

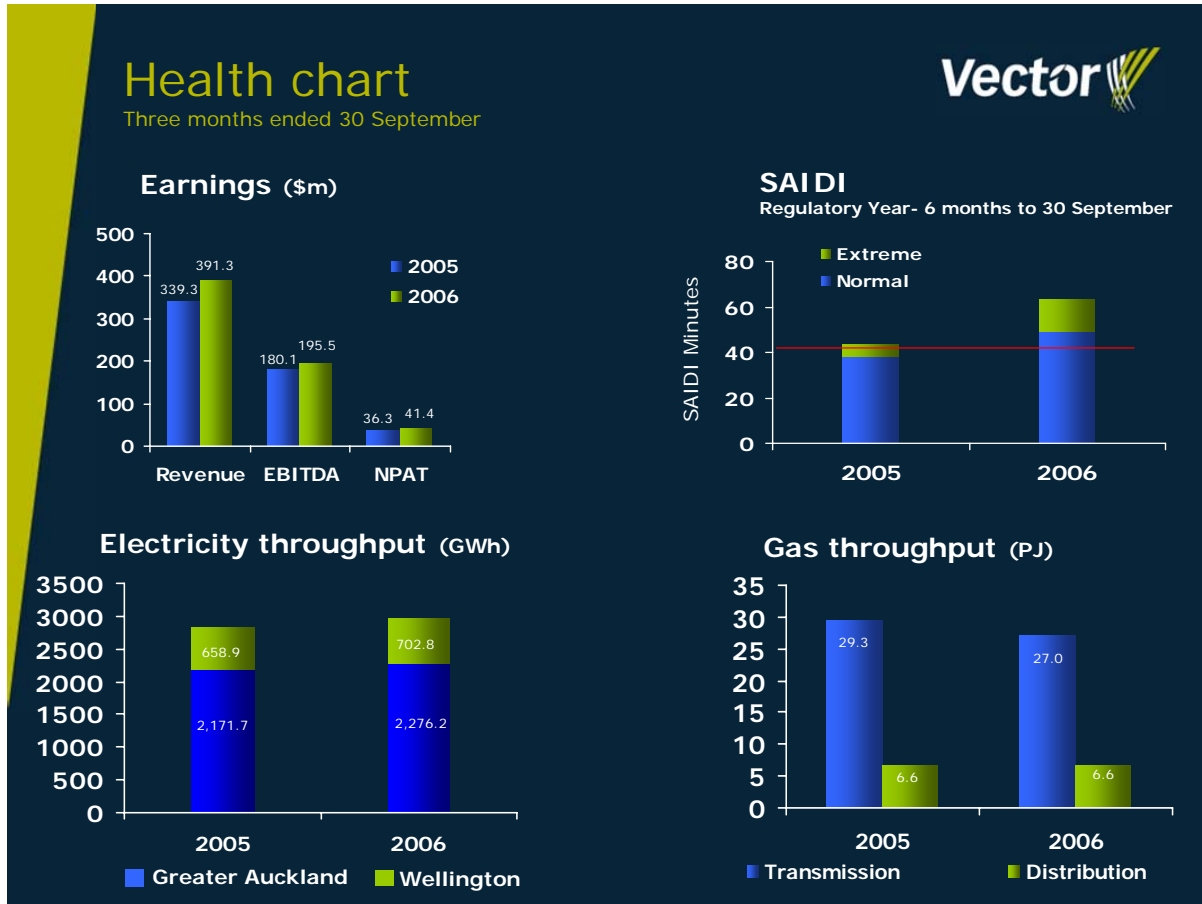


Quarterly Report

Three months ended 30 September 2006

10 November 2006

Health Chart



Financial Performance

Net earnings after tax (NPAT) for the first quarter ended 30 September 2006 amounted to \$41.4 million, 14% higher than for the previous corresponding period. Net earnings after tax and excluding amortisation increased by 13% to \$68.1 million.

A 15.3% increase to \$391.3 million in operating revenues is attributable to a significant increase in natural gas sales, electricity and gas network connection growth and the return to normal cold winter conditions in 2006 following the unseasonably warm winter last year.

Operating expenditure increased by 23% to \$195.8 million, reflecting the additional gas purchases made by Vector to meet increased customer demand, as well as higher regulatory compliance and internal management systems development costs.

Earnings before interest, tax, depreciation and amortisation (EBITDA) consequently increased by 8.6% to \$195.5 million.

Depreciation and amortisation increased by 13.7% to \$59.4 million, largely as a result of asset depreciation arising from the previously-reported revaluation of Vector's electricity networks and Auckland gas network, but also including higher goodwill amortisation following Vector's move to 100% ownership of NGC on 10 August 2005. Earnings before interest and tax (EBIT) were consequently 6.4% higher at \$136.1 million.

Finance costs were relatively unchanged at \$57.8 million, and a 23.1% increase in the tax expense reflects the higher pre-tax earnings.

Net earnings were assisted by a \$3.2 million reduction in the minority interest deduction as a result of the move to full NGC ownership in August 2005.

Net operating cash flows increased by 36% to \$152.7 million.

Financial Performance Summary

Three months ended 30 September

\$ Millions	2006	2005
Operating revenue	391.3	339.3
Operating expenditure	(195.8)	(159.2)
EBITDA	195.5	180.1
Depreciation and amortisation	(59.4)	(52.3)
EBIT	136.1	127.8
Net interest expense	(57.8)	(58.0)
Taxation	(35.2)	(28.6)
Minority interests	(1.7)	(4.9)
Net surplus (NPAT)	41.4	36.3
Net surplus (excluding amortisation) (NPATA)	68.1	60.3

Operational Performance

Electricity Business

Increased electricity networks throughput from new connections and higher customer demand during the colder 2006 winter contributed to a 9.4% revenue increase, to \$177.6 million. This, combined with expenditure control, led to a 6.3% higher EBITDA contribution of \$115.9 million.

Total electricity network throughput increased by 5.2% to 2,979 GWh, with Auckland networks throughput up 4.8% to 2,276.2GWh, and Wellington network throughput up 6.7% to 702.8 GWh.

Connections to Vector's networks have increased by 1.9% since 30 September 2005 to 667,084 customers at the end of the September 2006 quarter.

Vector's electricity networks in the latest September quarter met target for the System Average Interruption Duration Index (SAIDI). The first six months of the regulatory year for SAIDI is currently tracking above expectations and the company is implementing network reliability improvements and maintains an expectation for a below-target outcome for the full regulatory year to 31 March 2007.

Natural Gas Business

Significantly increased natural gas and LPG sales lifted the gas business revenues by 24.1% to \$197.1 million, with a consequent 29.7% higher EBITDA contribution of \$85.3 million.

Gas Transportation: A reduction from 29.3 petajoules (PJ) to 27 PJ in high pressure gas transmission throughput reflects lower gas demand by thermal electricity generators during a period of good hydro storage. As gas transported to generators is under fixed contracts the volume change has little impact on revenues. Static gas distribution volumes of 6.6 PJ result from an industrial customer converting to an alternative fuel and masks an increase in connections to Vector's gas networks from 135,992 as at 30 September 2005 to 140,409 as at 30 September 2006.

Natural Gas Sales: Natural gas sales of 15.3 PJ were 56% higher than in the previous corresponding period due mainly to new sales to ammonia/urea and methanol manufacturing customers, higher sales to industrial and commercial customers and generally increased customer usage during the colder winter.

Gas Liquids Sales: Total gas liquids sales increased by 20.3% to 78,103 tonnes due to customer growth and the colder 2006 winter. LPG sales by On Gas were 11.7% higher at 16,608 tonnes, while LPG wholesaling and tolling volumes by Vector's 60.25%-owned subsidiary, Liquigas Ltd, grew by approximately 33% to 46,693 tonnes.

Technology & Services

The technology business EBITDA contribution increased by 24% to \$11.4 million, on slightly higher revenues of \$15.5 million, due mainly to cost containment.

Corporate/Other

The EBIT result from corporate and other activities reflects higher costs associated with regulatory management and compliance, and internal information management system development to meet the requirements of Vector's expanded business.

Business Unit Results

Three months ended 30 September

\$ Millions		2006	2005
Electricity	Operating Revenue	177.6	162.3
	EBITDA	115.9	109.0
	EBIT	87.9	86.5
Gas	Operating Revenue	197.1	158.8
	EBITDA	85.3	65.8
	EBIT	61.8	44.9
Technology	Operating Revenue	15.5	15.3
	EBITDA	11.4	9.2
	EBIT	5.3	2.1
Corporate/Other	Operating Revenue	1.1	2.9
	EBIT	(18.8)	(5.7)

Operations Performance Summary

Three months ended 30 September

	2006	2005
Electricity volume distributed (GWh):		
- Greater Auckland (Auckland/Northern)	2,276.2	2,171.7
- Wellington	702.8	658.9
Natural gas transported (PJ):		
- Transmission	27.0	29.3
- Distribution	6.6	6.6
Natural Gas Sales (PJ)	15.3	9.8
Gas Liquids Sales (tonnes)*	31,410	29,791
Liquigas LPG Wholesale/Tolling (tonnes)	46,693	35,138

* Gas liquids sales includes bulk and cylinder LPG sales by On Gas bulk, and sales of LPG and natural gasoline produced at Vector's Kapuni gas treatment plant.

Significant Events

The following significant events have occurred since 30 June 2006:

1. On 23 August Vector and Transpower signed a Memorandum of Understanding aimed at delivering improved security of supply within Auckland. The MoU outlines a process under which Transpower can use some of Vector's electricity network assets.
2. On 13 October the Commerce Commission accepted in principal Vector's administrative settlement offer relating to the rebalancing of historic target return differentials between customer classes and regions across the company's electricity networks. A final decision on the offer will be made by the Commission after a public consultation period. Vector's offer formalises the four year price rebalancing programme entered into voluntarily by the company in 2005. If accepted, Vector's price and quality breaches of 2003/04 will be cleared and the Commission's process to impose price control over Vector's electricity networks will be discontinued.
3. On 17 October settlement was reached in previously-reported litigation involving Vector, MEL Network Limited and Mercury Geotherm Limited. The terms of the settlement are confidential to the parties, but will have no impact on Vector's reported financial position.
4. On 27 October Vector concluded agreements with Maui Development Limited (MDL) to secure additional entitlements to 105 PJ of Maui gas until 2014. The entitlements arose from an option Vector held to 38.37% of Maui gas under a pre-existing Right of First Refusal (ROFR) process that was agreed as part of the Maui reserves redetermination settlement in 2004.

Of the 105 PJ entitlements, approximately 60PJ is contingent on being confirmed as economically recoverable. The arrangements, which will commence by April 2007 and run until December 2014, increase Vector's total gas entitlements to over 290 PJ.

5. On 30 October Vector sold its 25.1% interest in Wanganui Gas Limited to Wanganui District Council Holdings Limited, which already held the remaining 74.9% shareholding.

Statement of Financial Performance

for the three months ended 30 September 2006

	NOTE	UNAUDITED 30 SEP 2006 3 MONTHS \$000	UNAUDITED 30 SEP 2005 3 MONTHS \$000	AUDITED 30 JUNE 2006 12 MONTHS \$000
Operating revenue		391,280	339,342	1,132,990
Operating expenditure		(195,787)	(159,249)	(554,346)
Earnings before interest, income tax, depreciation and amortisation		195,493	180,093	578,644
Depreciation and amortisation		(59,427)	(52,260)	(215,890)
Operating surplus before interest and income tax		136,066	127,833	362,754
Net interest expense	2	(57,807)	(57,983)	(228,521)
Operating surplus before income tax		78,259	69,850	134,233
Income tax expense		(35,186)	(28,579)	(81,345)
Operating surplus		43,073	41,271	52,888
Minority interests		(1,679)	(4,922)	(7,820)
Net surplus for the period		41,394	36,349	45,068

Statement of Movements in Equity

for the three months ended 30 September 2006

	UNAUDITED 30 SEP 2006 3 MONTHS \$000	UNAUDITED 30 SEP 2005 3 MONTHS \$000	AUDITED 30 JUNE 2006 12 MONTHS \$000
RECOGNISED REVENUES AND EXPENSES			
Net surplus for the period:			
Group	41,394	36,349	45,068
Minority interests	1,679	4,922	7,820
Movement in revaluation reserve	-	-	470,599
Total recognised revenues and expenses for the period	43,073	41,271	523,487
Decrease in minority interests on further acquisition of NGC Holdings Limited	-	(109,590)	(109,313)
Issue of shares (net of issue costs)	-	585,646	583,703
DISTRIBUTIONS TO OWNERS			
Dividends	(60,000)	(53,600)	(113,600)
Supplementary dividends	(380)	-	(321)
Foreign investor tax credits	380	-	321
Dividends to minorities	(1,988)	(1,789)	(3,935)
Movements in equity for the period	(18,915)	461,938	880,342
Equity at beginning of the period	1,925,914	1,045,572	1,045,572
Equity at end of the period	1,906,999	1,507,510	1,925,914

Statement of Financial Position

as at 30 September 2006

	UNAUDITED 30 SEP 2006 \$000	UNAUDITED 30 SEP 2005 \$000	AUDITED 30 JUNE 2006 \$000
CURRENT ASSETS			
Cash and bank overdraft	8,126	4,308	9,507
Receivables and prepayments	177,730	144,418	171,503
Prepaid gas	1,829	18,699	7,950
Inventories	9,383	10,190	7,998
Income tax	-	-	22,261
Capitalised finance costs	5,196	2,905	5,363
Intangible assets	702	7,486	3,793
Total current assets	202,966	188,006	228,375
NON-CURRENT ASSETS			
Receivables and prepayments	1,907	10,174	3,253
Prepaid gas	3,719	11,481	4,987
Income tax	-	37,635	-
Capitalised finance costs	23,328	6,957	24,567
Investments	18,077	17,630	17,814
Intangible assets	1,648,814	1,710,058	1,672,426
Property, plant and equipment	3,796,414	3,234,008	3,767,166
Total non-current assets	5,492,259	5,027,943	5,490,213
Total assets	5,695,225	5,215,949	5,718,588
CURRENT LIABILITIES			
Income tax	17,770	-	-
Payables and accruals	210,388	145,045	211,173
Borrowings	212,431	887,813	228,625
Total current liabilities	440,589	1,032,858	439,798
NON-CURRENT LIABILITIES			
Payables and accruals	7,168	19,738	8,770
Borrowings	2,863,252	2,182,050	2,861,989
Deferred tax	477,217	473,793	482,117
Total non-current liabilities	3,347,637	2,675,581	3,352,876
Total liabilities	3,788,226	3,708,439	3,792,674
EQUITY			
Share capital	883,703	885,646	883,703
Asset revaluation reserve	1,017,982	547,383	1,017,982
Retained earnings	(5,373)	64,529	13,234
Parent shareholders equity	1,896,312	1,497,558	1,914,919
Minority shareholders equity	10,687	9,952	10,995
Total equity	1,906,999	1,507,510	1,925,914
Total equity and liabilities	5,695,225	5,215,949	5,718,588

Statement of Cash Flows
for the three months ended 30 September 2006

	UNAUDITED 30 SEP 2006 3 MONTHS \$000	UNAUDITED 30 SEP 2005 3 MONTHS \$000	AUDITED 30 JUNE 2006 12 MONTHS \$000
OPERATING ACTIVITIES			
Cash provided from:			
Receipts from customers	384,714	347,175	1,112,390
Interest portion of repayments on finance leases	30	30	120
Interest received on deposits	5,934	1,194	10,191
Income tax refund received	588	725	1,055
Dividends received	-	200	577
	391,266	349,324	1,124,333
Cash applied to:			
Payments to suppliers and employees	(179,047)	(181,716)	(524,963)
Income tax paid	-	-	(20,443)
Interest paid	(59,517)	(55,293)	(225,778)
	(238,564)	(237,009)	(771,184)
Net cash from operating activities	152,702	112,315	353,149
INVESTING ACTIVITIES			
Cash provided from:			
Proceeds from sale of property, plant and equipment	-	-	587
Receipts from loans repaid	128	3	137
Capital portion of repayments on finance leases	3	3	11
Receipt of security deposits	-	562	-
	131	568	735
Cash applied to:			
Acquisition of shares in NGC Holdings Limited	-	(113,252)	(122,178)
Purchase and construction of property, plant and equipment	(77,105)	(56,795)	(225,245)
Purchase of investments	-	-	(600)
	(77,105)	(170,047)	(348,023)
Net cash used in investing activities	(76,976)	(169,479)	(347,288)

Statement of Cash Flows (continued)
for the three months ended 30 September 2006

	NOTE	UNAUDITED 30 SEP 2006 3 MONTHS \$000	UNAUDITED 30 SEP 2005 3 MONTHS \$000	AUDITED 30 JUNE 2006 12 MONTHS \$000
FINANCING ACTIVITIES				
Cash provided from/(applied to):				
Issue of ordinary shares		-	208,715	208,715
Equity raising costs incurred		-	(12,293)	(5,393)
Net repayment of borrowings		(15,027)	(78,650)	(57,984)
Debt raising costs incurred		-	-	(24,506)
Capital portion of payments under finance leases		(92)	(273)	(810)
Dividends paid to shareholders of parent		(60,000)	(53,600)	(113,600)
Dividends paid to minority interests		(1,988)	(1,789)	(3,935)
Net cash (used in)/from financing activities		(77,107)	62,112	2,487
Net (decrease)/increase in cash balances		(1,381)	3,149	8,348
Cash balances at beginning of the period		9,507	1,159	1,159
Cash balances at end of the period		8,126	4,308	9,507
RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES				
Net surplus for the period		41,394	36,349	45,068
Minority interests		1,679	4,922	7,820
Operating surplus		43,073	41,271	52,888
ITEMS CLASSIFIED AS INVESTING AND FINANCING ACTIVITIES				
Net loss/(gain) on write-off of property, plant and equipment		2,317	(422)	(1,167)
		2,317	(422)	(1,167)
NON-CASH ITEMS				
Depreciation and amortisation		59,427	52,260	215,890
Amortisation of the mark to market adjustment		(1,569)	(618)	(2,605)
Amortisation of prepaid gas		7,388	6,487	13,501
Amortisation of capitalised finance costs		1,430	749	5,088
(Decrease)/increase in deferred tax		(4,899)	5,707	22,345
(Decrease)/increase in provisions		(1,858)	(1,758)	923
Equity earnings	3	(263)	(45)	365
CASH ITEMS NOT IMPACTING NET SURPLUS				
Dividend from associate		-	-	200
		59,655	62,782	255,707
MOVEMENT IN WORKING CAPITAL				
Increase/(decrease) in payables and accruals		14,021	(14,580)	22,350
(Increase)/decrease in inventory		(1,385)	(1,390)	802
(Increase)/decrease in receivables and prepayments		(5,011)	1,057	(16,402)
Decrease in income tax assets		40,032	23,597	38,971
		47,657	8,684	45,721
Net cash from operating activities		152,702	112,315	353,149

Notes to the Financial Statements

for the three months ended 30 September 2006

1. ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with Financial Reporting Standard No. 24 and should be read in conjunction with Vector Limited's 2006 Annual Report.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the quarter ended 30 September 2006 and all policies have been applied on a basis consistent with those used in the previous Annual Report.

2. NET INTEREST EXPENSE

	UNAUDITED 30 SEP 2006 3 MONTHS \$000	UNAUDITED 30 SEP 2005 3 MONTHS \$000	AUDITED 30 JUNE 2006 12 MONTHS \$000
Interest paid and accrued	64,881	59,782	239,758
Amortisation of capitalised finance costs	1,430	749	5,088
Amortisation of the mark to market adjustment	(1,569)	(618)	(2,605)
Total interest expense	64,742	59,913	242,241
Interest revenue	(5,964)	(1,224)	(10,002)
Total interest income	(5,964)	(1,224)	(10,002)
Capitalised interest	(971)	(706)	(3,718)
Total	57,807	57,983	228,521

3. RESULTS OF ASSOCIATES

Operating revenue includes the following income from associates:

	UNAUDITED 30 SEP 2006 3 MONTHS \$000	UNAUDITED 30 SEP 2005 3 MONTHS \$000	AUDITED 30 JUNE 2006 12 MONTHS \$000
Equity accounted earnings of associates			
Operating surplus/(loss) before income tax	392	67	(415)
Income tax (expense)/benefit	(129)	(22)	50
Net surplus/(deficit)	263	45	(365)
Other gains and losses	-	-	-
Total recognised revenues and expenses	263	45	(365)

4. CONTINGENT LIABILITIES

The directors are aware of claims that have been made against the group and where appropriate have recognised provisions for these within the financial statements. No other material contingencies requiring disclosure have been identified (30 Sep 2005: nil, 30 June 2006: nil).

5. EVENTS AFTER BALANCE DATE

No events which would require disclosure in accordance with Financial Reporting Standard No.5: Events After Balance Date, have occurred subsequent to balance date.

Notes to the Financial Statements

for the three months ended 30 September 2006

6. SEGMENT INFORMATION

The group operates in the following areas in the infrastructure sectors in New Zealand. The areas represent the key business lines identified by management as a result of their review of operations following the acquisition of NGC Holdings Limited and its subsidiaries. Accordingly, segment information for the comparative period has been restated to reflect the structure of the group operations going forward and to enable meaningful comparisons to the segment information for the quarter ended 30 September 2006. Intersegment sales are on an arms length basis.

Electricity

Ownership and management of electricity distribution networks.

Gas Transportation

Ownership and management of gas transmission lines and distribution networks.

Gas Wholesale

Natural gas acquisition, processing and retailing, LPG (distribution, storage and retailing) and electricity generation.

Technology

Telecommunications services, electricity and gas metering.

Corporate / other

Corporate activities, investments and other energy and utility industry-related businesses.

UNAUDITED 30 SEPT 2006 3 MONTHS	ELECTRICITY \$000	GAS TRANSPORTATION \$000	GAS WHOLESALE \$000	TECHNOLOGY \$000	CORPORATE /OTHER \$000	TOTAL \$000
Segment revenue	177,572	49,561	158,125	15,638	1,077	401,973
Less: Intersegment revenue	-	(9,031)	(1,518)	(144)	-	(10,693)
Operating revenue	177,572	40,530	156,607	15,494	1,077	391,280
Earnings before interest, income tax, depreciation and amortisation	115,882	40,009	45,264	11,398	(17,060)	195,493
Depreciation and amortisation	(28,023)	(14,521)	(8,985)	(6,137)	(1,761)	(59,427)
Operating surplus before interest and income tax	87,859	25,488	36,279	5,261	(18,821)	136,066
Net interest expense						(57,807)
Operating surplus before income tax						78,259
Income tax expense						(35,186)
Operating surplus						43,073
Minority interests						(1,679)
Net surplus for the year						41,394
Total assets	3,202,518	1,523,920	440,197	413,497	115,093	5,695,225

Notes to the Financial Statements

for the three months ended 30 September 2006

6. SEGMENT INFORMATION (continued)

UNAUDITED 30 SEPT 2005 3 MONTHS	ELECTRICITY \$000	GAS TRANSPORTATION \$000	GAS WHOLESALE \$000	TECHNOLOGY \$000	CORPORATE /OTHER \$000	TOTAL \$000
Segment revenue	162,306	48,717	125,377	15,444	2,898	354,742
Less: Intersegment revenue	-	(8,370)	(6,915)	(115)	-	(15,400)
Operating revenue	162,306	40,347	118,462	15,329	2,898	339,342
Earnings before interest, income tax, depreciation and amortisation	109,005	38,132	27,621	9,192	(3,857)	180,093
Depreciation and amortisation	(22,474)	(14,399)	(6,441)	(7,104)	(1,842)	(52,260)
Operating surplus before interest and income tax	86,531	23,733	21,180	2,088	(5,699)	127,833
Net interest expense						(57,983)
Operating surplus before income tax						69,850
Income tax expense						(28,579)
Operating surplus						41,271
Minority interests						(4,922)
Net surplus for the year						36,349
Total assets	2,697,369	1,421,620	515,090	469,367	112,503	5,215,949

AUDITED 30 JUNE 2006 12 MONTHS	ELECTRICITY \$000	GAS TRANSPORTATION \$000	GAS WHOLESALE \$000	TECHNOLOGY \$000	CORPORATE /OTHER \$000	TOTAL \$000
Segment revenue	580,148	164,393	361,066	61,213	6,491	1,173,311
Less: Intersegment revenue	-	(34,346)	(5,057)	(918)	-	(40,321)
Operating revenue	580,148	130,047	356,009	60,295	6,491	1,132,990
Earnings before interest, income tax, depreciation and amortisation	364,522	112,504	94,562	41,876	(34,820)	578,644
Depreciation and amortisation	(94,730)	(59,497)	(25,822)	(28,948)	(6,893)	(215,890)
Operating surplus before interest and income tax	269,792	53,007	68,740	12,928	(41,713)	362,754
Net interest expense						(228,521)
Operating surplus before income tax						134,233
Income tax expense						(81,345)
Operating surplus						52,888
Minority interests						(7,820)
Net surplus for the year						45,068
Total assets	3,215,672	1,493,231	476,754	416,179	116,752	5,718,588

Notes to the Financial Statements

for the three months ended 30 September 2006

7. FINANCIAL RATIOS

The following financial ratios are required to be disclosed as part of the group's Results for Announcement to the Market under the New Zealand Stock Exchange Listing Rules.

	UNAUDITED 30 SEP 2006 3 MONTHS \$000	UNAUDITED 30 SEP 2005 3 MONTHS \$000	AUDITED 30 JUNE 2006 12 MONTHS \$000
Ordinary shares (000s)			
Fully paid shares on issue up to 10 August 2005	-	751,000	751,000
Fully paid shares on issue from 10 August 2005	1,000,000	1,000,000	1,000,000
Weighted average for the period (basic)	1,000,000	889,033	972,030
Shares if capital bonds converted	135,811	98,463	126,539
Weighted average for the period (diluted)	1,135,811	987,496	1,098,569
Earnings per share (cents)			
Basic	4.1	4.1	4.6
Diluted	4.0	4.1	4.6
Total tangible assets per share (cents)			
Basic	404.5	393.5	415.9
Diluted	356.2	354.3	368.0
Net tangible assets per share (cents)			
Basic	25.7	(23.6)	25.7
Diluted	25.7	(23.6)	25.7

Capital bonds with a principal amount of \$307,205,000 are convertible into Vector Limited ordinary shares if the group elects to convert on an election date. If the option to convert is exercised by the group, capital bondholders will receive a number of Vector Limited ordinary shares equivalent to the principal amount of the capital bonds held divided by 97.5% of the volume weighted average sale prices of those shares during the 20 business days prior to the conversion date.

Where converting the capital bonds into Vector ordinary shares would have a positive (antidilutionary) impact on any of the above ratios, this ratio is not restated for potential dilution effects and the reported diluted ratio equals its equivalent basic ratio.