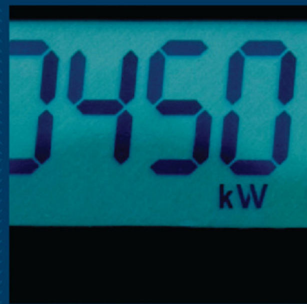
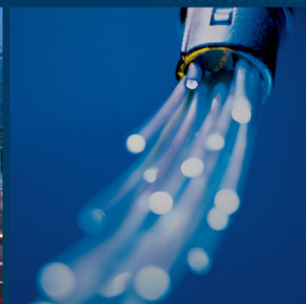
Financial and Operational Results

Year ended 30 June 2011

26 August 2011





Disclaimer

This financial and operational results presentation dated 26 August 2011 provides additional comment on the media release and market release of the same date. As such, it should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in that release.

Vector

Michael Stiassny, Chairman

Agenda

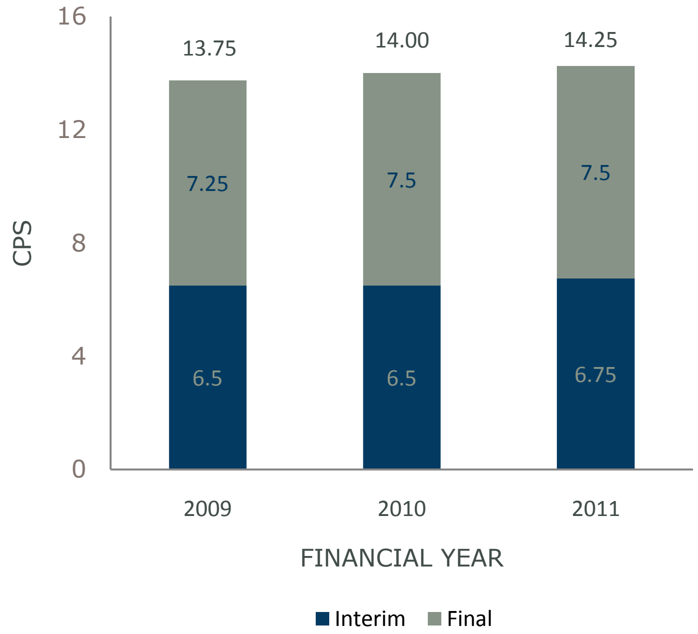
- Dividend
- 2011 in summary
- Financial results
- Operating overview
- Outlook and summary

Dividend

- 2011 dividend represents a payout of 56%* reflecting uncertainty around the regulatory reset
- Dividend policy targets an average of 60%* payout over time
- All dividends fully imputed
- Record date 12 September 2011
- Payment date 19 September 2011

Key ratios	2009	2010	2011
Payout ratio*	63%	51%	56%
Dividend yield (pre-tax)	9.6%	9.3%	7.9%
Share price (30 June)	$2.04	$2.16	$2.54

Declared dividend

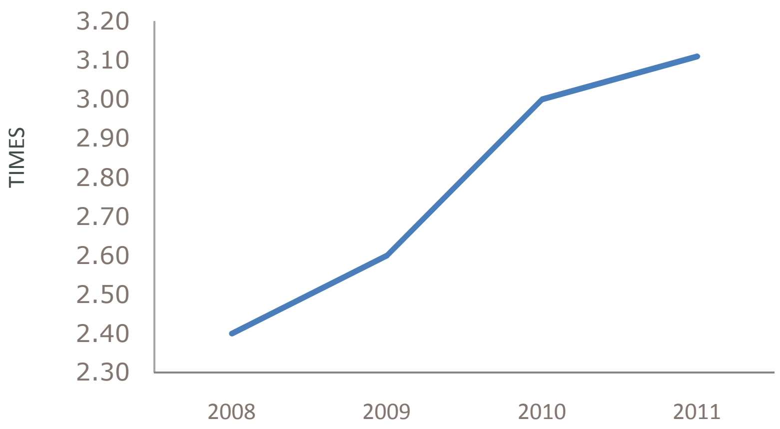


* payout ratio of free cash flow after replacement capital expenditure

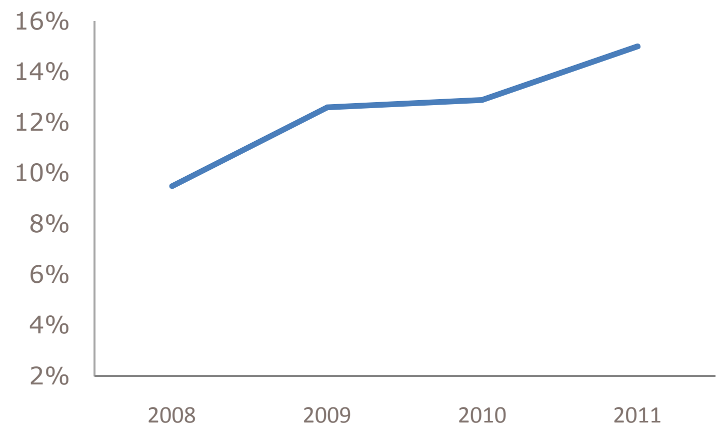
Standard & Poor's BBB+ metrics

- Dividend payout policy driven by the key objective of maintaining BBB+ corporate credit rating

Funds from operations interest cover



Funds from operations-to-debt



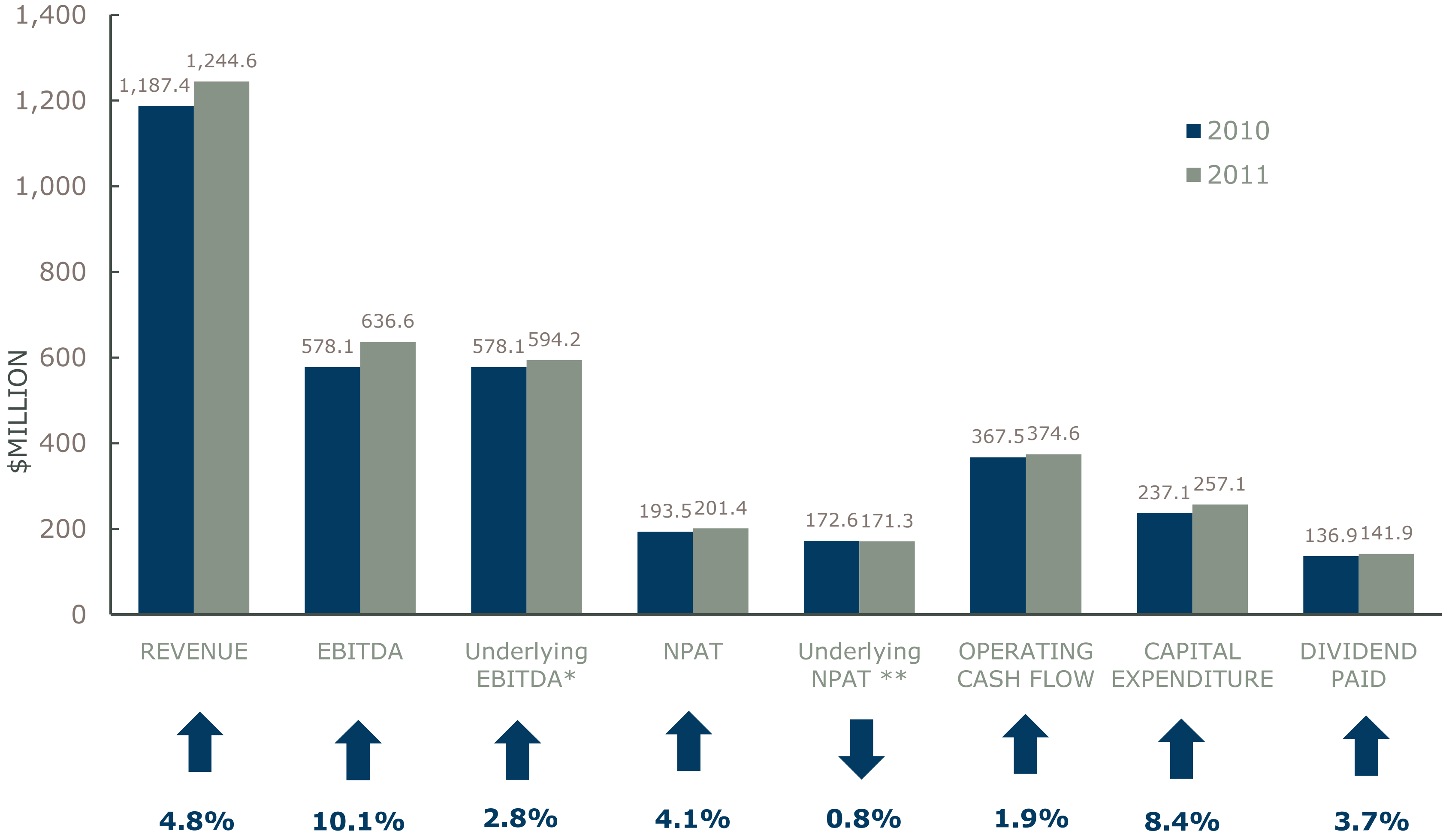
Source: 2006-2010 - S&P Rating Direct analysis of Vector Ltd (8 Sept 2010), 2011 – estimated by Vector

Simon Mackenzie, Group Chief Executive Officer

2011 in summary

- Continued solid operational performance
  - electricity volumes up despite warmer weather
  - installed smart meters doubled
- Security of supply agreement with Transpower
- Publicly disclosed reserves of the Kapuni field increased significantly
- Placed NZ$250.5m in the US Private Placement market
- Commerce Commission proposed a net average electricity price reduction of 8.5% from April 2012
- Challenging the Commerce Commission to create investor certainty

Solid performance



* Excludes contribution of $42.4m from Transpower agreement in 2011
** Excludes contribution of $30.1m from Transpower agreement in 2011, $20.9m non-cash decrease in deferred tax liability in 2010

Vector

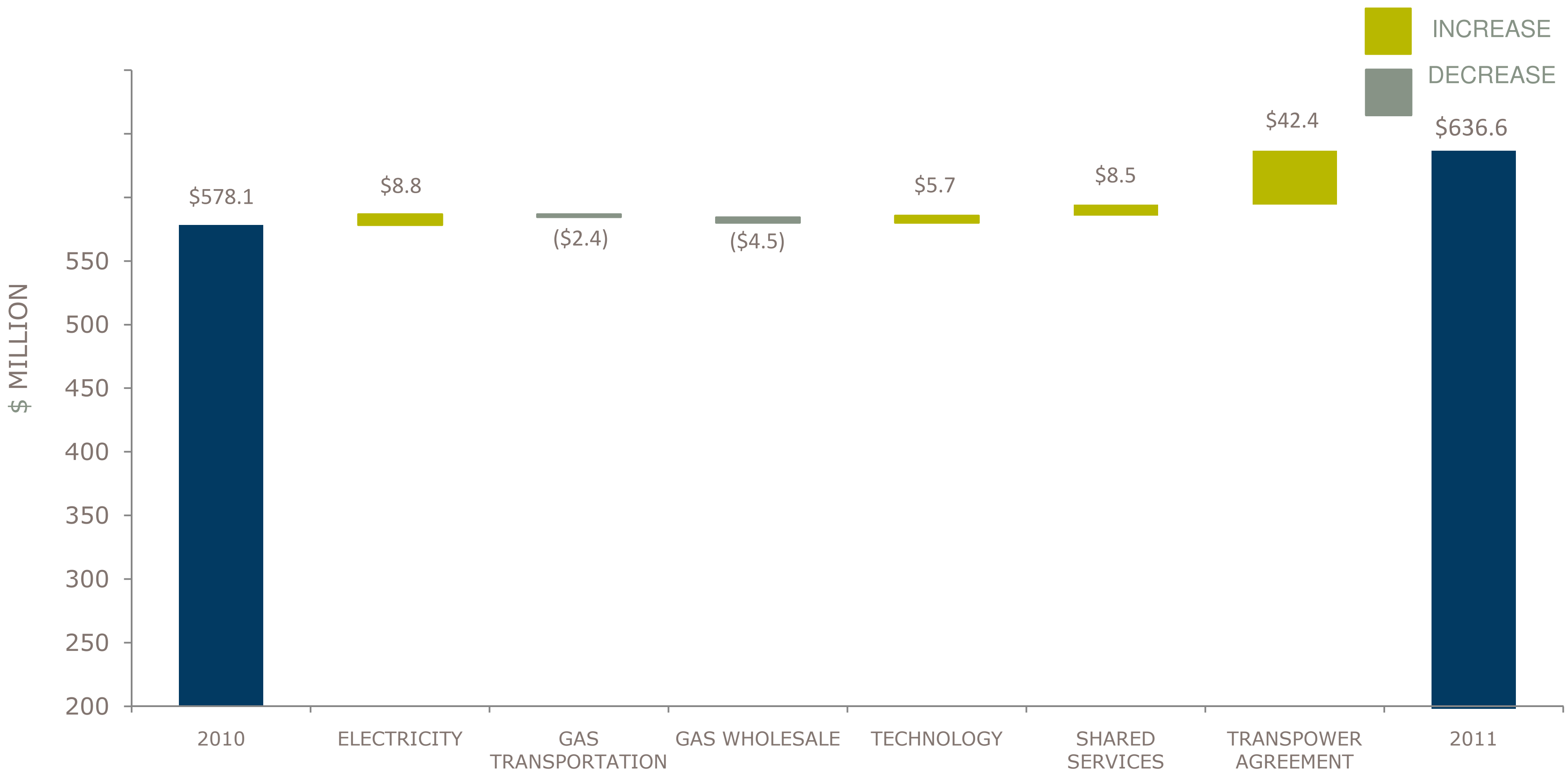
Shane Sampson, Acting Chief Financial Officer

Income statement

YEAR ENDED 30 JUNE	2011 $MILLION	2010 $MILLION	% CHANGE
Revenue	1,244.6	1,187.4	4.8%
Operating expenditure	(608.0)	(609.3)	0.2%
EBITDA	**636.6**	**578.1**	**10.1%**
Depreciation and amortisation	(170.2)	(156.3)	(8.9%)
EBIT	**466.4**	**421.8**	**10.6%**
Results of associates	(1.4)	(6.4)	78.1%
Net borrowing costs	(178.2)	(167.0)	(6.7%)
NPBT	**286.8**	**248.4**	**15.5%**
Tax	(82.9)	(49.3)	(68.2%)
Minority interest	(2.5)	(5.6)	55.4%
NPAT	**201.4**	**193.5**	**4.1%**
Underlying NPAT	**171.3**	**172.6**	**(0.8%)**

- Customer contributions of $31.1m (2010: $29.8m)
- 2010 benefited from $20.9m non-cash decrease in deferred tax liability due to 2010 Government Budget changes
- 2011 benefited from $42.4m EBITDA and $30.1m NPAT from Transpower agreement

EBITDA movement



Electricity

YEAR ENDED 30 JUNE	2011 $MILLION	2010 $MILLION	% CHANGE
Revenue	574.0	553.9	3.6%
Operating expenditure	(209.4)	(198.1)	(5.7%)
EBITDA	**364.6**	**355.8**	**2.5%**
% Revenue	63.5%	64.2%	
EBIT	**286.4**	**281.2**	**1.8%**
Replacement capital expenditure	72.6	69.0	5.2%
Growth capital expenditure	51.4	57.2	(10.1%)
Total capital expenditure	**124.0**	**126.2**	**(1.7%)**

- Revenue benefited from increased volumes, CPI price adjustments and increased capital contributions
- Operating expenditure impacted by increased professional fees from regulatory process and maintenance costs

Gas Transportation

YEAR ENDED 30 JUNE	2011 $MILLION	2010 $MILLION	% CHANGE
Revenue	205.1	194.2	5.6%
Operating expenditure	(47.8)	(34.5)	(38.6%)
EBITDA	**157.3**	**159.7**	**(1.5%)**
% Revenue	76.7%	82.2%	
EBIT	**135.7**	**135.2**	**0.4%**
Replacement capital expenditure	21.3	9.8	117.3%
Growth capital expenditure	10.6	13.0	(18.5%)
Total capital expenditure	**31.9**	**22.8**	**39.9%**

- Revenue benefited from release of a provision for contractual indemnity, CPI price adjustment and Kupe agreement
- Operating expenses impacted by one-off bad debt write-off for Egas and increased professional fees from regulatory process

Gas Wholesale

YEAR ENDED 30 JUNE	2011 $MILLION	2010 $MILLION	% CHANGE
Revenue	372.3	402.8	(7.6%)
Operating expenditure	(312.7)	(338.7)	7.7%
EBITDA	**59.6**	**64.1**	**(7.0%)**
% Revenue	16.0%	15.9%	
EBIT	**47.2**	**52.4**	**(9.9%)**
Replacement capital expenditure	8.0	6.0	33.3%
Growth capital expenditure	8.4	6.8	23.5%
Total capital expenditure	**16.4**	**12.8**	**28.1%**

- Impacted by new Liquigas tolling model and lower natural gas sales
- Kapuni Gas Treatment Plant benefited from higher natural gasoline prices and recontracted LPG pricing
- LPG business benefited from an opportunistic sale of LPG to a competitor and the acquisition of Kwik-Swap

Technology

YEAR ENDED 30 JUNE	2011 $MILLION	2010 $MILLION	% CHANGE
Revenue	87.1	79.8	9.1%
Operating expenditure	(29.3)	(27.7)	(5.8%)
EBITDA	**57.8**	**52.1**	**10.9%**
% Revenue	66.4%	65.3%	
EBIT	**12.4**	**22.2**	**(44.1%)**
Replacement capital expenditure	9.3	9.1	2.2%
Growth capital expenditure	62.2	54.4	14.3%
Total capital expenditure	**71.5**	**63.5**	**12.6%**

- Accelerated deployment of smart meters following full ownership of AMS in January 2010
- Accelerated depreciation of legacy meters
- Fibre business benefited from sales of higher value services to corporate, IT clients and international carriers

Shared Services

YEAR ENDED 30 JUNE	2011 $MILLION	2010 $MILLION	% CHANGE
Revenue	50.6	3.0	n/a
Operating expenditure	(53.3)	(56.6)	5.8%
EBITDA	**(2.7)**	**(53.6)**	**95.0%**

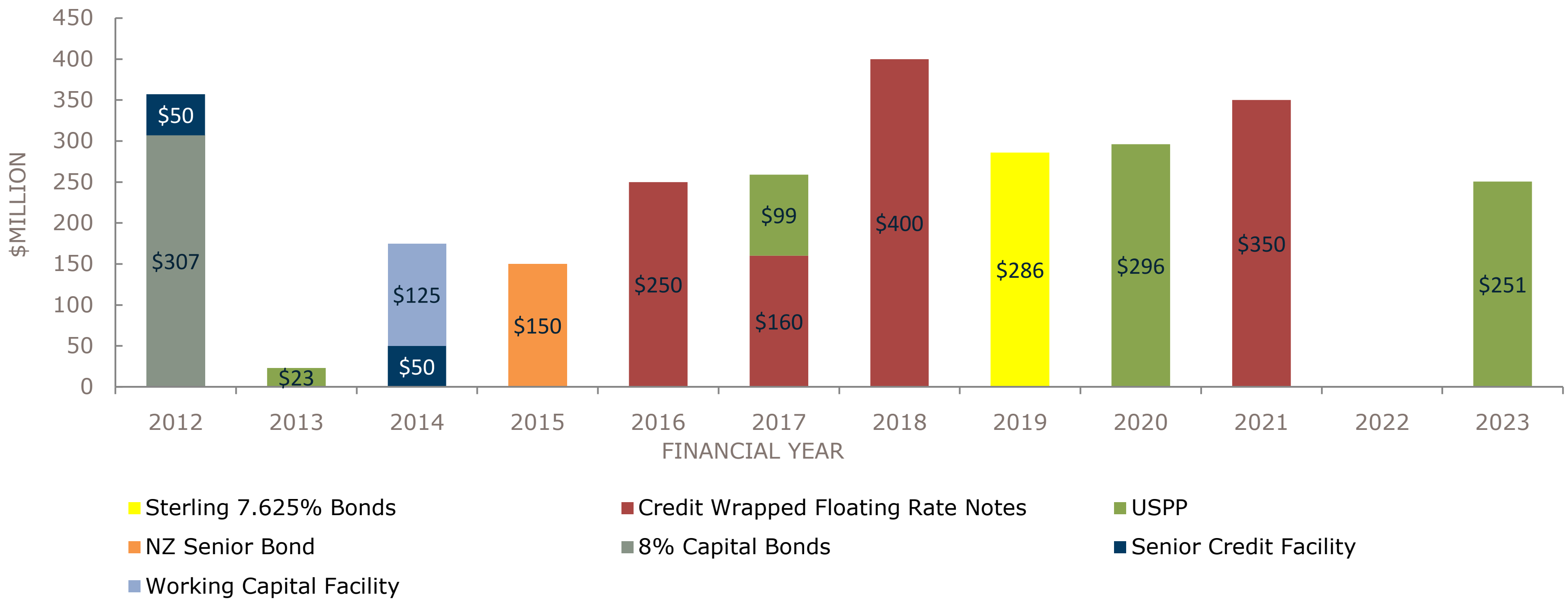
- Benefited from Transpower deal ($42.4m) and gains on disposal of land ($5.7m)

Cash Flow

YEAR ENDED 30 JUNE	2011 $MILLION	2010 $MILLION
Operating cash flow	**374.6**	**367.5**
Replacement capex	(119.2)	(91.9)
Dividends paid	(143.7)	(140.9)
Cash available for growth and debt repayment	**111.7**	**134.7**
Growth capex	(132.4)	(128.5)
Other investment activities	29.4	(10.7)
Pre debt financing cash inflow	**8.7**	**(4.5)**
Investment in short term deposits	-	100.0
Increase/(reduction) in borrowings	0.2	(33.4)
Other financing activities	(3.3)	(2.0)
Increase in cash	**5.6**	**60.1**

- $28.1m received for Transpower agreement included in 'other investment activities'
- A further $25.0m expected in June 2012 for Transpower agreement

Debt maturity profile



- In December 2010 successfully placed NZ$250.5m in the US private placement market to refinance $250m credit wrapped medium term notes that matured in April 2011
- Plans under way for $357m refinancing in FY2012

Asset backing and capital structure

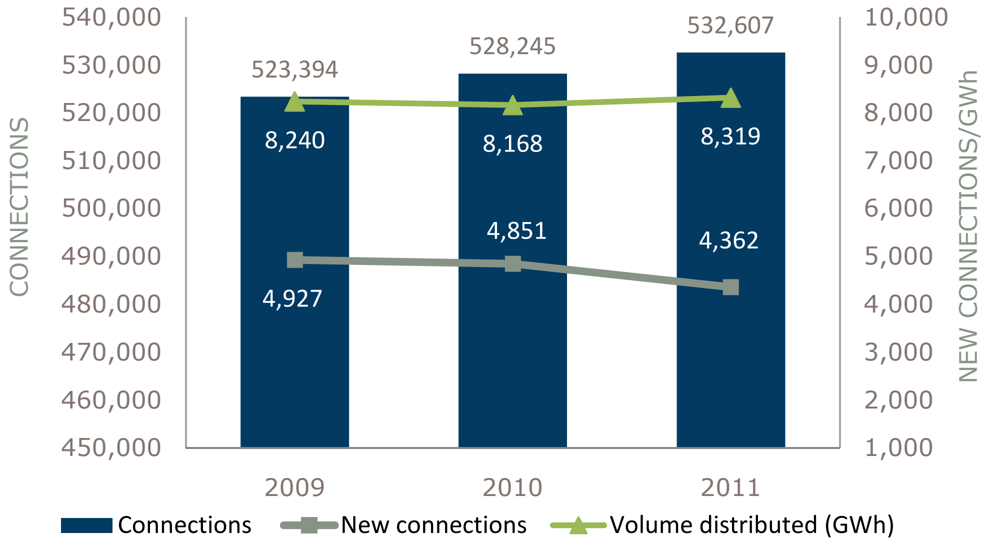
	30 JUNE 2011	31 DECEMBER 2010	30 JUNE 2010
Net debt	$2,290m	$2,291m	$2,447m
Equity/total assets	37.9%	36.2%	37.5%
Net debt/net debt+equity	52.0%	52.2%	54.0%
Interest (net) cover	2.6x	2.6x	2.5x

Simon Mackenzie, Group Chief Executive Officer

Electricity

- Total customer numbers continue to grow
- New connections down 10.1% yoy
  - less residential multi-dwelling connections in H1
  - business connections up 11.8%
- Volumes up for first time in 3 years
  - residential volumes flat despite warmer weather
  - business volumes up 3.1%
- SAIDI of 123.2
  - increased volatility in weather
  - increased planned maintenance

Electricity distribution



Gas Transportation

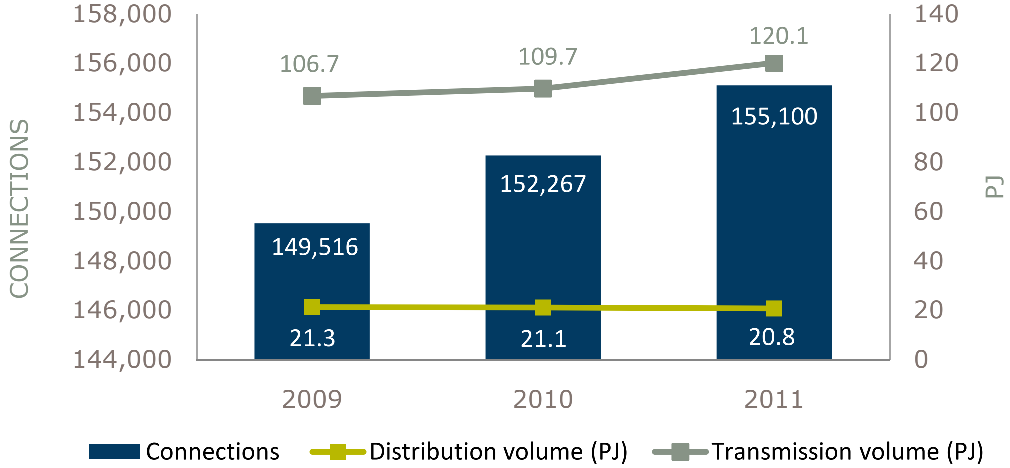
Gas Distribution

- New connections up 3.0% reflecting residential connections
- Volumes down 1.4% reflecting warmer weather

Gas Transmission

- Volumes up 9.5% reflecting Kupe field which came online December 2009
- Northern pipeline is a complex issue which we are working closely with the industry on

Gas Distribution and Transmission



Gas Wholesale

Natural Gas

- Increased competition in I&C natural gas market
- Continued focus on retaining profitability in a highly competitive market

Liquigas

- Moved to new tolling model in January 2010
- Increased exporting in Q4 2011
- Expiry of legacy Maui Gas contract in December 2009

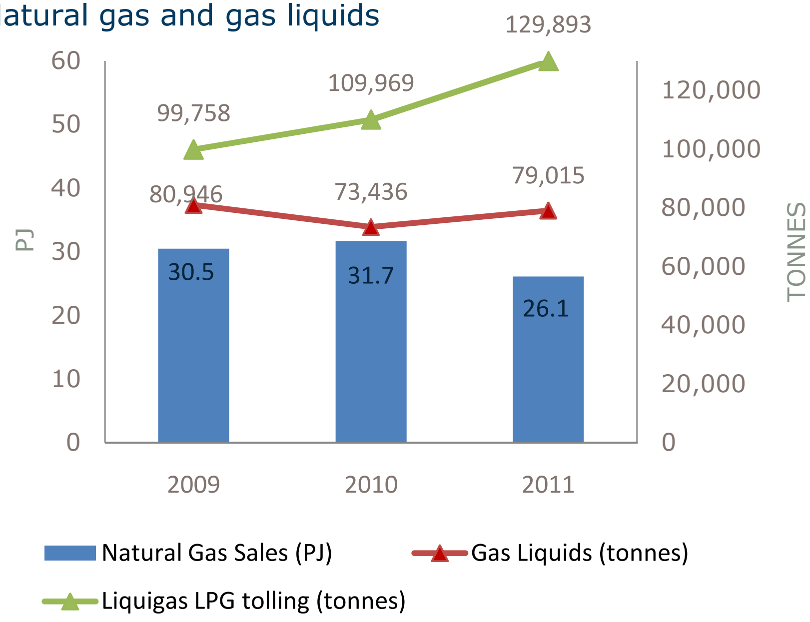
LPG

- Opportunistic sale to a competitor
- Acquisition of Kwik-Swap in February 2011

Kapuni Gas Treatment Plant

- Benefited from higher natural gasoline prices
- Improved pricing on a LPG contract

Natural gas and gas liquids



Gas Wholesale

Redetermination of Original Recoverable Gas Reserves (ORGR) at Kapuni

- Kapuni Mining Companies (KMC's) submitted to the Ministry of Economic development assessment of 1,098 PJs in July 2011
- Vector has rights to 50% of the gas above 1,010 PJ - discussions are still progressing on price

Arbitration proceedings initiated

- Dispute over the quantity of Vector's remaining entitlement to ORGR Kapuni gas at the current gas price
- The quantity of gas in dispute is 7.289 PJ

Emissions Trading Scheme (ETS)

- Number of complex contractual issues, in particular with respect to the legacy contracts
- Agreement now reached with the KMC's regarding ETS liability of Kapuni gas legacy contracts
- As expected, ETS has neutral financial impact

Technology

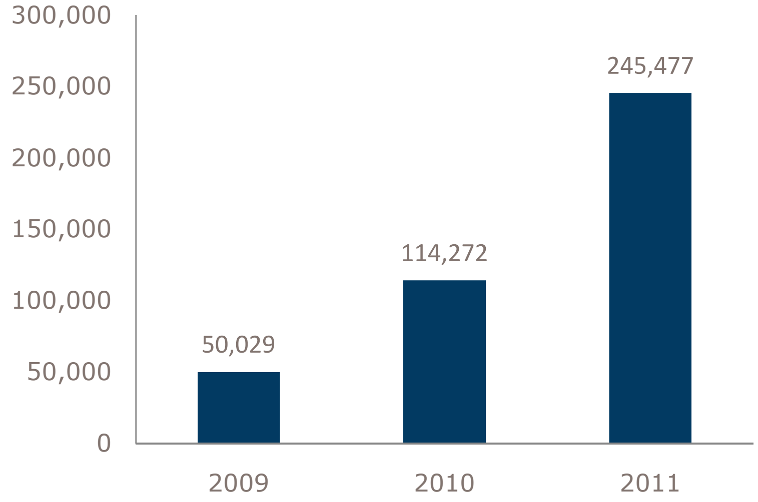
Metering

- Continued smart meter growth
- Excellent opportunities to upgrade and grow smart metering business – additional contracts as retailers move to smart meters

Fibre

- Uncertainty in Telco environment – awaiting details of structural separation and UFB roll out plan
- Going forward Chorus as a newly listed company will face utility based regulation
- Fibre network originated from technology convergence and reinvestment of our electricity assets
- Clearly value remains

Smart Meters

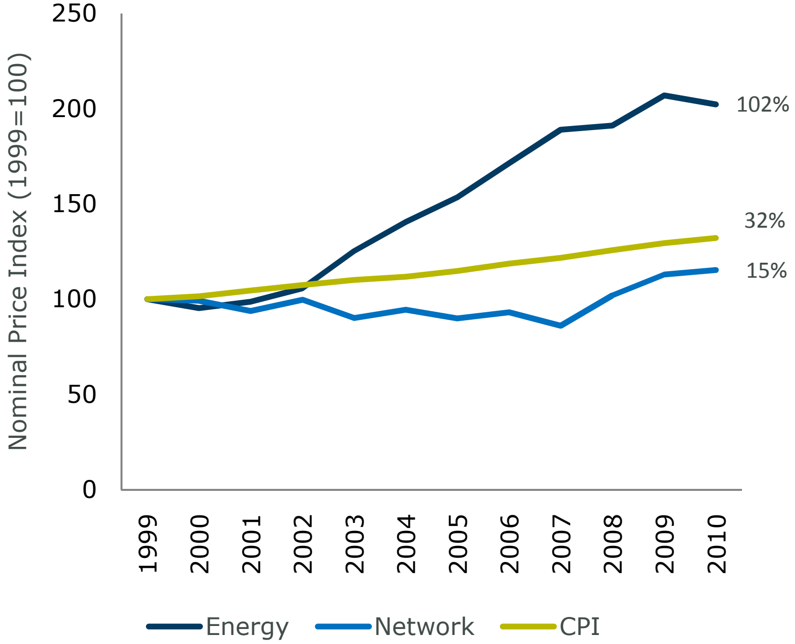


Electricity Draft Default Price Path

- Commerce Commission released draft Default Price Path (DPP) for electricity lines businesses with further changes to its approach:
    - firm specific rather than industry average growth rates
    - Net Present Value (NPV) formula changed from beginning of period to mix of mid and end of period
    - moved to specifying a projected allowable revenue number rather than a P0 adjustment
- Correction for multipliers led to a $80m uplift in Regulated Asset Base (RAB) effect negated by changes to the approach
- Allowed revenue for RY2013 under current model is $402.4m
    - Commerce Commission estimates an approx net average electricity price reduction of 8.5%
- Questions remain over modelling and methodological issues
    - timing of tax for NPV
    - some cash flows are treated as mid-year and some year-end

Vector believes electricity price reduction unjustified

Energy and network price movements



Source: MED energy data file and Statistics New Zealand

Replacement costs increases since 2004

Asset Class	2010 - 2004 Handbook (% change)
33kV Lines	40%
33kV Cables	61%
33kV Switchgear	50%
22/11kV Lines	91%
22/11 kV Cables	86%
LV Lines	184%
LV Cables	121%
Distribution Switchgear	78%
Distribution Transformers	18%

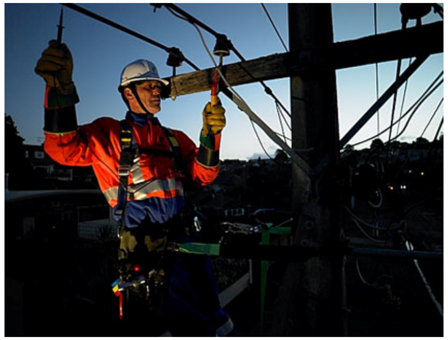
Source: PwC SKM 2010 ODV Handbook

Grounds for appeal remain

- Vector seeks regulatory certainty for investors and consumers
- Require appropriate return on investment to attract international capital
- Amendments to Commerce Act enacted in 2008 is a feature of a mature regulatory regime
- The High Court can overturn the Commerce Commissions decisions if alternatives are "materially better"

Judicial Review	Error of Law	Merits Review
Starting Price Adjustment should be part of rules and processes Input Methodologies Process is a breach of natural justice	Regulated Asset Base is retrospective and misinterpretation of purpose statement Efficiency gains from unregulated businesses should not be shared with regulated customers Regulatory regime and process	Cost of capital – not competitive Regulated Asset Base – not fit for purpose Cost allocation – approach "unduly deters" investment in unregulated businesses Starting Price Adjustment not currently an Input Methodologies

Investing for growth



Electricity

- Wairau Road and Hobson Street Substations
- Waterview Tunnel
- Victoria Park Tunnel
- $2.3b of capex and maintenance over the next decade

Gas Transportation

- Pipeline rejuvenation
- Extended distribution network by 33km

Gas Wholesale

- Kwik-Swap acquisition
- Hawkes Bay acquisition

Technology

- Smart meter rollout
- Additional smart meter contracts as retailers move to smart meters
- New uses of smart meters such as water
- Number of options for fibre business

Outlook and summary

- Another solid year with strong operational performance
- Looking forward to 2012
  - key focus on driving better regulatory outcome through legal challenge
  - impact of price resets - any wins in appeal process will not be recovered until new input methodologies in place
  - settle on optimal path for fibre business once certainty in Telco space
  - Vector's EBITDA expectations are slightly above that of the current market consensus.

Q&A

Appendix

Operating statistics

	FY2011	FY2010	% change
ELECTRICITY			
Customers[1]	532,607	528,245	0.8%
New electricity customers[2]	4,362	4,851	(10.1%)
Volume distributed (GWh)	8,319	8,168	1.8%
Networks length (km)	17,737	17,661	0.4%
SAIDI[3]			
Normal operations (minutes)	113.8[4]	66.8	70.4%
Extreme events (minutes)	9.4	0.0	n/a
Total	123.2	66.8	84.4%
GAS TRANSPORTATION			
Distribution customers[1]	155,100	152,267	1.9%
New distribution customers[2]	2,833	2,751	3.0%
Distribution volume (PJ)	20.8	21.1	(1.4%)
Distribution mains network length (km)	6,989	6,956	0.5%
Transmission volume (PJ)[5]	120.1	109.7	9.5%
Transmission system length owned (km)	2,287	2,292	(0.2%)
Transmission system length operated/managed (km)	1,293	1,282	0.9%

Operating statistics

	FY2011	FY2010	% change
GAS WHOLESALE			
Natural gas sales (PJ)[6]	26.1	31.7	(17.7%)
Gas liquid sales (tonnes)[7]	79,015	73,436	7.6%
Liquigas LPG tolling (tonnes)[8]	129,893	109,969	18.1%
TECHNOLOGY			
Electricity: smart meters[1]	245,477	114,272	114.8%
Electricity: simple meters[1]	463,812	624,535	(25.7%)
Electricity: prepay meters[1]	5,991	6,384	(6.2%)
Electricity: time of use meters[1]	10,853	11,132	(2.5%)
Gas meters[1]	79,588	77,595	2.6%
Data management service connections[1]			
– New Zealand and Australia	8,313	8,807	(5.6%)

1. As at period end
2. The number of customers added during the 12 month period
3. Regulatory year – 12 months to 31 March
4. Includes 21.1 minutes incurred in September 2010 when a major storm occurred
5. Volumes based on billable volumes
6. Natural gas sales volumes exclude gas sold as gas liquids as these sales are included within the gas liquidssales tonnages
7. Total of retail and wholesale LPG production and natural gasoline
8. Tolling volumes include product tolled in Taranaki and further tolled in the South Island

Regulatory timeline – key milestones