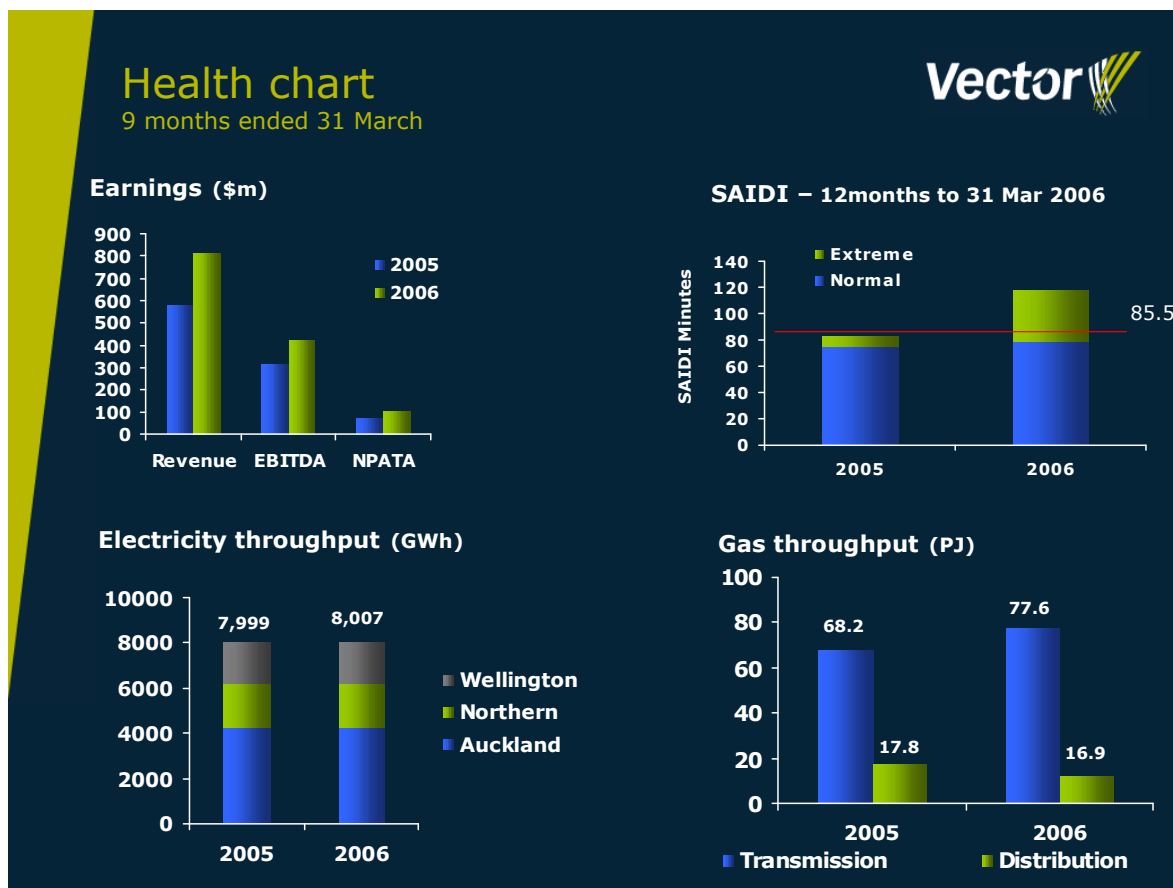


Quarterly Report

Nine months ended 31 March 2006

16 May 2006

Health Chart



Financial Performance

Vector Limited has recorded an after-tax surplus (NPAT) of \$33.4 million for the nine months ended 31 March 2006. The net surplus excluding amortisation (NPATA) amounted to \$106.2 million.

Vector now expects the full-year NPAT and NPATA to lie within the range of \$43 million to \$47 million, and \$142 to \$146 million, respectively, rather than the guidance ranges announced in February 2006.

Earnings before interest, tax, depreciation and amortisation (EBITDA) remain in line with the IPO prospectus projection, with the increase in profit guidance coming primarily from efficiencies achieved in the management of interest costs in the second half. The operating results continue to reflect the effects of the warmer temperatures that have been the norm over the 2005/06 financial year to date, offset by operating cost management.

Also as previously reported, the net earnings reflect a \$5 million benefit from Vector's earlier than expected move to full ownership of NGC, as well as increased borrowing costs and goodwill amortisation, both as a result of the full acquisition of NGC.

Financial Performance Summary

\$ Millions	9 months ended 31 March 2006	9 months ended 31 March 2005
Operating revenue	812.2	581.7
Operating expenditure	(391.5)	(260.5)
EBITDA	420.7	321.2
Depreciation and amortisation	(160.4)	(106.1)
EBIT	260.3	215.1
Net interest expense	(171.2)	(133.1)
Taxation	(49.3)	(40.3)
Minority interests	(6.4)	(6.6)
Net surplus (NPAT)	33.4	35.1
Net surplus (excluding amortisation) (NPATA)	106.2	75.0

Operational Performance

Electricity Business

Electricity revenues have recovered to exceed the previous corresponding period after a return to more normal seasonal conditions and increased throughput in the three months ended 31 March 2006. Electricity EBITDA also benefited from cost containment.

Natural Gas Business

The trend in natural gas transmission volumes remain unchanged from that reported for the six months ended 31 December 2005. Transmission throughput is higher, due mainly to increased gas deliveries to thermal power stations, while distribution throughput remains lower as a result of the warmer temperatures to date.

Direct sale of natural gas continues below that for the previous corresponding period due to a reduction for the year to date in sales to electricity generator customers and the cessation of sales to petrochemical manufacturers.

Demand growth has seen LPG sales volumes recover to exceed the previous corresponding period.

As previously reported, period-on-period comparisons for the gas business are not directly comparable as the current period includes NGC's gas-related activities. The gas business EBITDA is slightly higher than expectations as a result of cost containment.

Technology & Services

Comparisons for the Technology and Services Business are similarly difficult due to the addition of the NGC Metering business. Technology and Services EBITDA is slightly below expectations as a result of higher costs associated with metering technology rollouts and the rollout timing.

Business Unit Results

\$ MILLIONS		9 months ended 31 March 2006	9 months ended 31 March 2005
Electricity	Operating Revenue	416.0	412.9
	EBITDA	260.0	256.1
	EBIT	191.2	190.2
Gas	Operating Revenue	346.8	143.7
	EBITDA	150.7	68.1
	EBIT	87.6	42.5
Technology	Operating Revenue	45.8	21.5
	EBITDA	30.1	13.0
	EBIT	6.8	4.1
Corporate/Other	Operating Revenue	3.6	3.6
	EBIT	(25.3)	(21.6)

Operations Performance Summary

	9 months ended 31 March 2006	9 months ended 31 March 2005
Electricity throughput (GWh)		
- Auckland	4,296.9	4,287.8
- Northern	1,895.5	1,901.5
- Wellington	1,807.0	1,818.0
Natural gas throughput (PJ)		
- Transmission	77.6	68.2
- Distribution	16.9	17.8
Natural Gas Sales (PJ)	25.9	37.0
Gas Liquids Sales (tonnes)	75,796	73,314
Liquigas LPG Wholesale/Tolling (tonnes)	76,209	77,322

Statement of Financial Performance

for the nine months ended 31 March 2006

	UNAUDITED 31 MAR 2006 9 MONTHS \$000	UNAUDITED 31 MAR 2005 9 MONTHS \$000	AUDITED 30 JUNE 2005 12 MONTHS \$000
Operating revenue	812,203	581,709	870,955
Operating expenditure	(391,443)	(260,505)	(404,821)
Earnings before interest, income tax, depreciation and amortisation	420,760	321,204	466,134
Depreciation and amortisation	(160,426)	(106,058)	(158,898)
Operating surplus before interest and income tax	260,334	215,146	307,236
Net interest expense	(171,189)	(133,116)	(193,432)
Operating surplus before income tax	89,145	82,030	113,804
Income tax expense	(49,345)	(40,292)	(58,984)
Operating surplus	39,800	41,738	54,820
Minority interest	(6,407)	(6,612)	(14,050)
Net surplus for the period	33,393	35,126	40,770

Statement of Movements in Equity

for the nine months ended 31 March 2006

	UNAUDITED 31 MAR 2006 9 MONTHS \$000	UNAUDITED 31 MAR 2005 9 MONTHS \$000	AUDITED 30 JUNE 2005 12 MONTHS \$000
RECOGNISED REVENUES AND EXPENSES			
Net surplus for the period:			
Group	33,393	35,126	40,770
Minority interest	6,407	6,612	14,050
Movement in revaluation reserve	-	(3,525)	(7,311)
Total recognised revenues and expenses for the period	39,800	38,213	47,509
Minority interest on acquisition of NGC Holdings Limited	-	92,106	107,580
Decrease in minority interest on full acquisition of NGC Holdings Limited	(109,640)	-	-
Issue of shares (net of issue costs)	583,703	-	-
DISTRIBUTIONS TO OWNERS			
Dividends	(116,266)	(53,455)	(54,728)
Movements in equity for the period	397,597	76,864	100,361
Equity at beginning of the period	1,045,572	945,211	945,211
Equity at end of the period	1,443,169	1,022,075	1,045,572

Statement of Financial Position

as at 31 March 2006

	UNAUDITED 31 MAR 2006 \$000	UNAUDITED 31 MAR 2005 \$000	AUDITED 30 JUNE 2005 \$000
CURRENT ASSETS			
Cash	8,547	(43)	1,159
Receivables and prepayments	126,284	124,747	153,741
Prepaid gas	11,224	24,478	19,180
Inventories	9,537	9,692	8,800
Income tax	37,807	14,575	12,476
Capitalised finance costs	5,558	2,971	2,939
Intangible assets	4,703	-	9,500
Total current assets	203,660	176,420	207,795
NON-CURRENT ASSETS			
Receivables and prepayments	1,855	1,739	8,761
Prepaid gas	9,045	11,771	11,458
Income tax	1,993	47,274	48,756
Capitalised finance costs	25,917	8,380	7,671
Investments	17,968	10,012	17,776
Intangible assets	1,656,948	1,385,112	1,339,110
Property, plant and equipment	3,274,984	3,136,335	3,210,177
Total non-current assets	4,988,710	4,600,623	4,643,709
Total assets	5,192,370	4,777,043	4,851,504
CURRENT LIABILITIES			
Payables and accruals	212,185	147,256	169,393
Borrowings	39,268	912,173	1,026,665
Total current liabilities	251,453	1,059,429	1,196,058
NON-CURRENT LIABILITIES			
Payables and accruals	20,722	17,617	19,668
Borrowings	3,006,840	2,223,451	2,122,120
Deferred tax	470,186	454,471	468,086
Total non-current liabilities	3,497,748	2,695,539	2,609,874
Total liabilities	3,749,201	3,754,968	3,805,932
EQUITY			
Share capital	883,703	300,000	300,000
Reserves	547,383	551,169	547,383
Retained earnings	1,203	76,132	81,766
Parent shareholders equity	1,432,289	927,301	929,149
Minority shareholders equity	10,880	94,774	116,423
Total equity	1,443,169	1,022,075	1,045,572
Total equity and liabilities	5,192,370	4,777,043	4,851,504

Statement of Cash Flows

for the nine months ended 31 March 2006

	UNAUDITED 31 MAR 2006 9 MONTHS \$000	UNAUDITED 31 MAR 2005 9 MONTHS \$000	AUDITED 30 JUNE 2005 12 MONTHS \$000
OPERATING ACTIVITIES			
Cash provided from:			
Receipts from customers	842,792	579,356	826,240
Interest portion of repayments on finance leases	90	90	120
Interest received on deposits	7,070	1,282	1,795
Income tax refund received	1,002	-	207
Dividends received	300	276	276
	851,254	581,004	828,638
Cash applied to:			
Payments to suppliers and employees	(404,667)	(242,579)	(357,883)
Income tax paid	(18,083)	(29,083)	(38,989)
Interest paid	(165,062)	(123,708)	(192,291)
	(587,812)	(395,370)	(589,163)
Net cash from operating activities	263,442	185,634	239,475
INVESTING ACTIVITIES			
Cash provided from:			
Proceeds from sale of property, plant and equipment	464	91	1,781
Receipts from loans repaid	133	8	11
Capital portion of repayments on finance leases	8	7	10
Receipt of security deposits	-	313	313
	605	419	2,115
Cash applied to:			
Acquisition of shares in NGC Holdings Limited	(122,212)	(884,217)	(885,090)
Bank overdraft acquired from NGC Holdings Limited	-	(8,667)	(8,667)
Purchase and construction of property, plant and equipment	(154,242)	(96,081)	(159,952)
Purchase of investments	(600)	-	(723)
Payments for loans issued	-	-	(500)
Payments for security deposits	-	(250)	-
	(277,054)	(989,215)	(1,054,932)
Net cash used in investing activities	(276,449)	(988,796)	(1,052,817)

Statement of Cash Flows (continued)
for the nine months ended 31 March 2006

	UNAUDITED 31 MAR 2006 9 MONTHS \$000	UNAUDITED 31 MAR 2005 9 MONTHS \$000	AUDITED 30 JUNE 2005 12 MONTHS \$000
FINANCING ACTIVITIES			
Cash provided from/(applied to):			
Proceeds from borrowings	1,747,522	1,973,438	2,048,936
Repayment of borrowings	(1,850,004)	(1,117,000)	(1,179,486)
Debt raising costs incurred	(24,095)	(2,725)	(3,224)
Share capital issued	208,715	-	-
Equity raising costs incurred	(5,393)	-	-
Capital portion of payments under finance leases	(406)	(574)	(432)
Dividends paid	(55,944)	(53,455)	(54,728)
Net cash from financing activities	20,395	799,684	811,066
Net increase/(decrease) in cash balances	7,388	(3,478)	(2,276)
Cash balances at beginning of the period	1,159	3,435	3,435
Cash balances at end of the period	8,547	(43)	1,159
RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES			
Net surplus for the period	33,393	35,126	40,770
Minority interest	6,407	6,612	14,050
Operating surplus	39,800	41,738	54,820
ITEMS CLASSIFIED AS INVESTING AND FINANCING ACTIVITIES			
(Gain)/loss on sale of property, plant and equipment	(741)	2,252	4,042
Capitalised costs	(6,578)	(3,346)	(5,078)
	(7,319)	(1,094)	(1,036)
NON-CASH ITEMS			
Depreciation and amortisation	160,426	106,058	158,898
Amortisation of the mark to market adjustment	(1,993)	(2,468)	(3,393)
Amortisation of advance and prepaid gas sold	10,355	8,535	14,136
Amortisation of capitalised finance costs	3,231	2,623	3,862
Increase in deferred tax	9,101	17,615	25,991
Increase/(decrease) in provisions	1,765	(175)	(3,409)
Dividend from associate	200	-	-
Equity earnings	207	(111)	(655)
	183,292	132,077	195,430
MOVEMENT IN WORKING CAPITAL			
(Decrease)/increase in payables and accruals	(3,249)	26,239	37,837
Decrease/(increase) in receivables and prepayments	30,222	(6,549)	(42,308)
(Increase)/decrease in inventories	(737)	(371)	521
Decrease/(increase) in income tax assets	21,433	(6,406)	(5,789)
	47,669	12,913	(9,739)
Net cash from operating activities	263,442	185,634	239,475

Notes to the Financial Statements

for the nine months ended 31 March 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 2005 Annual Report.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the nine months ended 31 March 2006 and all policies have been applied on a basis consistent with those used in the previous Annual Report.

2. NET INTEREST EXPENSE

	UNAUDITED 31 MAR 2006 9 MONTHS \$000	UNAUDITED 31 MAR 2005 9 MONTHS \$000	AUDITED 30 JUNE 2005 12 MONTHS \$000
Interest paid and accrued	178,582	135,607	196,968
Amortisation of capitalised finance costs	3,231	2,623	3,862
Amortisation of the mark to market adjustment	(1,993)	(2,468)	(3,393)
Interest revenue	(6,359)	(1,372)	(1,915)
Capitalised interest	(2,272)	(1,274)	(2,090)
Total	171,189	133,116	193,432

3. RESULTS OF ASSOCIATES

Operating revenue includes the following income from associates:

	UNAUDITED 31 MAR 2006 9 MONTHS \$000	UNAUDITED 31 MAR 2005 9 MONTHS \$000	AUDITED 30 JUNE 2005 12 MONTHS \$000
Equity accounted earnings of associates			
Operating surplus/(loss) before income tax	(309)	166	1,130
Income tax expense	102	(55)	(475)
Net surplus/(loss)	(207)	111	655
Other gains and losses	-	-	-
Total recognised revenues and expenses	(207)	111	655

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 (31 Mar 2005: nil, 30 June 2005: nil).

5. EVENTS AFTER BALANCE DATE

In April 2006, Vector paid an interim dividend of 6 cents per share. This dividend was proposed in March 2006 and is therefore provided for in these financial statements.

No further adjustments are required to these financial statements in respect of these events.

Notes to the Financial Statements

for the nine months ended 31 March 2006

6. SEGMENT INFORMATION

The group operates in the following areas in the utilities sector 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 periods has been restated to reflect the structure of the group operations going forward and to enable meaningful comparisons to the segment information for the nine months ended 31 March 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 and processing, LPG distribution, storage and retailing.

Technology

Telecommunications services, electricity and gas metering.

Corporate / other

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

UNAUDITED 31 MAR 2006 9 MONTHS	ELECTRICITY \$000	GAS TRANSPORTATION \$000	GAS WHOLESALE \$000	TECHNOLOGY \$000	CORPORATE /OTHER \$000	TOTAL \$000
Segment revenue	415,984	122,370	253,194	46,573	3,619	841,740
Less: Intersegment	-	(25,575)	(3,207)	(755)	-	(29,537)
Operating revenue	415,984	96,795	249,987	45,818	3,619	812,203
Earnings before interest, income tax, depreciation and amortisation	259,965	86,225	64,483	30,151	(20,064)	420,760
Depreciation and amortisation	(68,730)	(43,897)	(19,207)	(23,307)	(5,285)	(160,426)
Operating surplus before interest and income tax	191,235	42,328	45,276	6,844	(25,349)	260,334
Net interest expense						(171,189)
Operating surplus before income tax						89,145
Income tax expense						(49,345)
Operating surplus						39,800
Minority interest						(6,407)
Net surplus for the period						33,393
Total assets	2,715,798	1,359,542	485,222	473,503	158,305	5,192,370

Notes to the Financial Statements

for the nine months ended 31 March 2006

6. SEGMENT INFORMATION (continued)

UNAUDITED 31 MAR 2005 9 MONTHS	ELECTRICITY \$000	GAS TRANSPORTATION \$000	GAS WHOLESALE \$000	TECHNOLOGY \$000	CORPORATE /OTHER \$000	TOTAL \$000
Segment revenue	412,887	65,025	89,195	21,634	3,610	592,351
Less: Intersegment	-	(8,534)	(1,997)	(111)	-	(10,642)
Operating revenue	412,887	56,491	87,198	21,523	3,610	581,709
Earnings before interest, income tax, depreciation and amortisation	256,083	47,917	20,164	13,065	(16,025)	321,204
Depreciation and amortisation	(65,869)	(19,958)	(5,670)	(8,988)	(5,573)	(106,058)
Operating surplus before interest and income tax	190,214	27,959	14,494	4,077	(21,598)	215,146
Net interest expense						(133,116)
Operating surplus before income tax						82,030
Income tax expense						(40,292)
Operating surplus						41,738
Minority interest						(6,612)
Net surplus for the period						35,126
Total assets	2,647,443	1,203,510	408,690	388,521	128,879	4,777,043

AUDITED 30 JUNE 2005 12 MONTHS	ELECTRICITY \$000	GAS TRANSPORTATION \$000	GAS WHOLESALE \$000	TECHNOLOGY \$000	CORPORATE /OTHER \$000	TOTAL \$000
Segment revenue	557,744	107,688	189,607	36,379	5,132	896,550
Less: Intersegment	-	(16,726)	(9,349)	480	-	(25,595)
Operating revenue	557,744	90,962	180,258	36,859	5,132	870,955
Earnings before interest, income tax, depreciation and amortisation	350,221	77,624	52,166	23,802	(37,679)	466,134
Depreciation and amortisation	(88,244)	(34,306)	(11,941)	(16,729)	(7,678)	(158,898)
Operating surplus before interest and income tax	261,977	43,318	40,225	7,073	(45,357)	307,236
Net interest expense						(193,432)
Operating surplus before income tax						113,804
Income tax expense						(58,984)
Operating surplus						54,820
Minority interest						(14,050)
Net surplus for the period						40,770
Total assets	2,667,015	1,213,298	420,891	425,974	124,326	4,851,504