

## Annual Results Briefing 15 August 2007

### Chairman's Introduction

Good morning – and thanks to you all for coming to our annual results briefing.

You will have gathered from our market announcements in recent months that Vector is entering a new phase in its growth.

For Vector, this coincides with a further consolidation of the strong business platform we have developed over the last few years. To use a racing analogy – we have fostered a thoroughbred with strong lineage.

The building blocks are in place. The task at hand is now to hone its full potential, maximise the output of every sinew, and make sure we have the right strategy to win the race.

For the non-racing orientated, we brought together Vector, UNL and NGC, and have integrated them successfully to build scale and competence. The role of the board and management is now to ensure we are as efficient, nimble and value focused as we can be. Over the coming year that is the key focus for Vector.

In parallel we will always pursue growth opportunities disciplined by the investment environment, strategic fit and, of course, our financial capacity.

Our external operating environment is evolving and we are well positioned to ensure we continue to contribute fully as climate change policy development brings significant and possibly rapid change in energy supply and consumption patterns.

More on this from our two new presenters who I am pleased to introduce.

As you know, Mark Franklin recently decided to step down as CEO after four and a half years at the helm.

I'm sure you have all met our Acting CEO, Simon Mackenzie. Simon has a long and distinguished record of achievement within Vector, most recently as Chief Operating Officer, and the company is in good hands as we go through the process of making a permanent appointment.

The other new face I'd like to welcome here today is Chris Gallaher, who is acting as our Chief Financial Officer.

Chris has extensive international experience in chief executive and financial roles and the Board is confident that the stewardship of our financial management and strategies is similarly in good hands.

At a governance level, I'm pleased that a series of director appointments in recent months has brought the Board to full strength. Alison Paterson, Hugh Fletcher, Tony Carter and Peter Bird bring a rich mix of talent, expertise and skill to the board table to complement those of the existing Directors. We were

pleased to have Peter Bird in Auckland at our board meeting last week and I hope that those of you who met him found that of interest.

The Company, therefore, is well positioned to go to the next phase of its development.

We need to be. Externally, the energy industry is moving from evolution to revolution as increasing international political focus on climate change issues drives sweeping policy developments globally, aimed at renewable generation and energy efficiency to reduce greenhouse gas emissions, and at changing decades of habit in how consumers source and use their energy.

You will be aware of our initial ventures into wind generation through a cornerstone shareholding in New Zealand Windfarms and a trial of micro wind turbine technology.

We will continue to build on this start, including progressing other work we are doing around renewable energy, such as solar, in the knowledge that infrastructure companies like Vector must evolve too if we are to have continued relevance to future generations of energy users. Our challenges are different to our generator/retailer colleagues but we view Vector as being ideally positioned to contribute to the solutions customers require now and in the future.

Our ventures to date are therefore a natural evolution for Vector, and evidence of our commitment to helping this country achieve its national energy strategy objectives – particularly in the areas of distributed generation and equipping customers with the advanced technology that will help them monitor and manage their energy use.

But of course they are just part of the answer, and in some cases are in their formative stages. We do not 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.

You will have seen in our announcement this morning that we have had a number of approaches from the market about our Wellington electricity assets – testament perhaps to the desirability of our assets. We believe that we are obligated to explore any options for these assets, on behalf of our shareholders. As such we have engaged Goldman Sachs JB Were to look at strategic issues and options for these assets. There are a wide variety of outcomes and we will update the market appropriately.

We have an intense focus on how we can run these businesses smarter and more efficiently and Simon will talk to this in more detail. We will also continue to look for appropriate growth opportunities that meet the disciplines I mentioned earlier.

Large, long-life investments by Vector will continue to reflect the regulatory regime and how that, in turn, affects the investment environment – especially as it relates to returns.

In this regard we see encouraging signs of a more certain regulatory environment and, perhaps, one that will incentivise seriously-needed investment in basic infrastructure in New Zealand.

We welcomed the Government's announcement to look at the regulatory framework to ensure there are no unnecessary regulatory impediments to achieving its infrastructure objectives.

We are supportive of the review of key sections of the Commerce Act and proposals set out in a Ministry of Economic Development discussion paper aimed at fostering investment, improving regulatory transparency and including more scope for merit review of regulatory decisions.

Our administrative settlement offer relating to electricity network pricing was agreed in principle with the Commerce Commission in October last year. Recent advice from the Commission suggests that this will go to public consultation in September and a decision shortly after that. We very much look forward to the conclusion of this matter.

Simon will talk about these issues in more depth and both he and Chris will discuss what has been a strong result for the year. I now hand over to them....