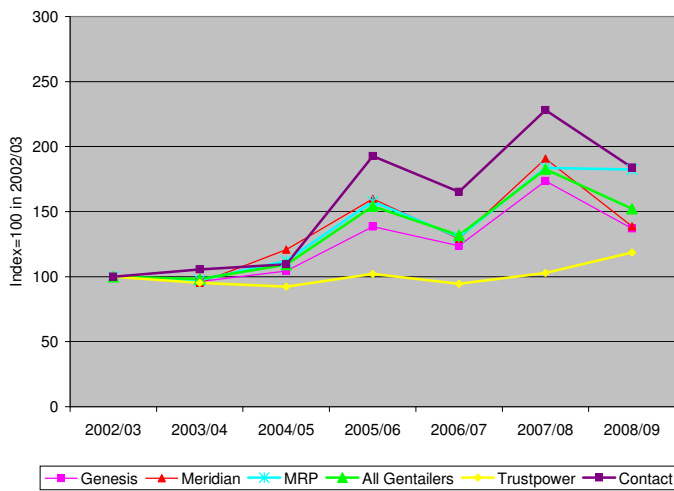


**Gentailer Revenue Index**

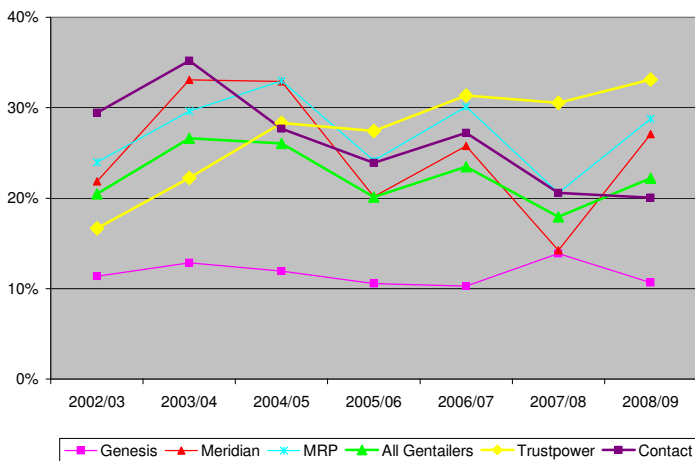


Gentailers' revenue is highly variable as wholesale and retail revenue are not netted off against each other. However, total revenue illustrates recent trends.

The most significant influence on revenue has been an increase in generation costs (eg increasing gas costs) and the dry winters in the southern hydro catchment areas (2005/06 and 2007/08).

Note: Contact and Trustpower, are publicly owned companies and are listed on the NZX.

**Gentailer Operating Margin**



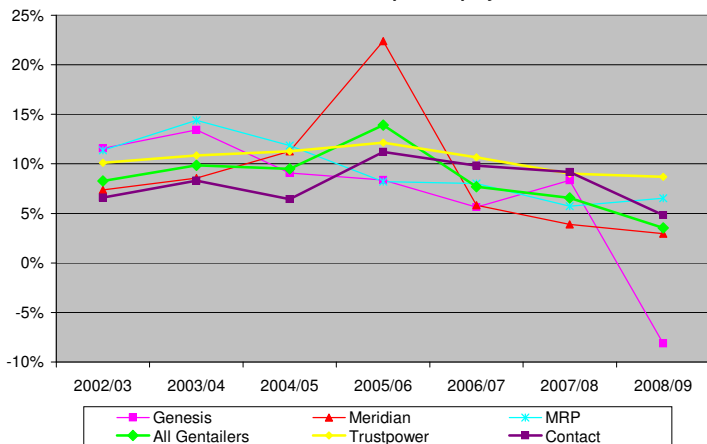
Gentailers' operating margin is influenced by retail pricing, generation mix, and particularly the effect of dry years.

Meridian's operating margin has been particularly volatile, due to its reliance on the Waitaki hydro scheme and inflows to the storage lakes.

Genesis has the lowest operating margin, due to the cost of fuel, but in dry years, such as 2007/08, its margin is relatively higher as the demand for thermal-generated electricity rises.

Trustpower has maintained a high margin on limited revenue growth, as its average retail prices are higher than other Gentailers.

**Gentailer Return on Capital Employed**



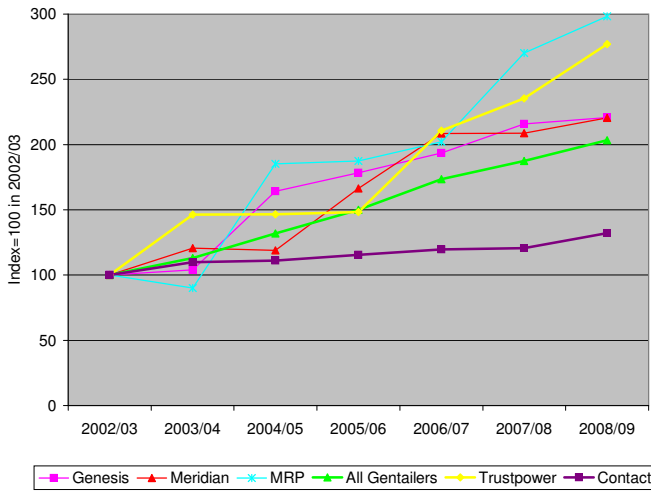
ROCE less than 10% is disappointing, and suggests that the focus is on growing company assets and not the value of the company. ROCE, however, is heavily influenced by the size and frequency of asset revaluations. Increasing asset valuations reduce ROCE. Increases in asset valuations arise because of expectations of improved financial returns in the future.

In 2005/06, Meridian sold Southern Hydro for a substantial one-off gain.

Although MRP has a relatively high operating margin, its ROCE is declining due to asset revaluations.

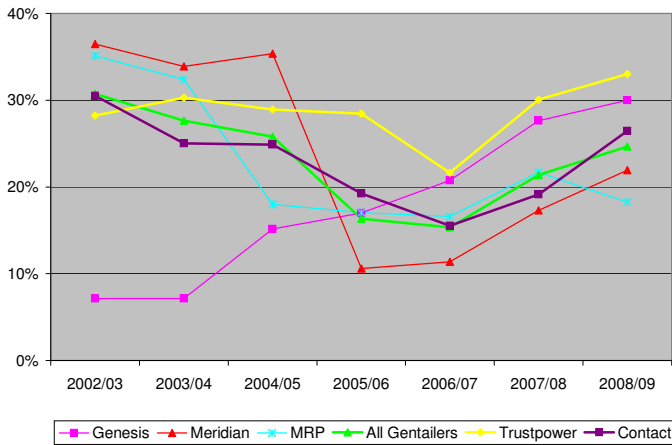
Genesis' 2008/09 result included significant asset devaluations.

**Gentailer Capital Employed Index**



SOE gentailers have significantly increased the value of capital employed over the last six years, through regular upward valuations of generation assets. But as returns on capital employed have not been maintained it suggests the valuation increases are based on medium- or long- term increases in returns.

**Gentailer Gearing**



With the exception of Genesis, which has been increasing its gearing steadily in 2003//04, gentailers have only steadily increased their gearing since 2005/06.

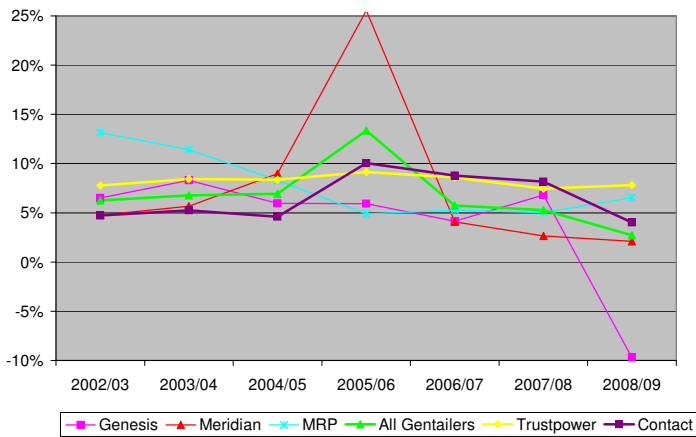
Genesis' gearing has increased as it increased its assets base, most notably e3p which was debt funded.

Trustpower, at over 30%, has the highest gearing of all the gentailers.

Meridian increased its gearing to acquire Southern Hydro in May 2003. However, after the sale, gearing decreased to below the industry average.

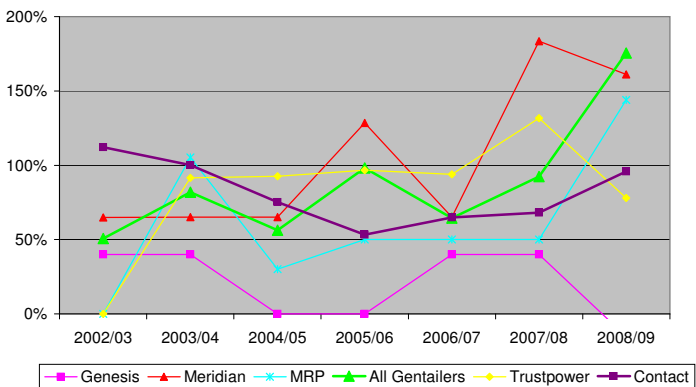
In 2005 MRP revalued its assets which increased equity and decreased gearing.

**Gentailer Return on Equity**



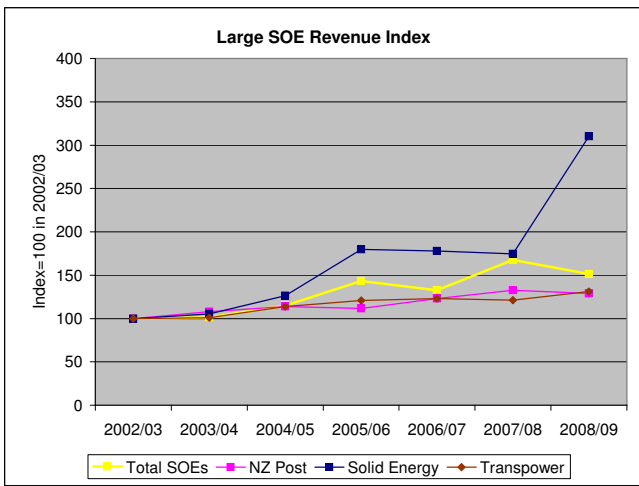
All SOE gentailers' ROE is disappointing, with Genesis at 7% in 2007/08 and MRP in 2008/09 the highest SOE ROE. To put this in perspective, the risk-free rate long-run average cost of debt is approximately 6%. Shareholders should expect a return on equity at least 2% above the risk-free rate to compensate them for the risk they take as a shareholder.

**Gentailer Dividend Payout Ratio**



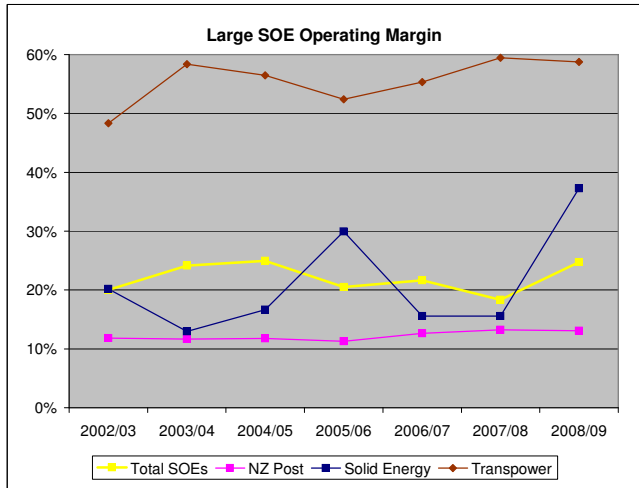
Meridian has historically paid the highest dividend ratio and Genesis the lowest amongst SOE gentailers.

Note: Genesis paid a dividend in 2008/09 however the dividend ratio is negative as it recorded a net loss.



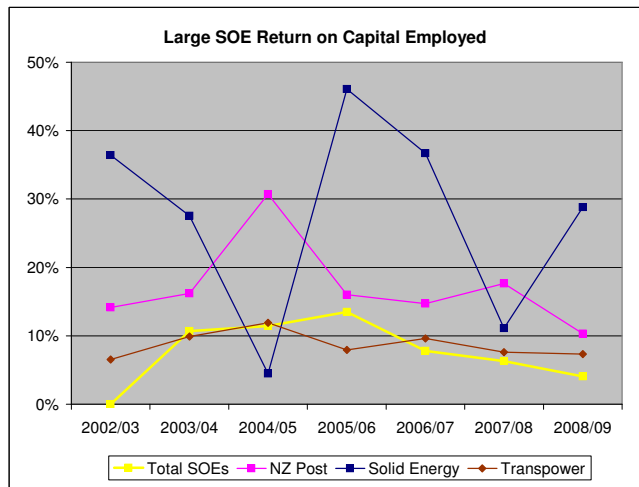
All of these SOEs recorded 'real' revenue growth, as measured by achieving a revenue index in excess of 121 by 2008/09, based on the compounding effect of inflation of 3.5%.

Of the three SOEs, Solid Energy displayed significant growth due to rising international coal prices.



These SOEs have recorded relatively static operating margins. Operating margins are not trending down, which would suggest that the revenue growth in the graph has been volume-driven.

Solid Energy's operating margin peaked in 2005/06 due to the one-off sale of a 49% stake in Spring Creek mine.

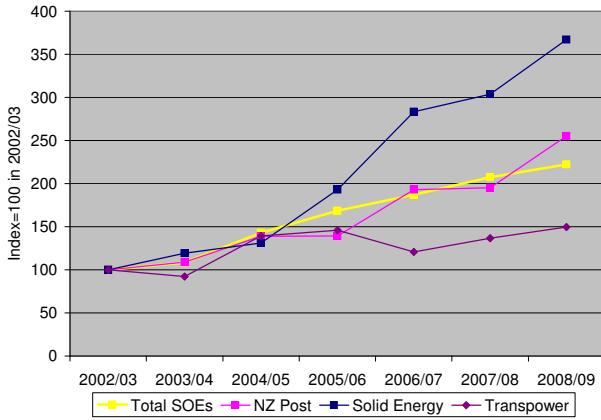


This group of SOEs have achieved good ROCE. Along with growth in capital employed, these SOEs are arguably growing the value of the company as well.

Solid Energy's volatility reflects movements in international coal prices, the strength of the New Zealand dollar, and several significant one-off type events.

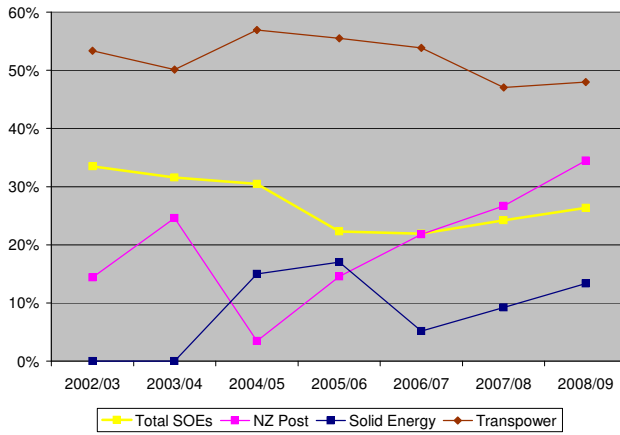
Transpower's ROCE reflects the fact that its returns are regulated.

Large SOE Capital Employed Index



The good ROCE, coupled with growth in capital employed, suggests that these SOEs have been growing assets and creating value.

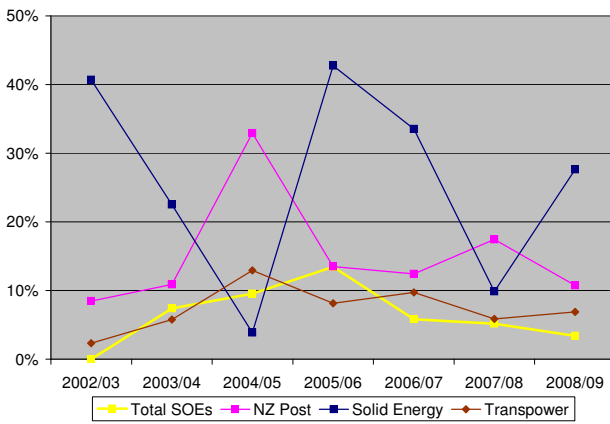
Large SOE Gearing



Solid Energy's gearing is low for a growing mining company as it has grown its capital employed without debt by retaining profit.

NZ Post and Total SOE gearing has been adjusted for Kiwibank's assets and liabilities, as including Kiwibank would distort the overall total for NZ Post and SOEs. These numbers are all derived from publicly available information and excludes specific bank liabilities where possible.

Large SOE Return on Equity



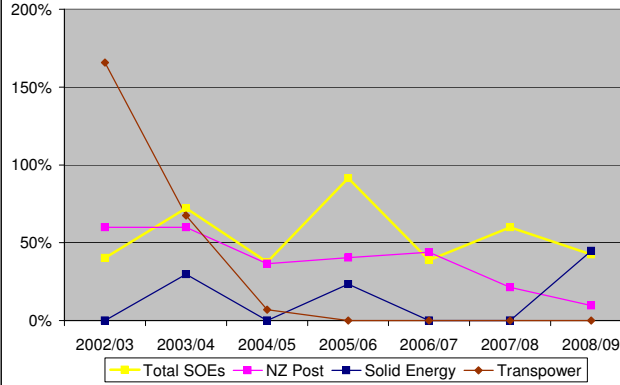
NZ Post and Solid Energy have both returned ROE above 10% over the last five years, but Solid Energy's returns have been extremely volatile, reflecting the nature of the industry.

In 2004/05 NZ Post's result was boosted by a \$78 million profit on divestment of Express Couriers Ltd into a joint venture.

In 2004/05, Solid Energy's decrease relates to write-downs in the value of Spring Creek mine, which, at the time, faced uncertainty over its economic viability.

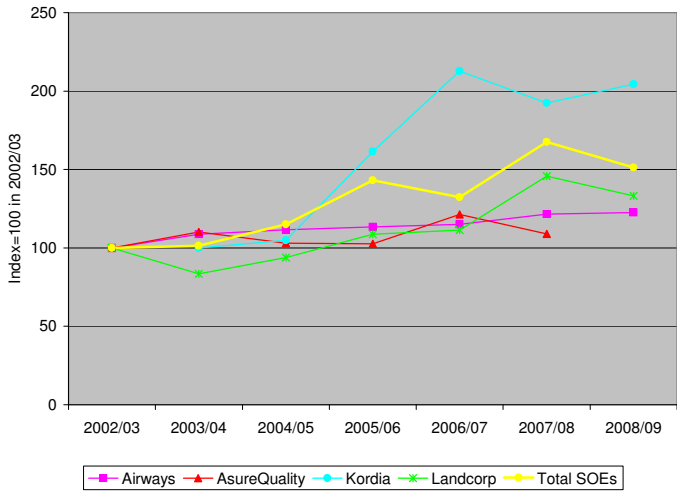
Transpower's ROE reflects the fact that its returns are regulated.

Large SOE Dividend Payout Ratio



These SOEs have all returned relatively low proportions of profit to the Crown, below the SOE average. All these SOEs have been planning significant investment growth, and NZ Post in particular has retained more of its profit to invest in Kiwibank and preserve its AA- credit rating.

**Medium SOE Revenue Index**



All these SOEs have recorded 'real' revenue growth over the six years, with the exception of AsureQuality. All things being equal, a real growth rate should result in an index revenue of 121 by 2008/09 (assuming 3.5% inflation).

Key reasons for Kordia's two significant revenue increases were two acquisitions: 1) Kordia Solutions in Australia in 2005/06, and 2) Orcon in 2006/07.

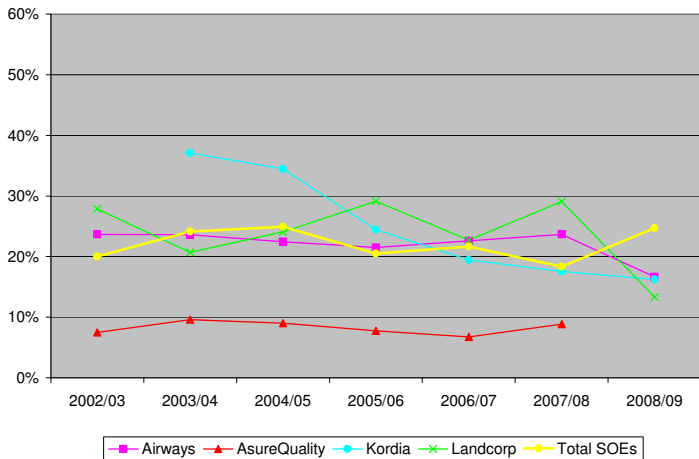
Landcorp's revenue illustrates the volatility with commodity products, particularly the effect of the increase in dairy prices since 2004.

Note:

1) AsureQuality was established in 2006/07 through the merger of AgriQuality and Asure. Also, its balance date is September. 2008/09 data has not been finalised.

2) Before 2003/04, Kordia was a fully owned subsidiary of TVNZ.

**Medium SOE Operating Margin**

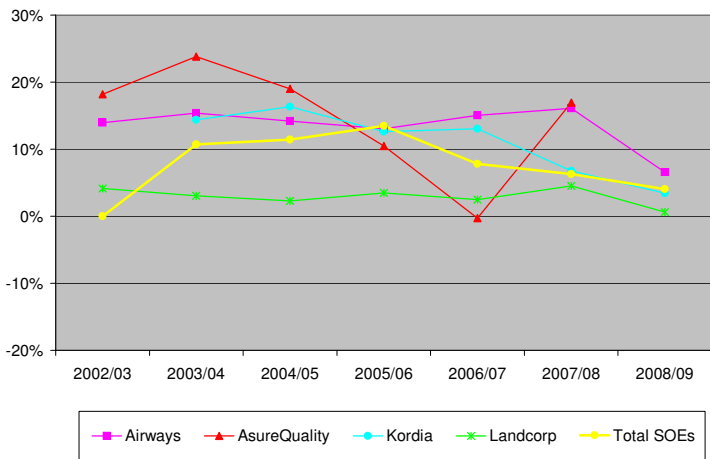


Most medium SOE margins have been relatively static, indicating that growth has likely been driven by volume increases.

The exception is Kordia, which has a decreasing margin on significantly increasing revenue due to the changes in the composition of its business.

AsureQuality has a much lower margin as the margin on its meat inspection monopoly is below its WACC and the testing side of the business is a very competitive high-volume, low-margin business.

**Medium SOE Return on Capital Employed**



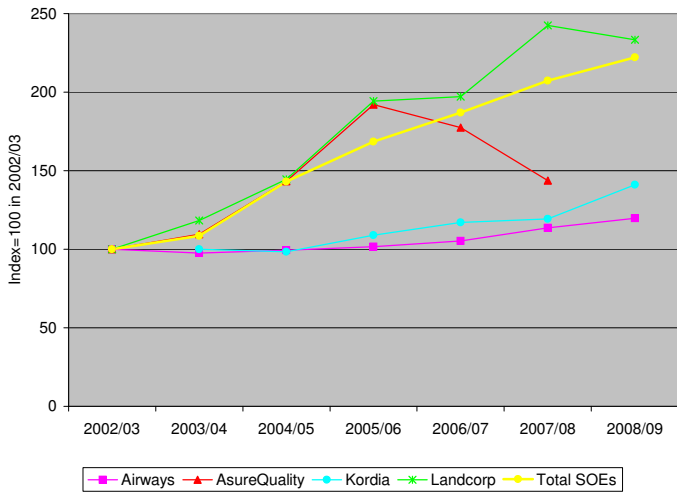
This group's ROCE is good, with the exception of Landcorp.

Kordia's ROCE has historically been high but, due to its higher level of capital employed (driven by business acquisitions and capex) and decreasing margin, ROCE and ROE have both trended down.

Landcorp's ROCE is low but static, consistent with returns from farming operations and suggesting that its returns are keeping pace with its increase in capital employed.

AsureQuality's ROCE decreased in 2006/07 as this coincided with the merger between Asure and AgriQuality.

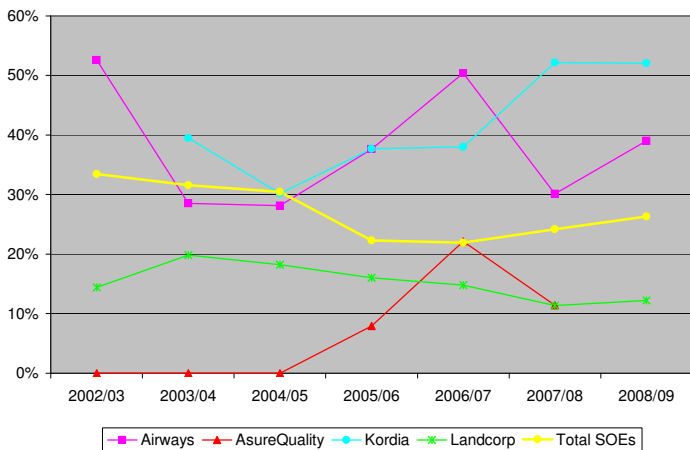
**Medium SOE Index Capital Employed**



This group's capital employed is a mixed bag and illustrates the significantly different industries these SOEs operate in.

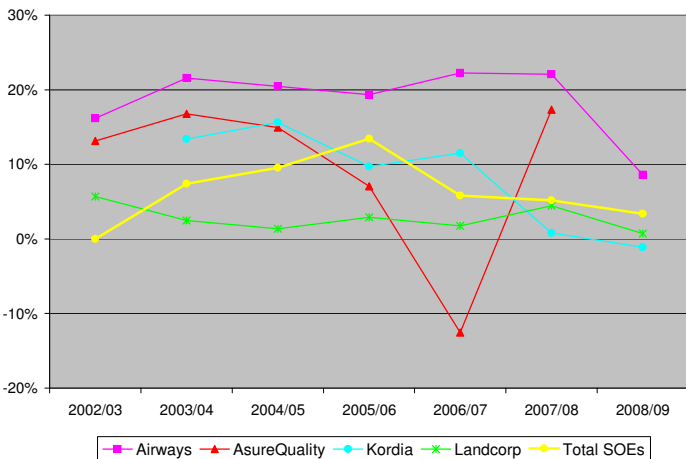
Landcorp's capital employed has increased significantly as a result of consistently increasing farm land values.

**Medium SOE Gearing**



Landcorp's gearing is low. However, given that its operating cash is relatively low, it cannot maintain a high debt level. Whereas, Kordia and Airways as infrastructure companies can maintain higher debt.

**Medium SOE Return on Equity**



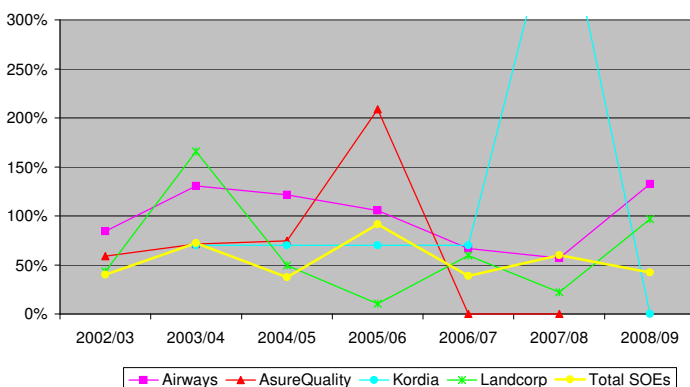
As with ROCE, ROE is acceptable for this group.

Landcorp's ROE is relatively low, but consistent with the farming industry's situation of owning significant assets with a low cash flow. Landcorp has achieved asset growth but this does not tend to translate into increased profitability until farms are sold.

Airways has a consistently high ROE, reflecting its efficiency.

Kordia's ROE has decreased significantly in 2008. Its revenue growth has not, as yet, translated into a stable operating margin and, therefore, returns to its shareholders.

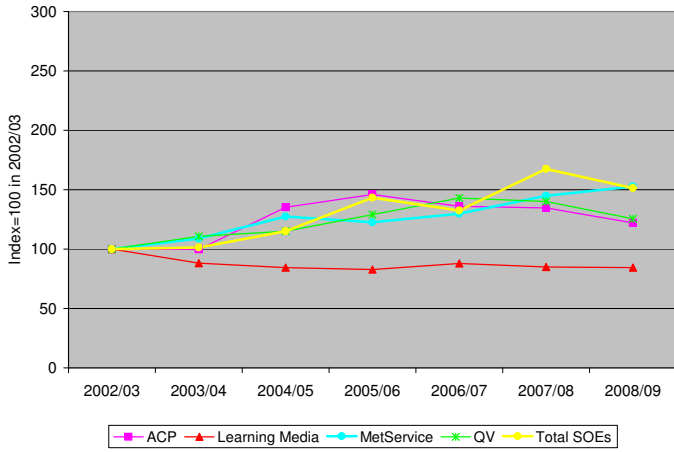
**Medium SOE Dividend Payout Ratio**



Airways pays a percentage of its capital employed which has translated into consistently a high proportion of its profits, due to the impact of the cross-border lease.

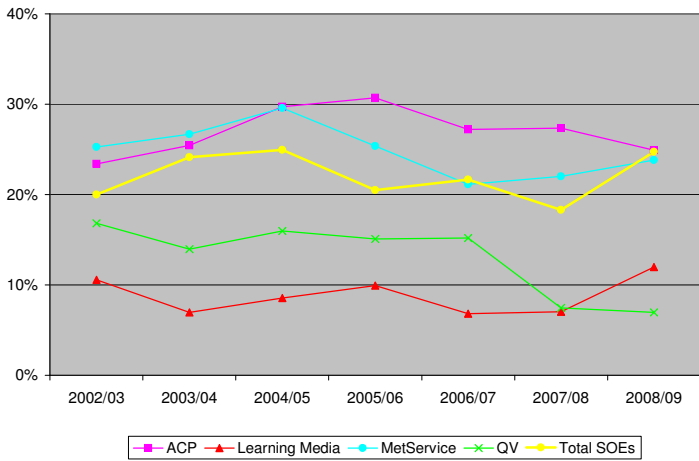
Kordia consistently pays dividends in accordance with its dividend policy, but in 2007/08 this increased significantly as its full-year results were lower than expected when it paid its interim dividend.

**Small SOE Revenue Index**



With the exception of Learning Media, all companies in this group have all recorded 'real' revenue growth, ie greater than the rate of inflation over that time period. All things being equal, a real growth rate should result in an index revenue of 121 by 2008/09 (assuming 3.5% inflation).

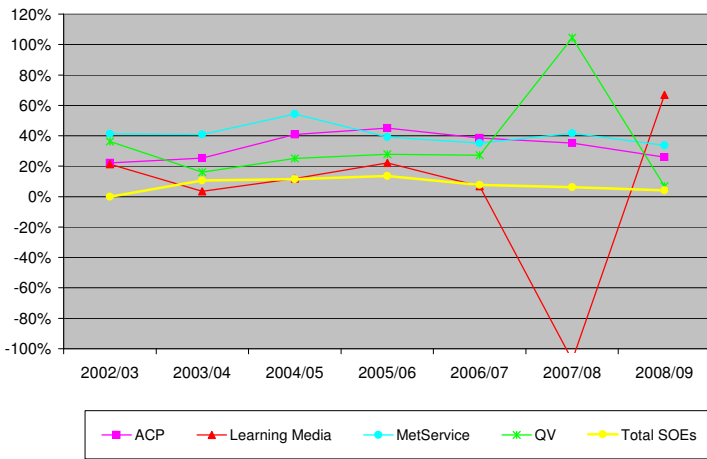
**Small SOE Operating Margin**



Operating margin has been relatively static, suggesting that revenue growth has been volume driven with operating costs increasing in line with revenue.

QV's margin decreased significantly in 2007/08 due to the changes in the composition of its business.

**Small SOE Return on Capital Employed**



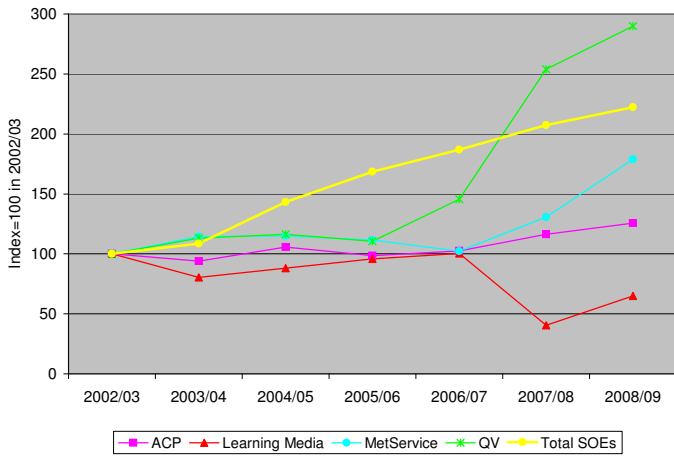
This group of SOEs recorded excellent ROCE, with Learning Media the notable exception.

The individual strategies would appear to be focussed on growing returns on assets, as capital employed itself has been relatively static.

In 2007/08, QV recognised a one-off gain on a joint venture transaction of \$17.8 million.

In 2007/08, Learning Media allowed for impairments on unamortised development costs and inventories of \$4.8 million. ROCE in 2008/09 increased significantly as it then returned to profitability with a lower capital employed base.

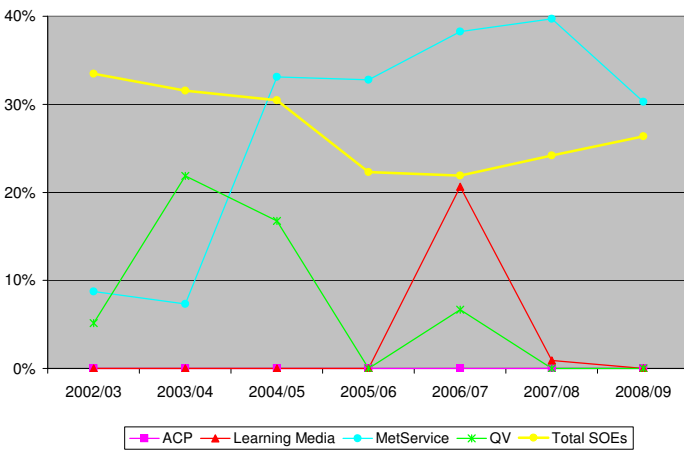
**Small SOE Index Capital Employed**



While ROCE has been satisfactory, only QV has significantly increased capital employed, which was largely due to a one-off transaction in 2007/08.

The growth in ROCE would suggest that these SOEs should consider growing their asset base so that ROCE can be leveraged off a larger base, but there may be limited options for these companies within New Zealand.

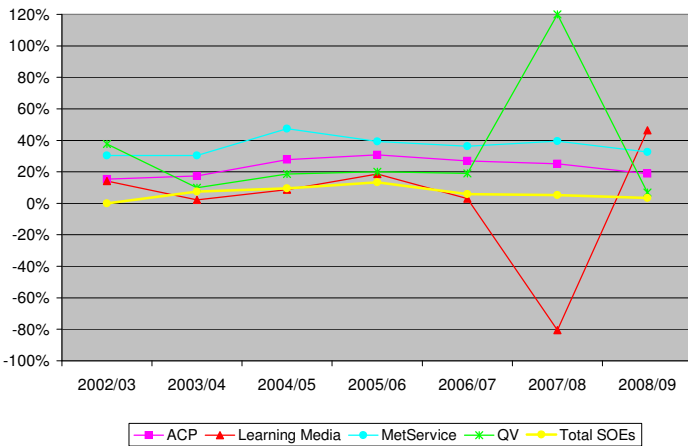
**Small SOE Gearing**



While these companies do not have the infrastructure assets to support a high gearing, only MetService since 2004/05 would appear to have a gearing level consistent with the SOE portfolio.

Given the returns being achieved, the gearing levels could be much higher, which would help drive the growth in capital employed and return to shareholders.

**Small SOE Return on Equity**

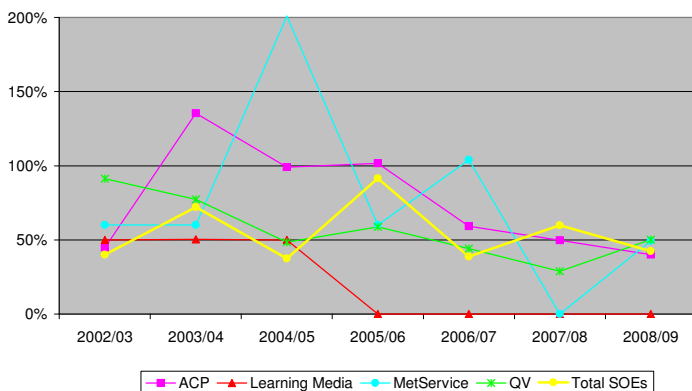


As with ROCE, ROE has been very strong for this group, with the exception of Learning Media.

In 2007/08, QV recognised a one-off gain on a joint venture transaction of \$17.8 million.

In 2007/08, Learning Media allowed for impairments on unamortised development costs and inventories of \$4.8 million.

**Small SOE Dividend Payout Ratio**



The dividend payouts for this group have been satisfactory but, given the strong returns and low growth in capital employed, this would be expected.

Learning Media stop paying dividends due to its adverse financial performance.