Financial and Operational Results

Year ended 30 June 2010

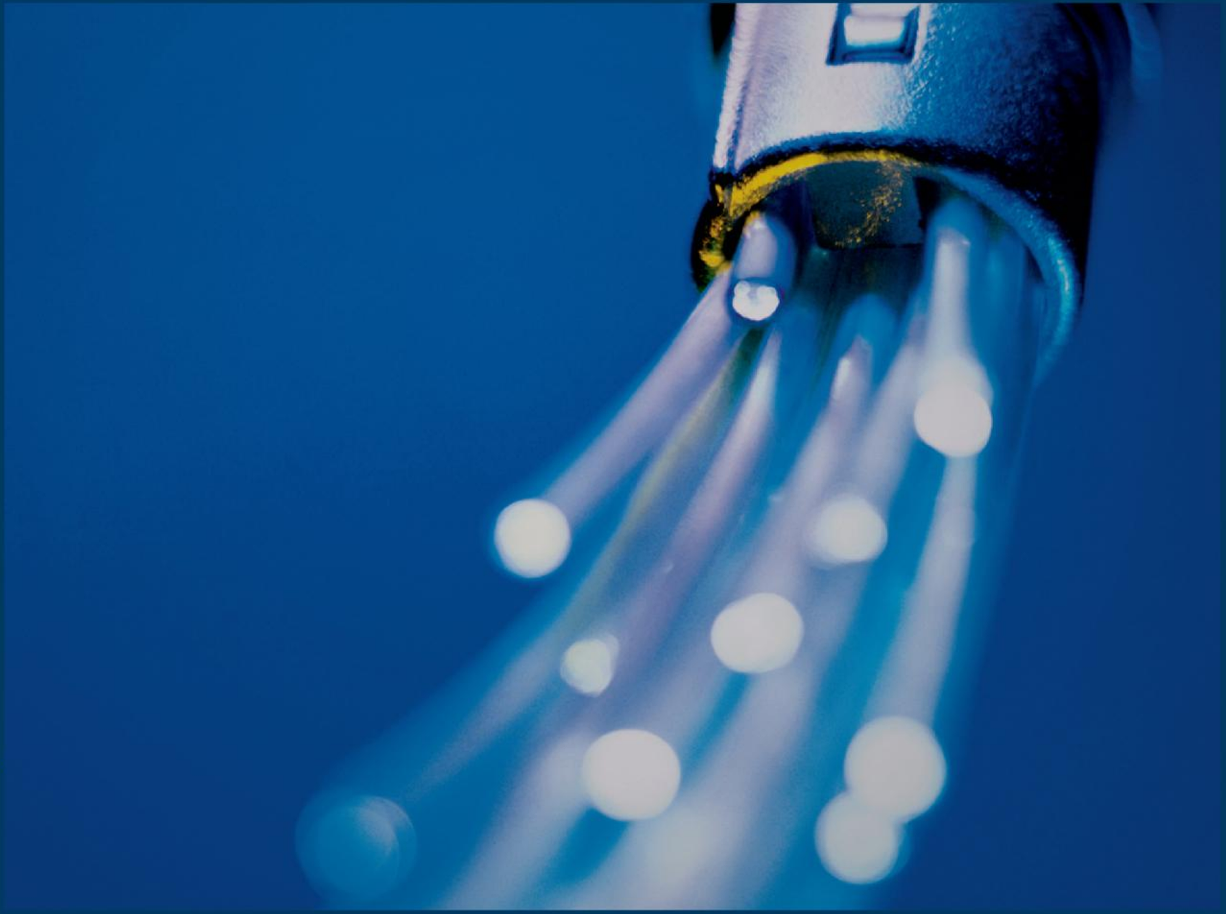
All numbers in this presentation are stated on a continuing operations basis

27 August 2010

Disclaimer

This financial and operational results presentation dated 27 August 2010 provides additional comment on the media 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.

Michael Stiassny, Chairman



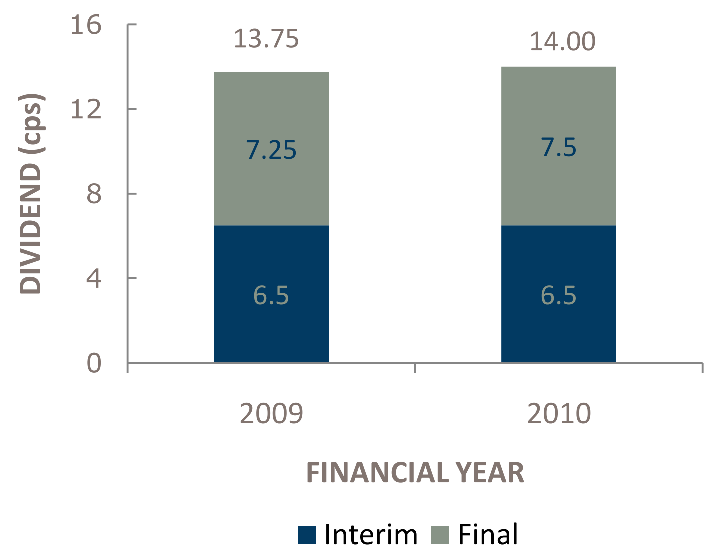
Agenda

- Dividend
- Financial highlights
- Financial results
- Operating overview
- Outlook and summary

Dividend

- 2010 dividend represents payout ratio of 51%* reflecting
  - view of growth options
  - current regulatory environment
- All dividends fully imputed
- Record date 3 September 2010
- Payment date 13 September 2010

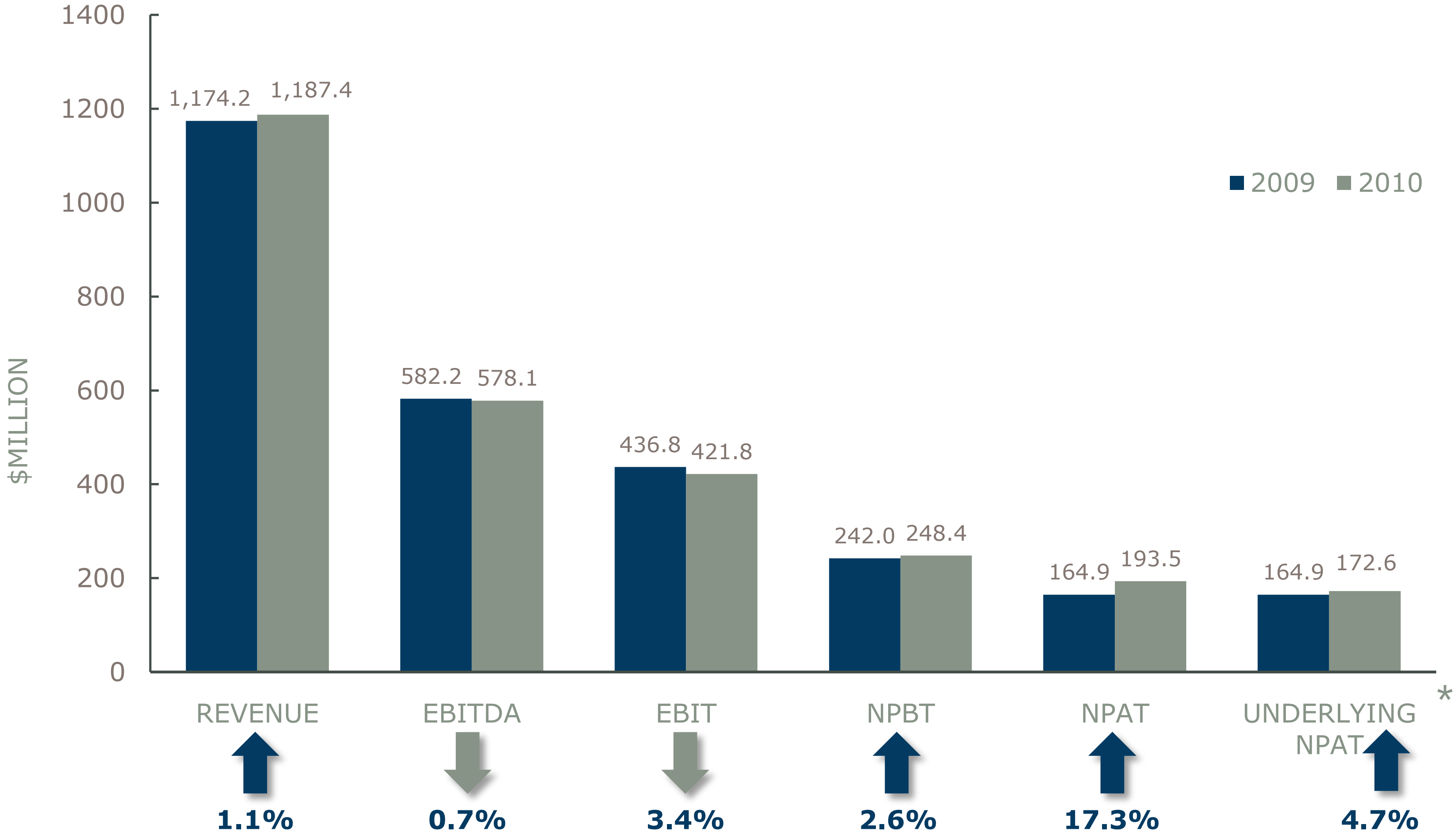
Declared dividend



* payout ratio of free cash flow after replacement capital expenditure

Simon Mackenzie, Group Chief Executive Officer

Steady Growth



* Excludes $20.9 million one-off, non-cash decrease in deferred tax liability due to 2010 Government Budget

Vector

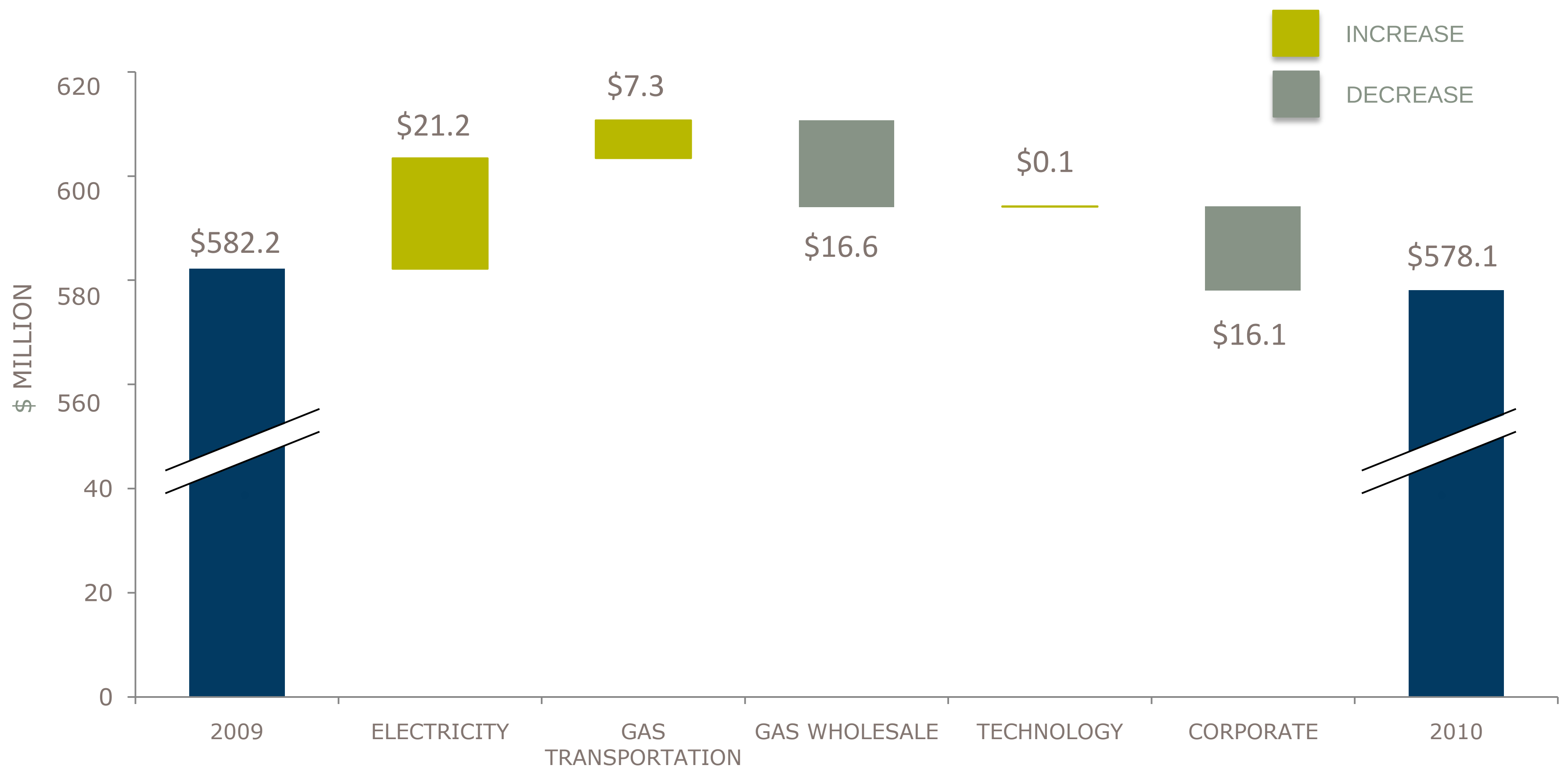
Alex Ball, Chief Financial Officer

Income Statement

YEAR ENDED 30 JUNE	2010 $MILLION	2009 $MILLION	% CHANGE
Revenue	1,187.4	1,174.2	1.1%
Operating expenditure	(609.3)	(592.0)	2.9%
EBITDA	**578.1**	**582.2**	**(0.7%)**
Depreciation and amortisation	(156.3)	(145.4)	7.5%
EBIT	**421.8**	**436.8**	**(3.4%)**
Results of associates	(6.4)	(5.3)	20.8%
Net borrowing costs	(167.0)	(189.5)	(11.9%)
NPBT	**248.4**	**242.0**	**2.6%**
Tax	(49.3)	(68.2)	(27.7%)
Minority interest	(5.6)	(8.9)	(37.1%)
NPAT	**193.5**	**164.9**	**17.3%**
Underlying NPAT*	**172.6**	**164.9**	**4.7%**

* Excludes $20.9 million one-off, non-cash decrease in deferred tax liability due to 2010 Government Budget

EBITDA Movement



Electricity

YEAR ENDED 30 JUNE	2010 $MILLION	2009 $MILLION	% CHANGE
Revenue	553.9	533.6	3.8%
Operating expenditure	(198.1)	(199.0)	(0.5%)
EBITDA	**355.8**	**334.6**	**6.3%**
% Revenue	64.2%	62.7%	
EBIT	**281.2**	**269.0**	**4.5%**
Replacement capital expenditure	69.0	75.9	(9.1%)
Growth capital expenditure	57.2	51.8	10.4%
Total capital expenditure	**126.2**	**127.7**	**(1.2%)**

- CPI and ‘pass through cost’ price adjustments in April 2009 and April 2010 in accordance with regulation
- Higher level of capital contributions to reach pre-GFC levels
- Lower volumes reflecting warmer weather
- Savings in maintenance expenses due to milder weather and a new service provider model

Gas Transportation

YEAR ENDED 30 JUNE	2010 $MILLION	2009 $MILLION	% CHANGE
Revenue	194.2	190.0	2.2%
Operating expenditure	(34.5)	(37.6)	(8.2%)
EBITDA	**159.7**	**152.4**	**4.8%**
% Revenue	82.2%	80.2%	
EBIT	**135.2**	**122.5**	**10.4%**
Replacement capital expenditure	9.8	7.6	28.9%
Growth capital expenditure	13.0	13.5	(3.7%)
Total capital expenditure	**22.8**	**21.1**	**8.1%**

- Connection growth and increase in transmission volumes
- CPI and pass through price adjustments in accordance with regulation
- Lower operating costs reflecting lower maintenance costs and IT savings

Gas Wholesale

YEAR ENDED 30 JUNE	2010 $MILLION	2009 $MILLION	% CHANGE
Revenue	402.8	413.3	(2.5%)
Operating expenditure	(338.7)	(332.6)	1.8%
EBITDA	**64.1**	**80.7**	**(20.6%)**
% Revenue	15.9%	19.5%	
EBIT	**52.4**	**70.2**	**(25.4%)**
Replacement capital expenditure	6.0	6.9	(13.0%)
Growth capital expenditure	6.8	4.8	41.7%
Total capital expenditure	**12.8**	**11.7**	**9.4%**

- Liquigas impacted by expiry of Maui legacy contract partly offset by new tolling model
- Kapuni Gas Treatment plant impacted by lower production levels
- Improved contribution of LPG business

Technology

YEAR ENDED 30 JUNE	2010 $MILLION	2009 $MILLION	% CHANGE
Revenue	79.8	71.0	12.4%
Operating expenditure	(27.7)	(19.0)	45.8%
EBITDA	**52.1**	**52.0**	**0.2%**
% Revenue	65.3%	73.2%	
EBIT	**22.2**	**29.8**	**(25.5%)**
Replacement capital expenditure	9.1	19.0	(52.1%)
Growth capital expenditure	54.4	46.5	17.0%
Total capital expenditure	**63.5**	**65.5**	**(3.1%)**

- Increased revenue reflects growth in both our communications and metering businesses
- Full ownership of AMS in January 2010
- Increase in operating expenditure reflects:
  - acquisition of AMS and accrual for staff incentive payments in 2010
  - release of a provision for contractual indemnity partly offset by write off of development costs in 2009

Shared Services

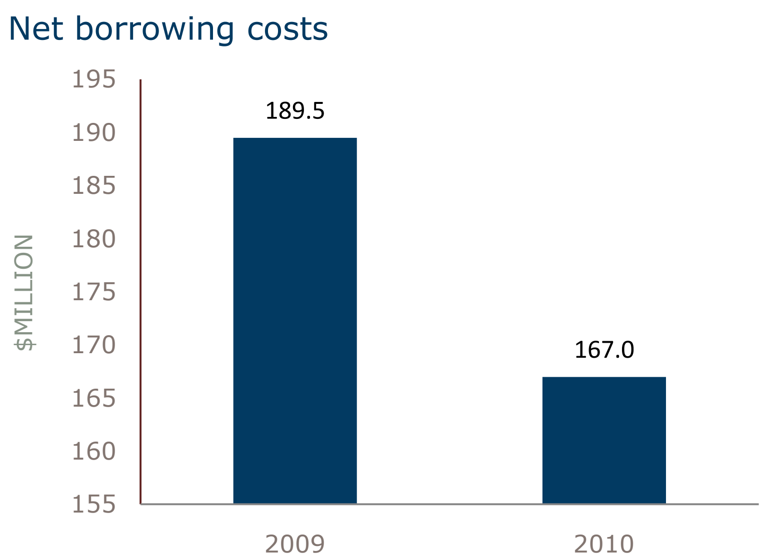
YEAR ENDED 30 JUNE	2010 $MILLION	2009 $MILLION	% CHANGE
Revenue	3.0	11.9	(74.8%)
Operating expenditure	(56.6)	(49.4)	14.6%
EBITDA	**(53.6)**	**(37.5)**	**42.9%**

- Wellington transitional services agreement revenue in 2009
- Excluding AMS, no increase in headcount
- Accrual for staff incentive payments in 2010 – no accrual in 2009
- UFBI bid costs included within shared services

Cash Flow

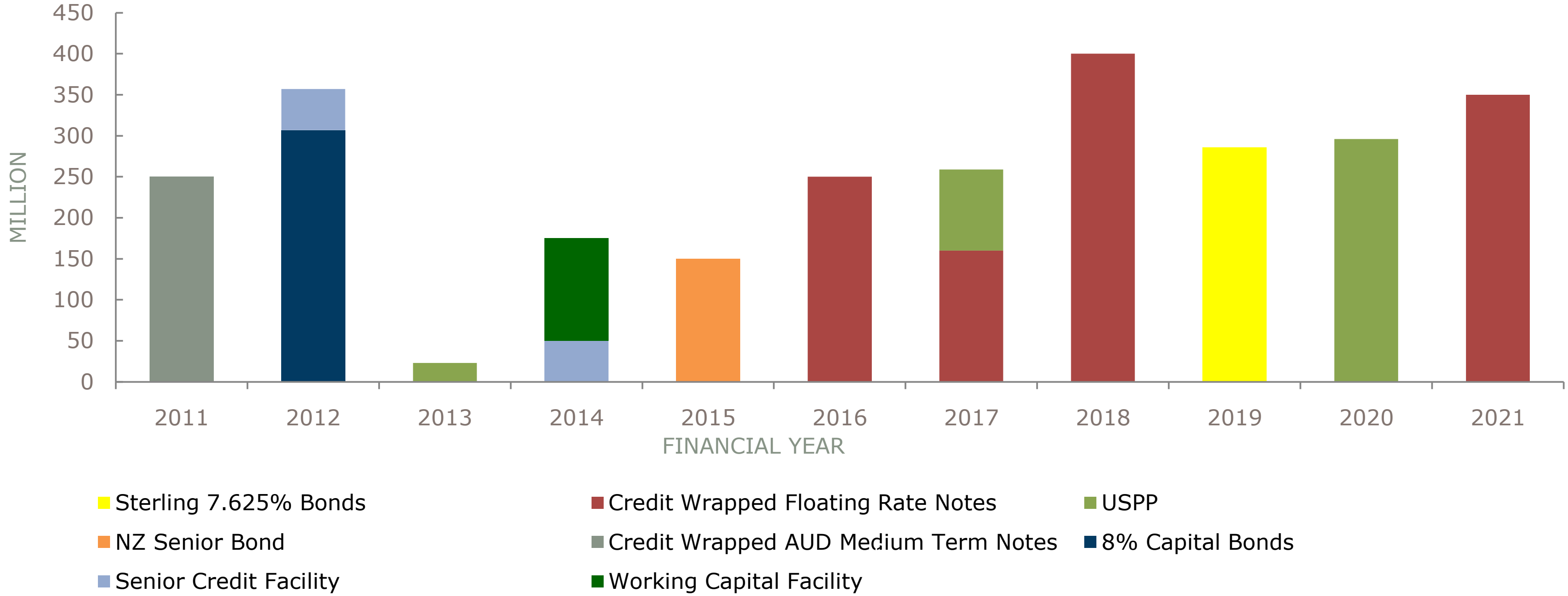
YEAR ENDED 30 JUNE	2010 $MILLION	2009 $MILLION	% CHANGE
Operating cash flow	**367.5**	**330.3**	**11.3%**
Replacement capex	(91.9)	(113.2)	(18.8%)
Dividends paid	(140.9)	(136.7)	3.1%
Cash available for growth and debt repayment	**134.7**	**80.4**	**67.5%**
Growth capex	(128.5)	(123.9)	3.7%
Net proceeds from sale of discontinued activities	-	773.0	n/a
Other investment activities	(10.7)	(3.9)	174.4%
Pre debt financing cash inflow	**(4.5)**	**725.6**	**n/a**
Maturity /(investment in) short term deposits	100.0	(100.0)	n/a
Reduction in borrowings	(33.4)	(610.0)	(94.5%)
Other financing activities	(2.0)	(14.5)	(86.2%)
Increase in cash	**60.1**	**1.1**	**n/a**

Borrowing Costs



- Net borrowing costs fell $22.5 million
  - lower interest rates on 25% of debt portfolio that is under floating interest rates
  - $6.6 million one-off benefit from buyback of $40 million of floating rate notes in July 2009

Debt Maturity Profile



- Successfully established a new $50 million senior credit facility and $125 million working capital facility
- Plans to refinance $250 million credit wrapped medium term notes that mature in 2011 are well underway

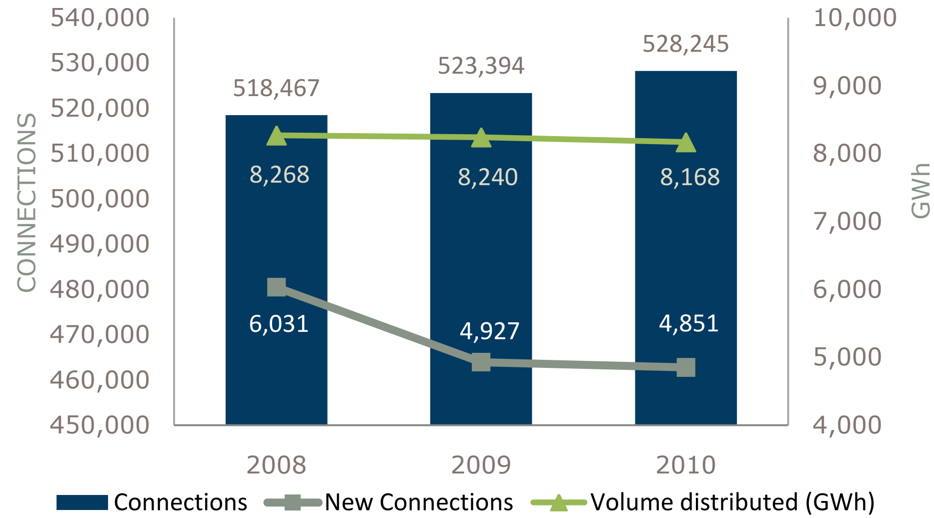
Asset Backing and Capital structure

YEAR ENDED 30 JUNE	30 JUNE 2010	31 DECEMBER 2009	30 JUNE 2009
Net debt	$2,447m	$2,316m	$2,486m
Equity/total assets	37.5%	38.2%	37.2%
Net debt/net debt+equity	54.0%	52.5%	54.7%
Interest (net) cover	2.5x	2.9x	2.3x

Electricity

- 2010 volumes impacted by milder weather
  - SME fell 2.2%
  - residential fell 1.2%
  - industrial and commercial fell 0.2%
- Increased capital contributions encouraging
- Increased network reliability
  - vegetation management
  - concerted effort of Vector employees and contractors
  - mild weather
  - technology upgrades

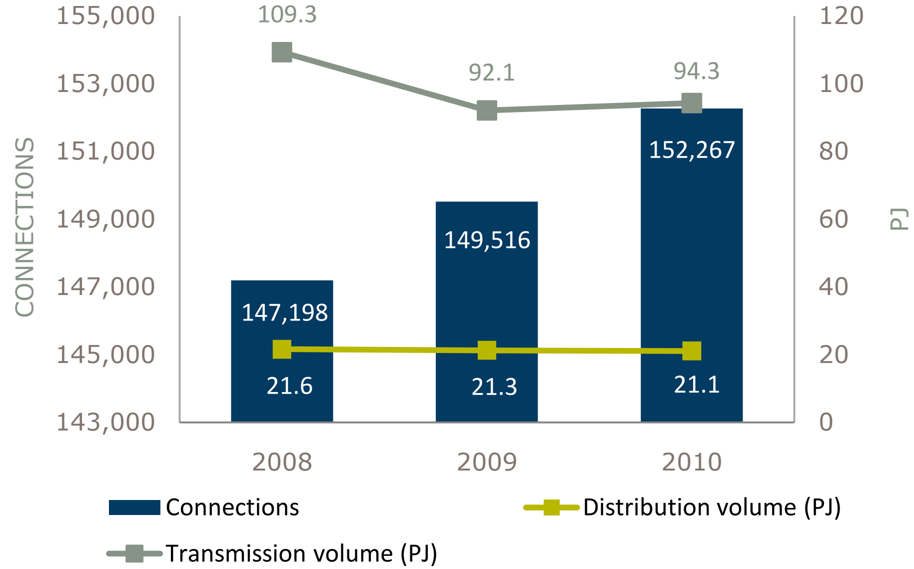
Electricity distribution



Gas Transportation

- Connections up 1.8% reflecting growth across all segments
- 2011 growth projects
  - connection of Stratford storage plant
  - Papakura upgrade
  - Edgecumbe pipeline relocation
- Working on solution for Northern Transmission pipeline constraints

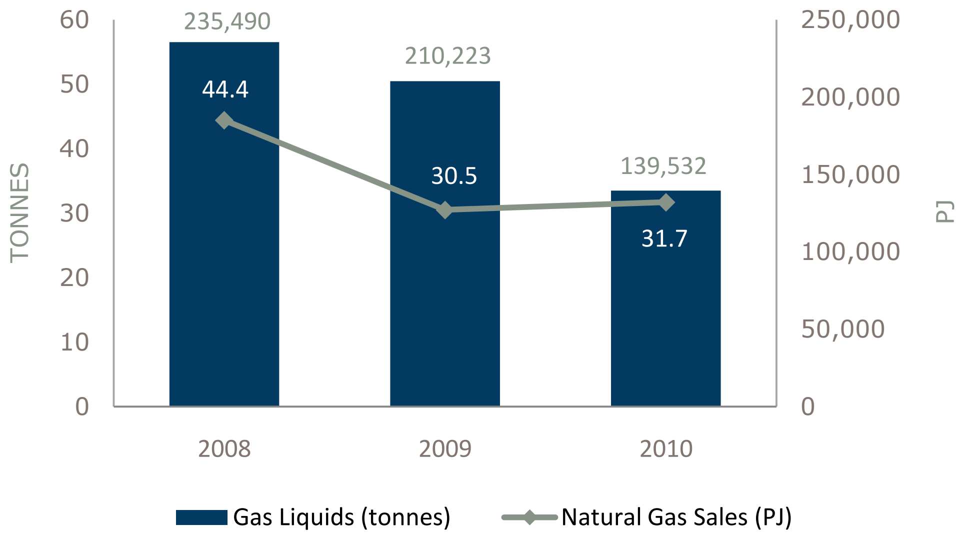
Gas Distribution and Transmission



Gas Wholesale

- Long anticipated winding down of legacy contracts
- Liquigas moved to tolling business model
- Growing market share in higher margin cylinder business
  - 4,641 new OnGas customers
  - acquired LPG businesses in Taupo and Nelson
- Redetermination issue appears to be over
- Expect neutral impact of ETS

Natural gas and gas liquids



Kapuni Reserves	PJs
Original Contract	1,010
KMC	954
MED report*	1,018
Vector report	1,046

* disclosed on 2 July 2010

Technology

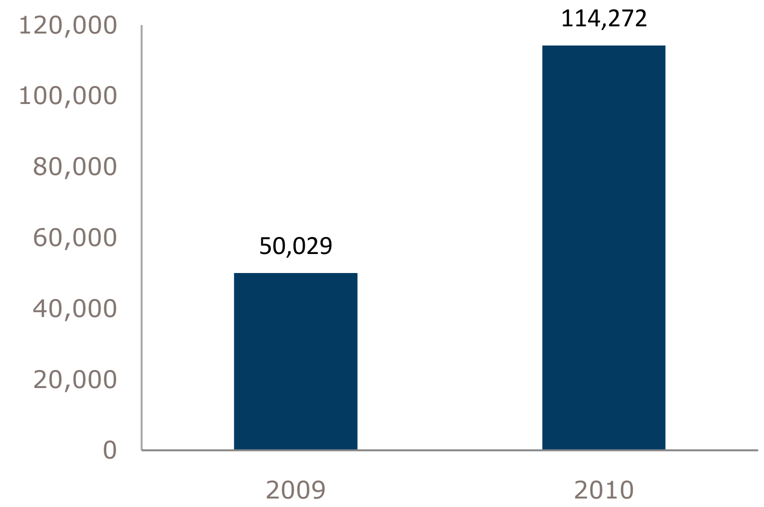
Metering

- Acquired AMS in January 2010 – improving processes and systems
- Continued smart meter growth

Technology

- Fibre network continues to grow
- Now delivering services in Christchurch
- New corporate customers

Smart Meters



Regulation

- Regulation has a major part to play in improving New Zealand's economic outlook – the right regime could promote growth and deliver on the Government's objectives
- Regulation must be an appropriate mix of theory and commercial reality – must be sense checked
- Need to attract offshore capital to New Zealand for investment
- Regulation must provide certainty and stability – consistent with Commerce Act amendments
- Regulation must provide the right balance between providing an appropriate commercial return and customer outcomes
- We expect incentives to do more – deliver more choice and better service to our customers

Inputs Methodology - WACC

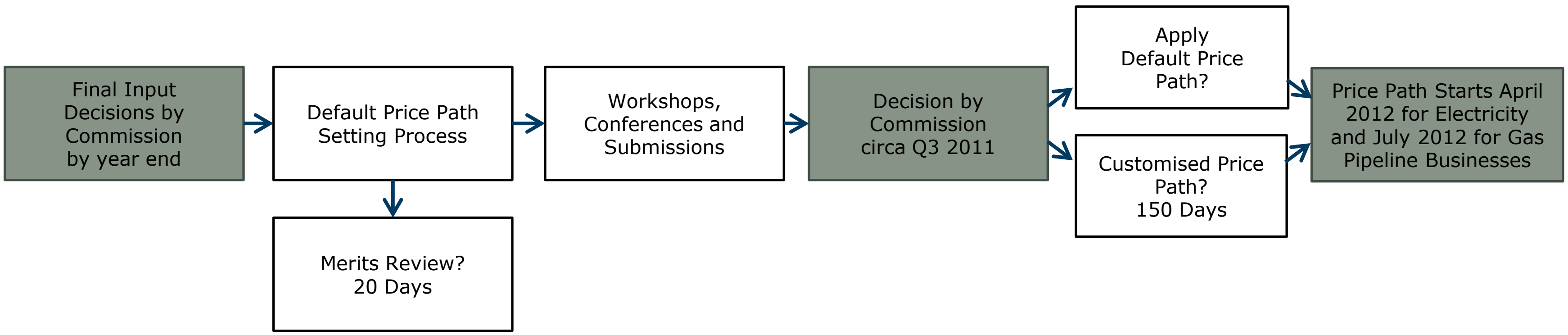
Draft determinations	Vector submission
Benchmark Post-tax WACC of 7.57% (75th percentile)* ▪ risk free rate of 5.36% ▪ debt premium of 2.30% ▪ asset beta 0.34 ▪ market risk premium 7.1%	5 year risk free rate does not make sense for long term infrastructure businesses Still considerable market volatility after GFC Need to attract offshore capital
Starting Price Adjustment Discussion Paper: Band of +/- 1% or 1.25% no Po adjustment ▪ allowed ROI 6.57% - 8.57% (1% band) ▪ allowed ROI 6.32% - 8.82% (1.25% band)	Need to address appropriateness of input parameters of allowed WACC to ensure a stable regulatory environment Little recognition of need to attract offshore capital
Electricity Information Disclosure: ▪ 2010 ROI (excluding 2010 revaluation gain) of 8.4% ▪ 2010 ROI (including 2010 revaluation gain) of 10.35%	Disclosed ROI measure is volatile given changes in CPI (revaluation impact) Gas information disclosures to report on same basis as electricity – current disclosures not directly comparable to WACC

*As per working example in Commerce Commission's Starting Price Adjustment Paper published 5 August 2010 as at 1 September 2009 for electricity regulatory period commenced 1 April 2010

Inputs Methodologies

	Draft determinations	Vector submission
Regulated Asset Base (RAB)	Allows for correction of errors to reflect better information on application of cost multipliers and to re-optimise assets that are now being used. Potential for some uplift in electricity RAB Gas RAB now includes CPI adjustments from 2005 and adjusts for errors in fixed asset register	Commission previously recorded a decision for a new ODV for electricity Roll forward of flawed 2003 or 2004 valuations even with corrections is not an appropriate start point for a new regime where revenues/prices will be set off RAB Gas requires a new ODV as illustrated by 2005 ODV gas valuation conducted for Auckland
Cost Allocation	Shared assets and opex allocated on accounting based causal allocation approach	Only incremental costs to be allocated to unregulated business
Tax treatment	Deferred tax approach with deferred tax balance starting from zero at 2009.	Support this treatment

Input Methodologies Timeline



- Vector submissions on draft determinations in August 2010
- Still a long way to go in process – Vector is heavily involved in process
- Commerce Act amendments 'change the game'
  - option for merits review after final decisions by Commission announced – review will look at outcomes

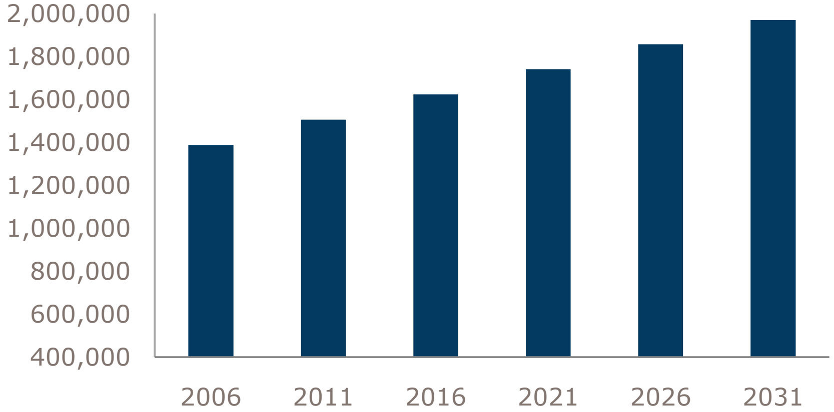
Security of Supply

- Signed conditional agreement with Transpower – demonstrates our success in finding joint solutions that benefit customers
- Provides Transpower access to Vector's electricity network assets
- Allows installation of high voltage cable circuit between Transpower's Penrose and Albany substations for North Auckland and Northland (NAaN) project to reinforce electricity supply
- $53 million to be paid in two instalments in approximately June 2011 and June 2012

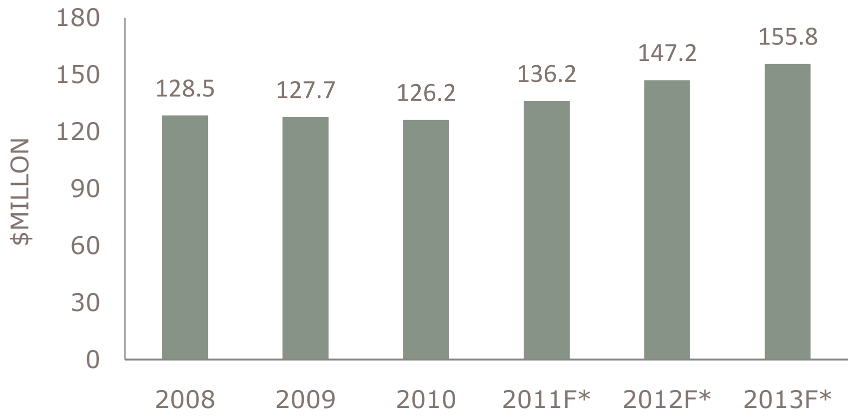
Growth Opportunities

- Continued investment in our networks:
  - greater Auckland population continues to grow
  - $2.5 billion of capex and maintenance across our networks in the next decade
- Ultra Fast Broadband Initiative (UFBI)
- Rural Broadband Initiative (RBI)
- Smart meters

Greater Auckland Population Growth



Electricity Capex



* Forecasts stated on a gross basis and based on March regulatory year-end as per Asset Management Plan

Fibre Process

The process has been well defined by the Crown

End of 2019
75% of population covered by fibre

October 2009	*January 2010*	*July 2010*	*August 2010*	*October 2010*	*December 2010*
Invitation to participate (ITP) published	ITP response submitted	Request for refined proposals	Refined proposals submitted	CFH to make first recommendations to the Minister	Election promise of fibre in the ground

July 2010: refinements to the ITP, but no commercial construct change

- Construction technology risk sits with the partner, uptake risk with the Crown
- Addition of Layer 2 for the mass market increases vertical integration and enables product innovation
- Architectural and service level requirements standardised, basic product set specified – supporting nation-wide Retail Service Providers

Vector's Fibre Solution

Our solution is locally owned, simple, clean, fast and ultimatum free

Vector is an attractive partner for the Crown

- Readiness for and capability of rapid roll-out – no complex structural issues
- No legacy copper assets to contend with
- Deep knowledge of the utility space - fibre broadband is a utility
- Local community ownership and support
- Resources and capability – we are a fibre access business today

Fibre is an attractive proposition for Vector

- Ability to capture an appropriate commercial return on an increased asset base
- Leverage and extend the existing utility asset base
- Participation in the emerging regulated utility platform
- Playing a key role in enhancing the economic well-being of the greater Auckland region

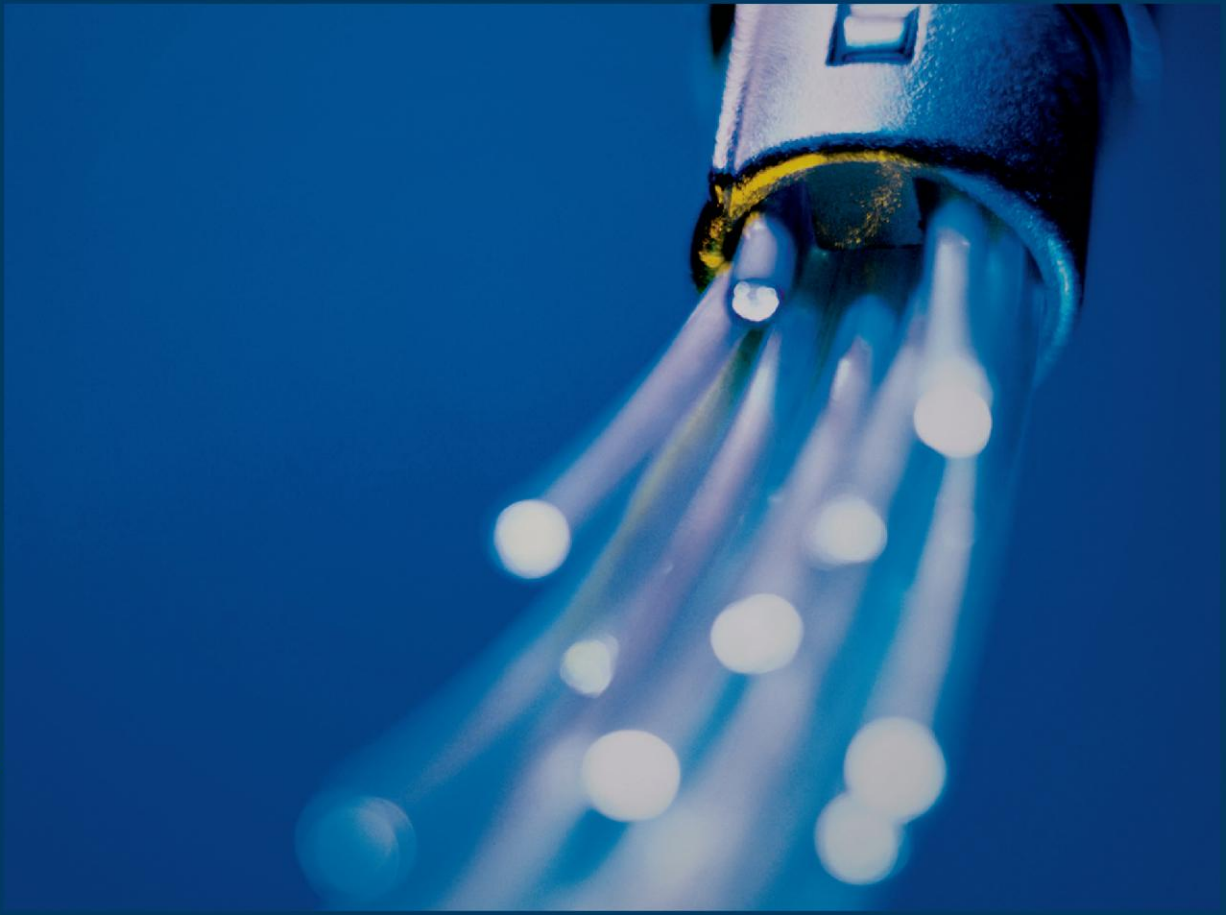
Outlook and Summary

- Despite economic conditions, 2010 was another year of growth
- Strong financial position
- Networks continue to grow organically
- Vector is focused on growth opportunities and driving efficiencies in the business
- We are comfortable with analysts’ current forecasts for our 2011 full year result

Q&A

Vector

Appendix



Operating Statistics

	2010	2009	% change
ELECTRICITY			
Customers	528,245	523,394	0.9%
New customers	4,851	4,927	(1.5%)
Volume distributed (GWh)	8,168	8,240	(0.9%)
Networks length (km)	17,661	17,539	0.7%
SAIDI			
Normal operations (minutes)	66.8	104.1	35.8%
Extreme events (minutes)	0.0	49.3	n/a
Total	66.8	153.4	56.5%
GAS TRANSPORTATION			
Distribution customers	152,267	149,516	1.8%
New customers	2,751	2,318	18.7%
Distribution volume (PJ)	21.1	21.3	(0.9%)
Distribution mains network length (km)	6,956	6,907	0.7%
Transmission volume (PJ)	94.3	92.1	2.4%
Transmission system length owned (km)	2,292	2,286	0.3%
Transmission system length operated/managed (km)	1,282	1,230	4.2%

Operating Statistics

	2010	2009	% change
GAS WHOLESALE			
Natural gas sales (PJ)	31.7	30.5	3.9%
Gas liquid sales (tonnes)	73,436	80,946	(9.3%)
Liquigas LPG throughput (tonnes)	66,096	129,277	(48.9%)
Liquigas LPG tolling (tonnes)	109,969	99,758	10.2%
TECHNOLOGY			
Electricity: smart meters	114,272	50,029	128.4%
Electricity: simple meters	624,535	665,358	(6.1%)
Electricity: prepay meters	6,384	7,568	(15.6%)
Electricity: time of use meters	11,132	11,084	0.4%
Gas meters	77,595	75,467	2.8%
Data management service connections – New Zealand and Australia	8,807	15,232	(42.2%)