



# Half year result

Michael Stiasny, Chairman

Simon Mackenzie, CEO

Alex Ball, CFO

## Checklist

- Results summary
- Health chart
- Key developments
- Financial details
- Summary & outlook
- Questions



CEO update

Simon Mackenzie

# Results summary

Six months ended 31 December 2008

## Income statement

\$millions	31 Dec 2008			31 Dec 2007		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Revenue	609.5	10.3	619.8	611.2	78.0	689.2
EBITDA	313.2	6.7	319.9	281.5	50.6	332.1
EBIT	243.0	6.7	249.7	213.4	42.0	255.4
NPBT	135.6	3.8	139.4	113.9	18.9	132.8
NPAT	90.8	205.6	296.4	77.4	13.3	90.7

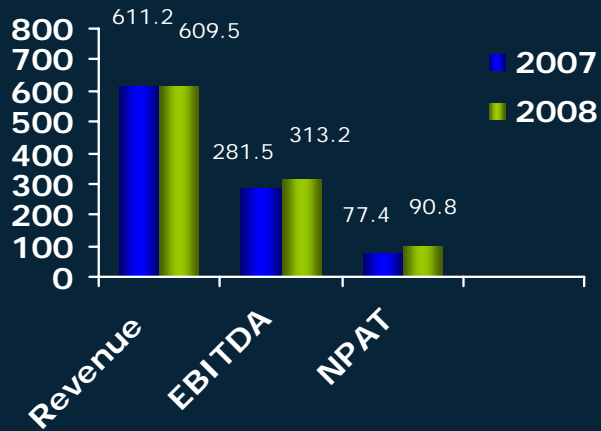
Note: Wellington network was sold July so classified as "discontinued operations"



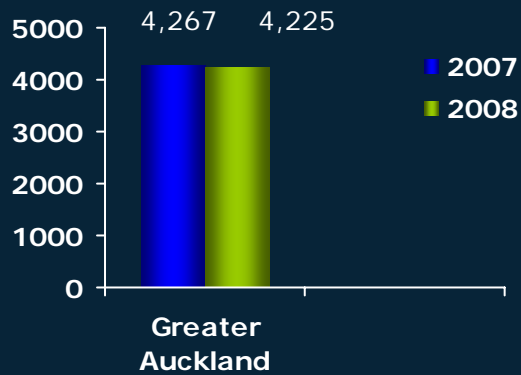
# Health chart

Six months ended 31 December

Earnings – continuing operations (\$m)

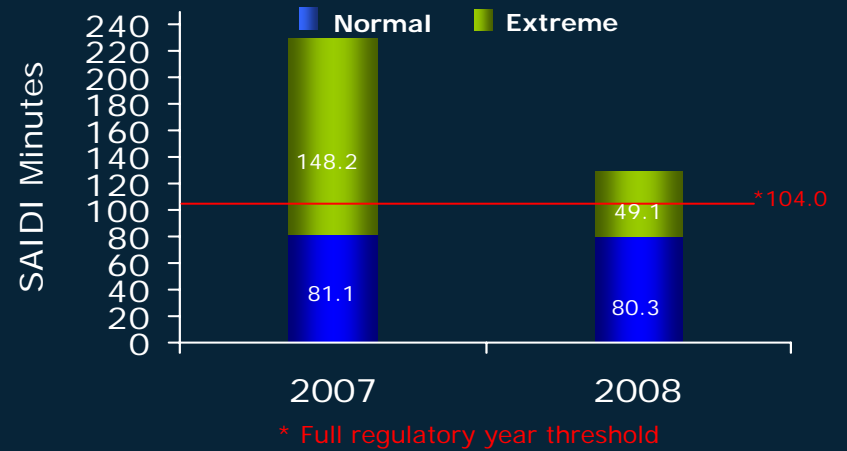


Electricity throughput (GWh)

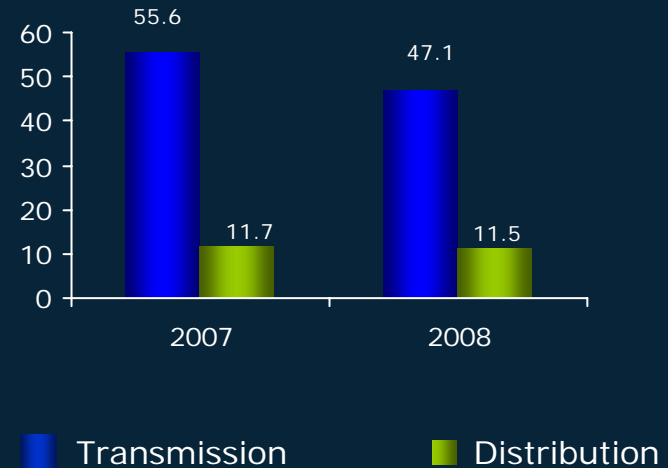


## SAIDI

Regulatory Year - 9 months to 31 December



Gas throughput (PJ)



## Key developments

- Regulatory update
- Metering update
- Communications
- Security of supply
- Refinancing update

## Regulatory update

- Regulatory situation an industry wide matter
- Commerce Amendment Act a very positive step
- The default path price is scheduled to be determined by December 2009.
- Vector believes it more appropriate to defer the price reset until the Commission has established input methodologies
- Commission needs to take account of economic climate in regime design and implementation
- Continue to fulfil requirements of the administrative settlement reached with the Commerce Commission

## Metering update

- Over 20,000 meters installed for Contact Energy in Christchurch
- Deployment of 500,000 meters to Genesis Energy to start this month
- Active discussions with other parties for smart metering services



## Communications

- Broadband investment initiative – outlined to Government how Vector can deliver an open access, cost effective, high speed, quality fibre broadband service in a short timeframe.
- Strong growth in existing communications business
- On track with 300km network build for Vodafone

## Security of supply

- Recent Transpower outages highlighted urgent need to upgrade national grid
- Support Government focus on infrastructure investment & clearing roadblocks to enable Transpower to proceed with critical transmission investment
- Support lifting of ban on thermal powered generation

## Refinancing update

- Overall balance sheet strength has improved
- Renegotiated new two year \$125m senior credit facility and two year \$150m working capital facilities
- Also recently added three year \$50m senior credit facility
- Retained BBB+ rating
- Well positioned for the future



# Financial details

Chief Financial Officer  
Alex Ball

## Financial results checklist

- Continuing operations results
- Impact of Wellington – continuing/discontinued
- Overall results
- Operating statistics
- Divisional results
- Operating cash flow
- Dividend
- Capital expenditure
- Capital structure
- Funding maturity profile

## Results summary

Six months ended 31 December (continuing operations)

\$millions	2008	2007	% Change	2007/08 Full year
Revenue	609.5	611.2	-0.3	1,182.0
EBITDA	313.2	281.5	+11.2	547.9
EBIT	243.0	213.4	+13.9	407.6
NPAT	90.8	77.4	+17.3	141.8

## Impact of the Wellington network sale

### Income statement

\$millions	31 Dec 2008			31 Dec 2007		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Revenue	609.5	10.3	619.8	611.2	78.0	689.2
EBITDA	313.2	6.7	319.9	281.5	50.6	332.1
EBIT	243.0	6.7	249.7	213.4	42.0	255.4
NPBT	135.6	3.8	139.4	113.9	18.9	132.8
NPAT	90.8	205.6	296.4	77.4	13.3	90.7

- Wellington network sold July so classified as “discontinued operations”

## Results summary

Six months ended 31 December (total operations)

\$millions	2008	2007	% Change	2007/08 Full year
Revenue	619.8	689.2	-10.1	1,329.3
EBITDA	319.9	332.1	-3.7	640.0
EBIT	249.7	255.4	-2.2	485.1
NPAT	296.4	90.7	+226.6	164.4

Note: Wellington revenue still subject to price rebalancing reduction



## Operating statistics

	Dec Actual 2008	Dec Actual 2007
<b>Electricity Volumes (GWh)</b>		
Greater Auckland (Auckland/Northern)	4,224.9	4,267.2
Wellington Electricity	187.1	1,268.4
	4,412.0	5,535.6
<b>Gas Volumes</b>		
Gas Distribution (PJs)	11.5	11.7
Gas Transmission (PJs)	47.1	55.6
Natural Gas (PJs)	16.8	25.5
Gas liquids (tonnes)	44,742	51,928
Liquigas (tonnes)	68,405	69,684
<b>Electricity Connections (ICP's)</b>		
Greater Auckland (Auckland/Northern)	520,946	515,696
Wellington Electricity	0	162,076
	520,946	677,772
<b>Gas Connections (ICP's)</b>		
Gas Distribution	148,566	145,162

# Divisional results



Six months ended 31 December

2008 \$millions (Continuing operations)	Electricity	Gas	Technology	Corporate /Other	Inter- segment	Total
<b>Total Income</b>	273.0	320.4	35.4	4.8	(24.1)	609.5
<b>Operating Expenditure</b>	(96.2)	(183.7)	(13.9)	(26.6)	24.1	(296.3)
<b>EBITDA</b>	176.8	136.7	21.5	(21.8)	--	313.2
<b>% Revenue</b>	64.7%	42.7%	60.8%	N/A	N/A	51.4%
<b>EBIT</b>	144.5	116.6	11.5	(29.6)	--	243.0

2007 \$millions (Continuing operations)	Electricity	Gas	Technology	Corporate/ Other	Inter- segment	Total
<b>Total Income</b>	251.9	347.4	35.4	1.9	(25.4)	611.2
<b>Operating Expenditure</b>	(91.2)	(219.2)	(11.8)	(32.9)	25.4	(329.7)
<b>EBITDA</b>	160.7	128.2	23.6	(31.0)	--	281.5
<b>% Revenue</b>	63.8%	36.9%	66.6%	N/A	N/A	46.1%
<b>EBIT</b>	131.5	106.8	12.3	(37.2)	--	213.4

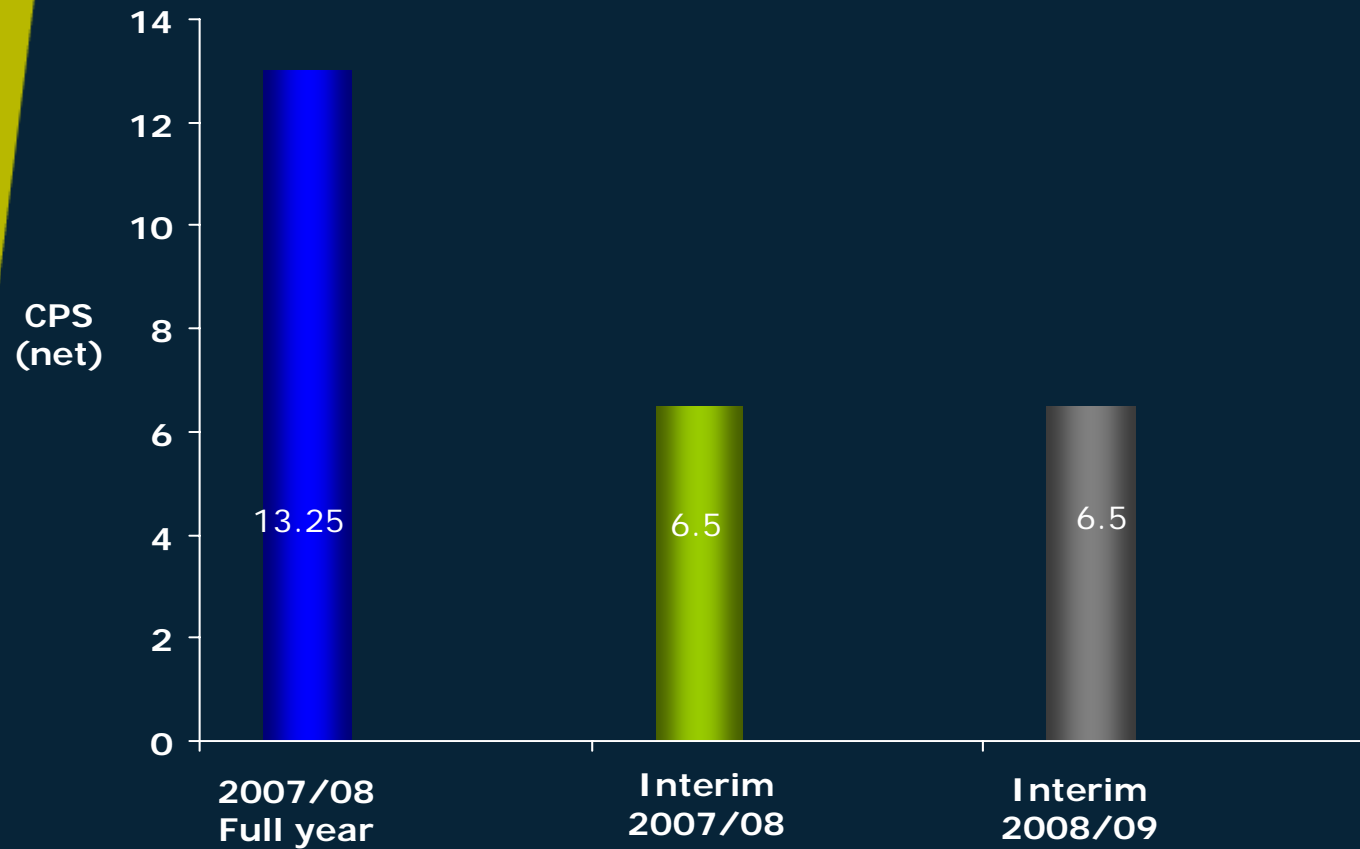
# Operating cash flow

Six months ended 31 December



\$ millions	2008	2007	2007/08 Full year
EBITDA	319.9	332.1	640.0
Net interest paid	(114.2)	(118.2)	(245.2)
Tax paid	(4.1)	(12.1)	(67.9)
Non cash items/working cap	(6.3)	(8.5)	4.1
Operating cash flow	195.3	193.3	331.0
Dividends to Vector shareholders	(67.5)	(65.0)	(130.0)
Capex	(110.3)	(124.3)	(232.8)
Cash available for other investing/financing activities	17.5	4.0	(31.8)

## Dividend declared



- All dividends fully imputed

## Capital expenditure

\$ Millions	Electricity	Gas	Technology	Corporate	Total
Replacement/ Compliance	30.6	4.1	1.9	4.6	41.2
Growth	28.2	12.5	16.6	-	57.3
<b>Total</b>	<b>58.8</b>	<b>16.6</b>	<b>18.5</b>	<b>4.6</b>	<b>98.5</b>
% of Total Spend	59.7%	16.8%	18.8%	4.7%	100.0%
2007 total	60.3	14.9	10.2	6.5	91.9

- Capital expenditure higher across business lines by \$6.6m (7.2%)
- Majority (59.7%) of Vector's capex spend is on the electricity networks
- Technology's higher capex due to Vector Communications growth, with minimal spend on legacy metering prior to rollout of smart metering
- Corporate IT spend reduced by \$1.9m on the prior year

# Capital structure

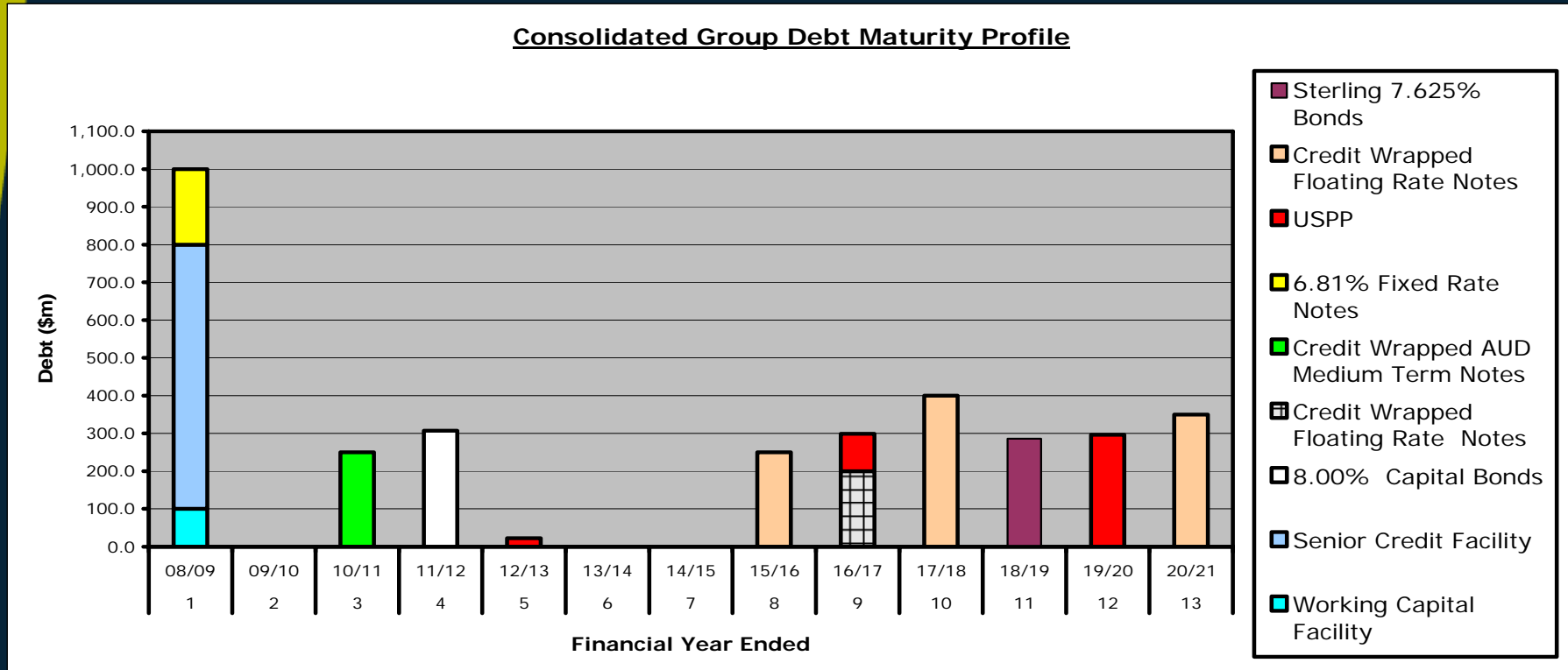
as at 31 December

Asset backing and capital structure		2008	2007	2007/08 Full year
Net debt	\$m	2,516.4	3,001.5	3,110.0
Equity/total assets	%	35.2	33.6	31.8
Debt <sup>(1)</sup> /debt <sup>(1)</sup> +equity	%	55.8	60.4	62.1
Interest (net/EBIT) cover <sup>(2)</sup>	x	2.4	2.1	2.0

(1) Net debt

(2) Based on results from continuing operations

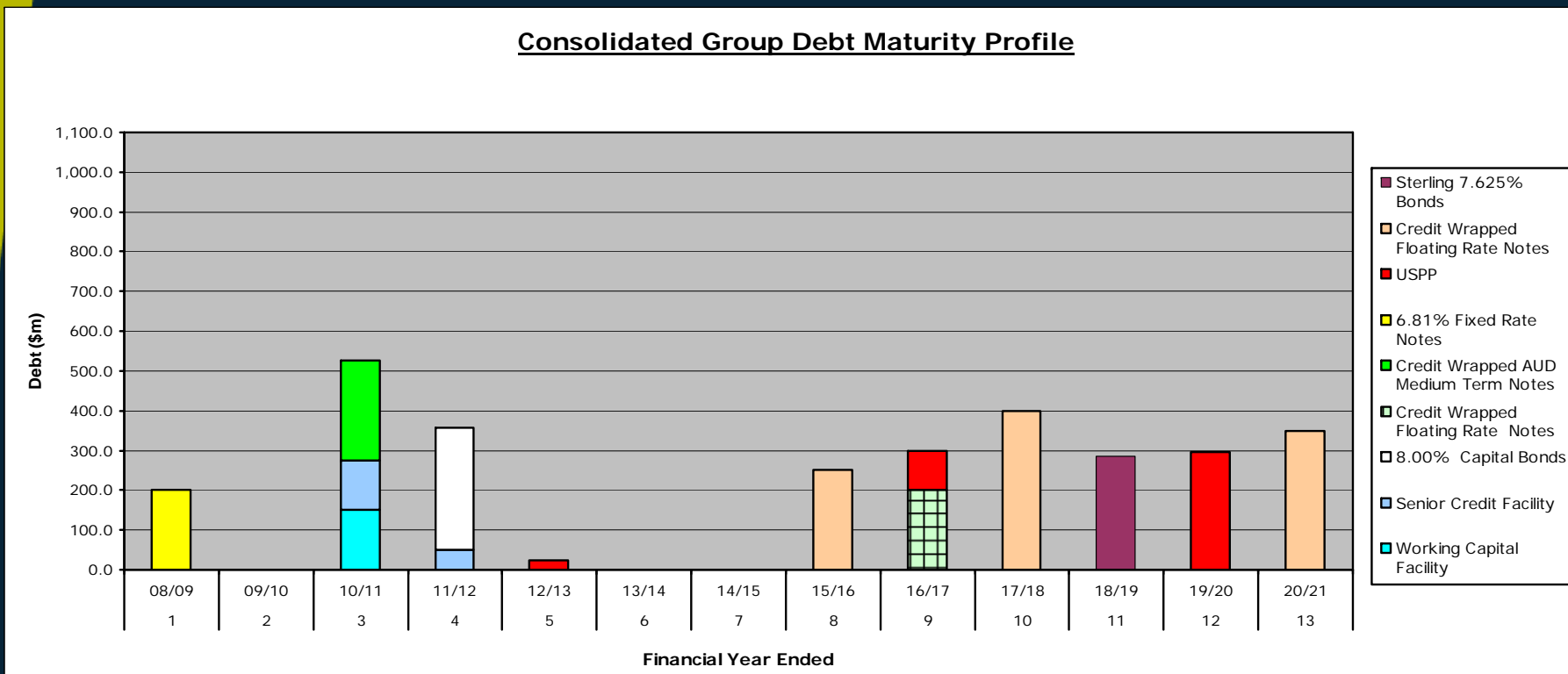
## Debt facilities maturity profile (30 June 2008)



<b>1-2 years</b>	<b>28.89%</b>	<b>2-5 years</b>	<b>16.76%</b>	<b>5+ years</b>	<b>54.35%</b>
------------------	---------------	------------------	---------------	-----------------	---------------

# Debt facilities profile (as at 31 December 2008)

– amended to include new facilities for illustrative purposes



**1-2 years** 6.7%

**2-5 years** 30.3%

**5+ years** 63.0%



## Summary & outlook

- Business tracking to budget but must recognise uncertain business environment going forward
- Range of opportunities – broadband investment fund, metering, infrastructure investment
- Regulatory:
  - Progress made on Commerce Commission Amendment Act
  - Advocate deferral of reset to align with setting of inputs given uncertainty of key parameters
- Support Govt focus on infrastructure investment & clearing roadblocks to enable Transpower to proceed with critical investment
- Cautiously confident that results to 30 June 09 will be above analyst's current expectations

Questions?