



Annual Financial Results

For The Year Ended March 2009

Agenda

- 📄 Chairperson's Overview
- 📄 Group CEO Report
- 📄 Group CFO Report
- 📄 Group CEO - Conclusion

SA Post Office Board Chairperson

Ms VF Mahlali

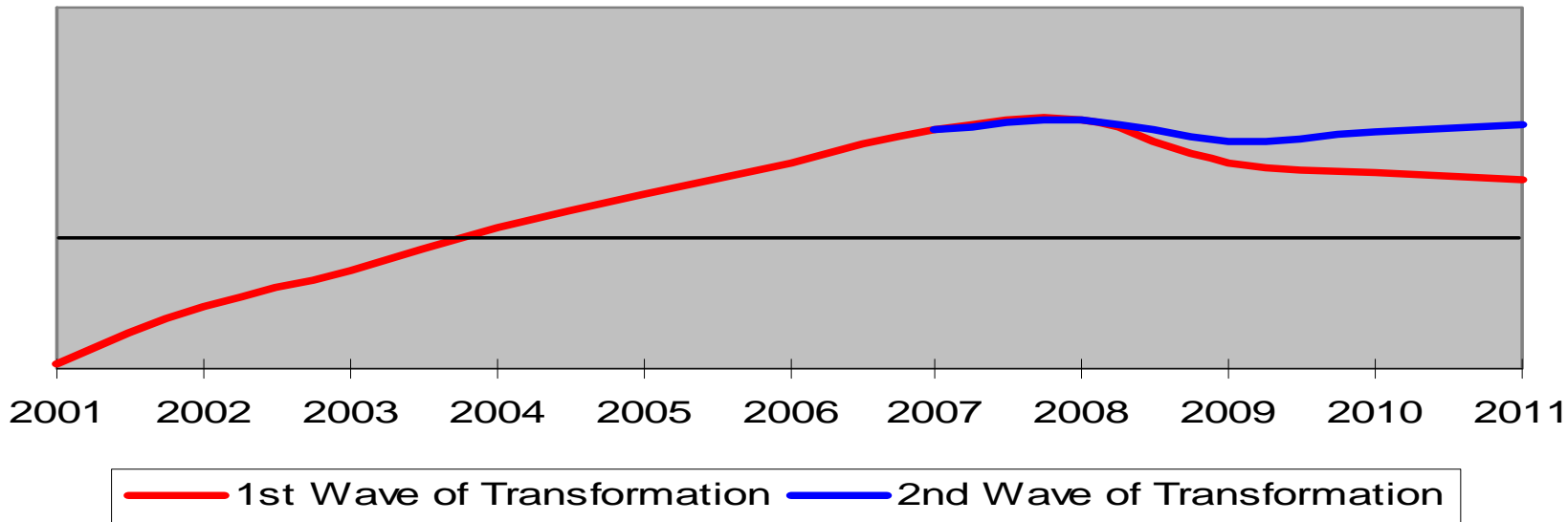
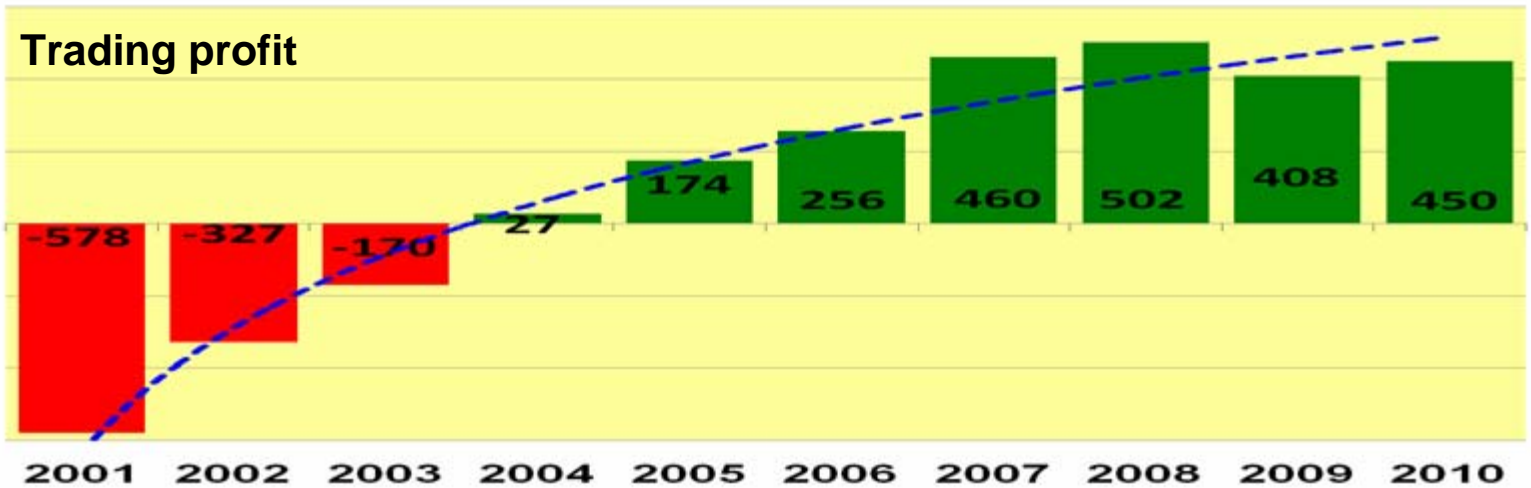
1991 – 1998 : The Initial Commercialization Era

1999 – 2002 : The Strategic Management partner Era

2001 – 2004 : The Restructuring and Transformation Era

2005 – 2006 : The Repositioning Era

2007- : Growth, Development and Sustainability Era



Corporate Governance and Compliance

-  King III and Companies Act

-  Financial Services Regulatory Bodies

Postbank Corporatisation

Long Term Sustainability Platform for the Last Mile

-  Financial Oversight within Economic Crisis

-  Human Resource Capacity

-  Service Improvement Drive

-  Environmental Programmes

Group Chief Executive Officer

Ms MM Lefoka



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

Mission

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





Optimization

Maximising the efficiency and effectiveness of existing processes, systems and networks performance



Innovation

The introduction of new products and services designed to respond to the needs of a demanding market



Diversification

Entering new lines of business through investment in new capabilities, partnerships and acquisitions



Globalisation

Expanding and capturing business opportunities beyond local borders

Local Trends


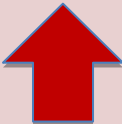
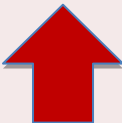
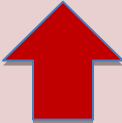

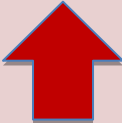
- ✉ Declining Mail Volumes - 5.8% decline in 2008/2009
- ✉ Increased Focus in governance and corporate citizenry
- ✉ Sustainable development and Environmental impact
- ✉ Commercialisation and regulation of financial services
- ✉ Social transformation and embracing Universal Service Obligations
- ✉ Robust Financial Management in a economically challenged environment.

Strategic Themes

- 📄 Grow top line revenue at an acceptable cost
- 📄 Deliver on our shareholder mandate and establish excellent stakeholder relationships
- 📄 Improve efficiency and effectiveness in the way we conduct our business
- 📄 Satisfy our customers by being consistent and innovative
- 📄 Entrench a high performance culture in the organisation
- 📄 Contribute positively to our communities and environment by embracing responsible business and social practice.



Financial Highlights

Revenue Increase		8% to R6,082 billion
Total Assets		13% to R8,691 billion
Postbank Deposits		14% to R3,296 billion
Cash and Investments		13% to R6,055 billion
Cash Flow from Operating Activities		113% to R650 million
Capital Expenditure		65% to R643million

Government Mandate

📄 To provide physical addresses to every household

📄 1.7 Million vs 1.6 million Addresses

📄 To make the postal and financial service available to all South Africans at an affordable price

📄 66,9 million customers

📄 Depositor's book up 13%

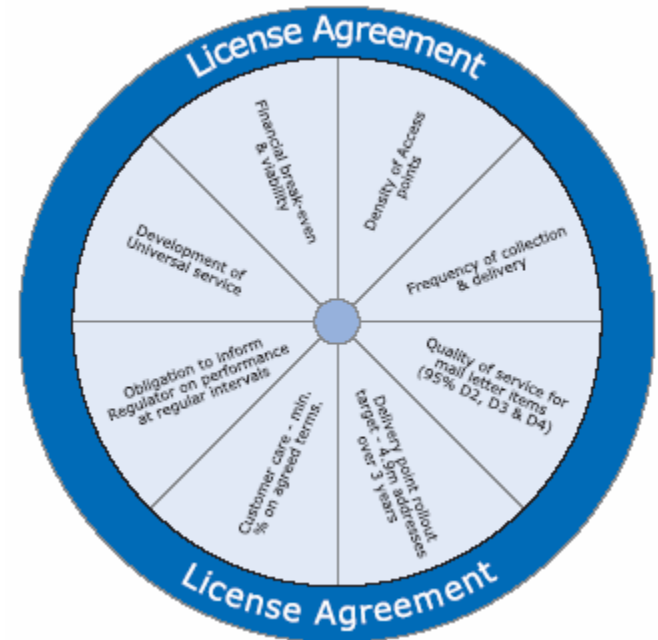
📄 Quality Service 94.2% vs 95% (target)

📄 Tariff Increase below CPI

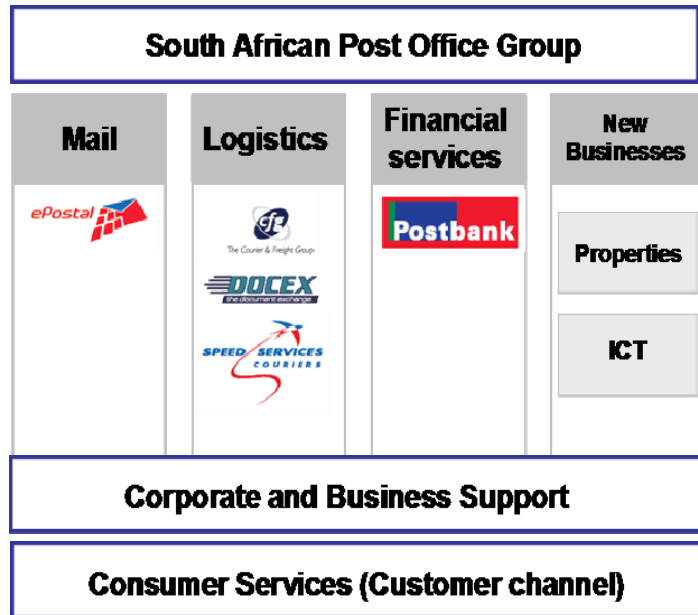
📄 Provide a countrywide service

📄 120 New and Renovated Post Offices

📄 Enabling economic opportunity







Mail Business

-  E-fulfilment positioning completed and positive revenue growth opportunities



Logistics

-  Phase 1: Integration of SSC and CFG in progress



Financial Services

-  Corporatisation of Postbank – 2010

Properties

-  Unlocking Value in the Property Portfolio
-  Valuation increased to R1bn in 2008/9

ICT

-  Leveraging investment in IT Infrastructure
-  Trust Centre Accreditation process in progress

 Satisfy our Customers by being consistent and innovative

 E-fulfillment services

 Extension of services in SADC – Logistics Business

 ISO Accreditation Programme

 Entrench a High Performance Culture

 Skills Development and Training

 Recognition of Prior Learning Programme




 Review of the Staffing Model

 Achievement of Equity targets



 47% participation in Wellness program

Environmental Plans

Carbon Emissions - Criteria and targets set

-  Baseline of our fleet carbon emissions determined at 45Kt CO₂ e.
-  An off-set program established to off-set 5% of our 2008/9 fleet emissions
 -  Partnership for planting 900 trees per annum for three years.

Paper recycling Programme

-  Internal Paper recycling program officially launched - 05 June 2008
-  279 tons of waste paper by the 31 March 2009.

Piloting energy saving programs to measure reduction of energy usage











Participate in the Carbon Disclosure Project

Key Initiatives for 2009/2010

Growth Strategy - Mail

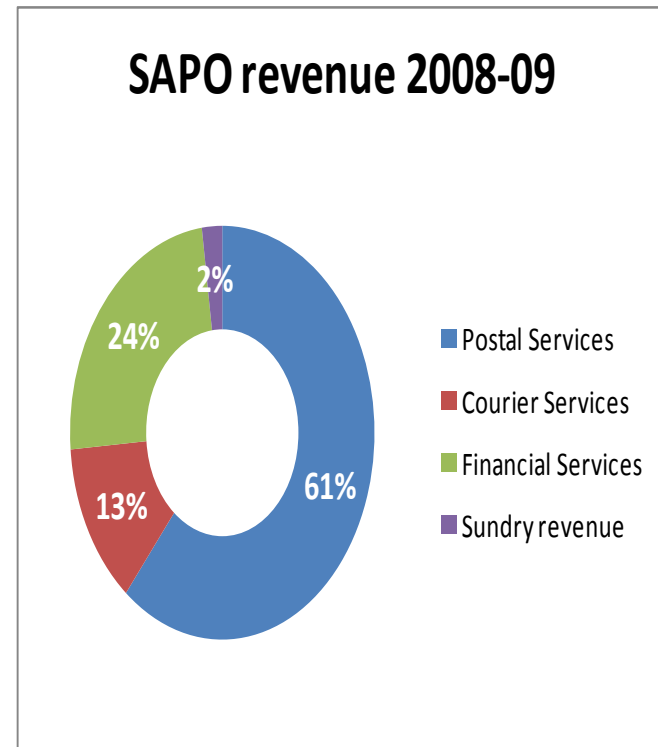
- ✉ Postal delivery remains SAPO's core business
 - ✉ Enhance customer experience, reduce mail theft
 - ✉ Improve efficiencies through new postal address and postal code system
 - ✉ Maintain focus on costs
 - ✉ ISO Accreditation
- ✉ We continue to embrace technology (e-postal)
 - ✉ Position ePostal as a group offering for e-fulfilment
 - ✉ ePostal will enable hybrid mail, online, mobile and self service channels

- ✍ Integrate transport services to offer a seamless logistics solutions
- ✍ Rationalise to reduce costs and improve efficiency
- ✍ Logistics Offering Positioning to Market
- ✍ Leverage infrastructure locally – Global Partnerships and alliances

-  *The goal is to allow government to retain 100% ownership of the bank and enable it to run as efficiently as a second tier bank providing simple and affordable products for the broader masses of our people*
-  Register Postbank as a public company wholly owned by SAPO on behalf of government
-  Change legislation to enable setting up of the bank – Postbank Bill
-  Register Postbank as a Financial Services Provider
-  Register Postbank as a bank in terms of the Bank Act to enable it to be part of the banking fraternity
-  **Key growth initiatives eg SASSA.**
 -  Migrate 80% of all cash payments to electronic methods eg Postbank account
 -  Increase capacity to handle additional 6m customers (Investment)
 -  Co-operative agreements with commercial institutions to utilise existing infrastructure eg ATM's
 -  Next step: Cabinet approval

Performance Highlights

- ✉ Group Profit Before Tax down by 14% to R482 million
- ✉ Group Operating Revenue Up by 8% to R6.0 billion
- ✉ Capital Expenditure Up by 65% to R643 million
- ✉ Acceptance of New Postal Addressing System
 - ✉ UPU S42 standards – one of only 17 countries in the world
 - ✉ SANS 1883
- ✉ Technology Top 100 Award Winner, Category: *Excellent management of systems*
- ✉ World Mail Award – Top 3, Category: Transformation
- ✉ CPSI Awards Winner, Category: *Innovative enhancements of internal systems within Government* for the mySAP ERP project
- ✉ National Business of the Year for 2008



Group Chief Financial Officer

Mr N Buick

Overview

	2009	Change	2008
Revenue	R6,029m	Increase 8%	R5,601 m
Expenses	R5,540 m	Increase 10%	R5,036 m
Profit before tax	R488 m	Decrease 14%	R565 m
Profit before tax margin	8,1%	Decrease 2%	10,1%

Overview

		2009	2008
Total assets	up 13%	R8 691m	R7 691m
NAV	up 23%	R1 963m	R1 597m
Postbank deposits	up 14%	R3 296m	R2 892m
Cash and Investments	up 13%	R6 055m	R5 381m
Return on Assets (PBT)	down 1,7%	5,6%	7,3%
Cash Flow from operating activities	up 113%	R650m	R305m

Group financial overview

	P/year R'000	Actual R'000	Change R'000	Change %
Revenue	5,601,416	6,028,250	426,834	8%
Expenses	5,036,389	5,540,009	(503,620)	(10%)
Profit before tax	565,027	488,241	(76,786)	(14%)
Taxation	(187,910)	(125,338)	62,572	33%
Profit after tax	377,117	362,903	(14,214)	(4%)

Post Office excluding subsidiaries

	P/year R'000	Actual R'000	Change R'000	Change %
Revenue	5,185,443	5,569,044	383,601	7%
Expenses	4,637,261	5,081,302	(444,041)	(10%)
Profit before tax	548,182	487,742	(60,440)	(11%)
Taxation	(184,498)	(120,902)	63,596	34%
<i>Profit after tax</i>	363,684	366,840	3,156	1%

	P/year R'000	Actual R'000	Change R'000	Change %
Revenue	47,694	49,921	2,227	5%
Expenses	38,092	38,268	(177)	(0%)
Profit before tax	9,602	11,653	2,050	21%
Taxation	(2,865)	(3,496)	(631)	(22%)
Profit after tax	6,738	8,157	1,419	21%

	P/year R'000	Actual R'000	Change R'000	Change %
Revenue	390,514	396,948	6,434	2%
Expenses	396,855	418,626	(21,771)	(5%)
Profit before tax	(6,341)	(21,678)	(15,337)	(242%)
Taxation	(153)	0	153	100%
Profit after tax	(6,495)	(21,678)	(15,184)	(234%)

Group statement of financial position

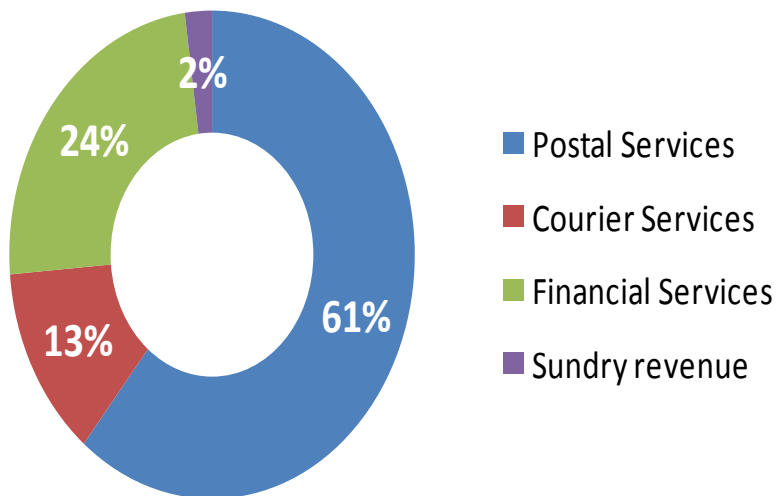
	MARCH 2008 R'000	MARCH 2009 R'000	CHANGE R'000	CHANGE %
ASSETS				
Non-current assets	1 528 026	1 876 745	348 719	23%
Current assets	6 162 755	6 814 483	651 728	11%
TOTAL ASSETS	7 690 781	8 691 228	1 000 447	13%
EQUITY AND LIABILITIES				
Equity and reserves	1 596 746	1 962 824	366 078	23%
Non-current liabilities	724 923	1 129 958	405 035	56%
Current liabilities	5 369 112	5 598 446	229 334	4%
TOTAL EQUITY AND LIABILITIES	7 690 781	8 691 228	1 000 447	13%

Group statement of cash flow

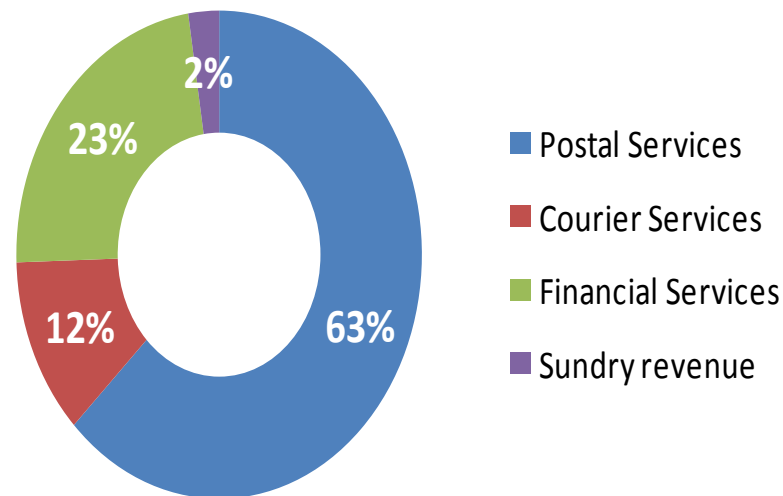
	MARCH 2008 R'000	MARCH 2009 R'000	CHANGE R'000	CHANGE %
Cash inflows from operating activities	305 217	649 817	344 600	113%
Net increase in deposits from the public	288 309	404 167	115 858	40%
Cash outflows for investing activities	(854 749)	(1 302 054)	(447 305)	(52%)
Cash inflows from financing activities	361 046	369 978	8 932	2%
Increase in cash and cash equivalents	99 823	121 908	22 085	22%
Cash and cash equivalents at beginning of year	3 381 410	3 481 233	99 823	3%
Cash and cash equivalents at end of year	3 481 233	3 603 141	121 908	4%

Revenue contribution

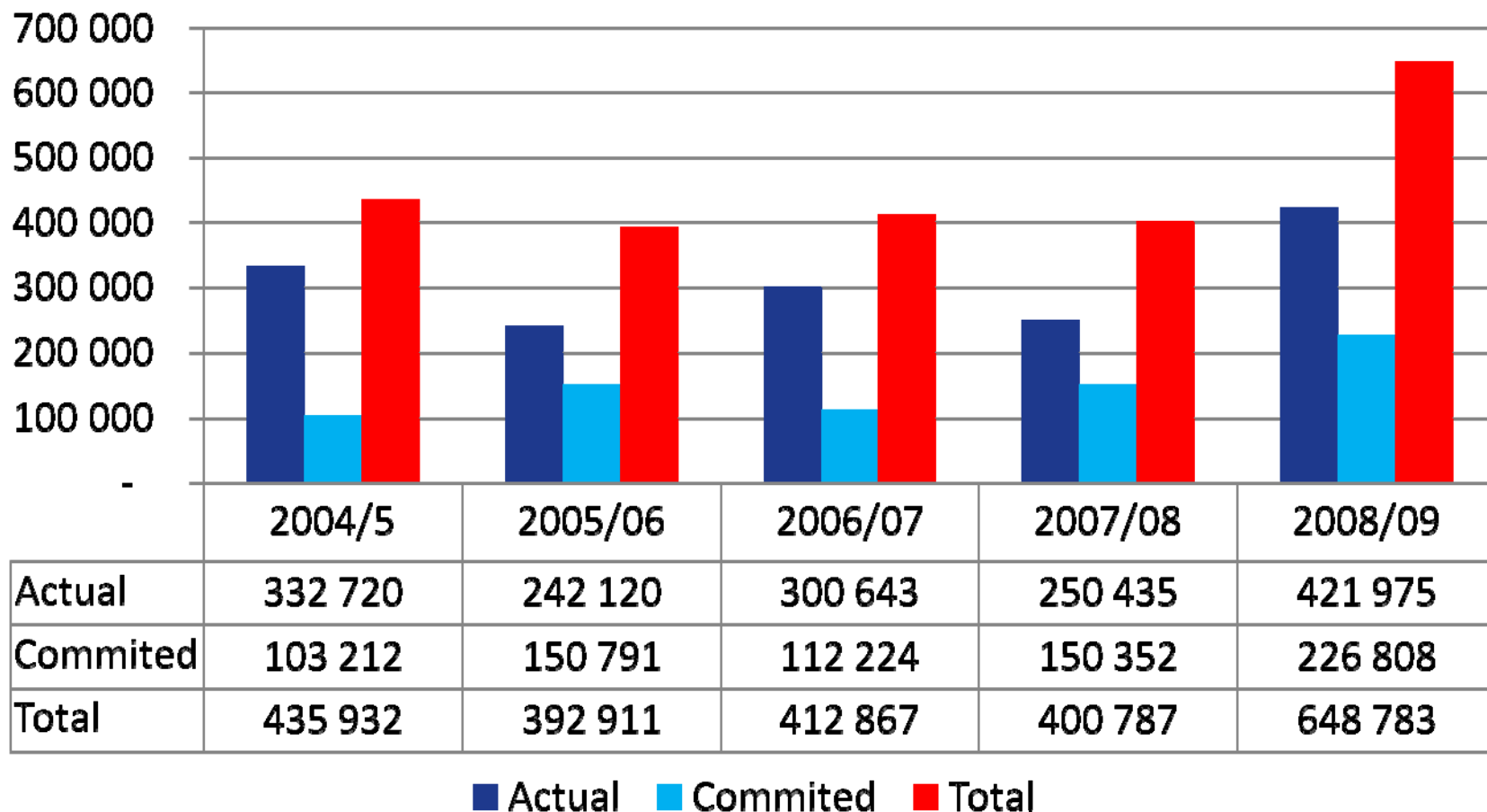
SAPO revenue 2008-09



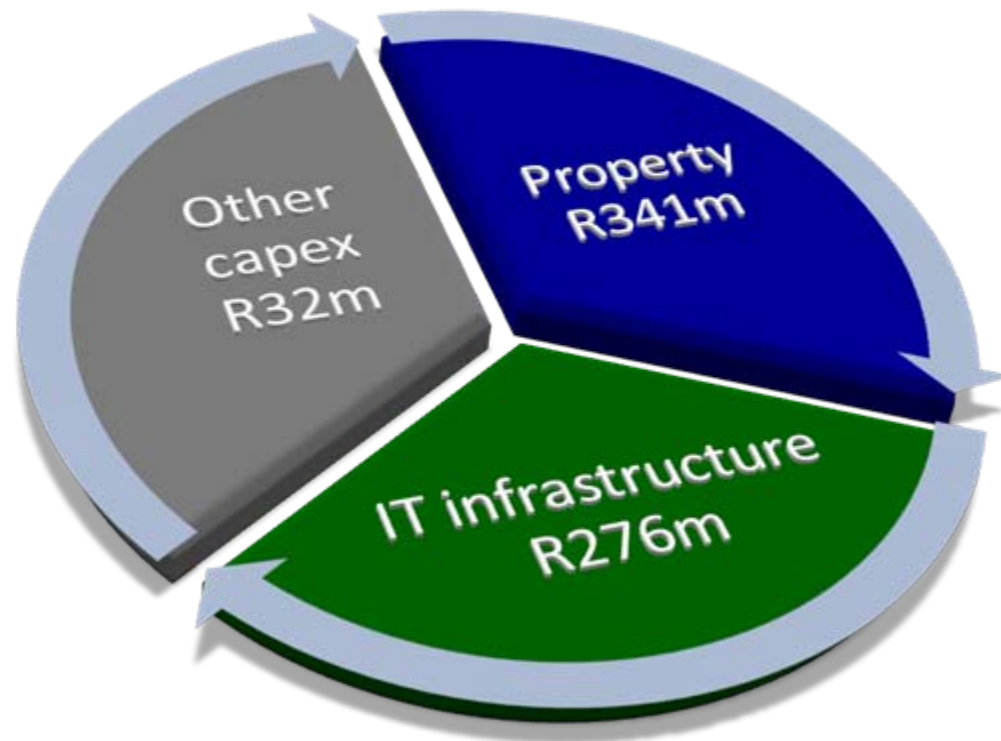
SAPO revenue 2007-08



Capex investment (R'000)



Capex investment – R649m

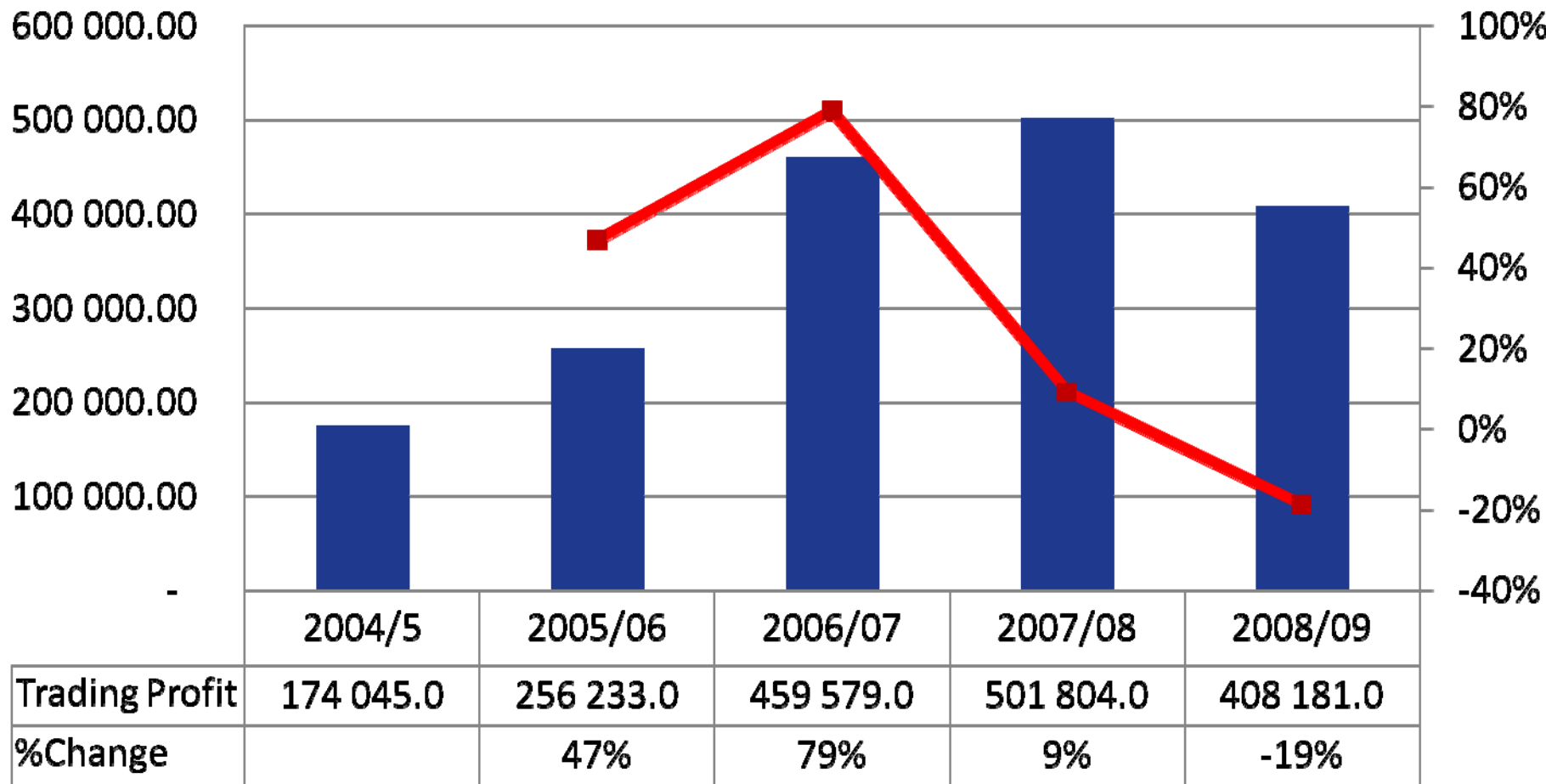


Capex summary

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	TOTAL
Property	341	215	236	308	352	333	1,785
IT	276	265	281	405	416	531	2,174
Other capex	32	20	33	37	32	36	190
	649	500	550	750	800	900	4,149

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	TOTAL
Property	53%	43%	43%	41%	44%	37%	43%
IT	43%	53%	51%	54%	52%	59%	52%
Other capex	5%	4%	6%	5%	4%	4%	5%
	100%	100%	100%	100%	100%	100%	100%

Trading profit history (R'000)

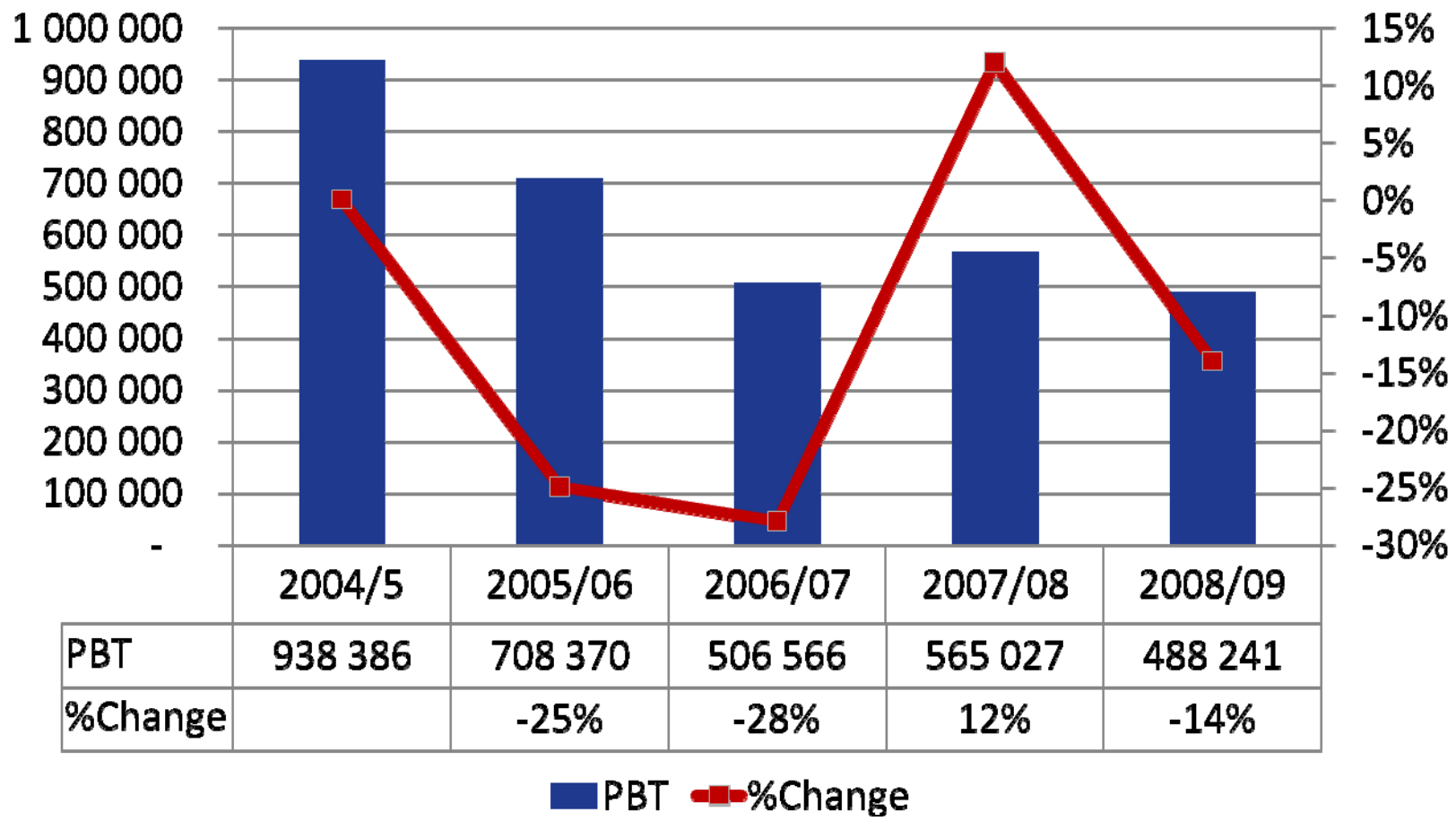


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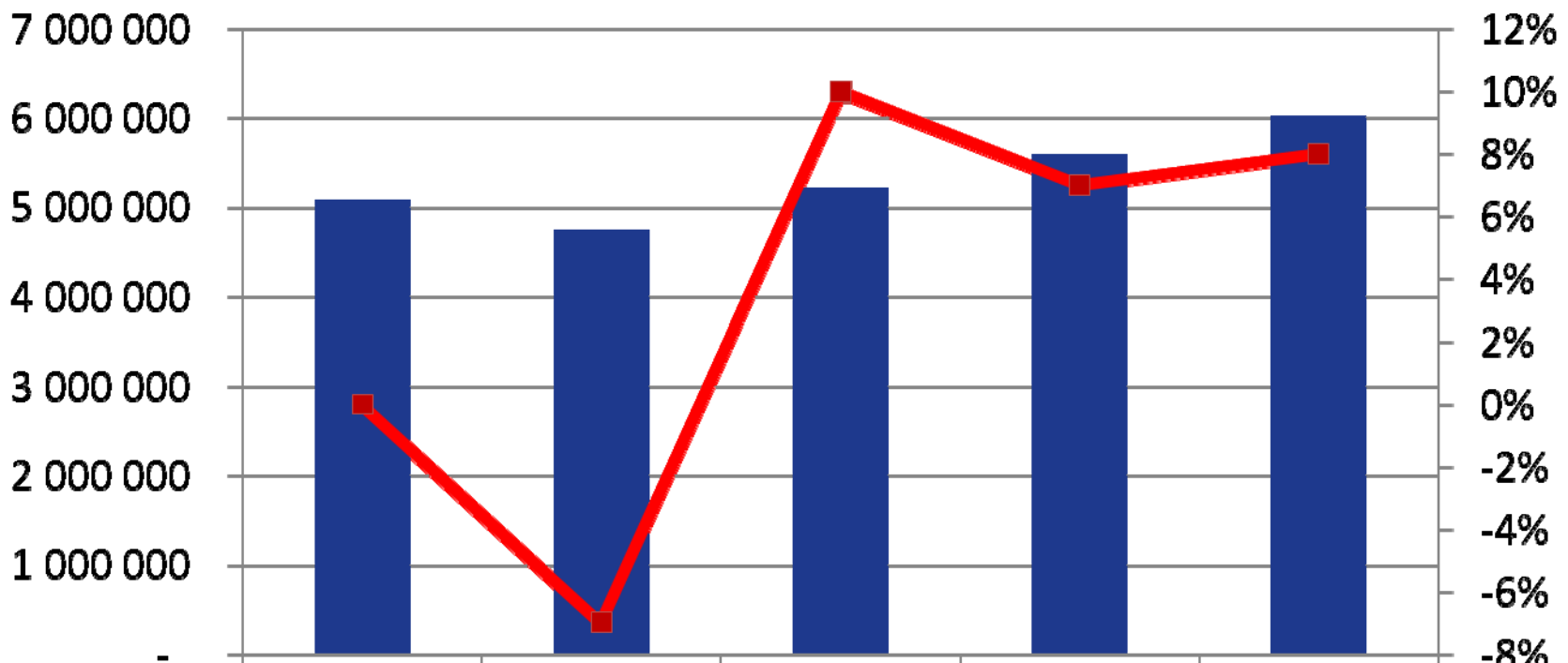
Profit before tax history (R'000)



Trading profit/profit before tax

	2004/05 R'000	2005/06 R'000	2006/07 R'000	2007/08 R'000	2008/09 R'000
Profit before tax	938,386	708,370	506,566	565,027	488,241
Trading profit	174,045	256,233	459,579	501,804	408,181
Difference	764,341	452,137	46,987	63,223	80,060
Reconciliation	764,341	452,137	46,987	63,223	80,060
PRMA benefit	688,637	(52,035)	(42,935)	(33,387)	(45,951)
Subsidy	61,663	86,657	72,892	75,632	110,000
Pension fund asset recognised	0	389,855	0	0	0
Non operating items	14,041	27,660	17,030	20,978	16,011

Revenue (R'000)



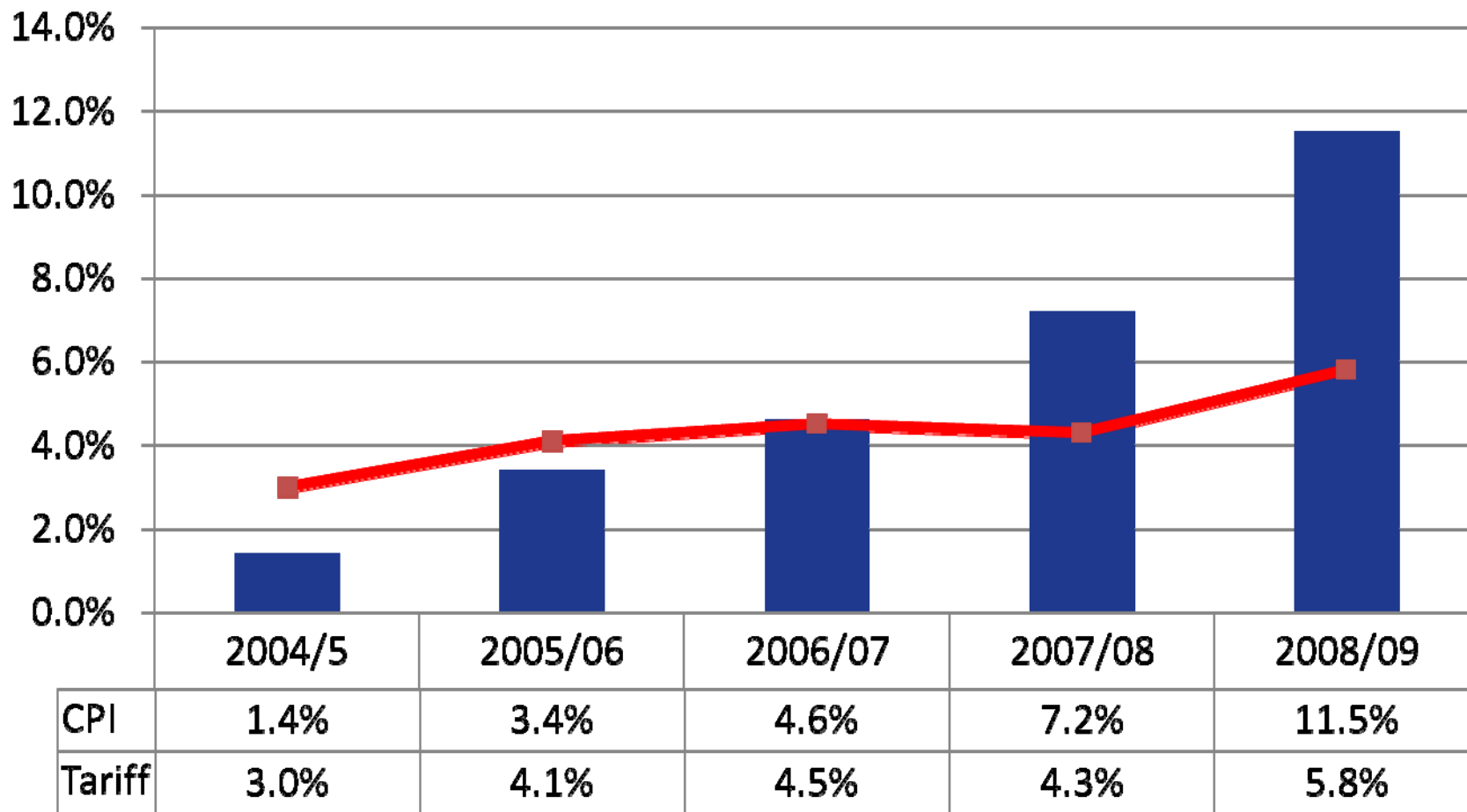
	2004/5	2005/06	2006/07	2007/08	2008/09
■ Revenue	5 090 36	4 756 53	5 222 95	5 601 41	6 028 25
■ %Change	0	-7%	10%	7%	8%

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Revenue (R'000)

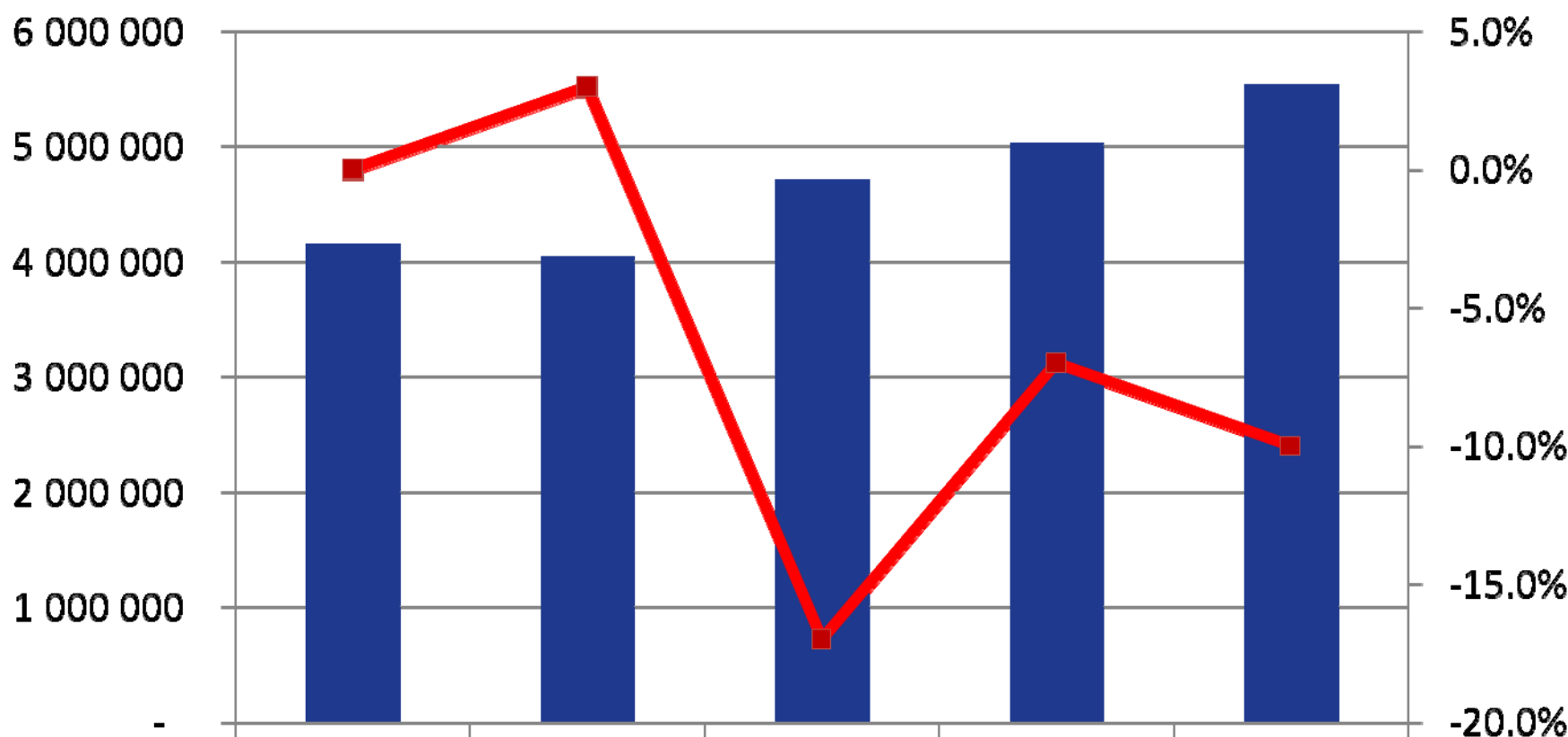


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Expenses (R'000)



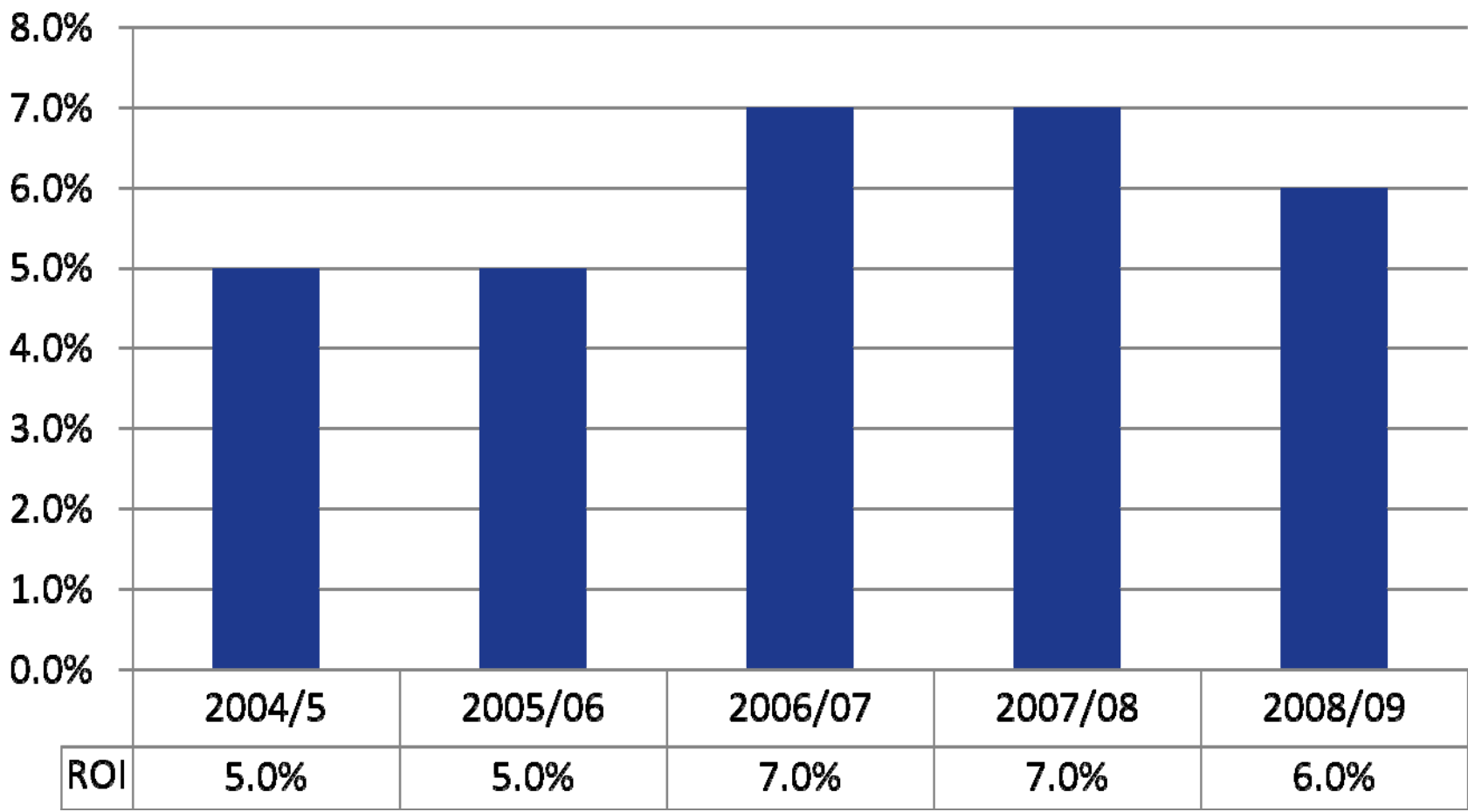
	2004/5	2005/06	2006/07	2007/08	2008/09
Expenses	4 151 982	4 048 161	4 716 389	5 036 389	5 540 009
Expense Change	0.0%	3.0%	-17.0%	-7.0%	-10.0%

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Return on assets (R'000)

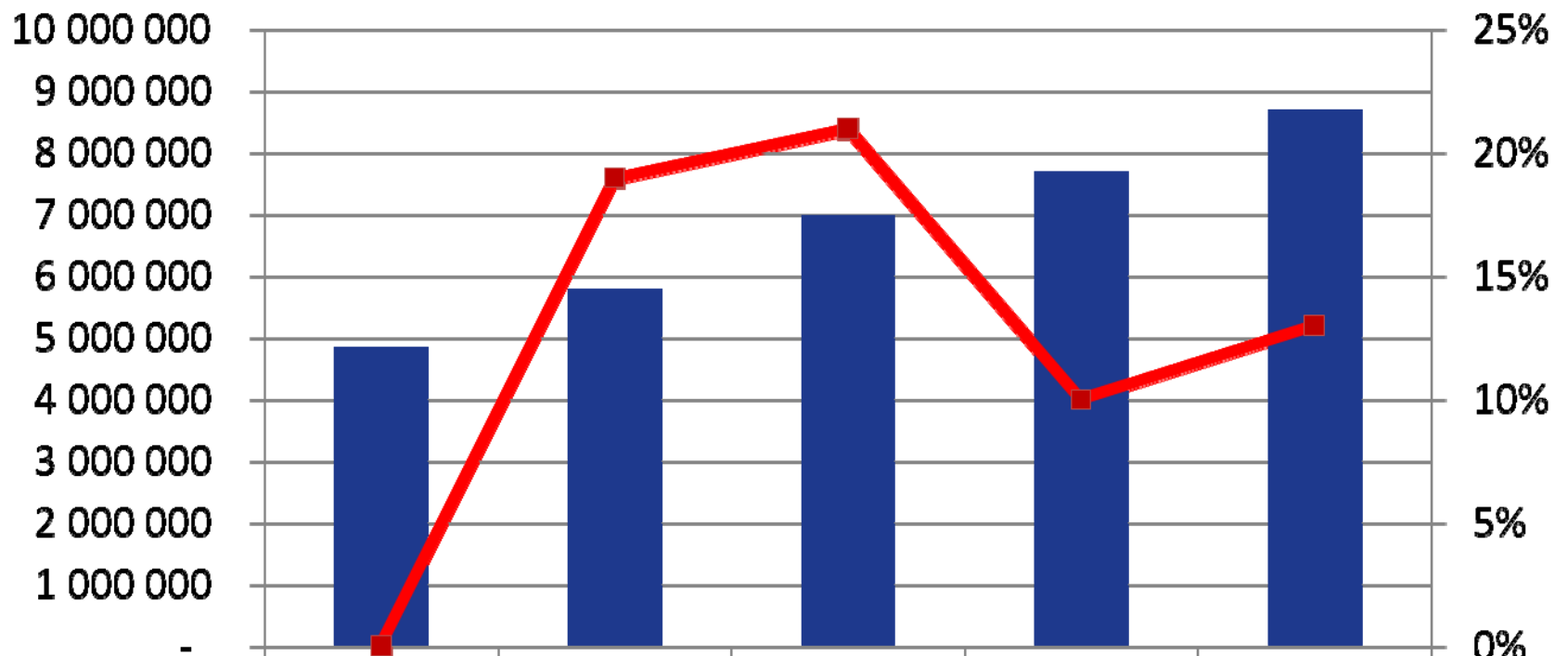


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Assets (R'000)



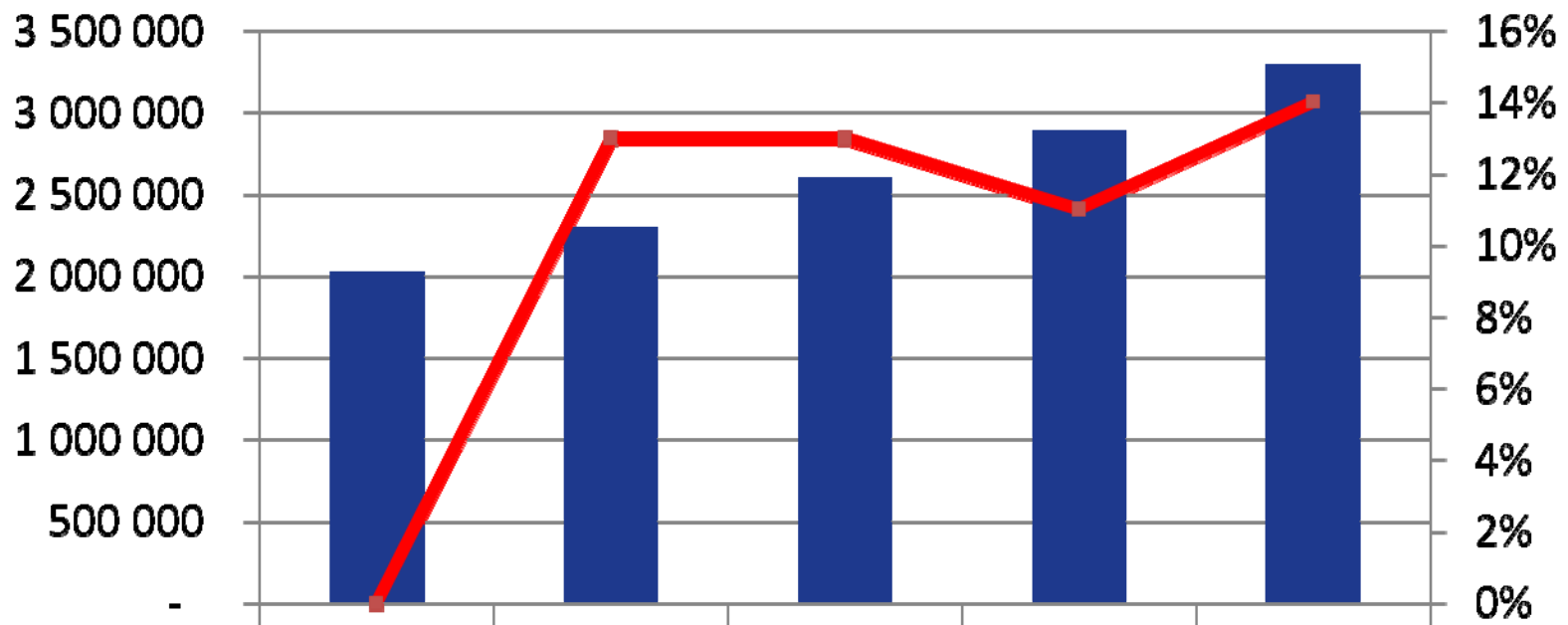
	2004/5	2005/06	2006/07	2007/08	2008/09
Assets	4 850 02	5 791 91	6 996 21	7 690 78	8 691 22
Change	0.00	19.0%	21.0%	10.0%	13.0%

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Depositors funds (R'000)



	2004/5	2005/06	2006/07	2007/08	2008/09
Depositors Funds	2 024 45	2 296 78	2 603 39	2 891 70	3 295 86
Change	0.00	13.0%	13.0%	11.0%	14.0%

■ Depositors Funds — Change

Areas of measurement		SA Post Office
Peer competitiveness	Average score	2
Trend		-----
Profitability	One year spread	4
	Three year spread	2
Employee spend	One year spread	13
Growth	One year revenue growth	6
	Three year revenue growth	7
	Five year revenue growth	1
Consistency	Revenue growth	1
	Spread	1

Group Chief Executive Officer

Ms M Lefoka



Outlook for 2009/10

-  Ripple effect of world & local economic trends to impact negatively on profit
-  Decline interest income
-  Decline in mail volumes
-  Depressed retail sales – reduction in Logistics volume
-  Cost of doing business will be impacted negatively
-  Higher staff costs
-  Fuel costs
-  Capital investments