

Thank you Simon and good morning ladies & gentlemen.

It is always an easier task for a new CFO coming in at the end of a financial year to speak to what has been, a **strong year** from a financial results perspective for Vector and a **continuation of the growth** demonstrated in 2006.

Results summary – slide 15

I will speak to the results of each division later in my presentation but in summary form,

Group EBITDA is up \$31.4m (5.4%) on 2006. The key drivers of this increase are:

- Increased electricity revenues and cashflows pcp
 - Consumption up 1.9% and the March price increase
- Gas EBITDA up \$36.5m (18%), driven by
 - Increase in natural gas sales volume (53.7PJ, up 51.3%) note that the majority of the volume increase flows from a small number of high volume/low margin one-off contracts
 - Gas EBITDA has benefited by \$22 million of costs previously incurred in the division which are now accounted for in shared services
- Technology EBITDA up \$5.3m (13%)
 - Predominantly MUSH proceeds in relation to the North Shore Urban Fibre Network rollout; this roll out is an exciting development which is pioneering true broadband capability on the North Shore.
- The increases in EBITDA at the divisional level are partly offset by an increase in shared services costs, \$22m of which is a reclassification from the gas business, as noted above.

Group EBIT is up \$6.3m (1.7%).

- All of the \$31.4m growth in EBITDA did not flow through to the EBIT line because of increased depreciation charges (\$25.5m) arising from last year's fixed asset revaluation and the increase in our asset base this year from capital expenditure.

Group NPATA is up \$56.2m (39.1%)

- \$40m of the increase was due to the reduction in the carrying value of our deferred tax liability following the reduction in the company tax rate announced by the Government in the May budget.

This one-off non-cash accounting entry was signalled to the market in July

- The net result is that Group NPAT, excluding the deferred tax benefit, is up \$16.6m (37%) on last year, due to the growth in EBIT and resolution of prior year tax issues

Financial results – slide 16

Operating revenue – up \$220m, nearly 20% on 2006

- Electricity sales are up \$31m (5.4%) on 2006
 - Volumes up 1.9% combined with CPI related price increases during the year
- Gas sales up \$182m (37%) on 2006

- Wholesale gas sales up \$115m – Three large contracts accounted for the majority of the increase. Of these one ceased November 2006 and the other will cease in September 2007. As mentioned above these were low margin one-off contracts.
- Retail gas sales are up \$28m; due to new customers and additional load
- LPG sales up \$30m – driven by increased volume and more imported product (more expensive than local supply)
- Transportation – up \$8m

Operating expenditure – up \$188.6 (34%) on 2006

- The majority of the increase in operating expenditure reflects the change in the weighted average cost of our gas entitlements as the legacy Maui entitlements expire.
- During the year we wrote off or provided for the write-off of \$11m of assets removed or replaced on our networks as part of our on-going replacement programme. We have initiated a project to review all assets removed from our networks and anticipate recovery of some portion of the amount written off this year.
- I have commented at the outset on the improvements in EBIT, NPATA and NPAT

Operating Margins – slide 17

- EBITDA margin
The decline in our EBITDA margin (51.1% - 45.1%) is largely driven by the cost increases associated with the Pohokura gas supply. This has had a two fold effect; reduced margins on large contracts and absorption of the increased cost by the company where these cannot be passed on.
- EBIT margin
The decline in EBIT margin (32% - 27.3%) reflects both the declining gas margins just discussed and increased depreciation charge in 2007 of \$25.5m
- NPAT margin
The consequent decline in the EBITDA and EBIT margins is more than offset by the one-off \$40m tax benefit. On an underlying basis, our NPAT margin is 4.6%, up 14.6% on 2006 (from 4%)

Operating cash flow – slide 18

As you can see the key components of our operating cash flow are:

- EBITDA up \$31.4m (5.4%)
- Interest costs up \$7m (3.2%)
- Increased cash tax outflows of \$38.8m reflect timing of tax payments; our annual tax liability is approximately \$65m at current profitability levels and we manage our tax payments to enable us to fully impute our dividends
- The \$24m improvement in working capital reflects a tighter focus on working capital management.
- Capital expenditure is up \$37m on the prior year reflecting the resumption of our capital works programme with major investment in network replacement and upgrades and growth capital projects

- I will speak to the dividend in the next slide but note that the \$29.6m overall shortfall in net cashflow resulted in a small increase in our total debt, which has been applied to the financing of growth capex.

Dividends – slide 19

- The final dividend for 2007 will be 6.5 cps; fully imputed.
- The dividends will be paid on 4 September to shareholder on the register at 29 August 2007
- This brings dividends for the year up to 13 cps, all fully imputed and represents growth in the rate of dividend of 8.3% pcp.
- At a share price of \$2.53 the total dividend for the year gives our shareholders a 7.7% pretax return.
- The 2007 dividend represents 81% of NPATA, excluding the one-off tax adjustment.

This compares to the 12cps dividend of 2006 which represents 83% of NPATA.

- The increase in dividend is consistent with the continued improvement in the financial performance of Vector in the 2007 year.

Divisional results – slide 20

- Much of the divisional specific highlights and issues have been discussed earlier

Key points to note:

- Electricity contributes 45% of the Groups revenues and more than 60% of the Group's EBITDA. Electricity continues to be Vector's financial engine
- Corporate/Other – it is not possible to directly compare year on year corporate expenditure as 2007 was the first full year of the establishment of the shared services functions.

On a like for like basis, corporate/other costs are up \$1.8m (4%) on 2006.

Capital expenditure – slide 21

- Capital expenditure was up \$22m (10%) on 2006 with the majority of the increased expenditure on the Electricity business (up \$15m) and IT projects
- Company wide replacement/compliance capital expenditure consumed 45% of the total spend with 55% spent on growth projects

- The Electricity business consumed 65% of the Group's total capital expenditure for the year.
 - The largest project undertaken during the year was the Howick OIP project, at a total cost of \$12m including gas and provision for telecommunications; the triple play
 - Other significant projects included the Red Beach substation, the Highbrook development and the continuing pole replacement programme

- Capital expenditure on gas reduced \$3.3m
- Technology capex increased by \$4m due to the MUSH funded North Shore Urban Fibre Network
- Corporate capital expenditure was up \$7m due to IT expenditure related to consolidating and integrating our business systems, following the acquisition of NGC.

Asset backing & Capital Structure – slide 22

- Net Debt – while up marginally on 2006 because of increased capital expenditure and our investment in NZ Windfarms (\$17m) – net debt remains below our 2005 levels, prior to NZX listing (August 2005)
- Equity to total assets – marginally down
- Gearing slightly increased but well within the acceptable range
- Interest cover is stable at prior year levels
- S & P have reconfirmed our BBB+, stable credit rating following their recent review

Debt Facilities profile – slide 23

- Over the next 2 years we will be going to the markets to refinance \$1.22b as debt facilities mature.
We go into this process in a strong position and have an opportunity to fully revisit our maturity profiles and new sources of funds to meet the long term needs of our business.
- As part of this review we will have the opportunity to move new debt maturities partly into the 2013 – 2016 years which are underrepresented under the current profile
Otherwise the profile is a good spread of maturities

Slide 24 - Thank you and now back to the Chairman who will facilitate your questions.