

Embargoed until 10:00am Tuesday 25 August 2009



# 2009 annual result

Michael Stiasny, Chairman

Simon Mackenzie, Group Chief Executive Officer

Alex Ball, Chief Financial Officer

25 August 2009

**Michael Stiasny**  
**Chairman**

## Vector 2009 result

- NPAT – total operations
- Dividend
- New director

## Vector results from total operations

\$millions	2009			2008		
	Continuing	Discontinued <sup>1</sup>	Total	Continuing	Discontinued <sup>2</sup>	Total
Revenue	1,174.2	10.2	1,184.4	1,182.0	147.3	1,329.3
EBITDA	582.2	6.7	588.9	547.9	92.1	640.0
EBIT	436.8	6.7	443.5	407.6	77.5	485.1
NPBT	242.0	3.8	245.8	200.1	31.4	231.5
NPAT	164.9	205.6	370.5	141.8	22.6	164.4

<sup>1</sup> based on 23 days operations until to sale on 24 July 2008. NPAT includes one-off gain on sale of \$202.9 million.

<sup>2</sup> based on full year's operations.



**Simon Mackenzie**  
**Group Chief Executive Officer**

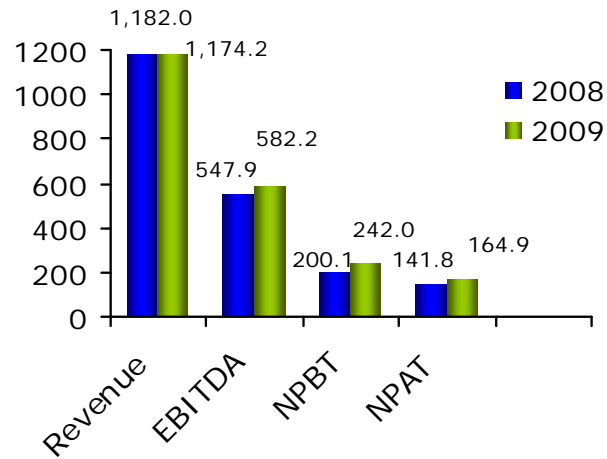
## Agenda

- **Results summary**
- **Sector performance – Electricity, Gas, Technology**
- **Progress, Fibre, Regulation**
- **CFO financial summary**
- **Looking ahead**
- **Questions**

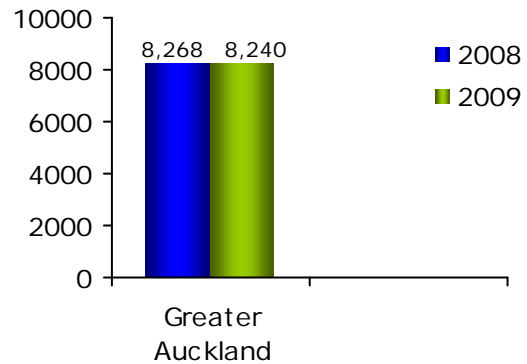
# Health chart

12 months ended 30 June

Earnings – continuing operations (\$m)

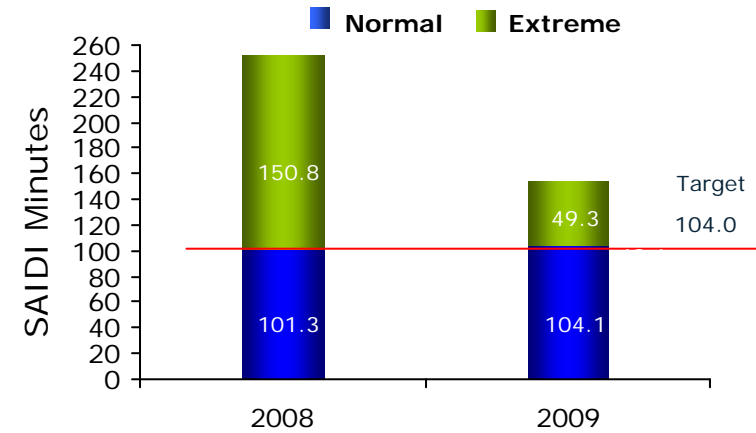


Electricity throughput (GWh)

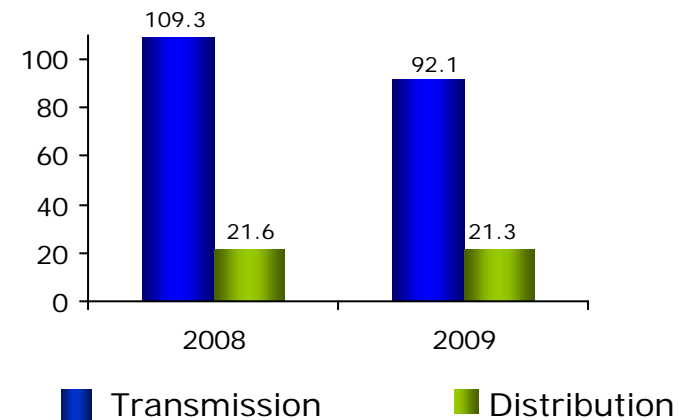


SAIDI

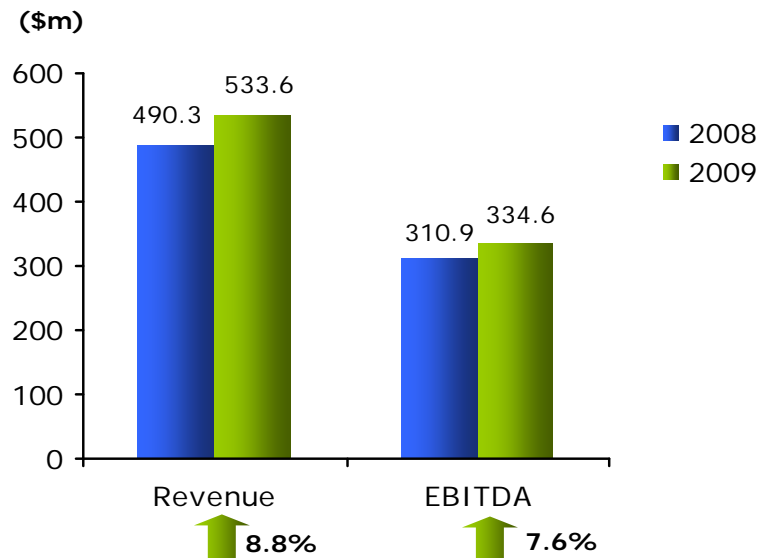
Regulatory Year - 12 months to 31 March



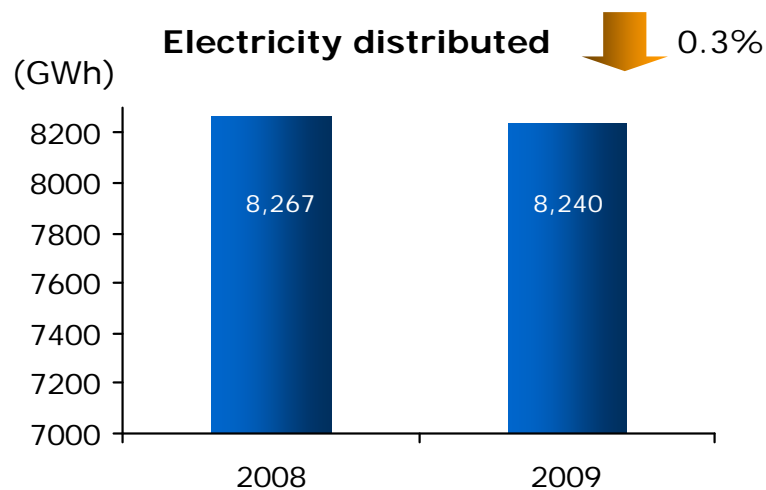
Gas throughput (PJ)



# Electricity (from continuing operations)

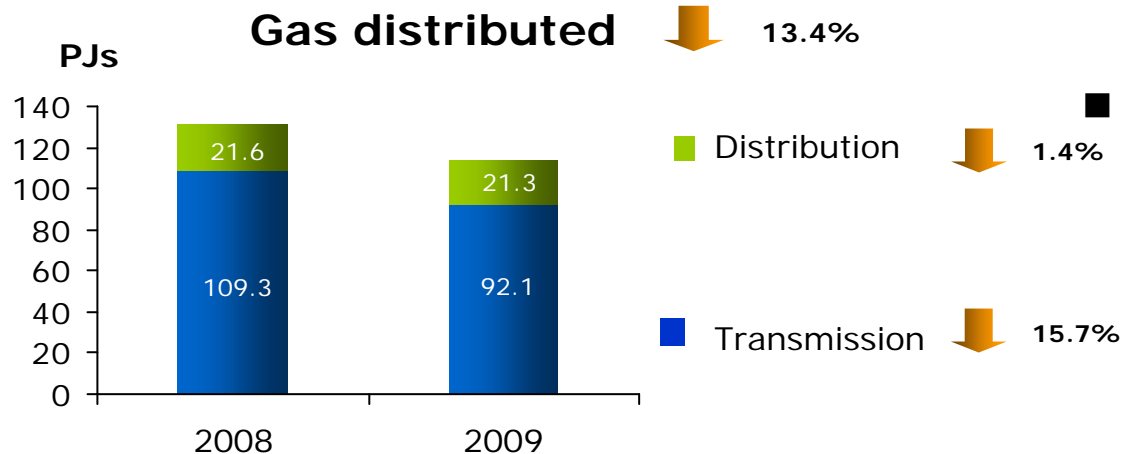
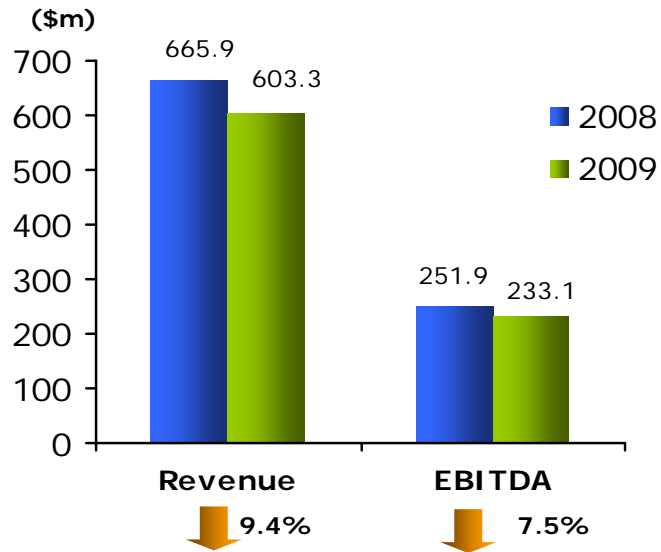


- Revenue and EBITDA increases
- Volumes flat (-0.3%)
- Residential consumption up 2.2%, large commercial down 2.4%, SME down 0.7%
- Growth capital, replacement capital and maintenance expenditure \$173m



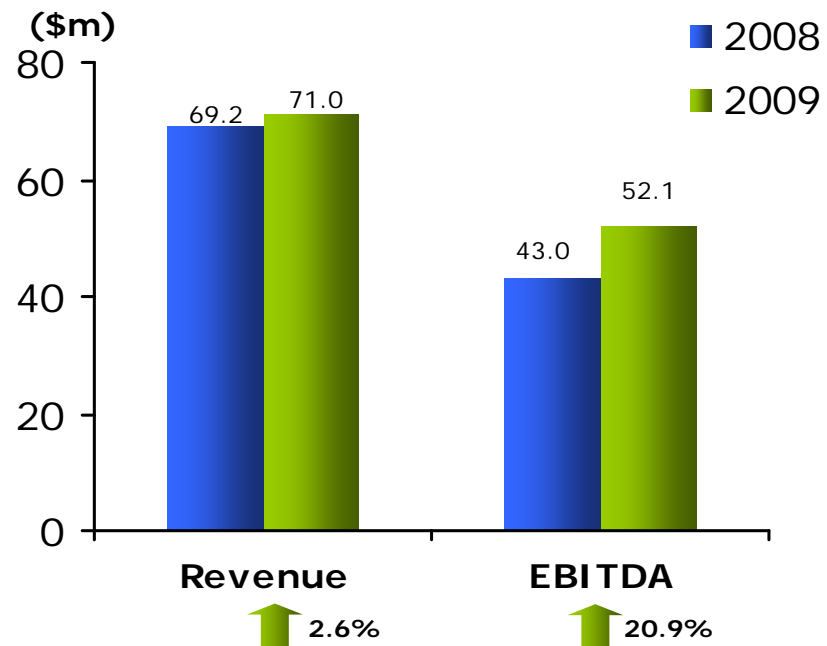


# Gas



- Volatile market
- Performance impacted by lower volumes, prices and increased competition
- Legacy contracts
- Hydro effect
- New capital, replacement capital and maintenance spend \$36m on transmission and distribution networks
- David Thomas appointed

## Technology



- 50,000 smart meters installed
- Auckland fibre network largely complete
- Transpower contract announced
- Strong fibre contender

## Progress

- Capital and operational efficiency programmes
- Operational excellence
- Fibre
- Regulation
- Security of supply

## Efficiency programmes



- \$20m in full year gross savings
- Fully integrated gas and electricity teams to work more efficiently
- Transitioning contracts with external suppliers
- Capital efficiency

## Operational excellence



- SAIDI 104.1 minutes vs Regulatory target of 104.0 minutes
- Kapuni uptime 98.15%
- \$2.8 million saving in gas production costs



## Fibre



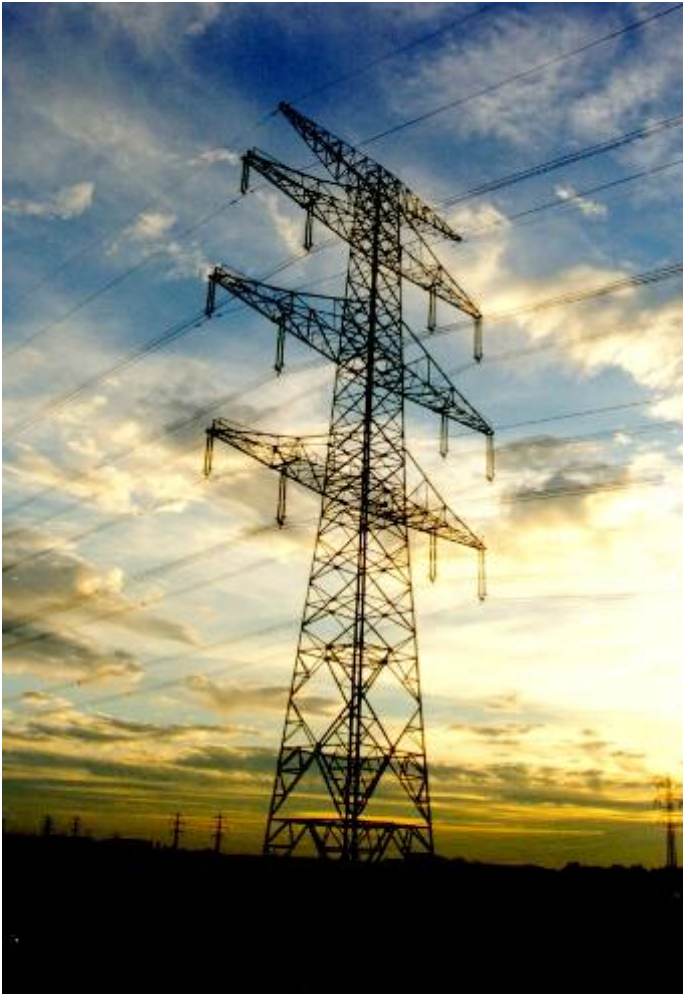
- Support the Government's vision
- Strong contender
- Has to make commercial sense
- Unencumbered by legacy assets
- Ready to be part of the solution in **Auckland** and beyond
- Open access network is the key
- Set up NZRFG

## Regulation



- More robust framework, but still issues to work through
- Next 12 – 18 months critical
- Impact of global financial crisis must be taken into account
- Regulation must deliver incentive to invest and earn a commercially appropriate return

## Security of supply



- An ongoing concern
- Work closely with Transpower
- NaAN project
- Rodney power station
- Electricity Review



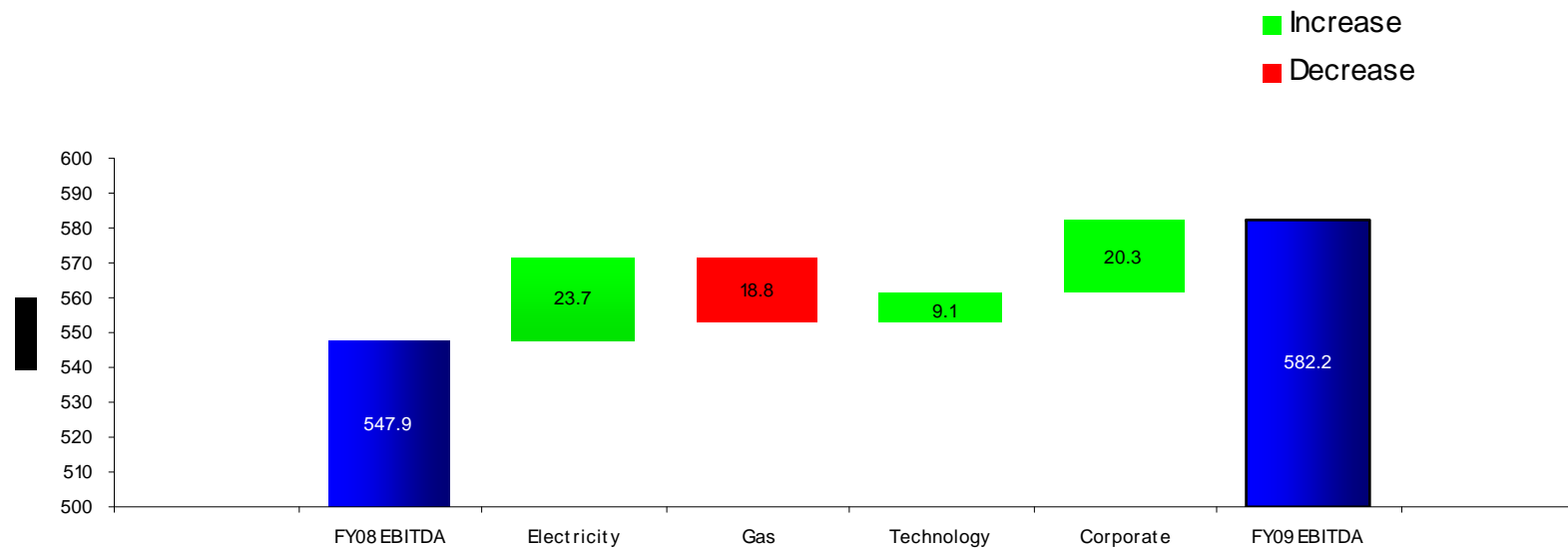
# Financial Results

**Alex Ball**

**Chief Financial Officer**

# Financial result summary

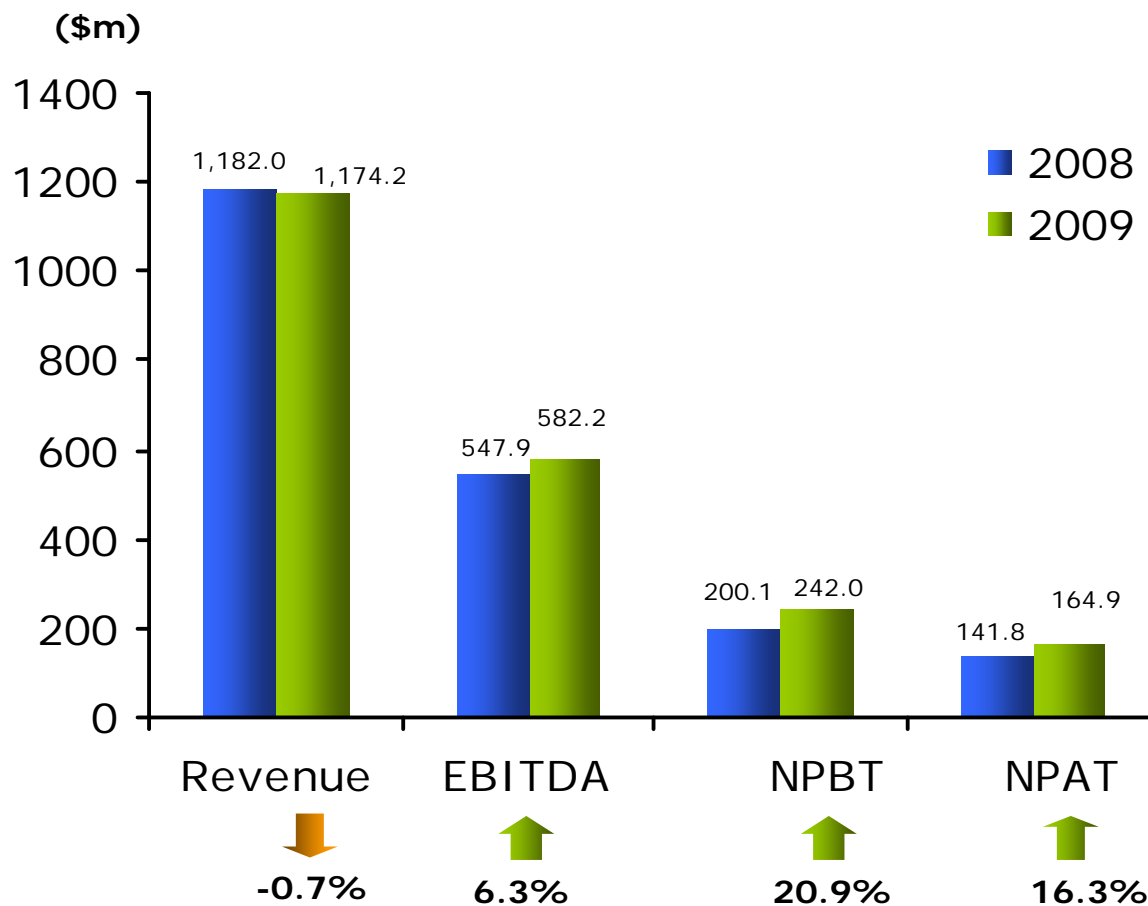
## Contributors to group EBITDA growth (continuing operations)



# Results summary (continuing operations)

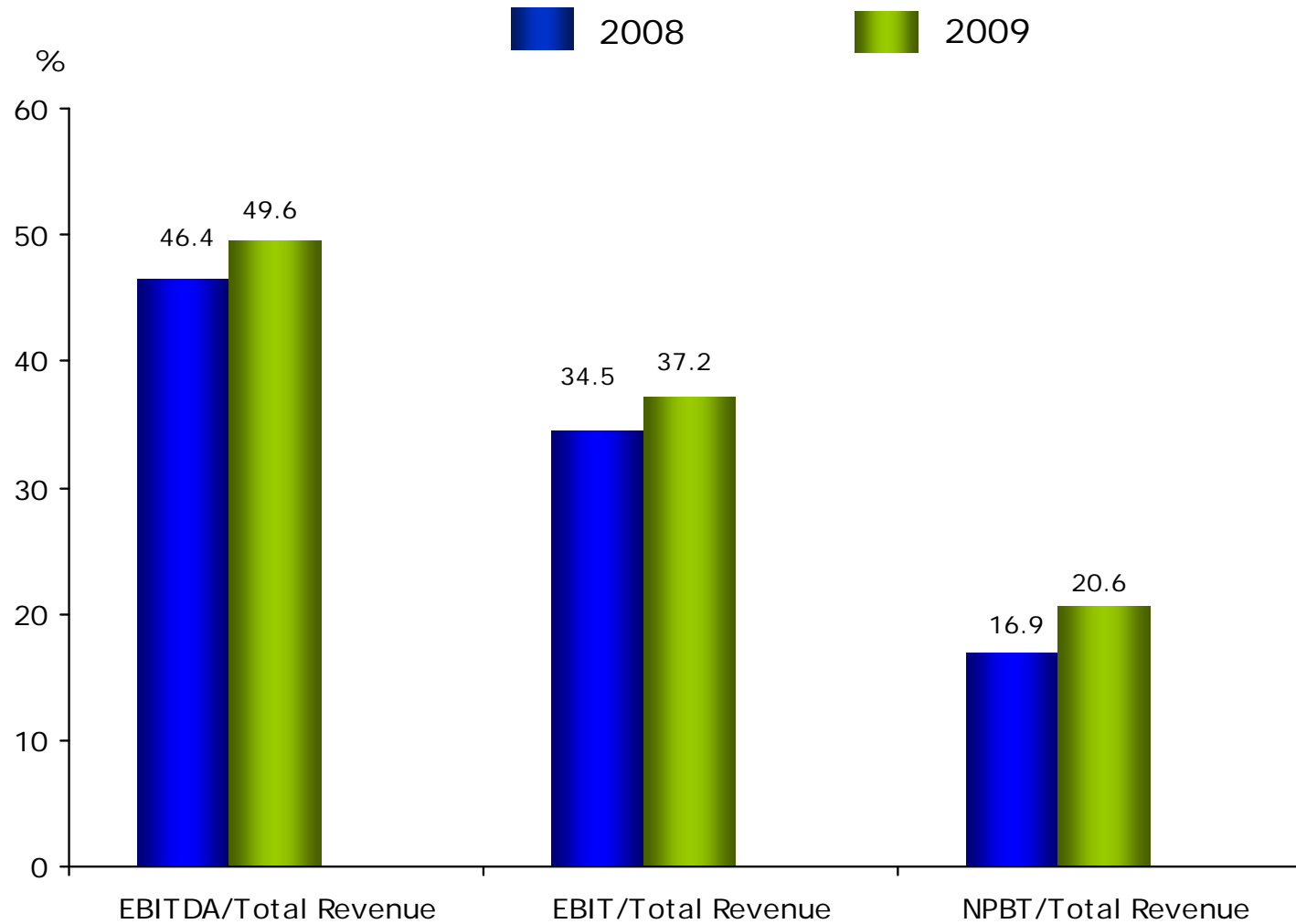


Year ended 30 June



# Operating margins (continuing operations)

Year ended 30 June



# Operating statistics



Year ended 30 June

	Actual 2009	Actual 2008	Actual 2007
<b>Electricity Volumes (GWh)</b>			
Greater Auckland(Auckland/Northern)	8,240.4	8,267.6	8,160.0
Wellington Electricity		2,440.7	2,435.1
	8,240.4	10,708.3	10,595.1
<b>Gas Volumes</b>			
Gas Distribution (PJs)	21.3	21.6	22.0
Gas Transmission (PJs)	92.1	109.3	94.6
Natural Gas (PJs)	30.5	44.4	53.7
Gas liquids (tonnes)	80,946	98,404	108,247
Liquigas (tonnes)	129,277	137,106	110,112
<b>Electricity Connections (ICP's)</b>			
Greater Auckland(Auckland/Northern)	523,394	518,467	512,436
Wellington Electricity		162,197	161,140
	523,394	680,664	673,576
<b>Gas Connections (ICP's)</b>			
Gas Distribution	149,516	147,198	143,047



## Divisional results (continuing operations)

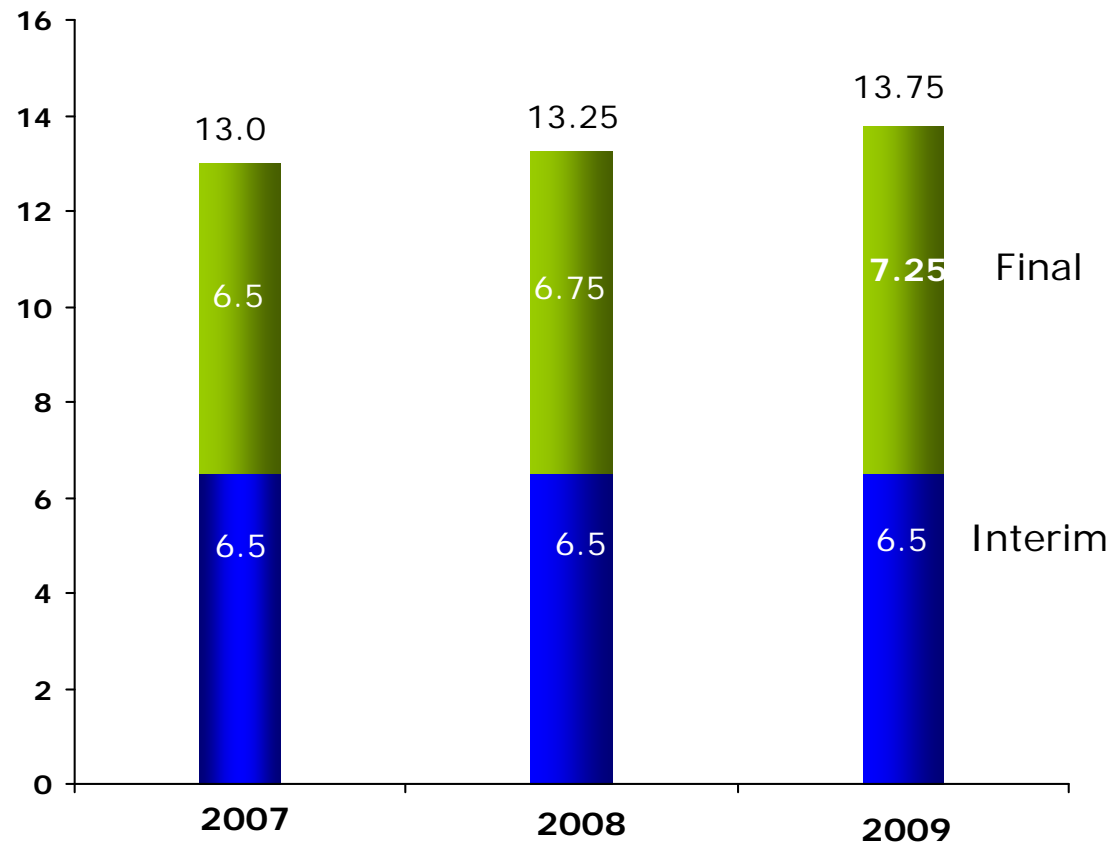
Year ended 30 June

<b>2009</b>	<b>Electricity</b>	<b>Gas</b>	<b>Technology</b>	<b>Corporate/ Other</b>	<b>Inter- segment</b>	<b>Total</b>
<b>\$ millions</b>						
Total revenue	533.6	603.3	71.0	11.9	(45.6)	1,174.2
Operating expenditure	(199.0)	(370.2)	(18.9)	(49.5)	45.6	(592.0)
EBITDA	334.6	233.1	52.1	(37.6)	-	582.2
% Revenue	62.7	38.6	73.3	n/a	-	49.6
EBIT	269.0	192.7	29.8	(54.7)	-	436.8

<b>2008</b>	<b>Electricity</b>	<b>Gas</b>	<b>Technology</b>	<b>Corporate /Other</b>	<b>Inter- segment</b>	<b>Total</b>
<b>\$ millions</b>						
Total revenue	490.3	665.9	69.2	5.8	(49.2)	1,182.0
Operating expenditure	(179.4)	(414.0)	(26.2)	(63.7)	49.2	(634.1)
EBITDA	310.9	251.9	43.0	(57.9)	-	547.9
% Revenue	63.4	37.8	62.2	n/a	-	46.4
EBIT	249.6	208.1	21.7	(71.8)	-	407.6

## Dividend declared (cents per share)

Year ended 30 June



- All dividends fully imputed
- Shareholders record date 08 September 2009
- Payable 15 September 2009

## Capital expenditure (continuing operations)

\$ millions	Electricity	Gas	Technology	Corporate	Total
Replacement/ Compliance	75.9	14.4	19.0	5.3	114.6
Growth	51.8	18.4	46.4	7.5	124.1
<b>2009 total</b>	<b>127.7</b>	<b>32.8</b>	<b>65.4</b>	<b>12.8</b>	<b>238.7</b>
% of Total spend	53.5%	13.7%	27.4%	5.4%	100.0%
2008 total	128.5	38.0	28.4	9.1	204.0
2009 total assets	3,155.2	1,753.4	283.1	346.9	5,538.6
2008 total assets	3,098.1	1,748.8	247.2	250.4	5,344.5



## Cash flow (total operations)

\$ millions	2009	2008	Change
EBITDA	588.9	640.0	(51.1)
Net interest paid	(198.2)	(251.7)	53.5
Tax paid	(62.4)	(68.1)	5.7
Other	2.0	4.3	(2.3)
<b>Operating cash flow (OCF)</b>	<b>330.3</b>	<b>324.5</b>	<b>5.8</b>
Replacement capex	(112.8)	(102.8)	(10.0)
Dividends to Vector shareholders	(132.2)	(130.0)	(2.2)
	85.3	91.7	(6.4)
Growth capex	(123.9)	(123.4)	(0.5)
Required to fund growth	(38.6)	(31.7)	(6.9)

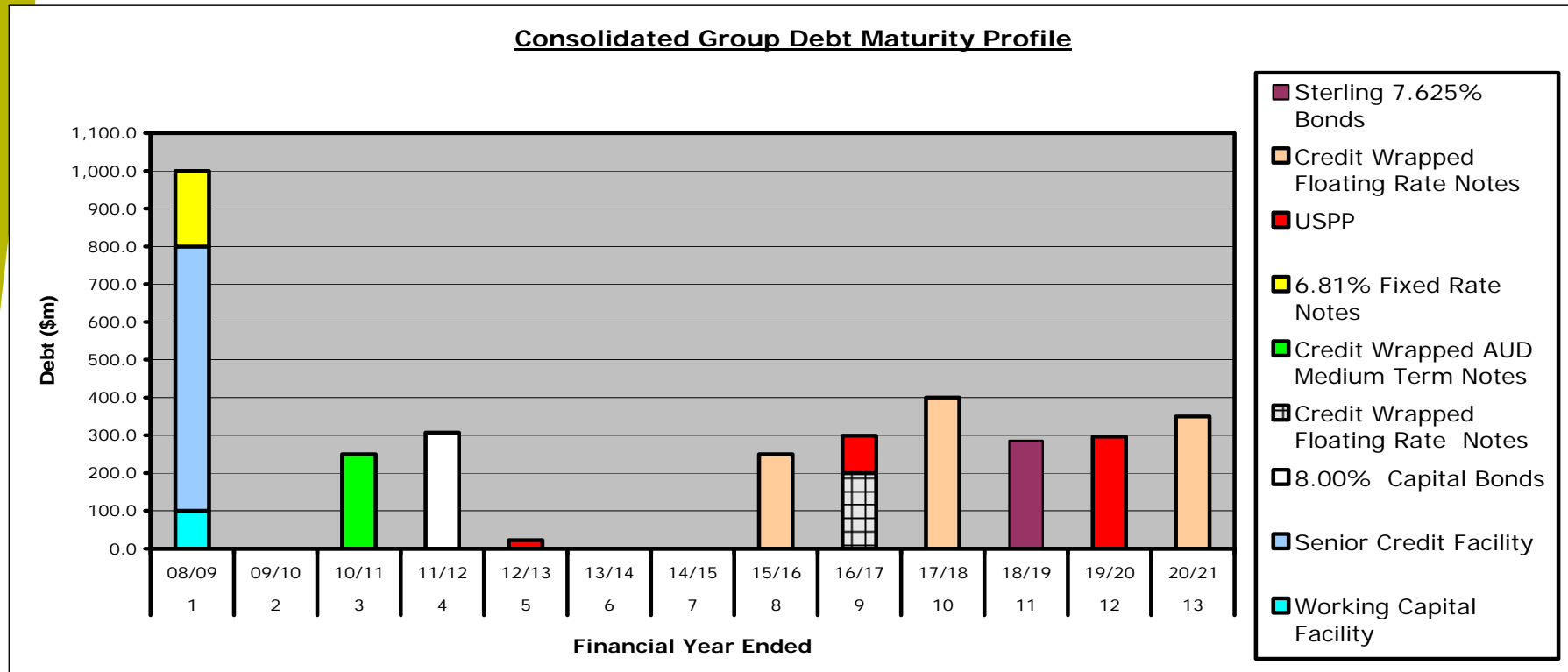
# Asset backing & capital structure

as at 30 June

		2009	2008	2007
Net debt	\$m	2,485.7	3,106.6	2,947.7
Equity/total assets	%	37.2	31.8	33.0
Debt <sup>(1)</sup> /debt <sup>(1)</sup> +equity	%	54.7	62.0	60.4
Interest (net) cover	X times	2.3	2.0	2.0

(1) Net debt

# Debt facilities maturity profile (30 June 2008)

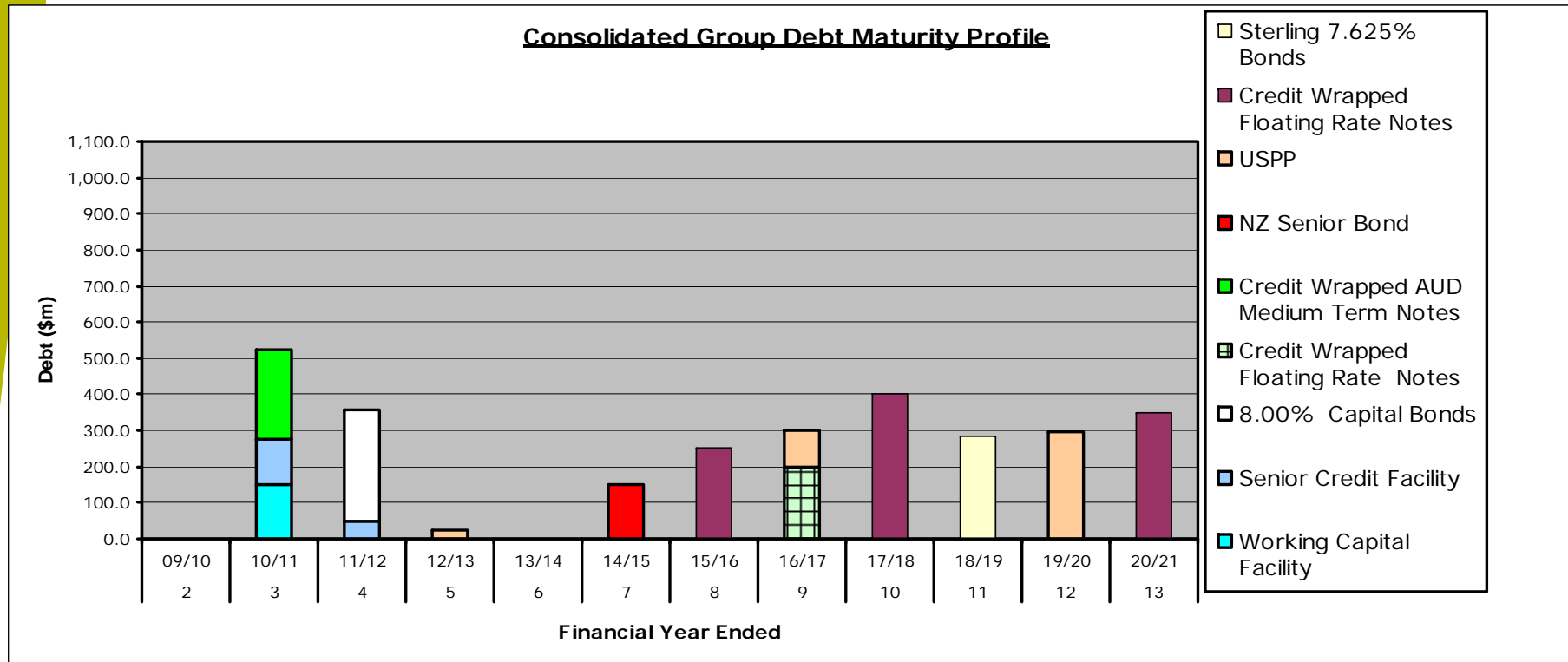


**1-2 years** 28.9%

**3-5 years** 16.8%

**+5 years** 54.3%

# Debt facilities maturity profile (30 June 2009)



**1-2 years** 17.9%

**3-5 years** 12.9%

**+5 years** 69.2%

**Simon Mackenzie**  
**Group Chief Executive Officer**

## Looking ahead

- **Network investment - fibre**
- **Electricity Review**
- **Smart meters**
- **Gas**
- **Renewables**

## Network investment - fibre

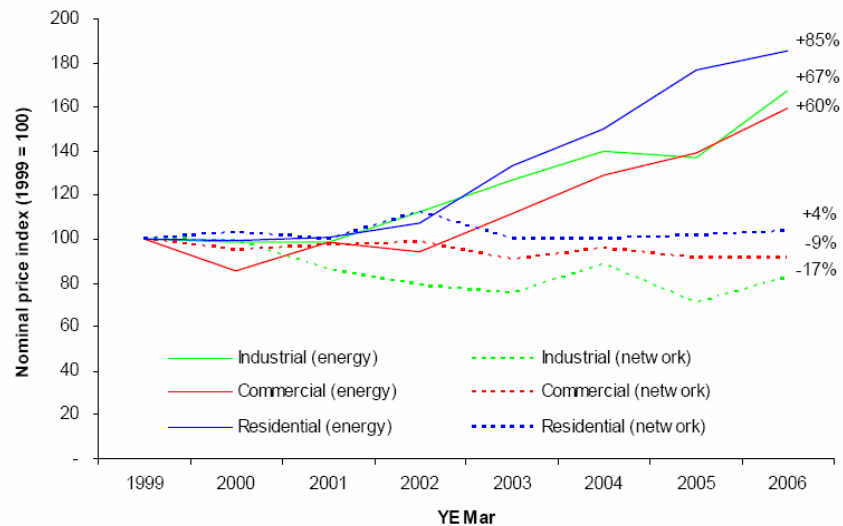


- Proven credentials in building and managing network infrastructure in Auckland and in working with local and central government
- Vector committed to open access networks
- Commercially acceptable agreement via infrastructure fund
- NZ Regional Fibre Group
- Fibre to the premise

# Electricity review

## Market Design Review – Options Paper

Figure 2: Trends in total (delivered) electricity prices by component



Source: MED data files

- Electricity Commission changes ✓
- Transmission investment ✓
- Lines businesses ✓



## Smart metering



- Future-proofed smart meter
- Foundation for energy efficiency and retail solutions
- Positioned for growth in other markets

## Gas



- Competition continues
- Emissions Trading Scheme
- Working with GIC re critical industry arrangements

## Renewables



Thin film PV panels



Swift micro-wind turbine

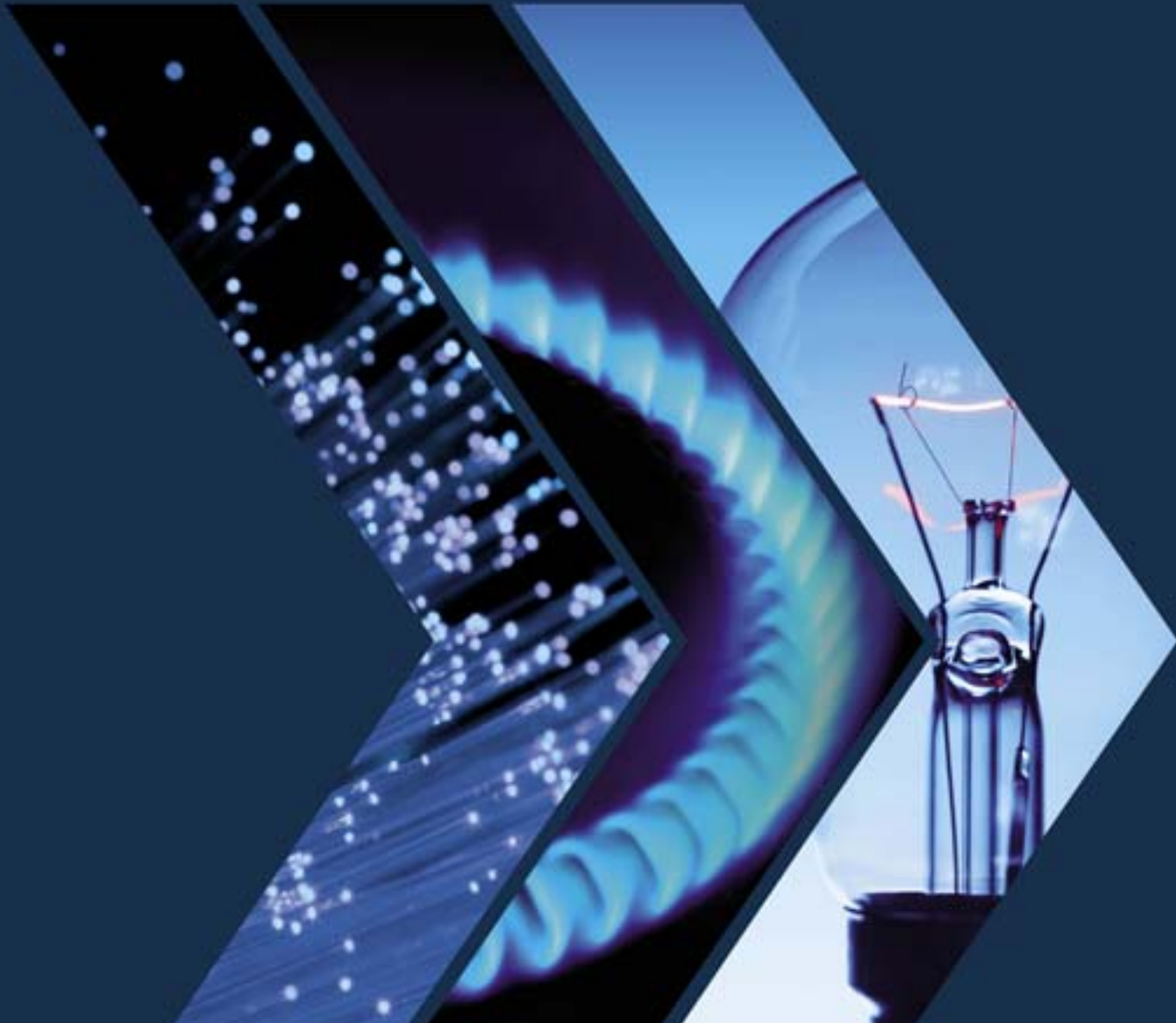


Hills evacuated tube  
solar hot water heater

## Summary

Delivering to customers and shareholders and concentrating on:

- Productivity and efficiency
- Regulation
- Growth
- Navigating the economic conditions



Vector 