



## Annual Results – Year Ended 30 June 2007

Vector Limited has recorded a net profit after tax (NPAT) of \$101.7 million for the year ended 30 June 2007. As announced by Vector on 30 July, this includes a one-off gain of \$40 million as a result of the change in the company's deferred tax liability.

Excluding this non-recurring item, net earnings from continuing business increased by 36.9% to \$61.7 million, which is at the upper end of the \$58 million to \$63 million guidance range the company disclosed in May.

Announcing the results today, the Chairman Michael Stiasny said the company's performance for the year was strong and reflected increased earnings before interest, tax, depreciation and amortisation (EBITDA) from all core businesses.

Mr Stiasny said the 33% to 30% corporate tax rate reduction, enacted in May, required Vector to restate its deferred tax liabilities at the lower rate. As a one-off, non-cash accounting entry, it had no impact on Vector's underlying profitability and cash flows, and therefore the dividend payment.

The Board has declared a final dividend of 6.5 cents per share, fully imputed, to be paid on 4 September 2007 to shareholders registered on 29 August 2007. It takes the total dividend in relation to the year ended 30 June 2007 to 13 cents per share, fully imputed, compared with 12 cents per share, fully imputed, for the previous year.

Net profit after tax and before amortisation (NPATA) of \$199.9 million also incorporates the \$40 million deferred tax adjustment. Vector's dividend policy is effectively linked to NPATA, and the total dividend for the year represents 81% of NPATA, excluding the deferred tax adjustment.

Commenting on the last year, Mr Stiasny said further consolidation of the business along with a strengthened board have established the foundation for the coming year.

"We have a strong business platform and, following the appointment of four high calibre directors in recent months the board is now at full strength with a solid governance structure in place.

"Vector is now entering a new phase in its growth. A significant part of this new phase is an intense focus on how we run our core businesses more efficiently while also looking for appropriate growth opportunities that meet the disciplines of strategic fit, our financial capacity and importantly the prevailing investment environment."

"Our asset portfolio is clearly desirable and I can report today that we have had a number of approaches from the market about our Wellington electricity assets. In light of these approaches we have engaged Goldman Sachs JB Were to look at the strategic issues and options for these assets.

"There are a wide variety of outcomes and we believe on behalf of our shareholders that we are obligated to explore them. There is no specific timetable and we will update the market of any developments if and when they occur."

Mr Stiasny highlighted the on-going importance of the Government's infrastructure objectives coupled with its energy strategy and the resulting requirement for significant investment.

"We cannot get away from the fact that for infrastructure businesses strategy, regulation and investment performance are inextricably linked. Large, long-life investments by Vector will continue to reflect the regulatory regime and how that, in turn, affects the investment environment, especially investment returns.

"However, we see some encouraging signs. Vector particularly welcomed the review of key sections of the Commerce Act and supported proposals aimed at fostering investment, improving regulatory transparency and including more scope for merit review of regulatory decisions. The Government's review of the regulatory framework provides hope of a more certain regulatory environment and, perhaps, one that will incentivise seriously-needed investment in basic infrastructure, as well as new-technology infrastructure in New Zealand.

"The Commerce Commission's agreement in principle of our administrative settlement offer relating to electricity network pricing was a significant milestone for us. Recent advice from the Commission suggests that public consultation will be initiated in September with a decision soon after."

Mr Stiasny said Vector's initial ventures into wind generation, through a cornerstone shareholding in NZ Windfarms Ltd and a trial of micro wind turbine technology, are a natural development for Vector that also demonstrated the company's commitment to help achieve New Zealand's energy strategy objectives.

"These important strategic steps for Vector are in their formative stages and remain a small part of our current business. We can't lose sight of the fact that the quality of our financial and operational performance results from the ongoing success of our existing core infrastructure businesses."

Acting Chief Executive Simon Mackenzie highlighted the performance of Vector's core businesses with EBITDA increasing by \$31.4 million (5.4%) to \$610 million.

A substantial 19.4% increase in operating revenue to \$1,352.9 million reflected volume and connection growth on Vector's infrastructure networks, higher energy use as a result of the return to more seasonable winter weather following the warmer winter of 2005, and significantly, one-off higher natural gas sales as a result of major supply contracts.

However, operating expenditure also increased significantly, by 34.0% to \$742.9 million, due largely to additional gas purchases required to meet increased demand from the major supply contracts as well as new and existing gas customers, rates on Vector's infrastructure networks, and increased regulatory compliance costs.

The same influences were apparent in operating cash flows, which increased by 1.4% to \$358 million.

Mr Mackenzie said that management priorities are currently focused heavily on value creation through improved efficiency and disciplined growth.

Over the next year the company will focus on four key areas:

- Regulatory and customer outcomes
- Cost efficiency – capex and opex management
- Operational excellence
- Disciplined growth.

"Our job is to now to take the solid business platform we have established over the last five years and maximise its performance and efficiencies. We have initiated a programme which is looking at both cost management to create greater value for shareholders and improved services for customers."

Mr Mackenzie said the company is closely considering how it can contribute to New Zealand's broadband solutions with an accelerated work programme exploring options.

"Vector has the assets and capability to offer true broadband. The task before us is to fully examine how we can take advantage of our asset mix in the context of the right commercial and regulatory environment.

"There has been a lot of speculation about Vector's broadband plans and I would like to make it clear that at this time no decision has been made. We need to be satisfied that robust analysis has been done and that process is now underway. Vector has the ability to deliver true broadband but this must be matched by the right partnerships, incentives, return on investment and regulatory environment."

Mr Mackenzie highlighted the company's lead role in developing demand side solutions for customers, acknowledging climate change as a key driver for a new approach to energy.

### Results Summary – year ended 30 June

\$ millions	2007	2006	% change
Operating Revenue	1,352.9	1,132.9	+19.4
EBITDA	610.0	578.6	+5.4
EBIT	369.0	362.7	+1.7
NPAT:			
- underlying business	61.7	45.1	+36.9
- one-off adjustment	<u>40.0</u>	<u>--</u>	<u>--</u>
Total NPAT	101.7	45.1	+125.7
NPATA:			
- underlying business	159.9	143.7	+11.3
- one-off adjustment	<u>40.0</u>	<u>--</u>	<u>--</u>
Total NPATA	199.9	143.7	+39.1

### Key operating highlights for the year ended 30 June 2007

- All businesses record improved EBITDA contribution:
  - Electricity business: \$378.0 million, up 3.7%
  - Gas business: \$243.6 million, up 17.7%
  - Technology business: \$47.2 million, up 12.7%
- Capital expenditure of \$249.3 million (2006: \$227.1 million) includes \$99.2 million on investment for growth in the electricity and gas businesses; \$103 million on energy network maintenance and improvements; and \$30.8 million in the technology (telecommunications and energy metering) businesses
- Electricity network throughput of 10,595 gigawatt hours (GWh), up 1.9%
- Electricity network connections total 673,576, up 1.4%
- Natural gas sales of 53.7 petajoules (PJ), up 51.5%
- Gas networks connections total 143,047, up 2.9%
- Significant telecommunications milestones include a \$4.6 million award to Vector Communications and the North Shore City Council under the Government's Broadband Challenge
- New initiative to deploy multi-functional advanced metering technologies offering significant benefits to all participants.

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