

## **Vector annual result – year ended 30 June 2006 (14/08/06)**

Vector today announced net earnings of \$45.1 million for the year ended 30 June 2006, 10.5% ahead of the previous year and ahead of the \$36.5 million projected in the IPO prospectus. Earnings lie within the profit upgrade range of \$43 million to \$47 million announced in May.

Similarly, net earnings after tax and before amortisation (NPATA) of \$143.7 million, were 37.8% higher than in 2005, 6.6% above the prospectus projection of \$134.8 million, and within the upgraded forecast range of \$142 million to \$146 million.

The year-on-year earnings are not directly comparable due to a full year of revenues and earnings contributions, as well as costs and increased debt, associated with the acquisition of NGC. These applied for just over six months of the previous 2005 financial year, following Vector's acquisition of a majority stake in NGC in December 2004.

Other previously reported factors influencing the results include a \$5 million benefit from Vector's earlier than expected move to full ownership of NGC on 10 August 2005, increased borrowing costs, and an additional \$17.6 million of amortisation of goodwill arising from the completion of the NGC acquisition.

The broader operations of the Vector Group are particularly evident in a 30% revenue increase, from \$870.9 million to \$1,132.9 million, and in operating cash flow generation, which was 44.4% higher at \$353.1 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 24.1% to \$578.6 million, in line with the prospectus projection of \$578.8 million.

The Vector Board has declared a final dividend of 6.0 cents per share, fully imputed, bringing the total dividend for the year to 12.0 cents per share. This compares with the prospectus forecast of 11.5 cents per share and represents 83.5% of NPATA. The final dividend will be paid on 31 August 2006, to shareholders registered on 28 August 2006.

Vector Chairman Michael Stiassny says the company's financial performance is very satisfactory given the challenging trading conditions during the year.

"The effects of the unseasonably warm 2005 winter on energy usage, and consequently our electricity and gas revenues, were only partially offset by heavy demand during the cold snap in the last few weeks of the financial year," he said.

"Despite this, enhancements to our core business, pleasing levels of new customer connections, a focus on operating cost containment and smart management of debt servicing expenses allowed us to not only exceed the prospectus forecasts but to upgrade our earnings forecasts twice during the second half of the year. We comfortably met our revised targets for both NPAT and NPATA."

Vector's asset value grew by approximately \$867 million to \$5,718.6 million as a result of its capital investment programme and a revaluation of the company's electricity and Auckland gas networks' assets.

Mr Stiassny says total net debt of \$3,081.1 million represented gearing of 61.5 %, which is well within Vector's 60 - 68% target range and appropriate for a company with Vector's utility characteristics.

Vector Chief Executive Officer Mark Franklin says the integration of the Vector and NGC businesses is now largely completed, with all business functions operating as a single entity. The focus now is on internal systems and processes.

"Having successfully merged these businesses, we have established a very solid business platform to continue our pursuit of value creation through better use of our assets, cost efficiencies and service delivery improvements.

Mr Franklin says Vector's forward looking investment decisions must take into account the regulatory and economic climate. Initial investment optimism following Government policy statements to encourage infrastructure investment has given way to deep uncertainty with a subsequent decision by the Commerce Commission to publish its intention to declare control over Vector's electricity distribution services.

"A major challenge for our business is the incorporation of smart technology solutions across our networks and unfortunately we will not proceed until we have clarity on the regulatory regime."

**Results summary – year ended 30 June**

<b>\$ millions</b>	<b>2006</b>	<b>2005</b>	<b>% change</b>	<b>2006 Prospectus</b>	<b>May 2006 Projection</b>
EBITDA	578.6	466.1	+24.1	578.8	In line with Prospectus
EBIT	362.7	307.2	+18.1	358.3	n/a
NPATA	143.7	104.3	+37.8	134.8	142-146
NPAT	45.1	40.8	+10.5	36.5	43-47