectory
-  Assert and exploit SAPO's leading role within the African continent
-  Harness our diverse businesses (comparative and competitive edge) as a global player
-  Leveraging SAPO's asset base and footprint






Group Chief Executive Officer

Ms MM Lefoka



To be recognized
among the leading
providers of postal and
related services in the
world

To enable the nation to efficiently
connect with the world by
distributing information, goods,
financial and government services;
leveraging our broad reach and
embracing change, technology and
innovation

-  We have a passion for our customers and will meet their specific needs through excellent service
-  We aim to contribute positively to our communities and environment
-  We treat each other with respect, dignity, honesty and integrity
-  We recognize and reward individual contributions
-  We embrace diversity in the way we conduct business

South African Post Office Group

Mail



Logistics



Transport

Financial Services



New businesses

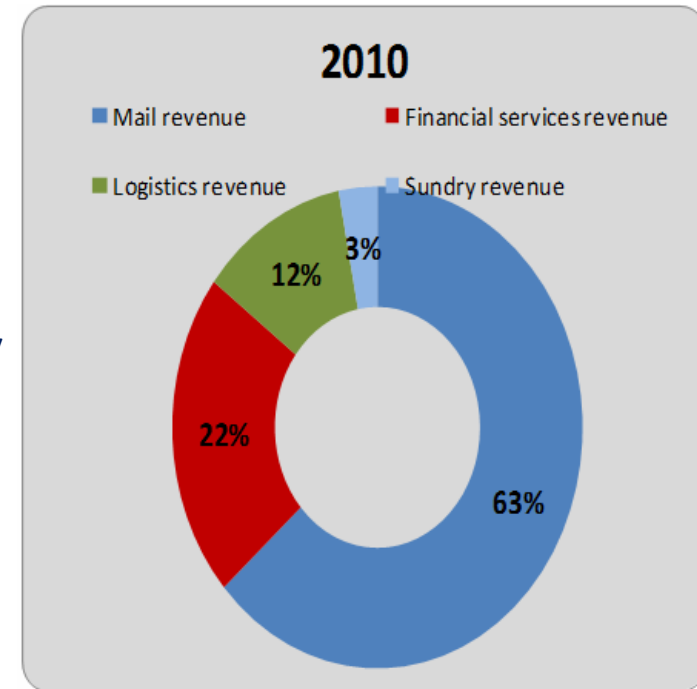
Properties

ICT

Corporate and Business Support

Consumer Services

- ✎ Group Profit Before Tax down by 22% to R379 million
- ✎ Group Operating Revenue Up down by 1% to R5.9 billion
- ✎ Capital Expenditure: spent R551 million
- ✎ Industry recognition
 - ✎ “The Most Progressive Company” by BMF
 - ✎ Winner of Annual Report “State owned entity” by JSE
 - ✎ Oracle award for Financial Systems
 - ✎ Silver medal and only African company recognized at “Future Strategies 2009 Global Awards for Excellence in Business Process Management and Workflow”
- ✎ Introduction of Postbank Climate Leadership Awards



Government Mandate

- ✉ To provide physical addresses to every household
 - ✉ 1.6 Million vs 1.6 million Addresses
- ✉ To make the postal and financial service available to all South Africans at an affordable price

- ✉ 73.5 million customers through our doors

- ✉ 99 million transactions

- ✉ Depositor's book grew by 10.8%

- ✉ Quality Service 96% vs 95% (target)

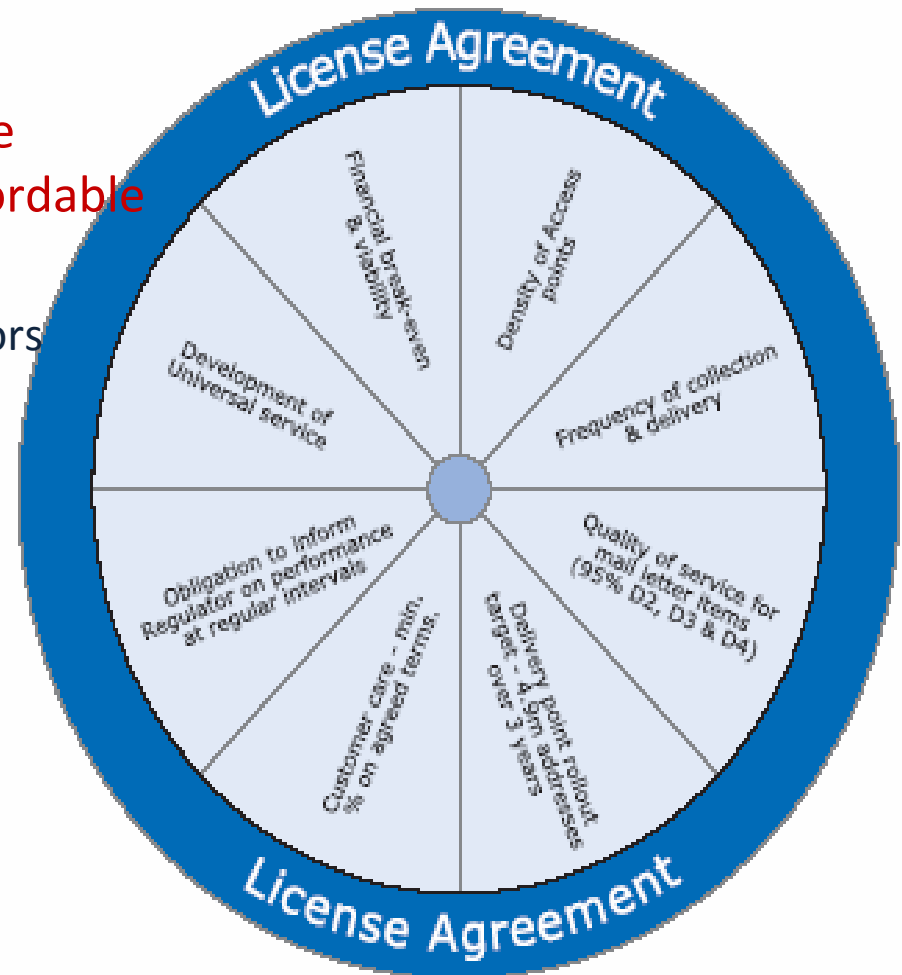
- ✉ Provide a countrywide service

- ✉ 64 New Post Offices and



- ✉ 70 Renovated, upgraded or relocated Post Offices

- ✉ Enabling economic opportunity




- ✉ 56% of budget spent on enterprise development





Carbon Emissions - Criteria and targets set

-  Achieve average 3.4kt per month against target of 3.68kt per month
-  1000 trees planted against target of 857

Paper recycling Programme

-  National service agreement was signed with Nampak
 -  22% (137 tons) of paper used was recycled
 -  Total paper usage in the Group was reduced by 40%

Fossil fuel usage baseline was set

-  Petrol – 3,597,424Lts
-  Diesel – 6,214,688 Lts

 Satisfy our Customers by being consistent and innovative

 Extension of ePostal Offering

 ISO Accreditation Programme

 Entrench a High Performance Culture

 Skills Development and Training

 Recognition of Prior Learning Programme

 Maintaining Equity targets

 65% participation in Wellness program

Some Programs



First SMME group to complete training



New managers' development group



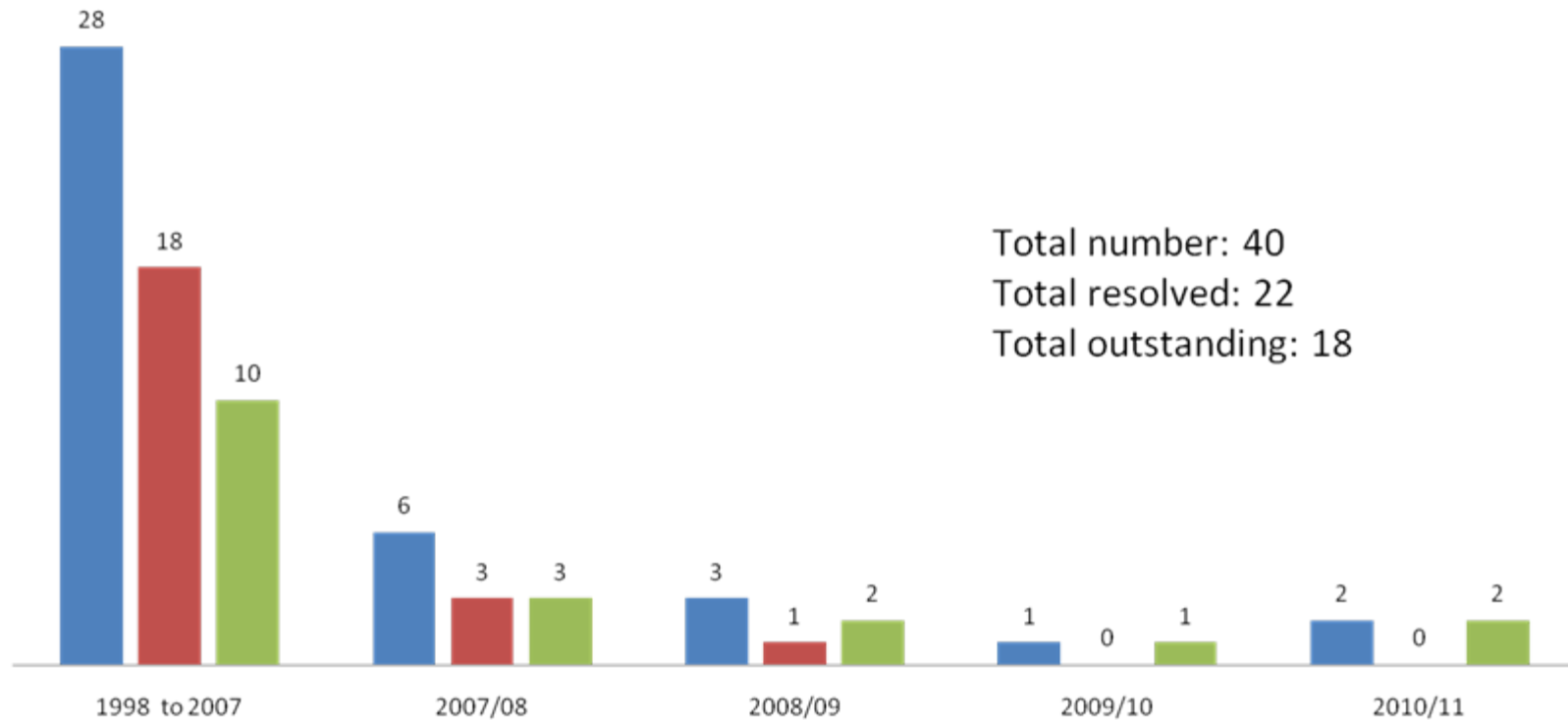
Project Vision Learners



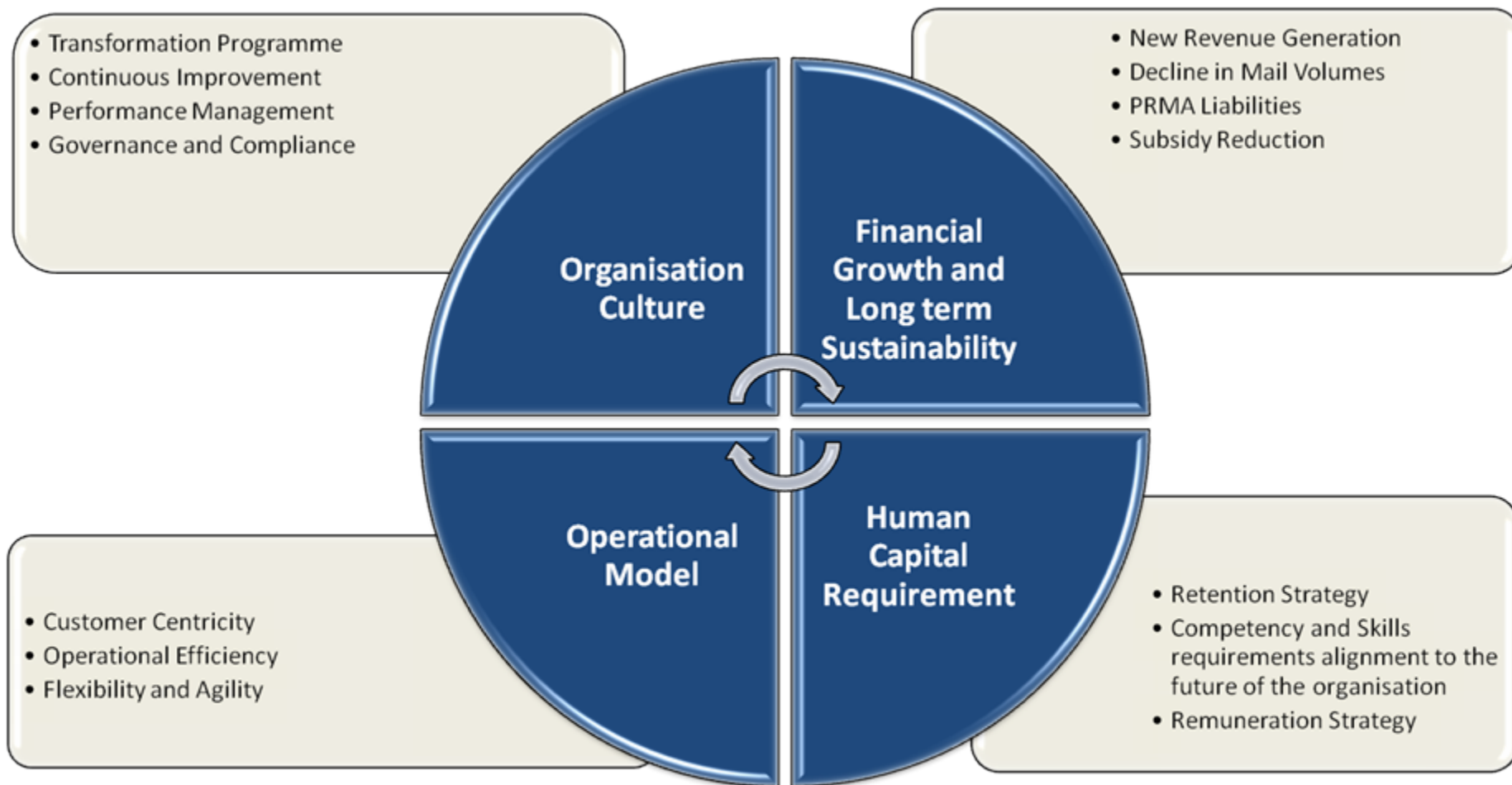
Wits Postal Graduation Group

Legal Cases in SA Post Office 2007 to 2010

■ Number ■ Resolved ■ Outstanding



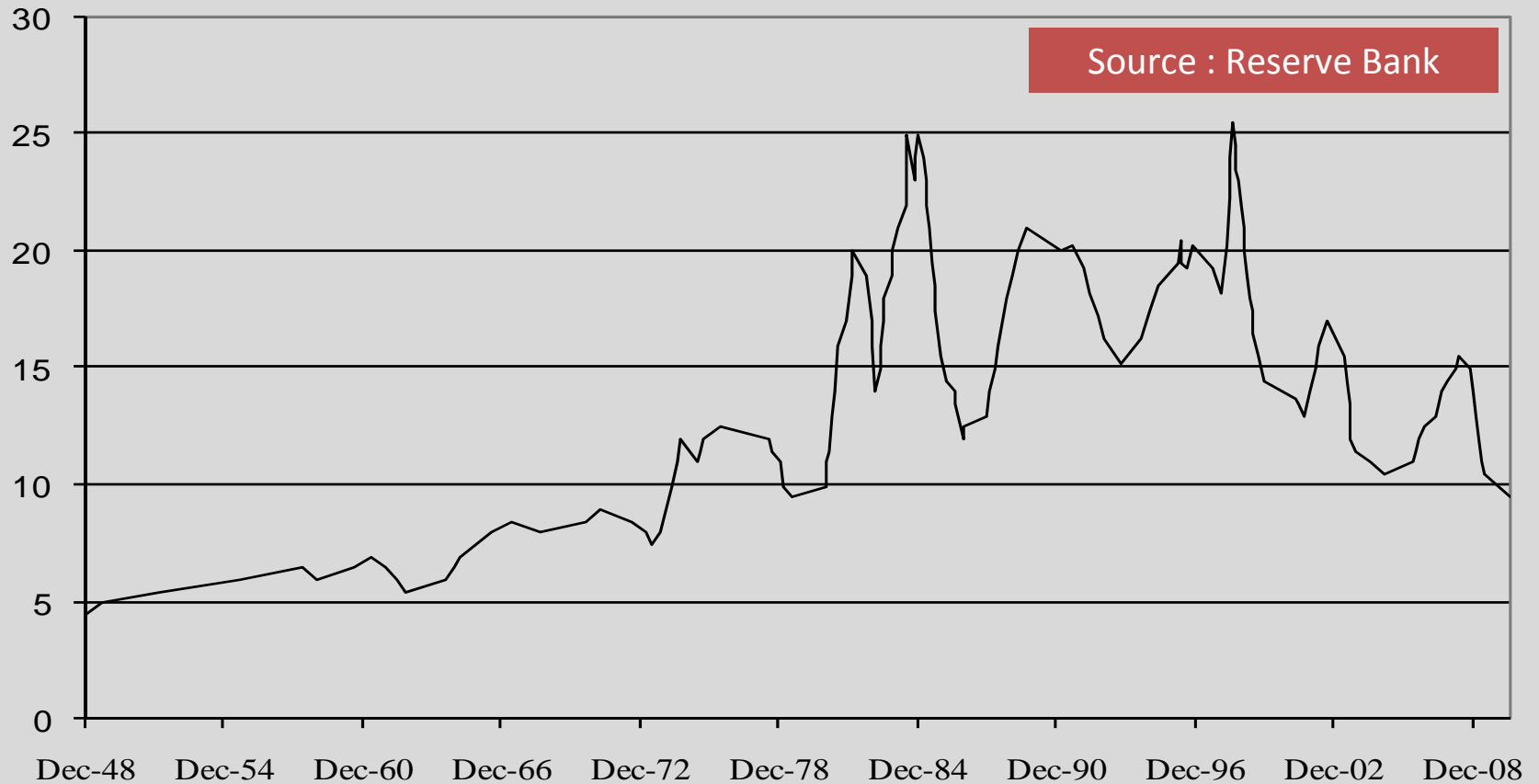
Overall Review of Period



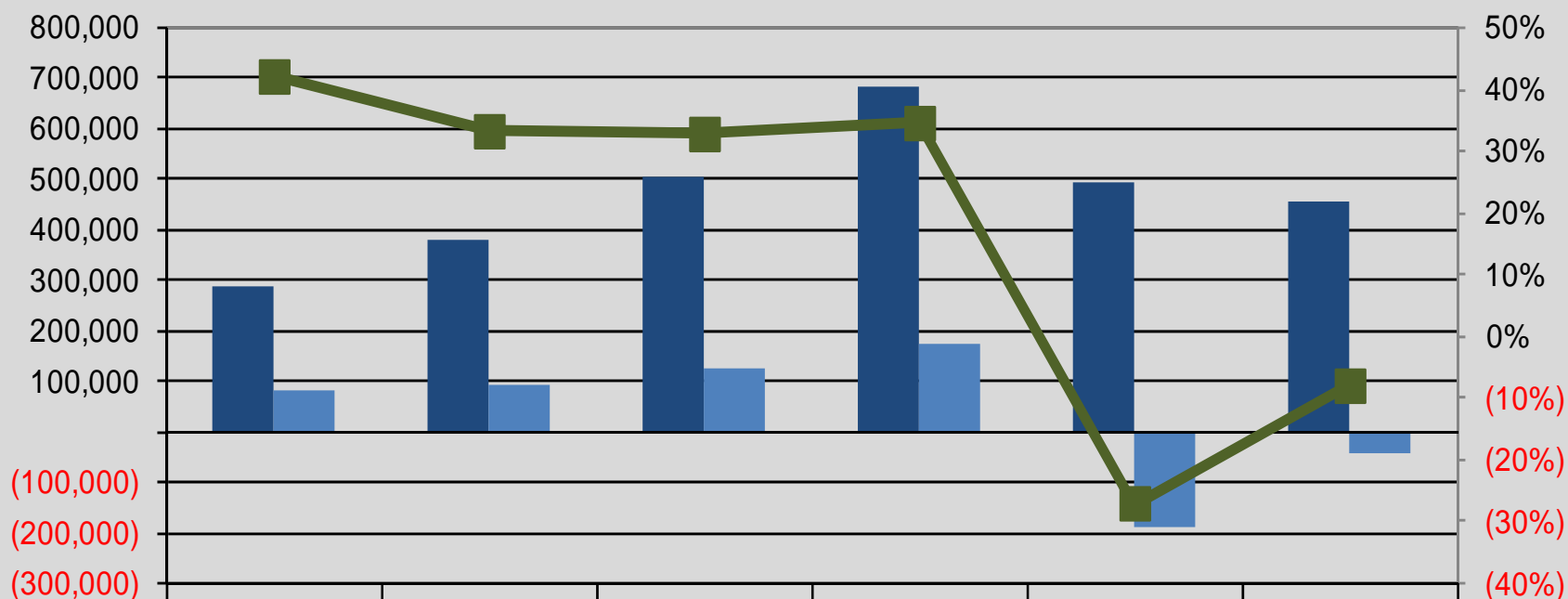
Group Chief Financial Officer

Mr N Buick

Prime rate

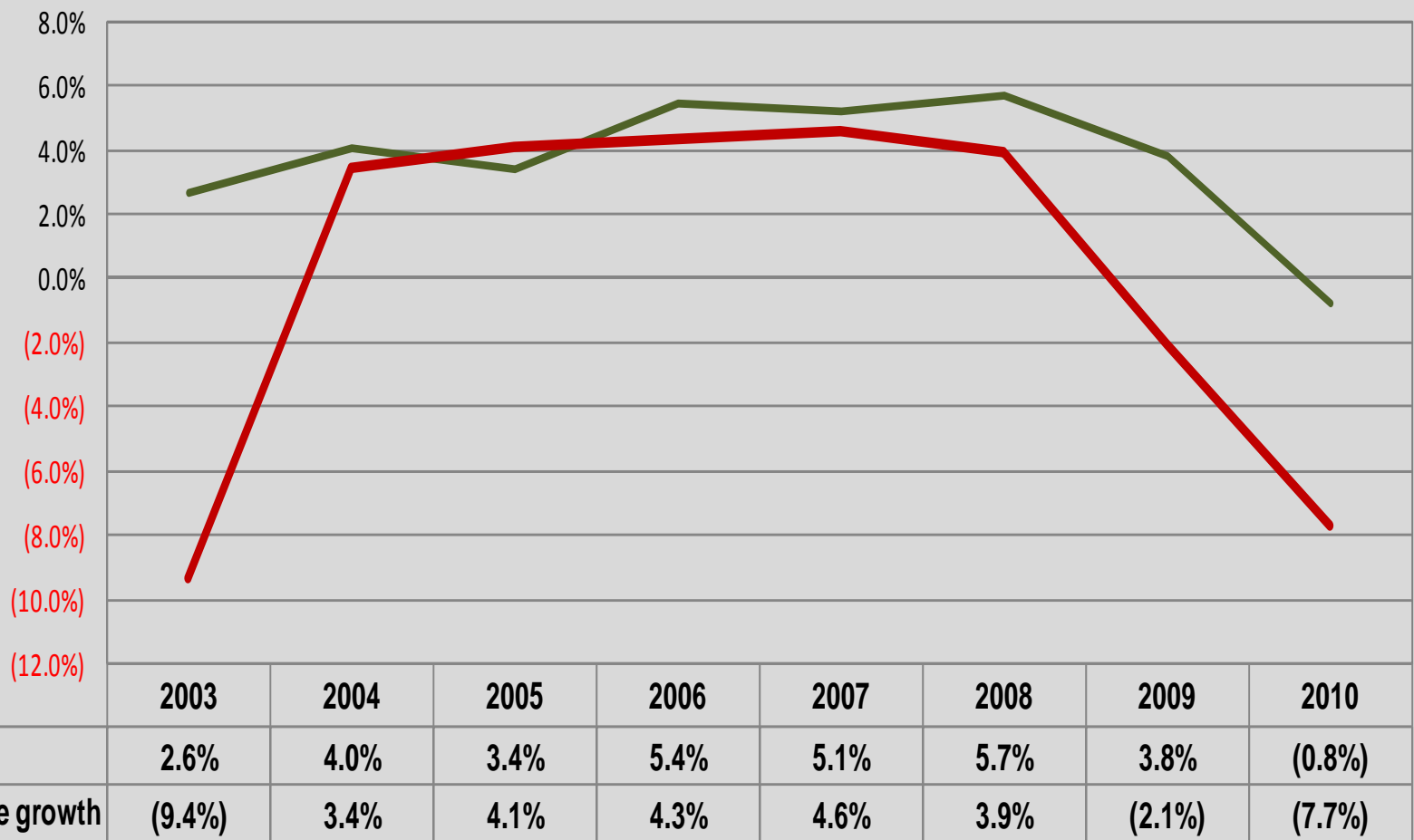


Interest income










	2005/06	2006/07	2007/08	2008/09	2009/10	Forecast 2011
Interest	286,279	380,823	505,127	679,988	495,239	455,874
Change	84,632	94,544	124,304	174,860	(184,749)	(39,365)
Change %	42%	33%	33%	35%	(27%)	(8%)

SA Mail volumes vs GDP



Group financial overview

R million	2009	Change		2010
Revenue	R6,028		1%	R5,953
Expenses	R5,495		2%	R5,378
Post-retirement medical benefits	R45		338%	R197
Profit before tax	R488		22%	R379
Net profit	R366		20%	R293
PBT margin	8,1%		1,7%	6,4%
NP margin	6,1%		1,2%	4,9%

Post Office Group financial overview

R'000	2009	2010	Change	Change	
Revenue	6,028,250	5,953,242	(75,008)	(1%)	↓
Expenses	(5,495,058)	(5,377,713)	117,345	2%	↑
Post-retirement medical benefits	(44,951)	(196,831)	(151,880)	(338%)	↓
Profit before tax	488,241	378,698	(109,543)	(22%)	↓
Taxation	(125,338)	(82,107)	43,231	34%	↑
Other comprehensive income	3,175	(3,461)	(6,636)	(209%)	↓
Profit after tax	366,078	293,130	(72,948)	(20%)	↓

PBT margin	8.1%	6.4%	(1.7%)	↓
NP margin	6.1%	4.9%	(1.2%)	↓

Post Office excluding subsidiaries

R'000	2009	2010	Change	Change	
Revenue	5,569,044	5,581,143	12,099	0%	↑
Expenses	(5,036,351)	(5,029,429)	6,922	0%	↑
Post-retirement medical benefits	(44,951)	(197,737)	(152,786)	(340%)	↓
Profit before tax	487,742	353,977	(133,765)	(27%)	↓
Taxation	(120,902)	(75,930)	44,972	37%	↑
Other comprehensive income	3,175	(3,461)	(6,636)	(209%)	↓
Profit after tax	370,015	274,586	(95,429)	(26%)	↓

PBT margin

8.8%

6.3%

(2.4%)



NP margin

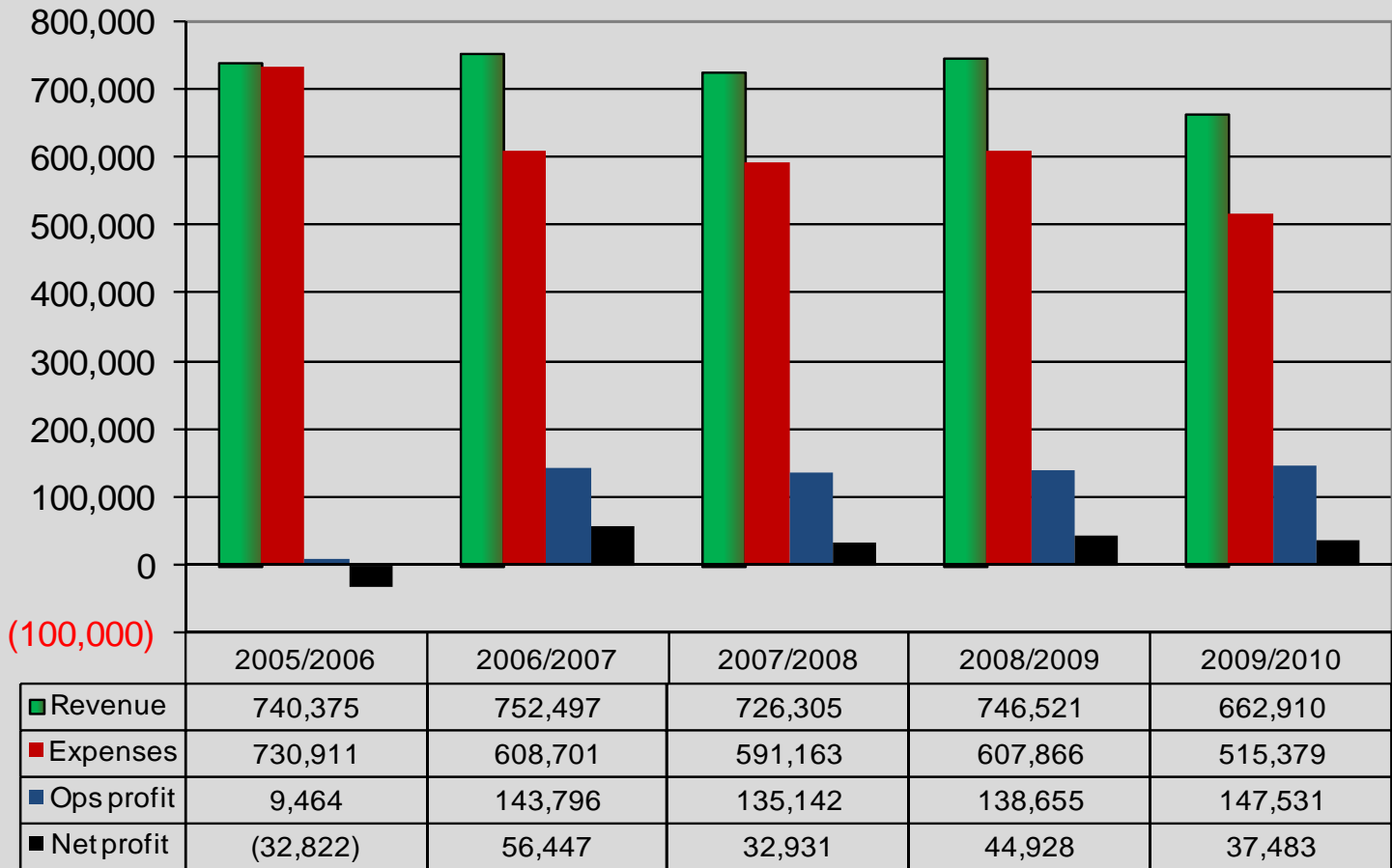
6.6%

4.9%

(1.7%)



Subsidiary performance

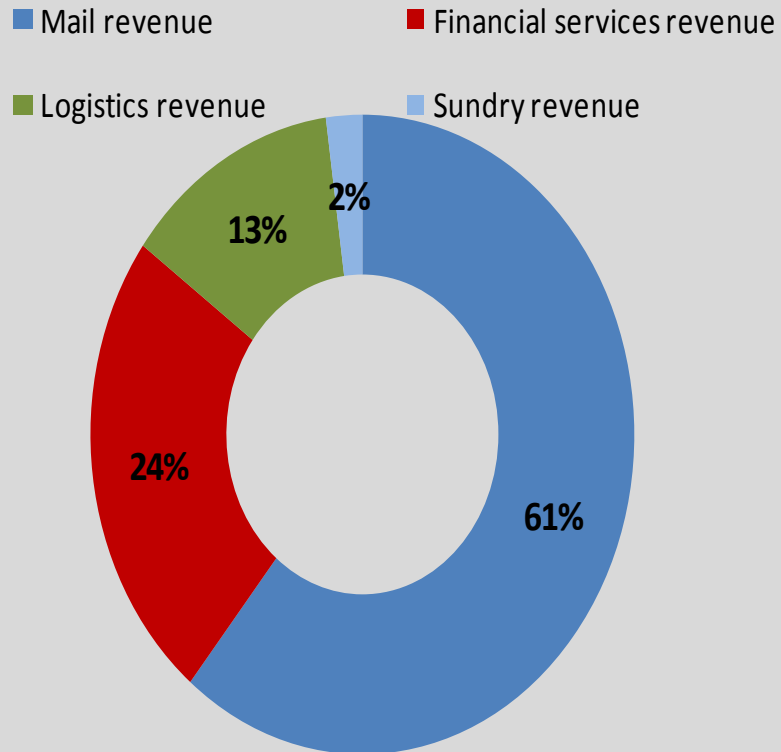


We deliver whatever it takes

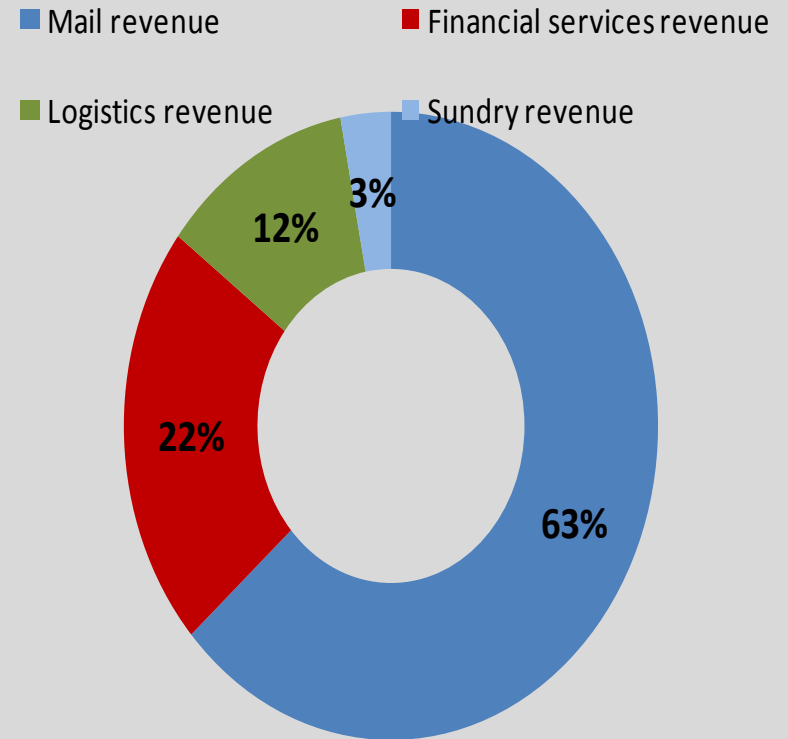
Group revenue

	2009	2010	Change	Change	Change
	R'000	R'000	R'000	%	
Mail revenue	3,671,618	3,777,011	105,393	3%	↑
Logistics revenue	771,808	692,590	(79,218)	(10%)	↓
Financial services revenue	517,511	553,798	36,287	7%	↑
Postbank revenue	263,794	254,373	(9,421)	(4%)	↓
	5,224,731	5,277,772	53,041	1%	↑
Interest revenue	674,183	494,488	(179,695)	(27%)	↓
Sundry revenue	129,336	180,982	51,646	40%	↑
Total revenue	6,028,250	5,953,242	(75,008)	(1%)	↓

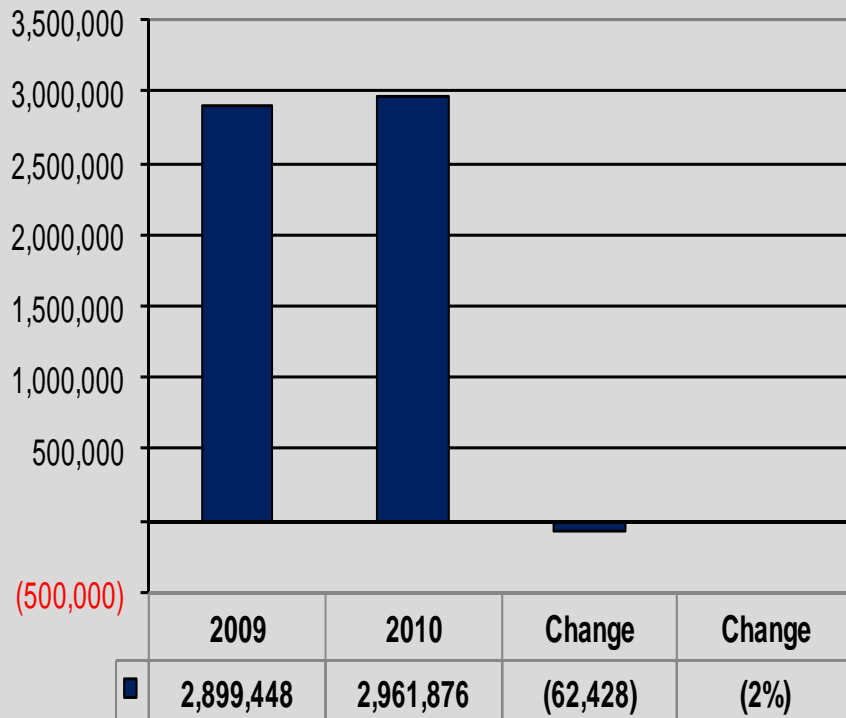
2009



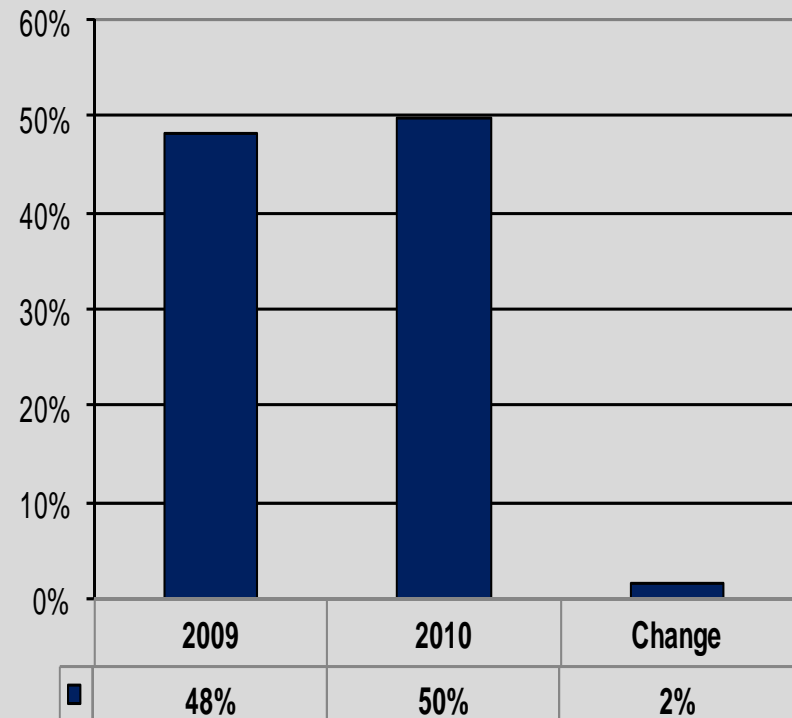
2010



Staff costs (R'000)

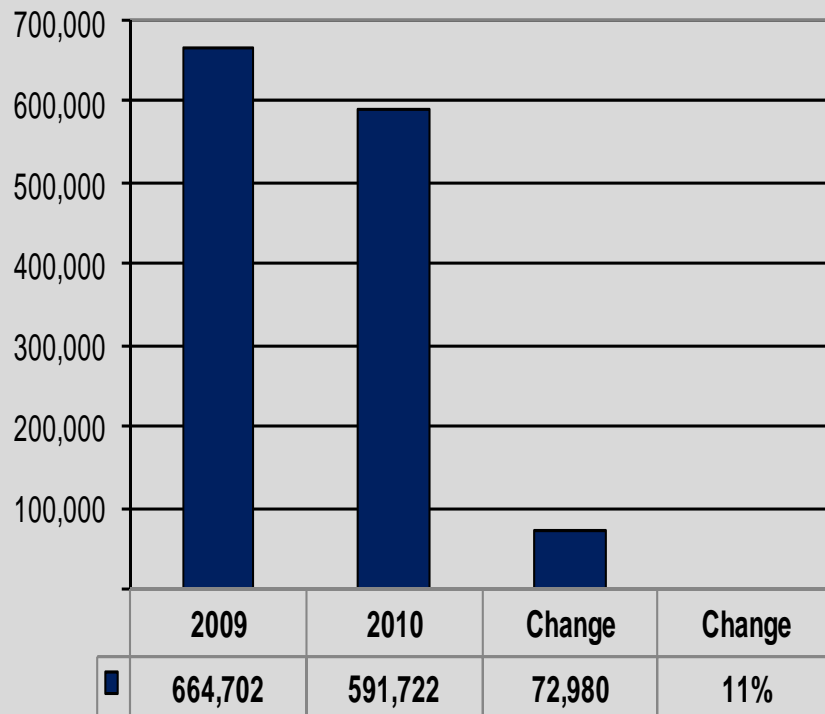


Staff costs % of revenue

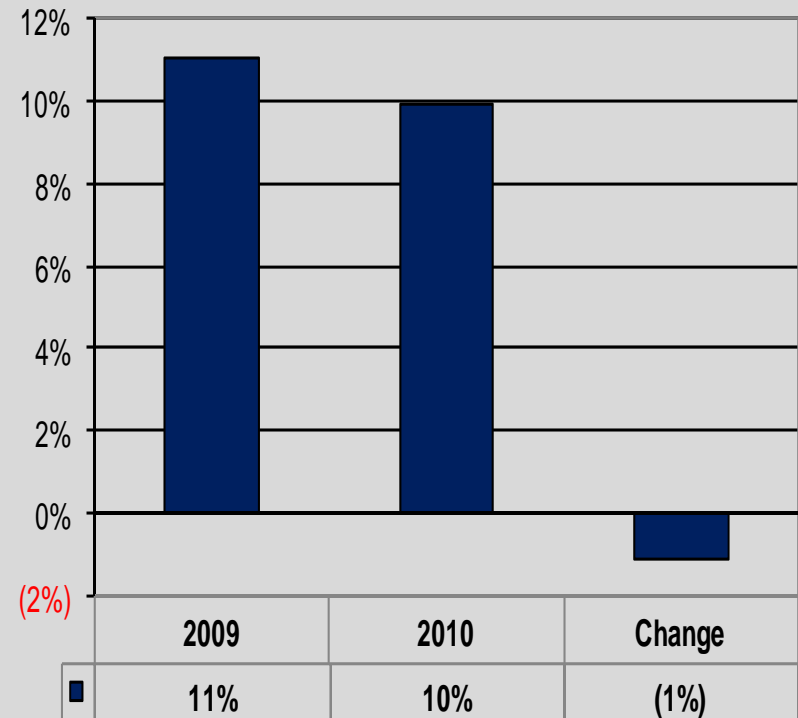


Group transport costs

Transport costs (R'000)

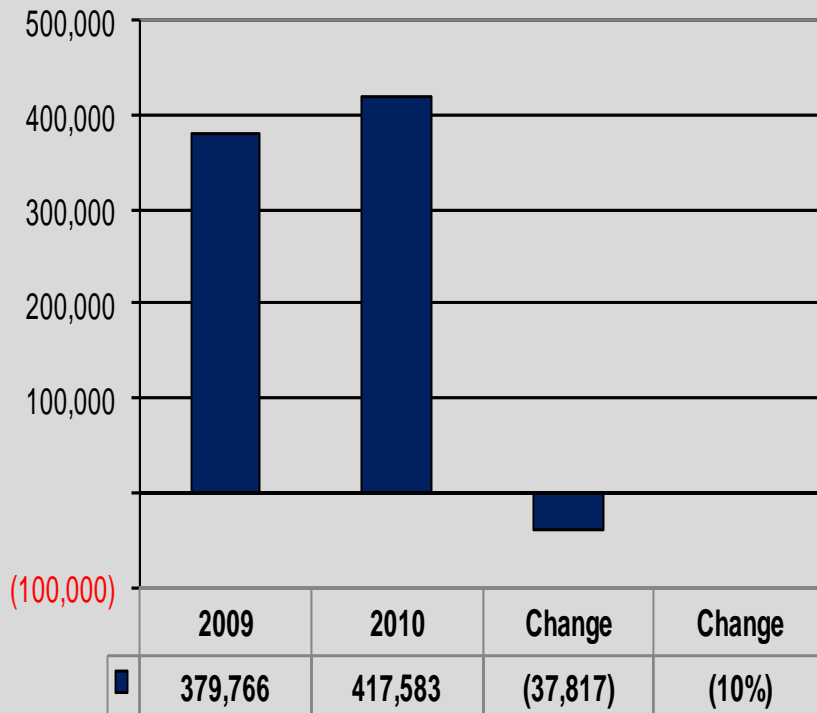


Transport costs % of revenue

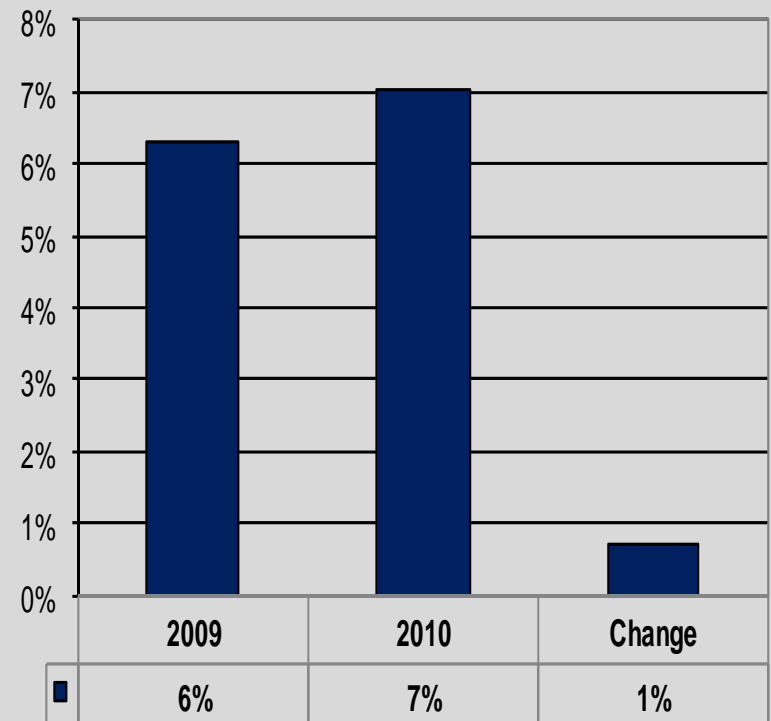


Group accommodation costs

Accommodation costs (R'000)



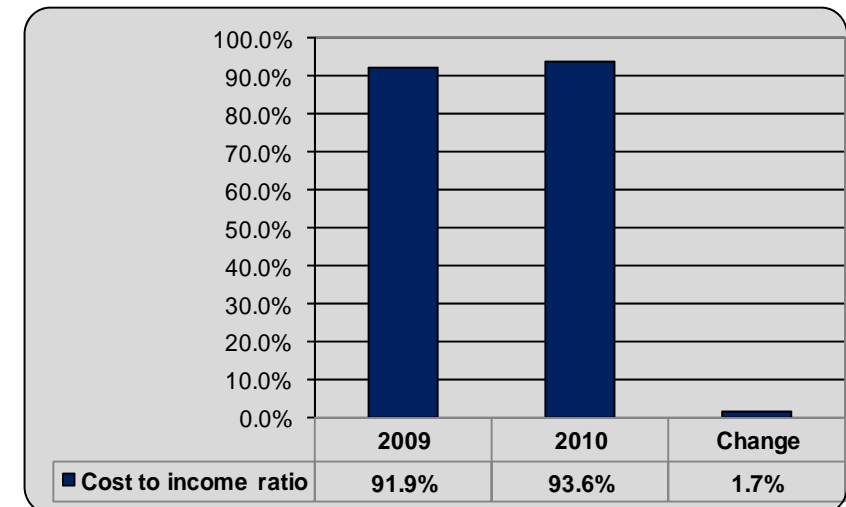
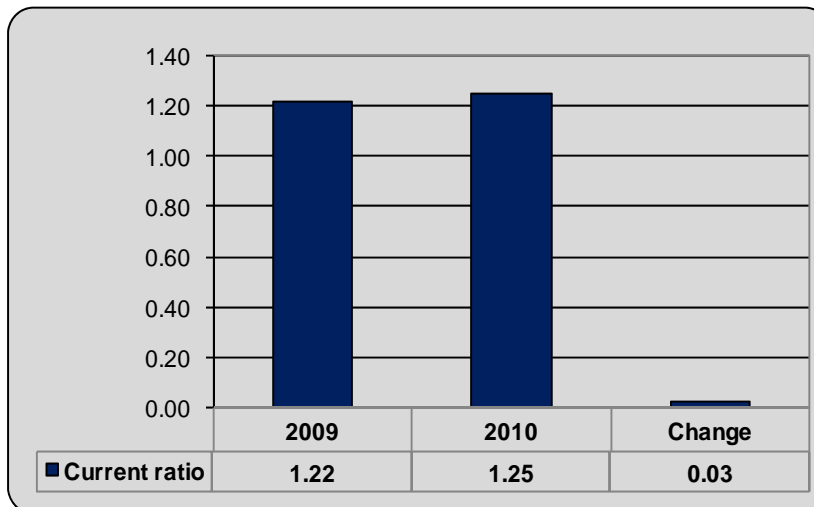
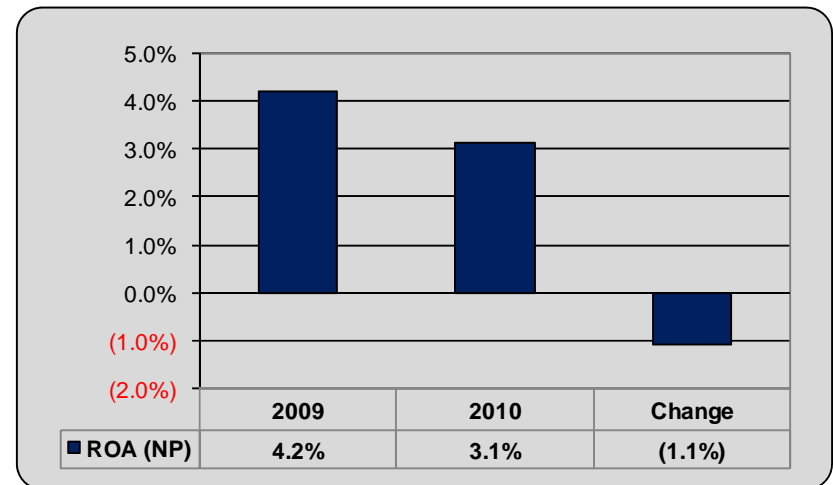
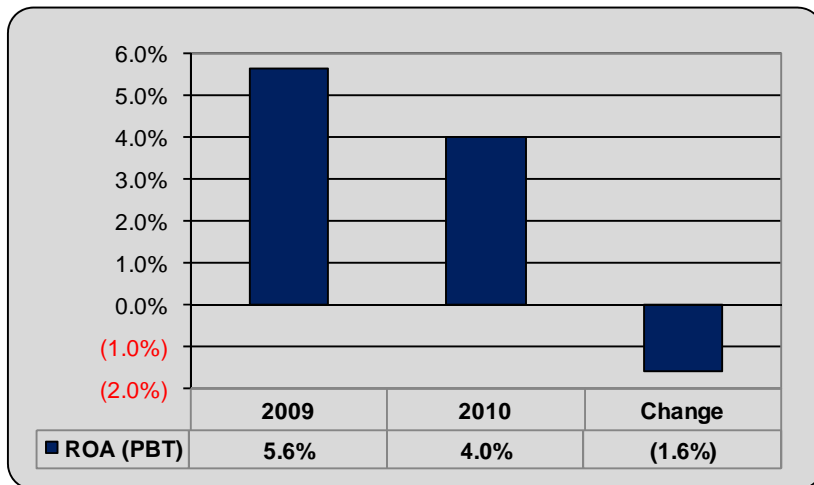
Accommodation costs % of revenue



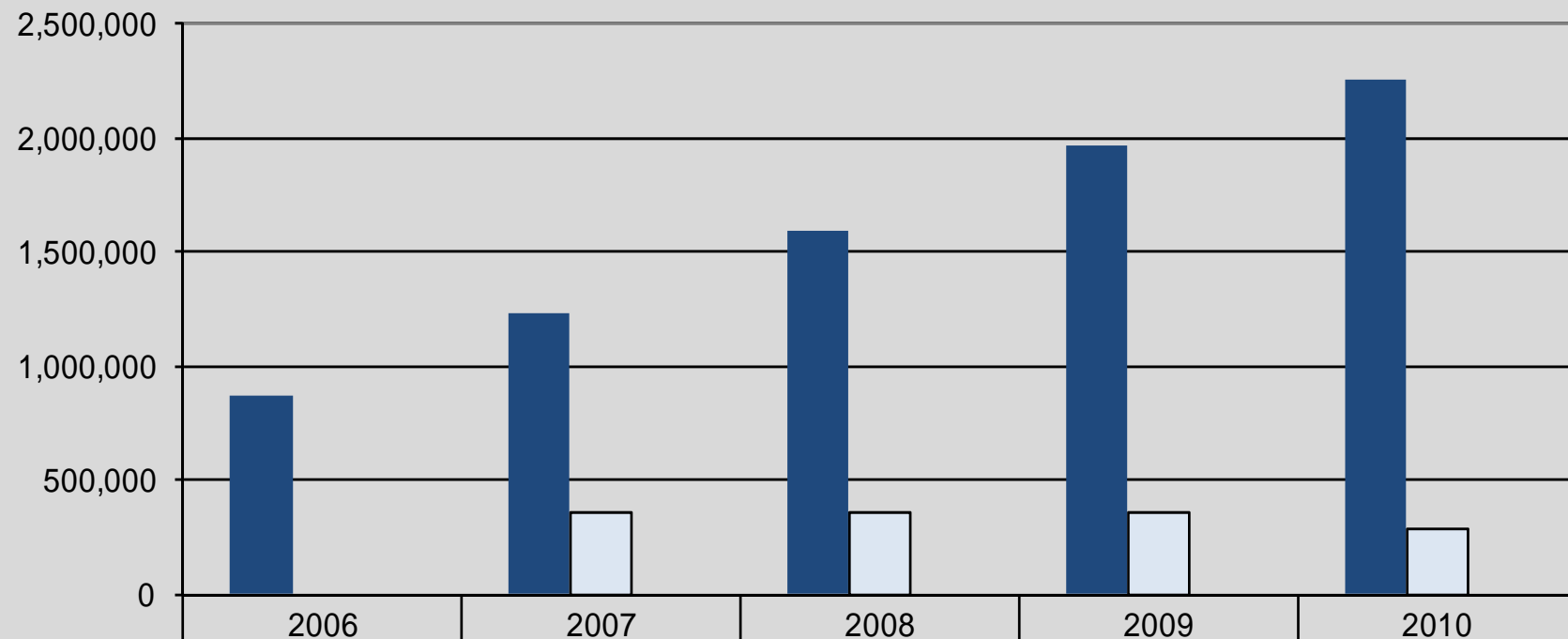
Group balance sheet

	2009 R'000	2010 R'000	R'000	Change %	
Total assets	8,691,229	9,416,285	725,056	8.3%	up
Property, plant & equipment	1,142,419	1,071,033	(71,386)	(6.2%)	down
Intangible assets	55,104	62,213	7,109	12.9%	up
PRMA asset	456,799	546,408	89,609	19.6%	up
Current assets	6,814,484	7,460,604	646,120	9.5%	up
Inventories	59,190	48,326	(10,864)	(18.4%)	down
Trade & non trade receivables	509,826	569,394	59,568	11.7%	up
Cash & investment	6,055,383	6,661,219	605,836	10.0%	up
Total equity & liabilities	8,691,229	9,416,285	725,056	8.3%	up
NAV	1,962,824	2,255,954	293,130	14.9%	up
Trade & non trade payables	1,089,669	1,051,785	(37,884)	(3.5%)	down
Funds collected on behalf of third parties	272,853	236,125	(36,728)	(13.5%)	down
Amount owing to the shareholder	185,130	206,395	21,265	11.5%	up
Employment benefits	1,121,443	1,236,850	115,407	10.3%	up
Depositors book	3,295,867	3,651,987	356,120	10.8%	up
Current liabilities	5,598,447	5,992,345	393,898	7.0%	up

Group financial ratios

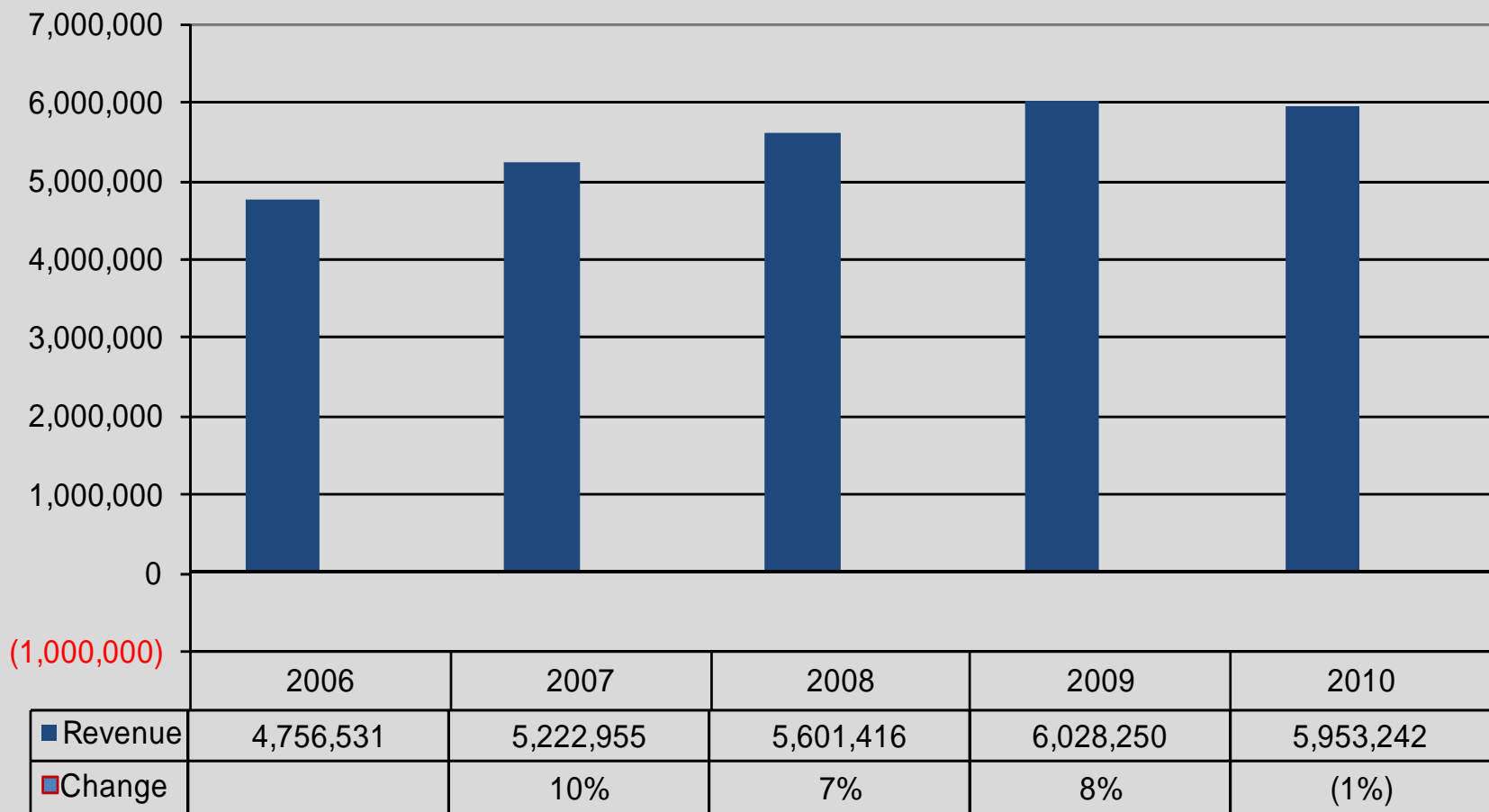


Group net asset value trend (R'000)

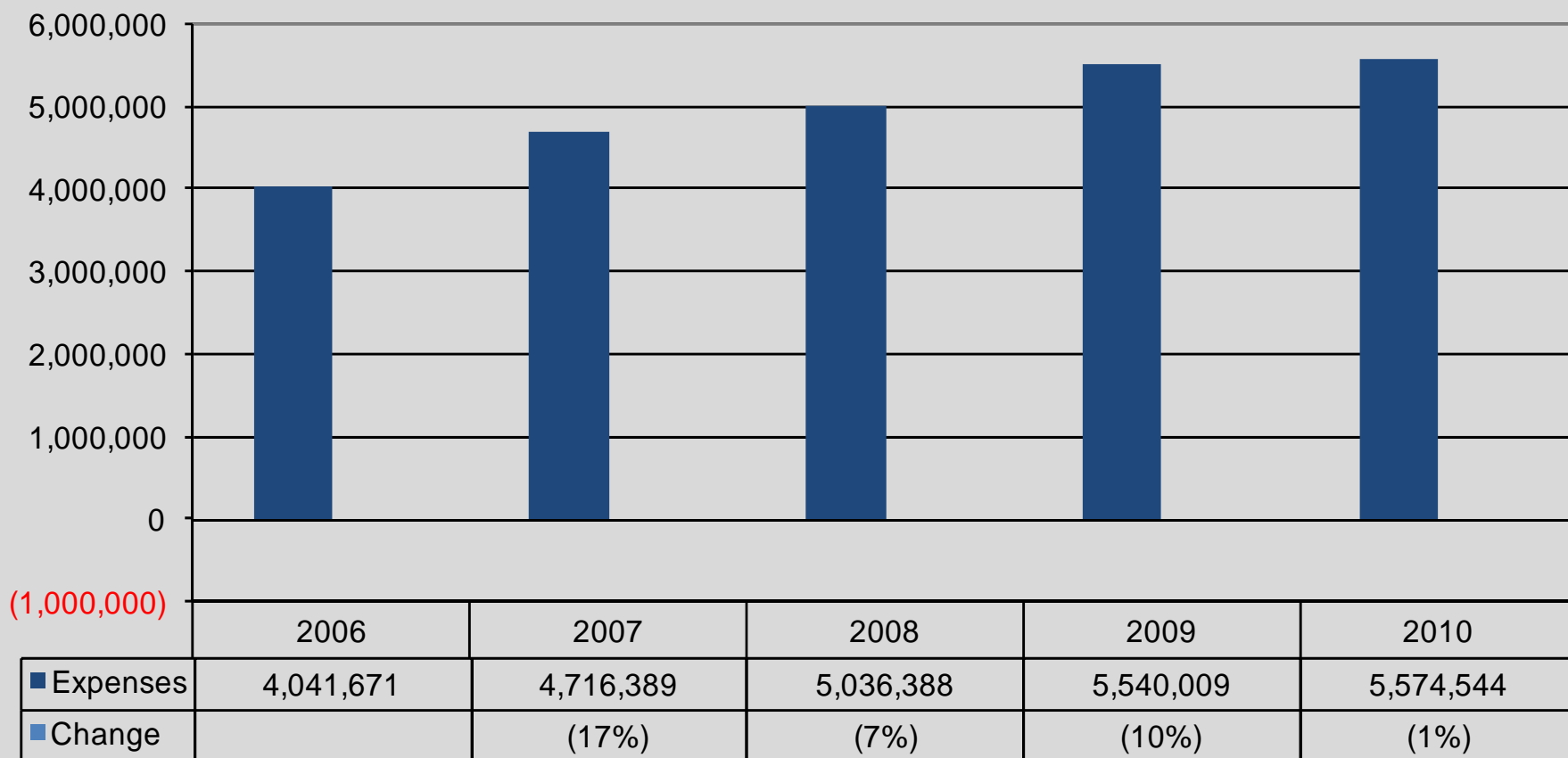


	2006	2007	2008	2009	2010
NAV	873,943	1,233,119	1,596,747	1,962,824	2,255,954
Change		359,176	363,628	366,077	293,130
Change %		41%	29%	23%	15%

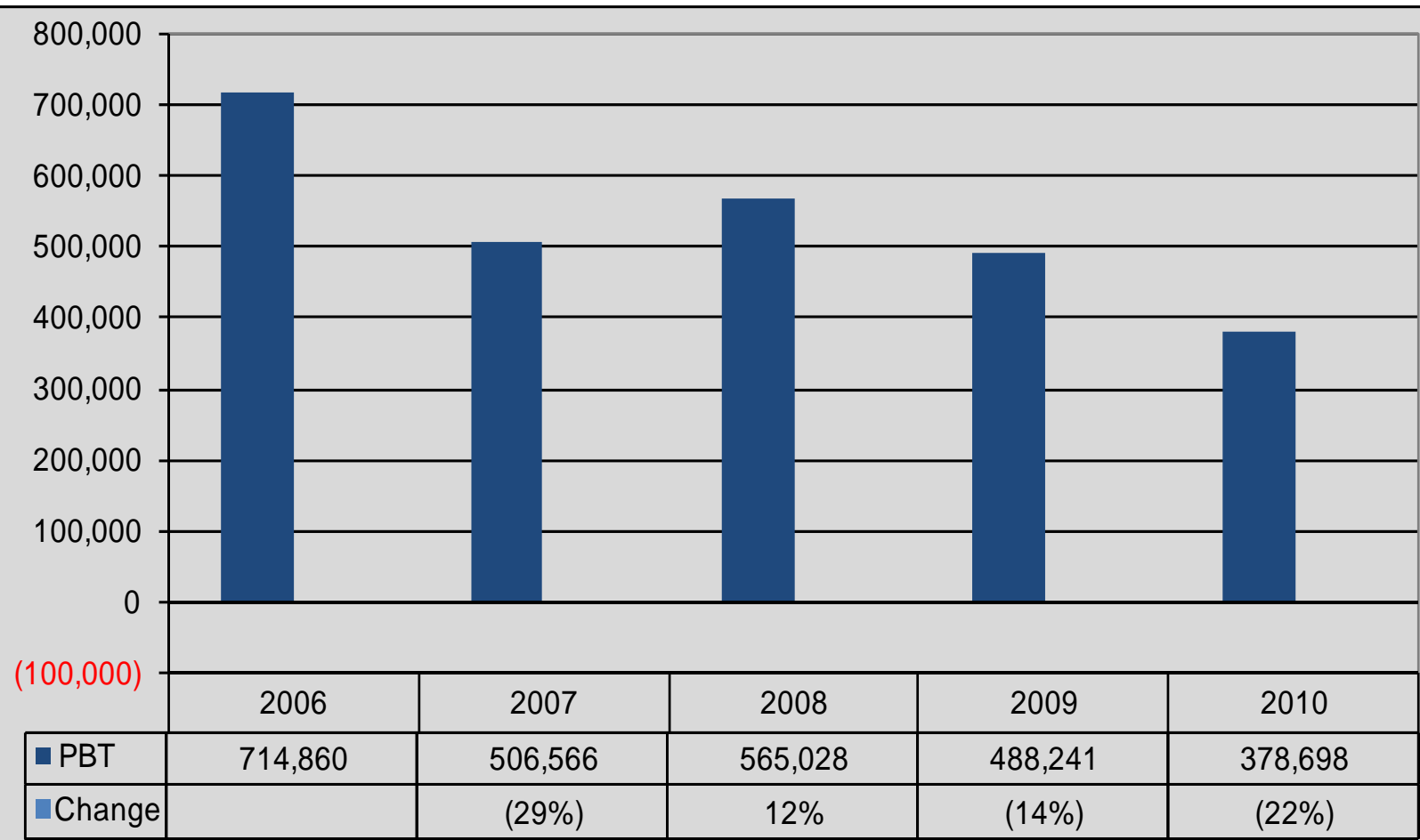
Group revenue trend (R'000)



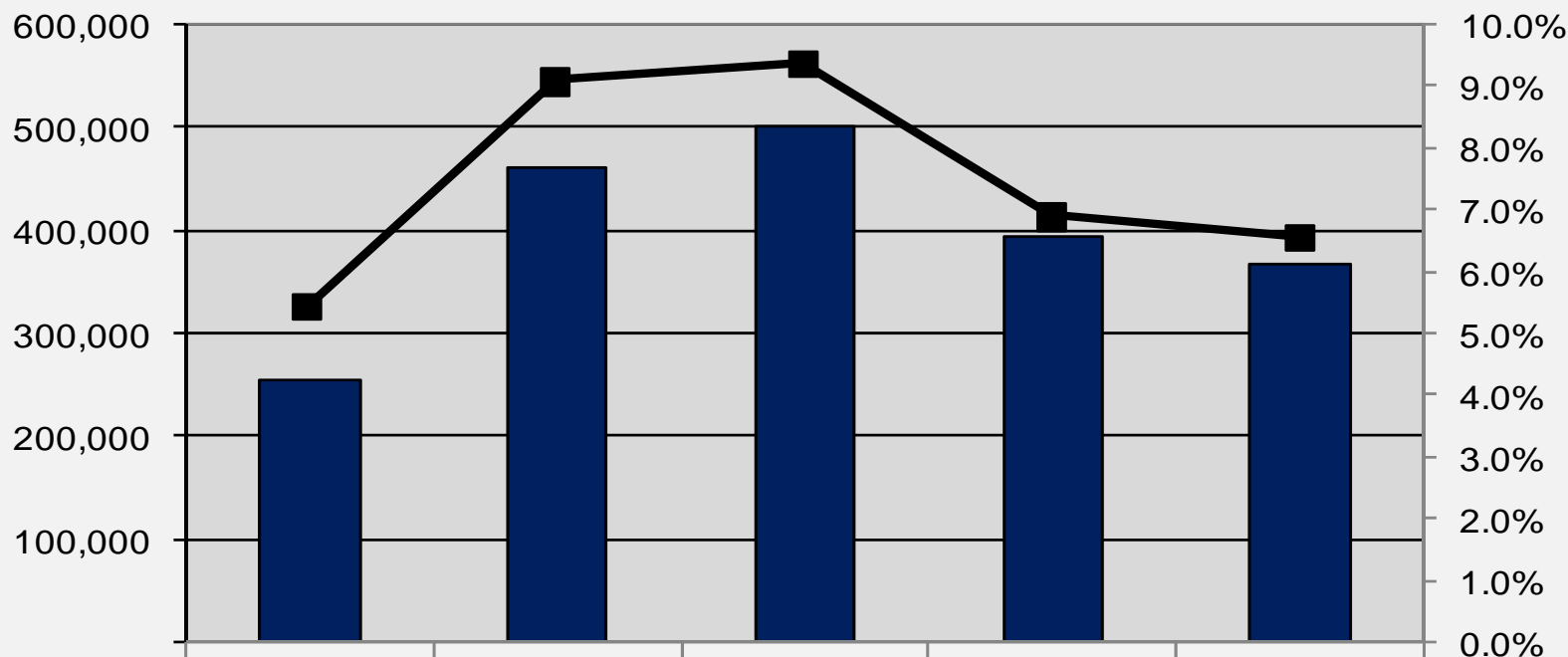
Group expenses trend (R'000)



Group profit before tax trend (R'000)

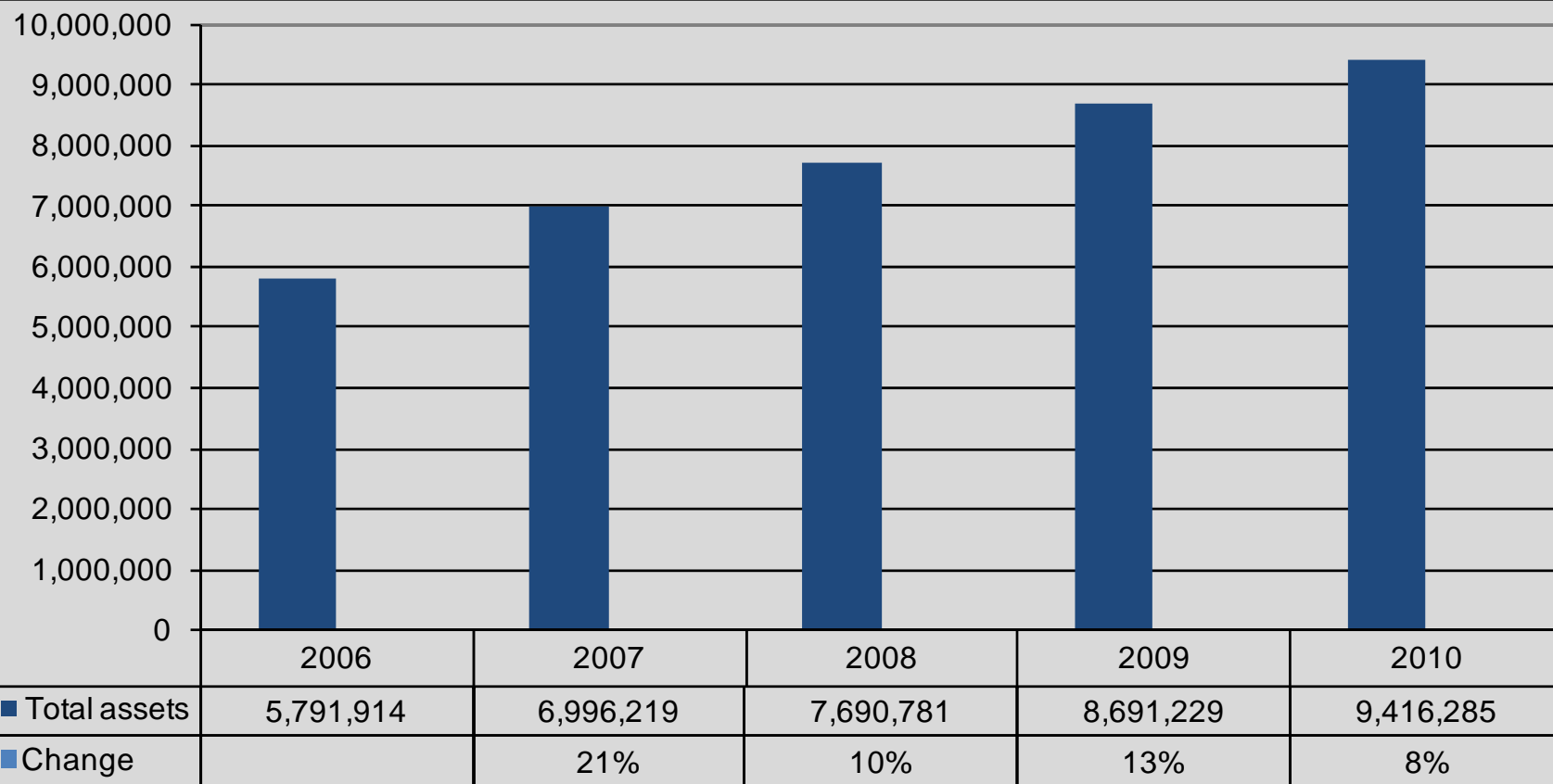


Group trading profit trend (R'000)

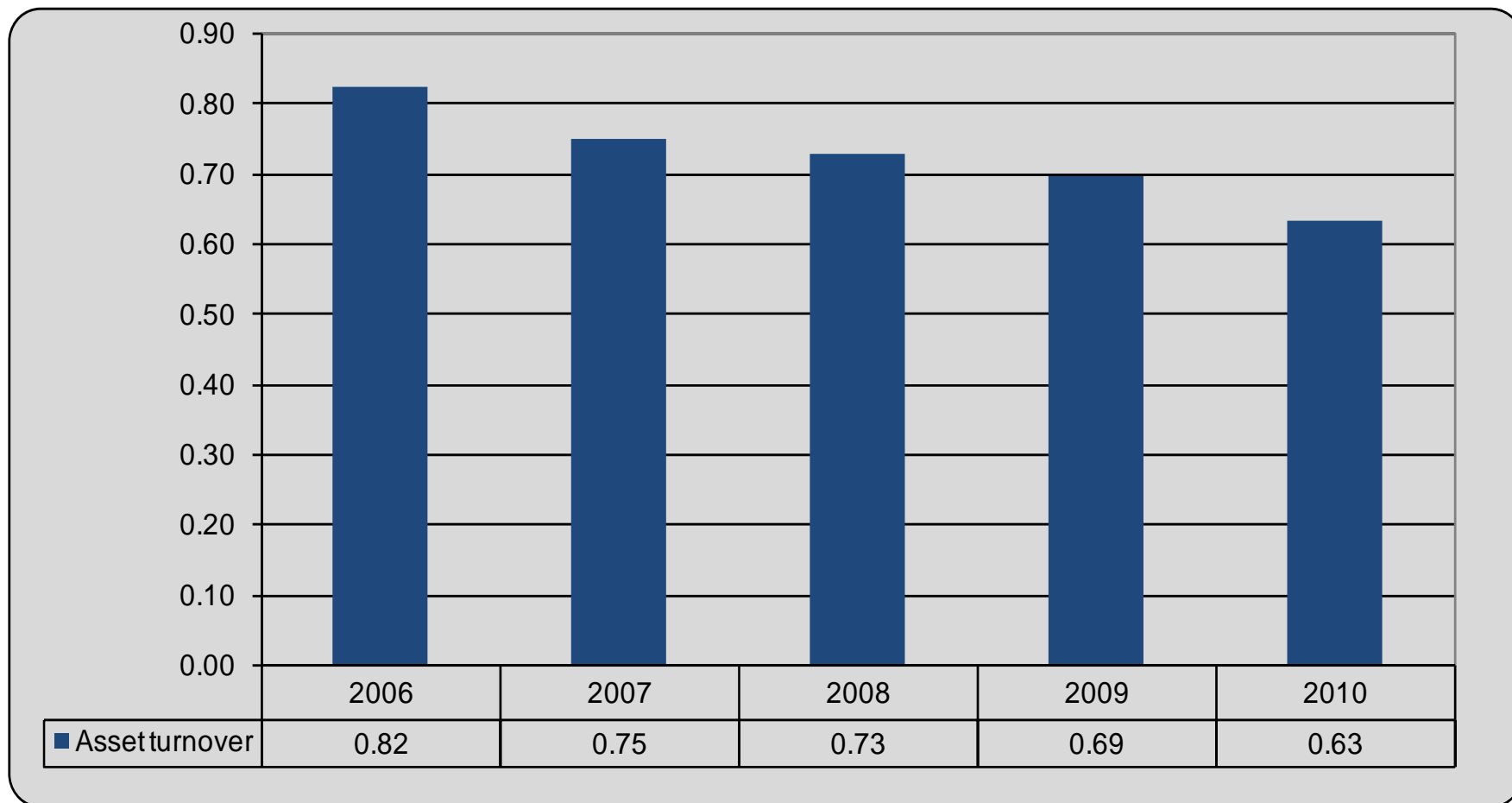


Trading profit	253,999	459,579	501,804	395,071	366,400
TP margin	5.5%	9.1%	9.4%	6.9%	6.6%

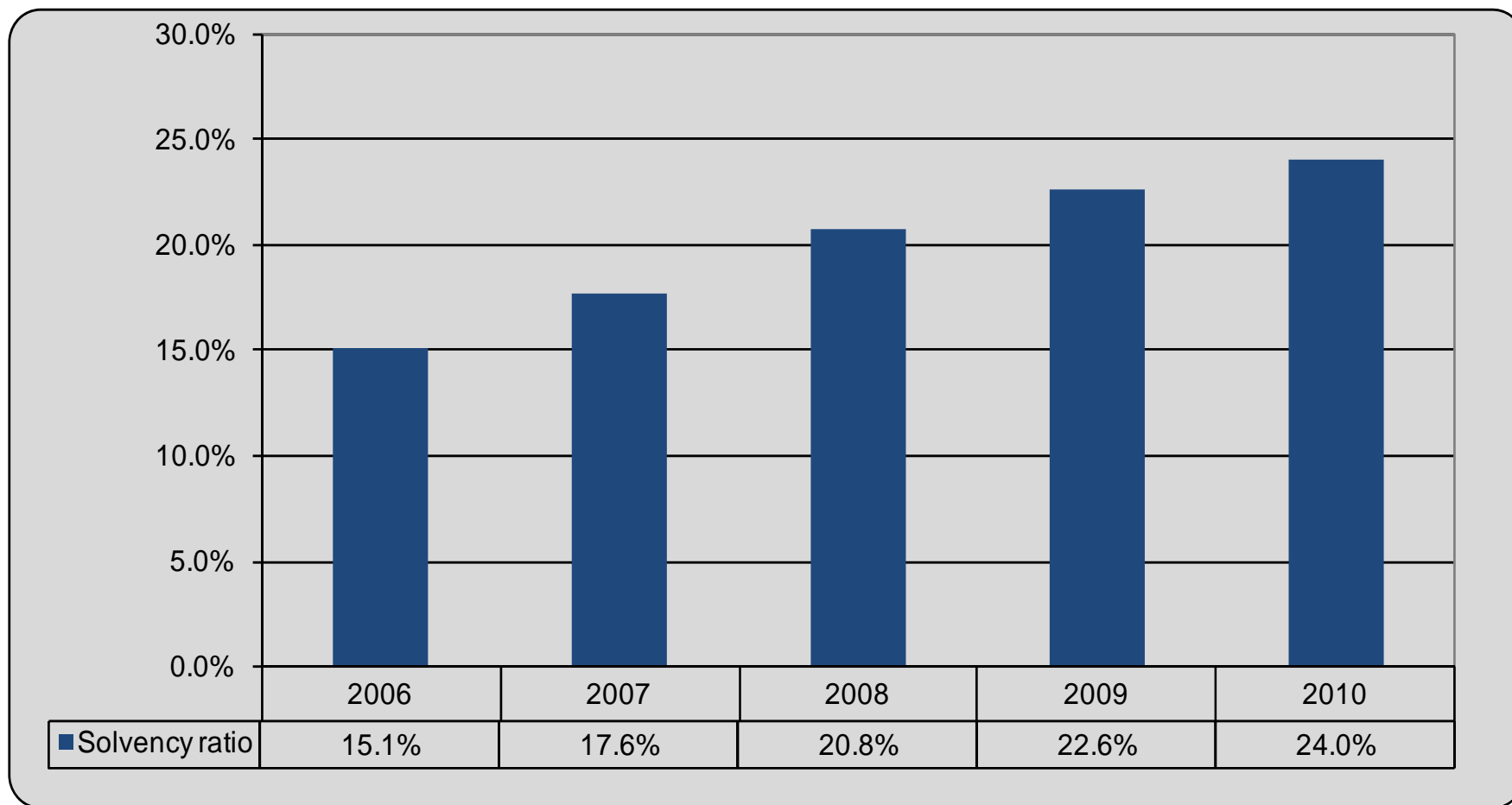
Group total assets trend (R'000)



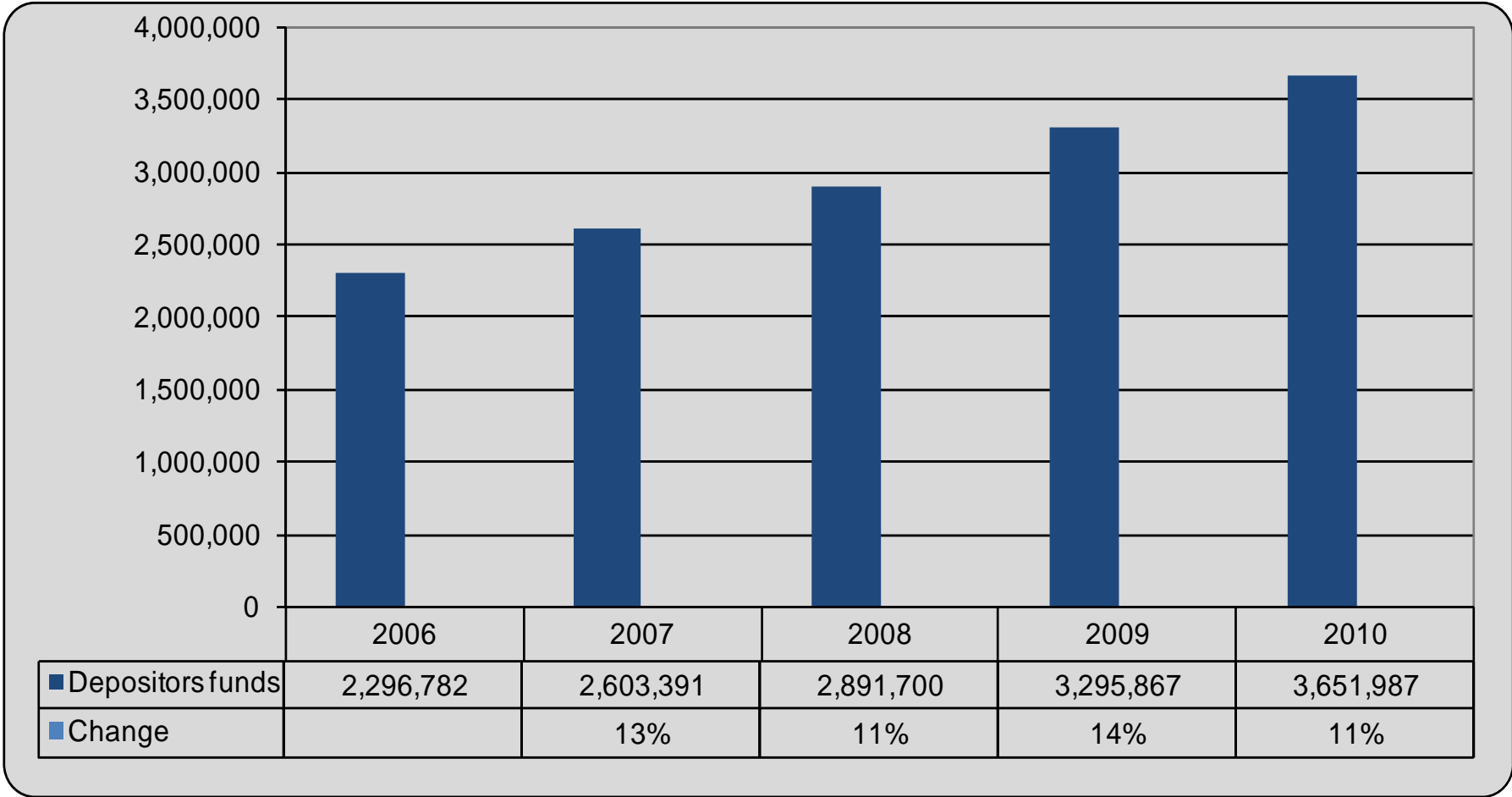
Group total assets turnover

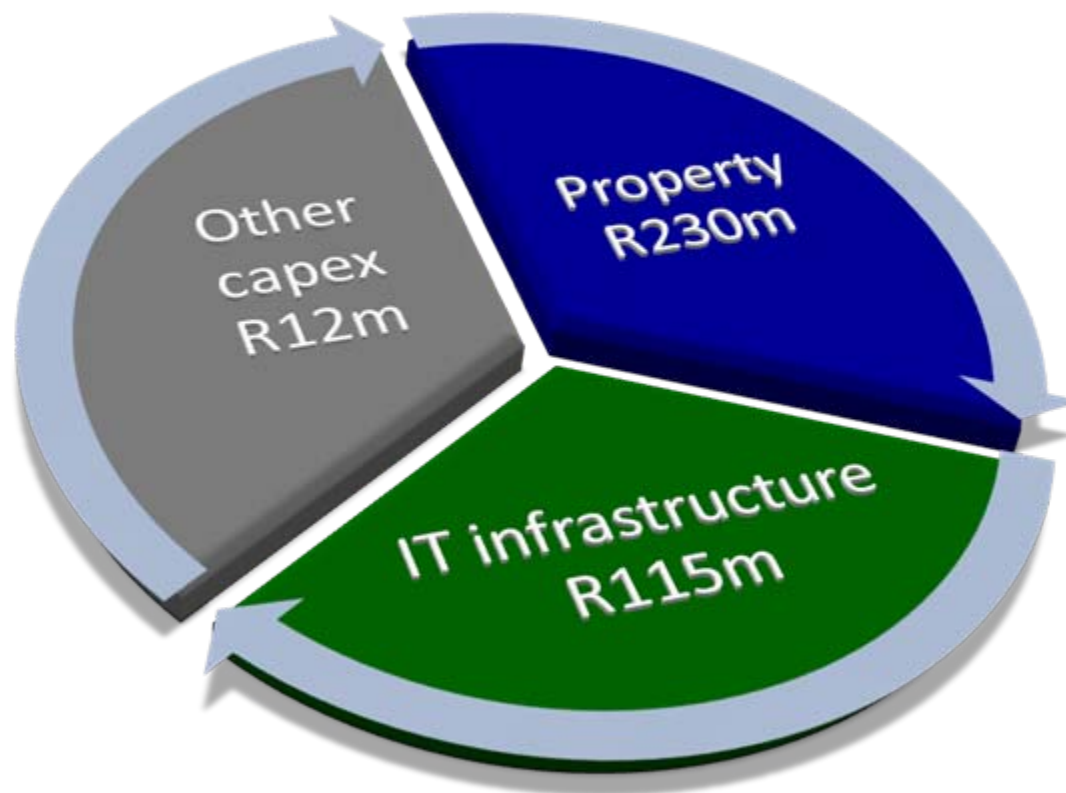


Group solvency ratio

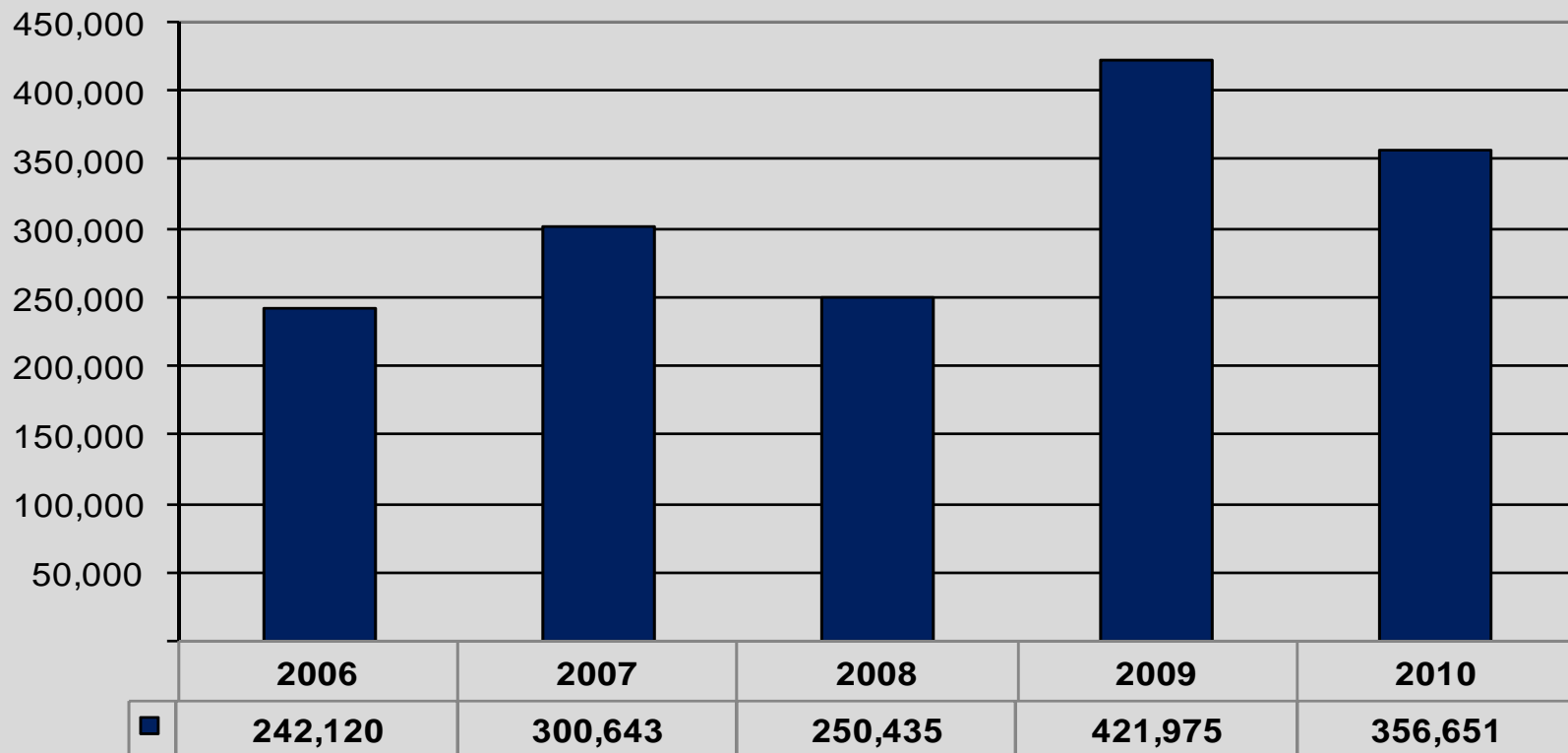


Group depositors fund trend (R'000)





Group capex (R'000)



Projects (R'000)	Subsidy	Actual	Roll over
USO	136,038	122,470	13,568
Property infrastructure	251,241	141,280	109,962
IT infrastructure & automation	250,000	124,489	125,511
VAT	47,046	47,046	()
	684,326	435,285	249,040

Roll over	R'000
Network upgrade	149,703
Property infrastructure	25,052
Mail sorting equipment	62,028
New post office outlets	12,257
	249,040

Group PRMA liability

R' million	2004	2005	2006	2007	2008	2009	2010
Actuarial obligation	2,251	929	953	1,004	1,064	1,159	1,365
Change		1,322	(24)	(51)	(60)	(94)	(206)
Change %		59%	(3%)	(5%)	(6%)	(9%)	(18%)

R' million	2004	2005	2006	2007	2008	2009	2010
PRMA asset	303	287	337	434	533	457	547
Change		(16)	50	97	99	(76)	90
Change %		(5%)	17%	29%	23%	(14%)	20%

R' million	2004	2005	2006	2007	2008	2009	2010
Unfunded	1,948	642	616	570	531	702	818
Change		1,306	26	46	39	(171)	(116)
Change %		67%	4%	7%	7%	(32%)	(17%)

Medipos benefit rates increase	2004	2005	2006	2007	2008	2009	2010
Option A	9.00%	10.00%	6.30%	12.50%	9.50%	16.00%	25.70%
Option B	9.00%	4.00%	7.30%	10.00%	9.50%	13.80%	19.46%
Average increase	9.00%	7.00%	6.80%	11.25%	9.50%	14.90%	22.58%

Subsidiary Annual Financial Results For The Year Ended March 2010



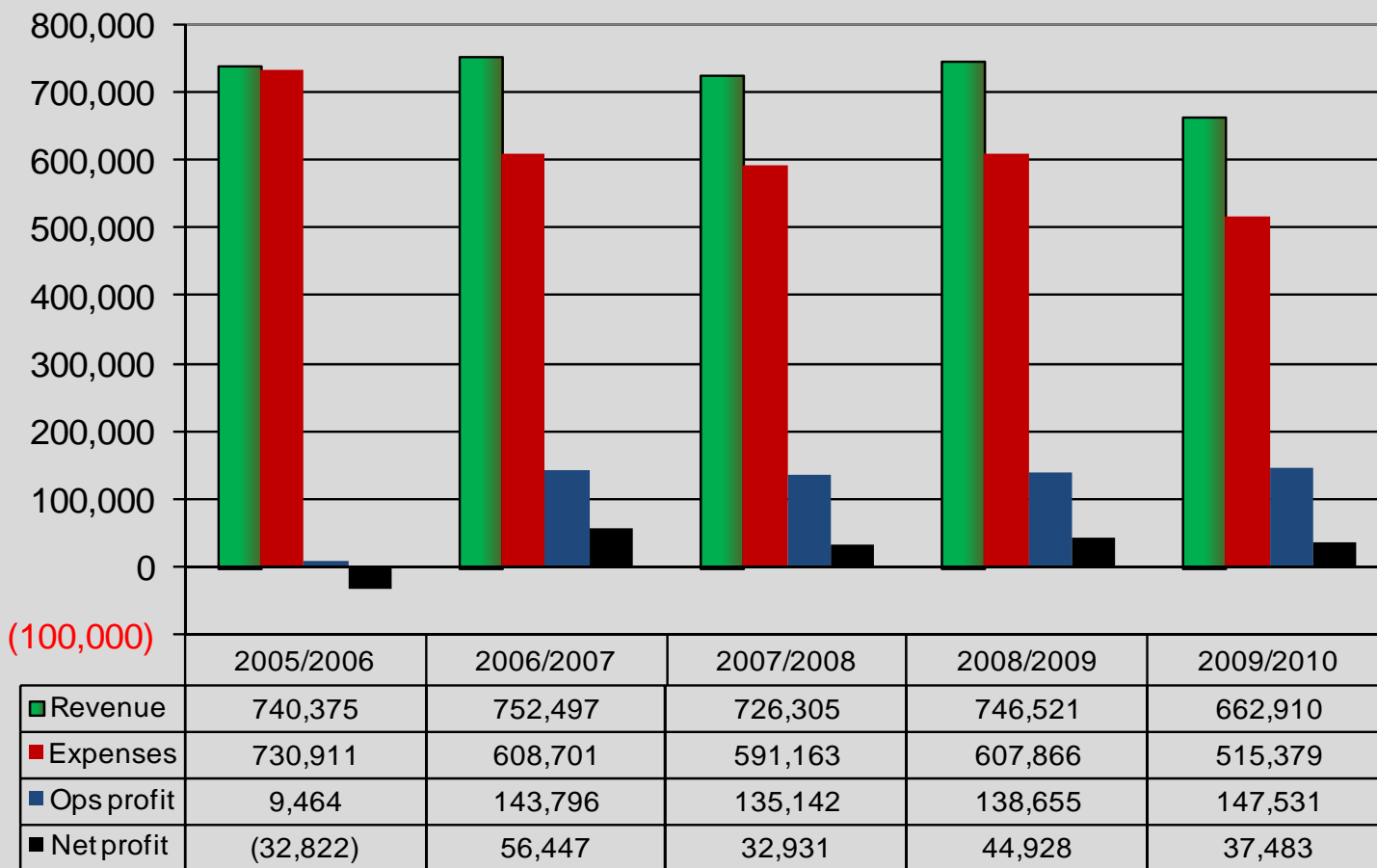
South African Post Office Group



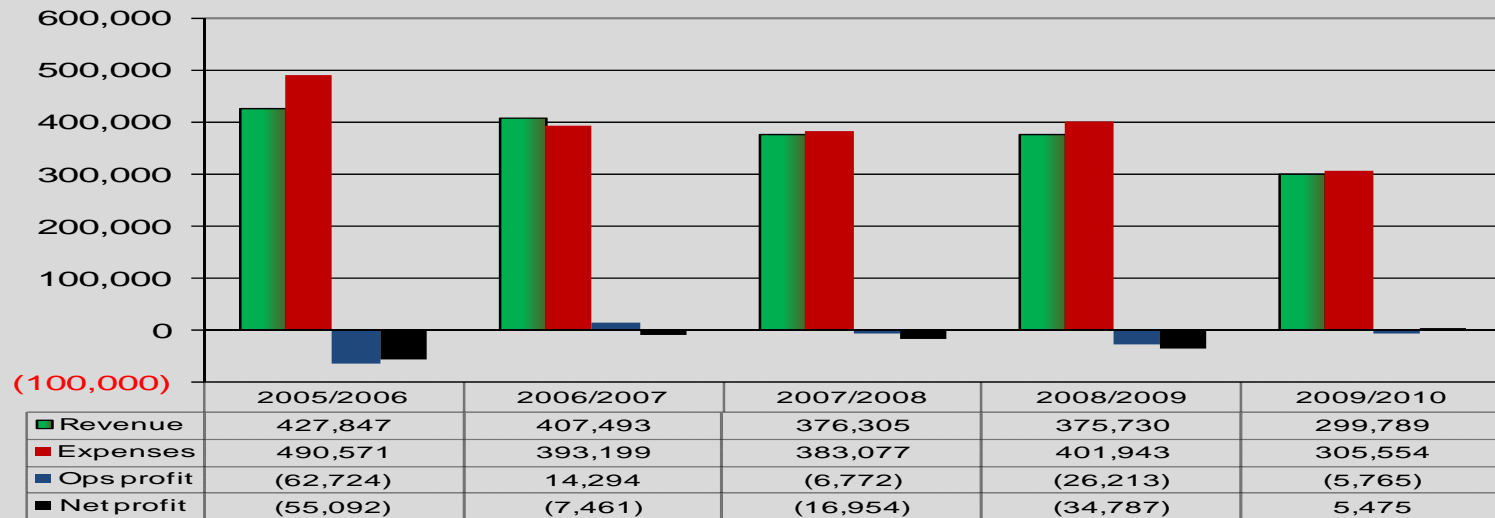
Corporate and Business Support

Consumer Services

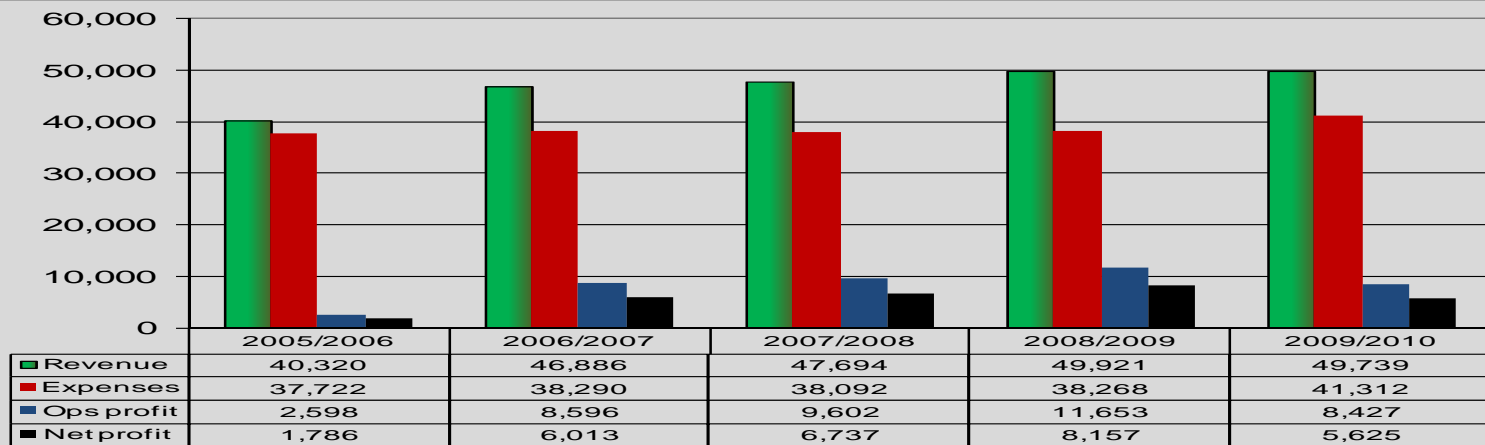
Logistics Performance



Courier Freight Group



Docex



R'000	2009	2010	Change	Change	
Revenue	396,948	338,830	(58,118)	(15%)	↓
Expenses	(431,736)	(333,355)	98,381	23%	↑
Profit before tax	(34,788)	5,475	40,263	116%	↑
Taxation	0	0	0	0%	
Profit after tax	(34,788)	5,475	40,263	116%	↑

PBT margin	(8.8%)	1.6%	10.4%	↑
NP margin	(8.8%)	1.6%	10.4%	↑

R'000	2009	2010	Change	Change	
Revenue	49,921	49,739	(182)	(0%)	↓
Expenses	(38,268)	(41,312)	(3,044)	(8%)	↓
Profit before tax	11,653	8,427	(3,226)	(28%)	↓
Taxation	(3,496)	(2,802)	694	20%	↑
Profit after tax	8,157	5,625	(2,532)	(31%)	↓

PBT margin	23.3%	16.9%	(6.4%)	↓
NP margin	16.3%	11.3%	(5.0%)	↓

Thank You!

Next presentation: Performance to date