Vector

Financial and Operational Results

Six months ended 31 December 2011

23 FEBRUARY 2012

Disclaimer

This financial and operational results presentation dated 23 February 2012 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 these releases.

Michael Stiassny
Chairman

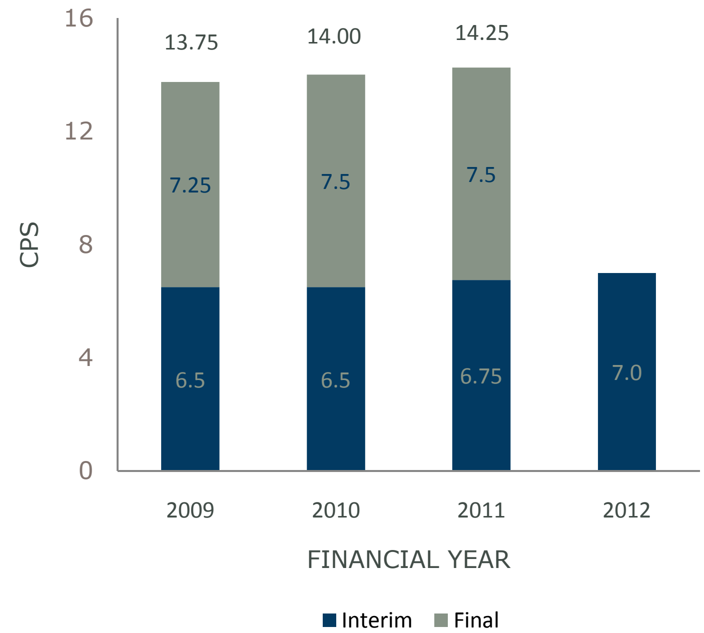
Agenda

- Dividend
- H1 2012 in summary
- Financial results
- Operating overview
- Outlook and summary

Dividend

- All dividends fully imputed
- Record date 30 March 2012
- Payment date 16 April 2012

Declared dividend

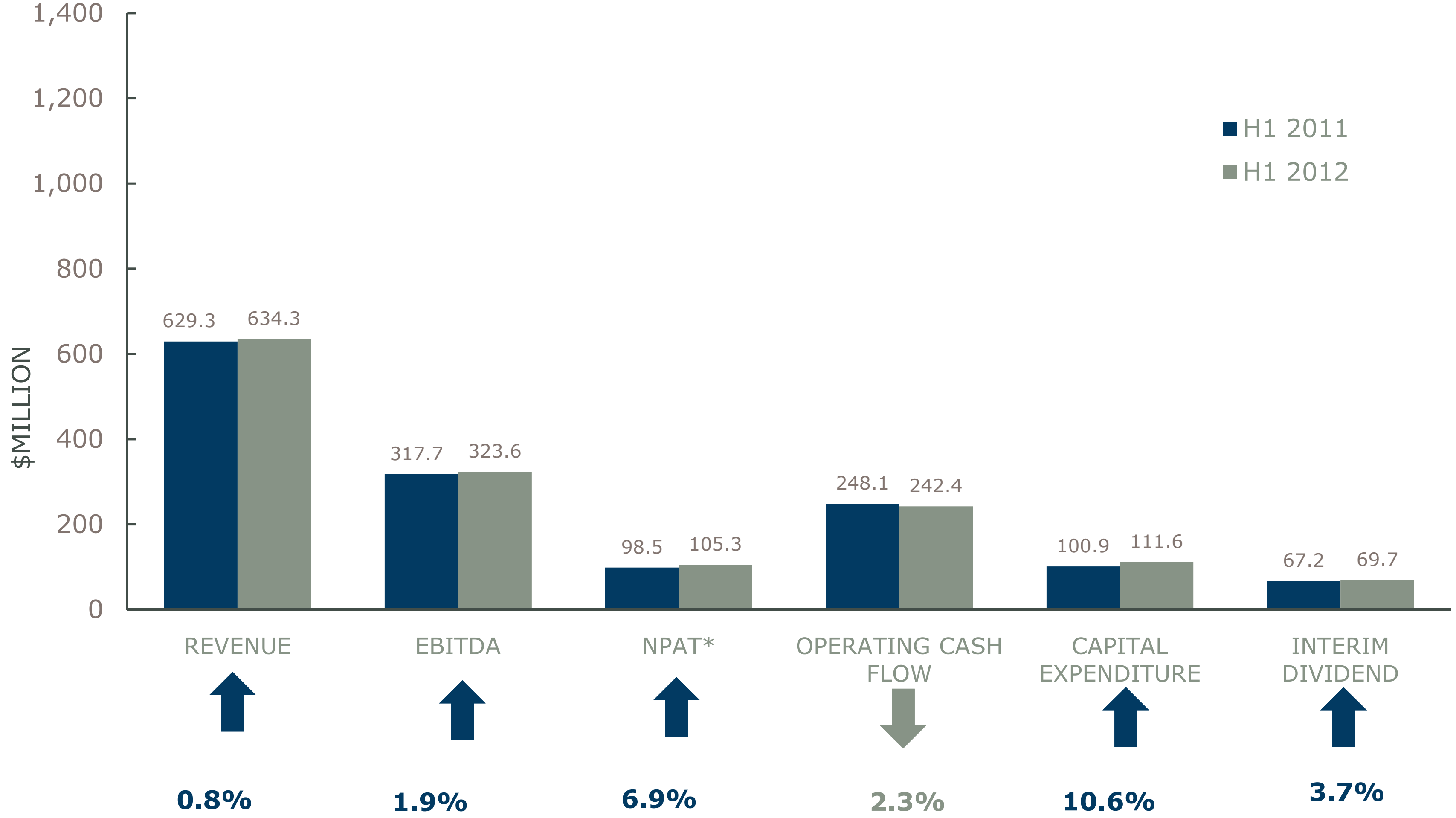


Simon Mackenzie
Group Chief Executive Officer

H1 2012 in summary

- Good financial performance, despite fickle economic conditions
- Good operational performance
- Capital structure remains strong
- Continued to grow and strengthen our business

Good performance



* Net profit after taxation attributable to owners of the parent

Shane Sampson
Acting Chief Financial Officer

Vector

Income statement

SIX MONTHS ENDED 31 DECEMBER	2011 $MILLION	2010 $MILLION	% CHANGE
Revenue	634.3	629.3	0.8%
Operating expenditure	(310.7)	(311.6)	0.3%
EBITDA	**323.6**	**317.7**	**1.9%**
Depreciation and amortisation	(86.1)	(83.5)	(3.1%)
EBIT	**237.5**	**234.2**	**1.4%**
Results of associates	(4.0)	0.5	n/a
Net borrowing costs	(84.1)	(90.1)	6.7%
NPBT	**149.4**	**144.6**	**3.3%**
Tax	(42.9)	(44.7)	4.0%
Minority interest	(1.2)	(1.4)	14.3%
NPAT*	**105.3**	**98.5**	**6.9%**

- Customer contributions of $11.7m (H1 2011: $14.8m).
- Results of associates includes a $3.9m impairment of Energy Intellect (EI) following the reclassification as a non-current asset held for sale.

* Net profit after taxation attributable to owners of the parent

Electricity

SIX MONTHS ENDED 31 DECEMBER	2011 $MILLION	2010 $MILLION	% CHANGE
Revenue	308.5	296.4	4.1%
Operating expenditure	(110.9)	(101.1)	(9.7%)
EBITDA	**197.6**	**195.3**	**1.2%**
% Revenue	64.1%	65.9%	
EBIT	**156.9**	**157.1**	**(0.1%)**
Replacement capital expenditure	32.3	30.4	6.3%
Growth capital expenditure	23.7	22.8	3.9%
Total capital expenditure	**56.0**	**53.2**	**5.3%**

- Revenue benefited from a 1.4% increase in volumes and a regulatory price adjustment.
- Operating expenditure impacted by increased pass-through transmission costs and maintenance expenditure.

Gas Transportation

SIX MONTHS ENDED 31 DECEMBER	2011 $MILLION	2010 $MILLION	% CHANGE
Revenue	107.1	111.5	(3.9%)
Operating expenditure	(25.5)	(24.5)	(4.1%)
EBITDA	**81.6**	**87.0**	**(6.2%)**
% Revenue	76.2%	78.0%	
EBIT	**70.9**	**75.8**	**(6.5%)**
Replacement capital expenditure	10.4	7.4	40.5%
Growth capital expenditure	5.0	5.6	(10.7%)
Total capital expenditure	**15.4**	**13.0**	**18.5%**

- Revenue impacted by a release of provision for a contractual dispute last year, the Maui pipeline outage and lower customer contributions.
- Operating expenses principally impacted by increased maintenance and inspections of pipelines.

Gas Wholesale

SIX MONTHS ENDED 31 DECEMBER	2011 $MILLION	2010 $MILLION	% CHANGE
Revenue	195.4	199.3	(2.0%)
Operating expenditure	(159.0)	(167.6)	5.1%
EBITDA	**36.4**	**31.7**	**14.8%**
% Revenue	18.6%	15.9%	
EBIT	**28.6**	**25.8**	**10.9%**
Replacement capital expenditure	2.9	1.9	52.6%
Growth capital expenditure	2.7	3.1	(12.9%)
Total capital expenditure	**5.6**	**5.0**	**12.0%**

- Natural gas benefited from timing of a take or pay contract.
- Kapuni Gas treatment plant benefited from higher international natural gasoline prices and increased field production.
- Liquigas impacted by Christchurch earthquake and lower tolling volumes.
- OnGas impacted by opportunistic sale to a competitor in the prior period.

Technology

SIX MONTHS ENDED 31 DECEMBER	2011 $MILLION	2010 $MILLION	% CHANGE
Revenue	48.1	42.2	14.0%
Operating expenditure	(13.5)	(14.1)	4.3%
EBITDA	**34.6**	**28.1**	**23.1%**
% Revenue	71.9%	66.6%	
EBIT	**13.1**	**7.0**	**87.1%**
Replacement capital expenditure	3.2	3.5	(8.6%)
Growth capital expenditure	27.1	22.6	19.9%
Total capital expenditure	**30.3**	**26.1**	**16.1%**

- Increased contributions from both metering and communications businesses.
- The level of accelerated depreciation on legacy meters was higher in the prior period.

Shared Services

SIX MONTHS ENDED 31 DECEMBER	2011 $MILLION	2010 $MILLION	% CHANGE
Revenue	0.5	2.3	(78.3%)
Operating expenditure	(27.1)	(26.7)	(1.5%)
EBITDA	**(26.6)**	**(24.4)**	**(9.0%)**

- Gain on sale of some surplus land in the prior period.

Cash flow

SIX MONTHS ENDED 31 DECEMBER	2011 $MILLION	2010 $MILLION
Operating cash flow	**242.4**	**248.1**
Replacement capex	(60.8)	(57.4)
Dividends paid	(76.7)	(75.5)
Cash available for growth and debt repayment	**104.9**	**115.2**
Growth capex	(63.3)	(58.3)
Other investment activities	0.1	1.4
Pre debt financing cash inflow	**41.7**	**58.3**
Investment in short term deposits	-	(250.0)
Increase/(reduction) in borrowings	(0.2)	250.5
Other financing activities	(1.1)	(1.9)
Increase in cash	**40.4**	**56.9**

- Operating cash flow reflects movements in working capital and the effect of tax payments.

Asset backing and capital structure

	31 DECEMBER 2011	30 JUNE 2011	31 DECEMBER 2010
Net debt	$2,353m	$2,290m	$2,291m
Equity/total assets	37.4%	37.9%	36.2%
Net debt/net debt+equity	52.8%	52.0%	52.2%
Interest (net) cover	2.8x	2.6x	2.6x

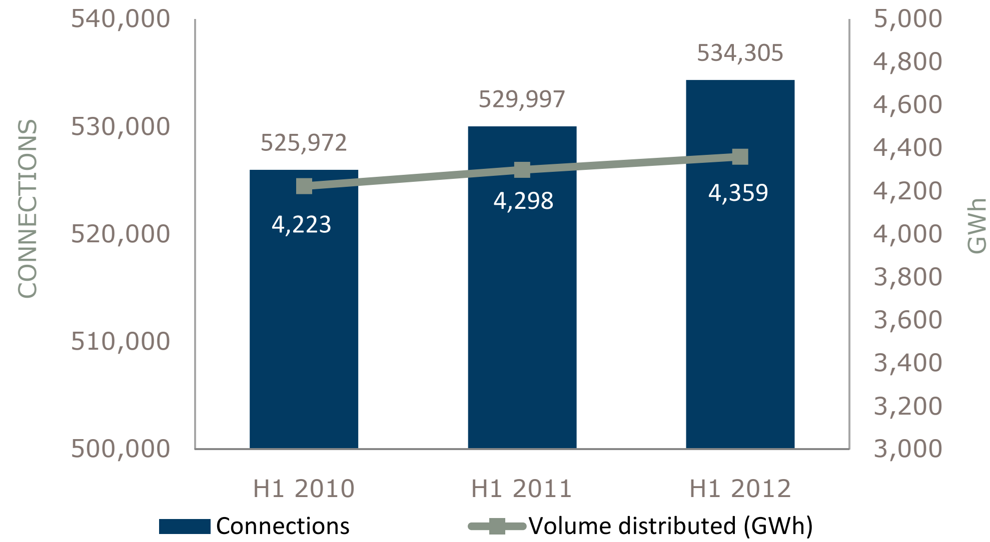
- NZ$50 million senior credit facility expired February 2012 and was replaced by NZ$150 million of new senior credit facilities which will expire February 2015.
- Plans are well underway for NZ$307m capital bonds with an election date of June 2012.

Simon Mackenzie
Group Chief Executive Officer

Electricity

- Connections continued to grow at 0.8%
- Net new connections fell 3.1%
  - SME connections (- 51.3%), Residential (+19.5%) and I&C (+22.7%)
- Volume up 1.4%
  - growth across residential (+1.2%), SME (+1.0%) and I&C (+1.7%)
- $56.0 million spent on capital expenditure in H1 2012
  - Hobson Street and Wairau Road projects progressing well

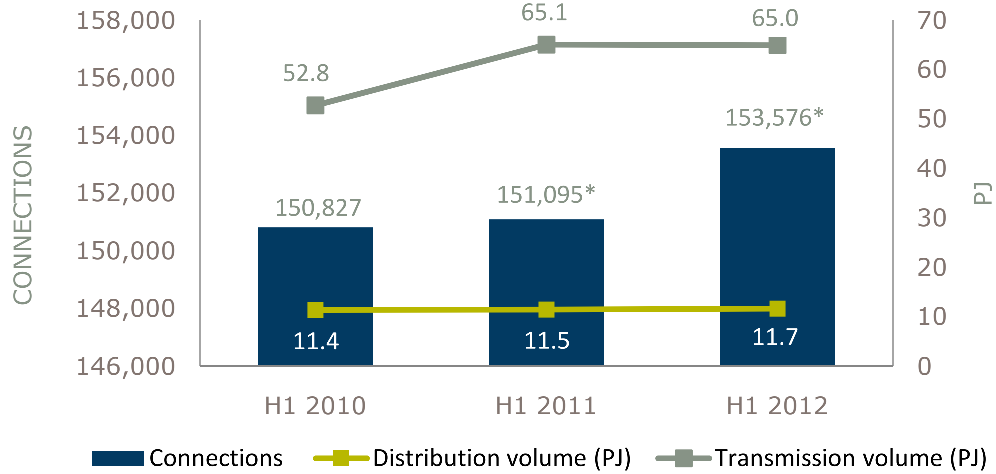
Electricity distribution



Gas Transportation

- Connections up 1.6% reflecting a 2% increase in residential connections
- Critical contingency on Maui pipeline in October
  - customers restored quickly
  - maintained the highest safety standards and compliance with legislation
  - immaterial financial impact, no legal liability
- Continued maintenance and inspection of our pipelines

Gas Distribution and Transmission

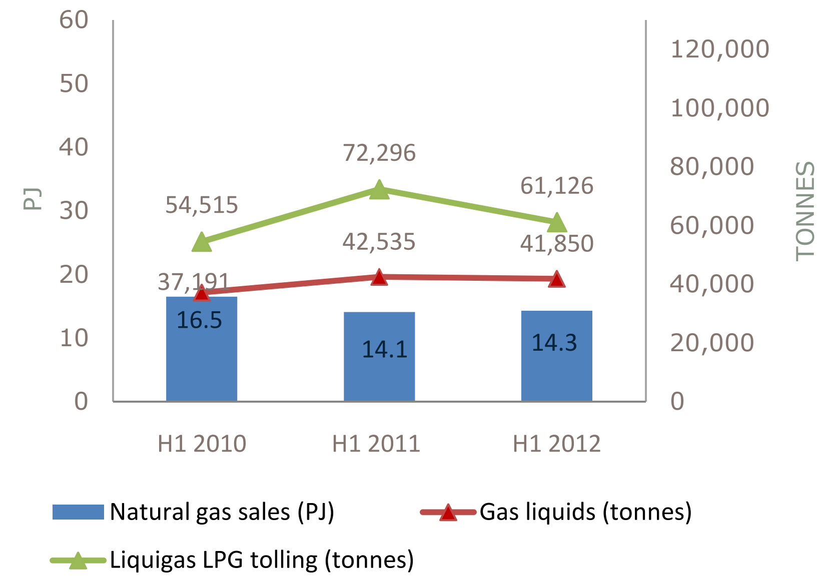


* Billable ICP's

Gas Wholesale

- Continue to strengthen our gas book
    - 3.5 PJ per annum gas supply from the TAG Oil (NZ) Sidewinder field
    - Renewed contract with Carter Holt Harvey
    - New 3 PJ p.a contract with Methanex
- OnGas bottle swap sites continue to grow
- Liquigas impacted by Christchurch earthquake and lower tolling volumes
- Discussions progressing on price for Kapuni gas reserves above 1,010 PJ
- Arbitration proceedings for 7.289 PJ of additional gas under Kapuni Legacy contract

Natural gas and gas liquids



Technology

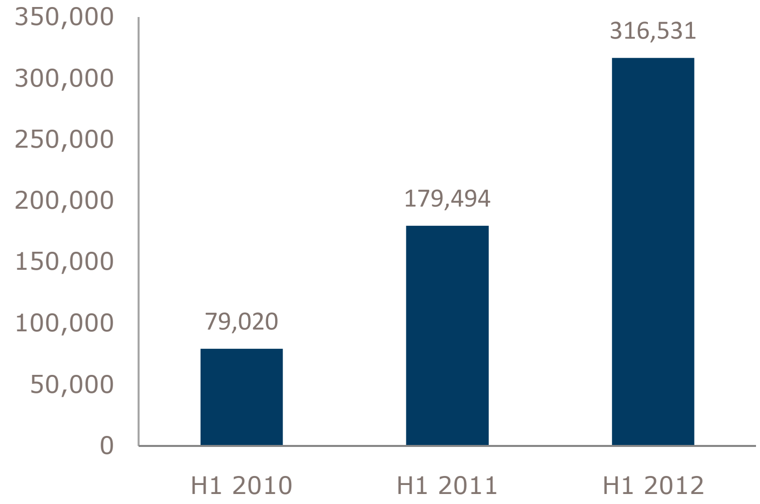
Metering

- Installing just under 12,000 smart meters a month
- Currently contracted to install approx 700,000 smart meters
  - 225,000 left of Genesis contract to be deployed
  - Signed 150,000 Contact meters
- Excellent opportunities to upgrade and grow metering business
  - ability to sell data management services
  - exploring opportunities around gas and water
  - in progress of purchasing remaining 30% of Stream Information

Fibre

- Business adapted well in current evolving environment
- New contract with Transpower signed

Smart Meters



Regulatory timeline – last six months

	Electricity Distribution Businesses (EDB)	Gas Pipeline Businesses (GPB)	Appeals
July 11	**Draft Decisions** 9% price adjustment April 12		
August 11	**Corrections to Draft Decisions** 8.5% price adjustment April 12		
September 11			**Judicial Review (SPA) judgment in favour of Vector** Starting Price Adjustment to be included in Input Methodologies
October 11	**Default Price Path suspended until April 13**		**Commission appeal Judicial Review (SPA)**
November 11		**Draft Decisions** Interim Price Adjustment in Oct 2012. Transmission and uncontrolled distribution prices to remove inflation since 2010	
December 11			**Judicial Review judgment in favour of Commission** Cross sector information to be included in merits review
January 12		**WACC published** Vanilla WACC (P75) of 7.85% – risk free rate set at 3.45% (1 Dec 11)	
February 12		**Commencement of Regulatory period delayed** No interim price adjustment, no clawback, implication that WACC will be reset	

Regulatory timeline – upcoming milestones

	Electricity Distribution Businesses (EDB)	Gas Pipeline Businesses (GPB)	Appeals
20-21 March 12			Commissions appeal of Judicial Review (SPA) held in Court of Appeal
May 12	Draft new Default Price-Quality Path Input Methodologies (including the Starting Price Adjustment Input Methodology) published		
May 12	Draft decisions on new Default Price-Quality Path Input		
September 12	New Default Price-Quality Path Input Methodologies decisions published (if no extension applied for)		Late 2012/early 2013 Merits Review & Error of law expected to be heard in High Court
November 12	Final decision on Default Price-Quality Path		
1 April 13	Default Price-Quality Path commences		
1 October 13		Default Price-Quality Path commences (most likely date, may be earlier)	

Legal arguments for appeal on solid grounds

- Regulatory regime should be a complete package - Starting Price Adjustment should be an Input Methodology - High Court ruled in our favour in Judicial Review
- Investment requires a competitive cost of capital
  - Cost of capital lower than Australia
  - Does not take into account ongoing market volatility
  - Does not take into account the long term nature of investment in network infrastructure
  - Does not take into account requirement to attract international capital
- Regulated Asset Base needs to be fit for purpose
  - Roll forward of flawed 2003 or 2004 electricity valuations is not an appropriate start point
  - Gas requires a new ODV as illustrated by 2005 ODV gas valuation conducted for Auckland
- Cost allocation should encourage investment in unregulated businesses

Outlook and summary

- Pleasing business performance
  - network volume and customer numbers growing modestly
  - stronger wholesale gas position
  - new smart meter contracts
  - new contracts and opportunities for communications
  - continued strong annual capital expenditure spend
- For FY2012 we expect EBITDA to be slightly ahead of analyst expectations

Q&A

Appendix

Operating statistics

	H1 2012	H1 2011	% change
ELECTRICITY			
Customers[1]	534,305	529,997	0.8%
Net new electricity customers[2]	1,698	1,752	(3.1%)
Volume distributed (GWh)	4,359	4,298	1.4%
Networks length (km)	17,768	17,705	0.4%
SAIDI[3]			
Normal operations (minutes)	69.4	83.3	(16.7%)
Extreme events (minutes)	0.0	9.4	n/a
Total	69.4	92.7	(25.1%)
GAS TRANSPORTATION			
Distribution customers[1,4]	153,576	151,095	1.6%
Net new distribution customers[2]	1,068	1,408	(24.1%)
Distribution volume (PJ)	11.7	11.5	1.7%
Distribution mains network length (km)	7,003	6,976	0.4%
Transmission volume (PJ)[5]	65.0	65.1	(0.2%)
Transmission system length owned (km)	2,287	2,287	-
Transmission system length operated/managed (km)	1,207	1,293	(6.7%)

Operating statistics

	H1 2012	H1 2011	% change
GAS WHOLESALE			
Natural gas sales (PJ)[6]	14.3	14.1	1.4%
Gas liquid sales (tonnes)[7]	41,850	42,535	(1.6%)
Liquigas LPG tolling (tonnes)[8]	61,126	72,296	(15.5%)
TECHNOLOGY			
Electricity: smart meters[1]	316,531	179,494	76.3%
Electricity: legacy meters[1]	396,304	554,377	(28.5%)
Electricity: prepay meters[1]	5,563	6,551	(15.1%)
Electricity: time of use meters[1]	10,854	10,798	0.5%
Gas meters[1]	81,017	78,890	2.7%
Data management service connections[1]			
– New Zealand and Australia	8,288	8,948	(7.4%)

1. As at period end
2. The net number of customers added during the six month period
3. Regulatory year – 9 months to 31 December
4. Billable ICPs
5. Billable volumes
6. Excludes gas sold as gas liquids as these sales are included within the gas liquids sales tonnages
7. Total of retail and wholesale LPG production and natural gasoline
8. Includes product tolled in Taranaki and further tolled in the South Island

www.vector.co.nz