FINANCIAL & OPERATIONAL RESULTS

HALF YEAR ENDED 31 DECEMBER 2016

24 February 2017

Vector®

DISCLAIMER

This presentation contains forward-looking statements.

Forward-looking statements often include words such as "anticipates", "estimates", "expects", "intends", "plans", "believes" and similar words in connection with discussions of future operating or financial performance.

The forward-looking statements are based on management's and directors' current expectations and assumptions regarding Vector's businesses and performance, the economy and other future conditions, circumstances and results.

As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Vector's actual results may vary materially from those expressed or implied in its forward-looking statements.

MICHAEL STIASSNY

CHAIRMAN

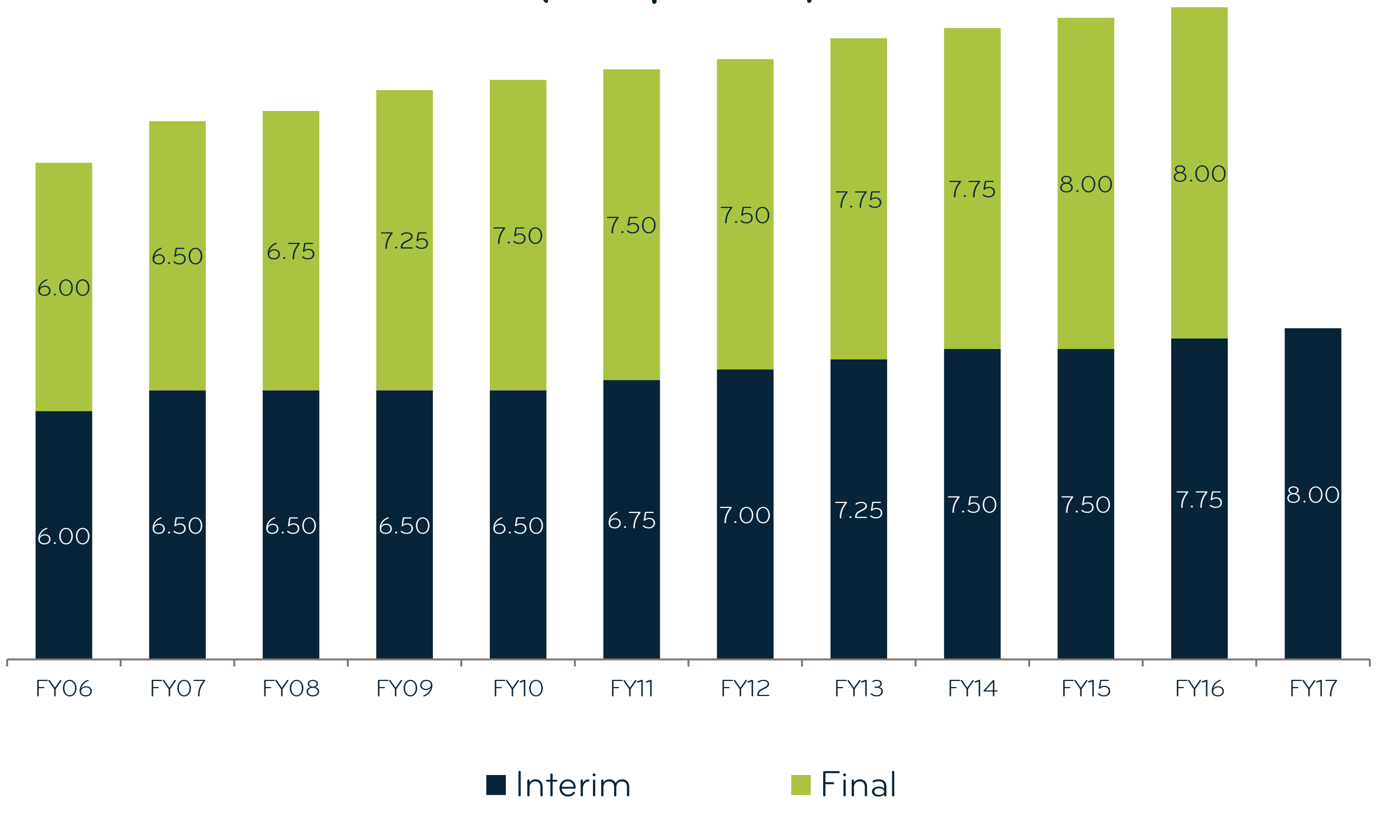
AGENDA

- Dividend
- H1 2017 Highlights
- Operational and Financial Overview
- Outlook
- Q & A

EXTENDING OUR RECORD OF DIVIDEND GROWTH

- Half year dividend 8.00 cents
  - Up 0.25 cents per share on prior year
  - Fully imputed
- Board remains committed to progressive dividends
  - Supported by strong balance sheet, regulatory stability and growth opportunities
  - Contingent on maintaining BBB credit rating
- Post 2020, our ability to maintain this approach will depend on
  - Interest rates at the 2020 reset
  - Our ability to successfully re-invest proceeds from the sale of Vector Gas

12 consecutive years of dividend growth (cents per share)



SIMON MACKENZIE

GROUP CHIEF EXECUTIVE

FY2017 H1 SNAPSHOT – CREATING GROWTH OPPORTUNITIES

SUSTAINABLE GROWTH

- Auckland growing with 6,490 new electricity and gas connections added in H1
- Ongoing growth in smart meters and bottle swaps

OPERATIONAL EXCELLENCE

- Input Methodologies provide certainty through to 2025 – revenue cap, new technology
- Commissioned first utility scale battery in Glen Innes

CUSTOMER FOCUS

- Developing models that enable improved understanding of household and network energy usage
- Investing in digital technologies to enhance customer experience
- Battery fleet has grown to 445 and EV has grown to 21 chargers

PARTNERSHIPS

- Vector and Entrust have formed a significant strategic partnership with Auckland Council to drive energy efficiency and sustainability in the city
- Working on a peer-to-peer energy trading platform

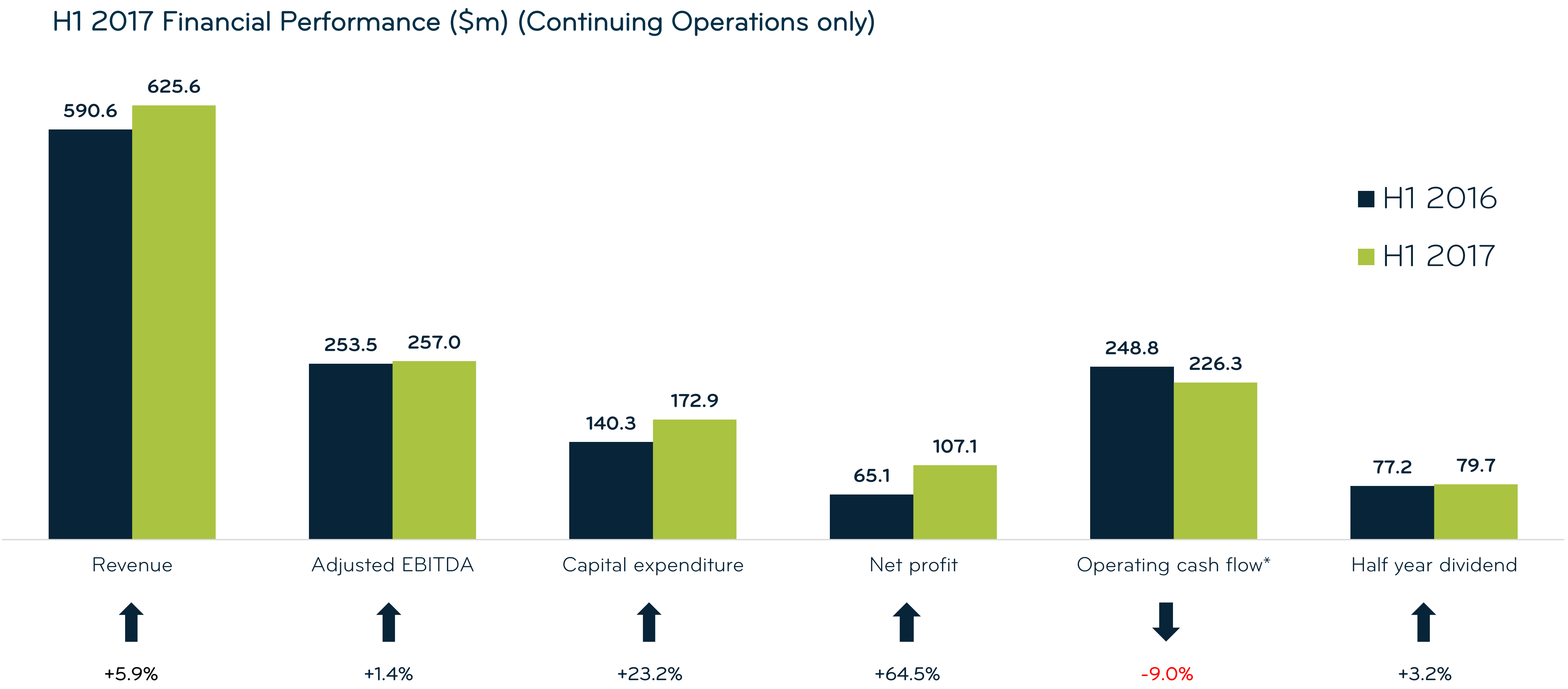
SAFETY, PEOPLE & CULTURE

- Industry leading "de-energised" philosophy improving safety and we recognise the impact of these changes on customers
- December 2016 TRIFR remains steady and in line with December 2015 results. This sustains the 40% TRIFR decrease from the previous two year period (FY13)

DAN MOLLOY

CHIEF FINANCIAL OFFICER

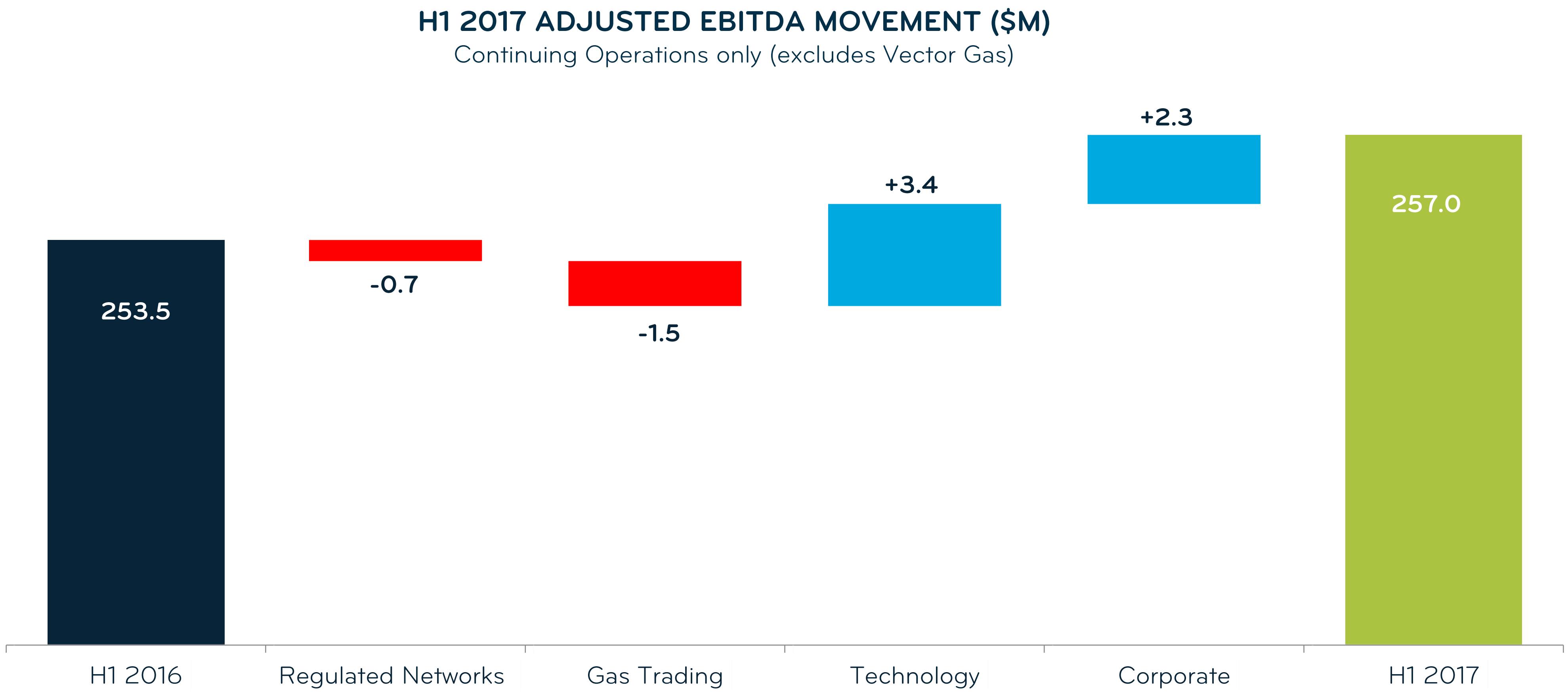
GROWTH IN ADJUSTED EBITDA & NET PROFIT



Adjusted EBITDA is not a GAAP measure of profit. For a reconciliation of adjusted EBITDA to EBITDA and net profit refer to page 26 of this presentation.

** Operating cash flow includes contribution from discontinued operations in prior period. All other measures are for continuing operations only*

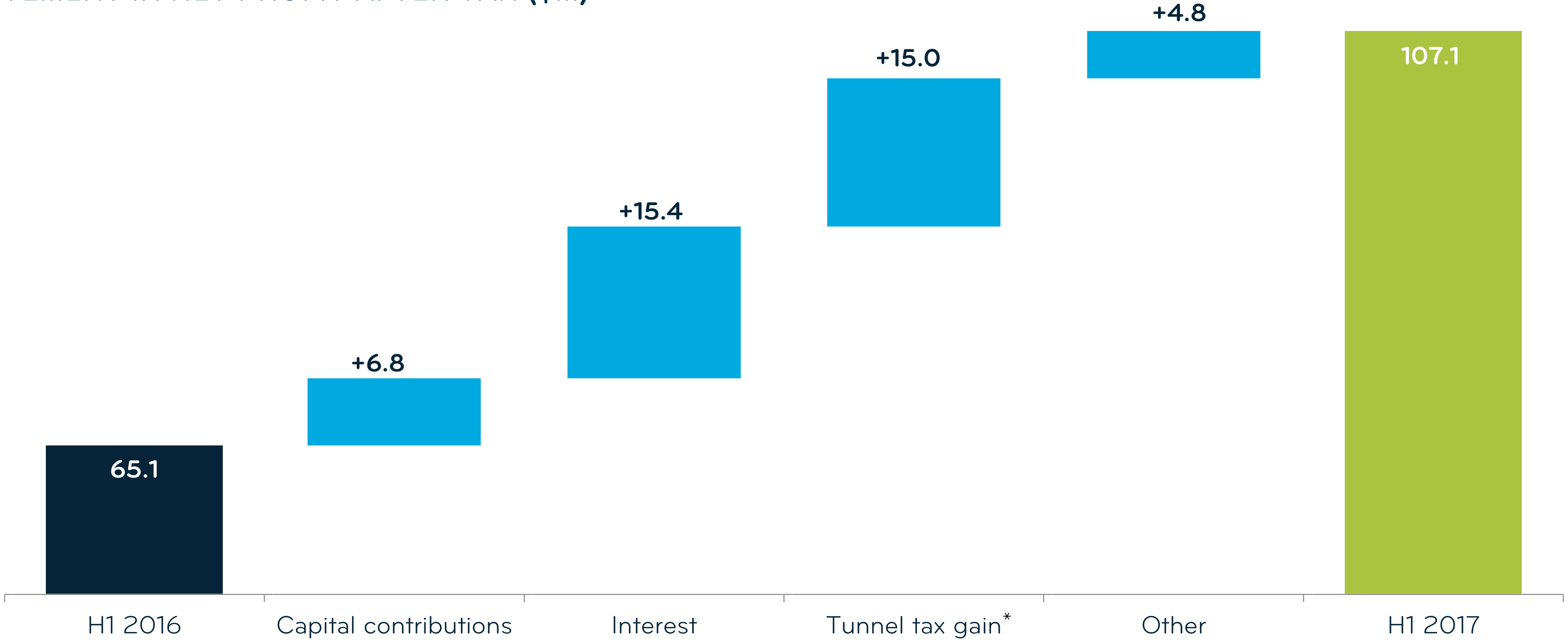
ADJUSTED EBITDA BENEFITS FROM METERING GROWTH



As a result of the sale of Vector Gas, we are no longer reporting a Gas Transportation segment. The Auckland gas distribution network and the Auckland electricity network are now both included in the Regulated Networks segment

NET PROFIT GROWTH DRIVEN BY HIGHER CONTRIBUTIONS, LOWER FUNDING COSTS & ONE OFF TAX GAIN

MOVEMENT IN NET PROFIT AFTER TAX ($M)



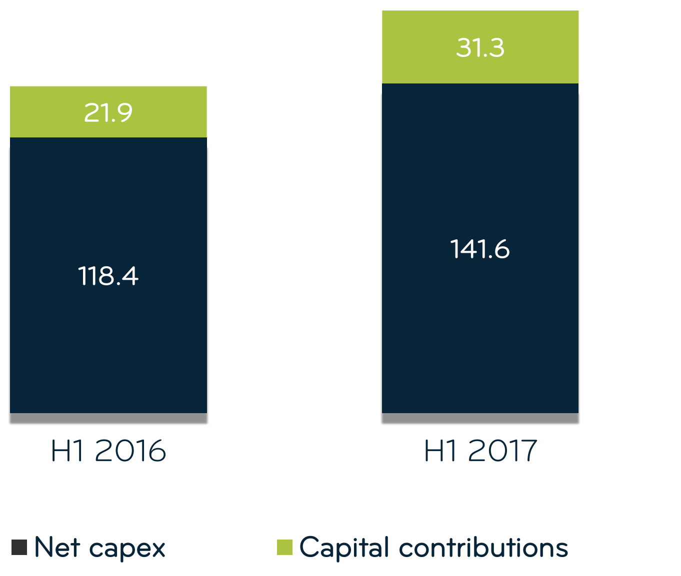
Excludes Discontinued Operations

**Tunnel tax gain of $15m from Court of Appeal decision in respect of tax treatment of the sale of rights to use our Penrose to Hobson Street tunnel in Auckland*

RE-INVESTMENT INTO AUCKLAND ACCELERATES

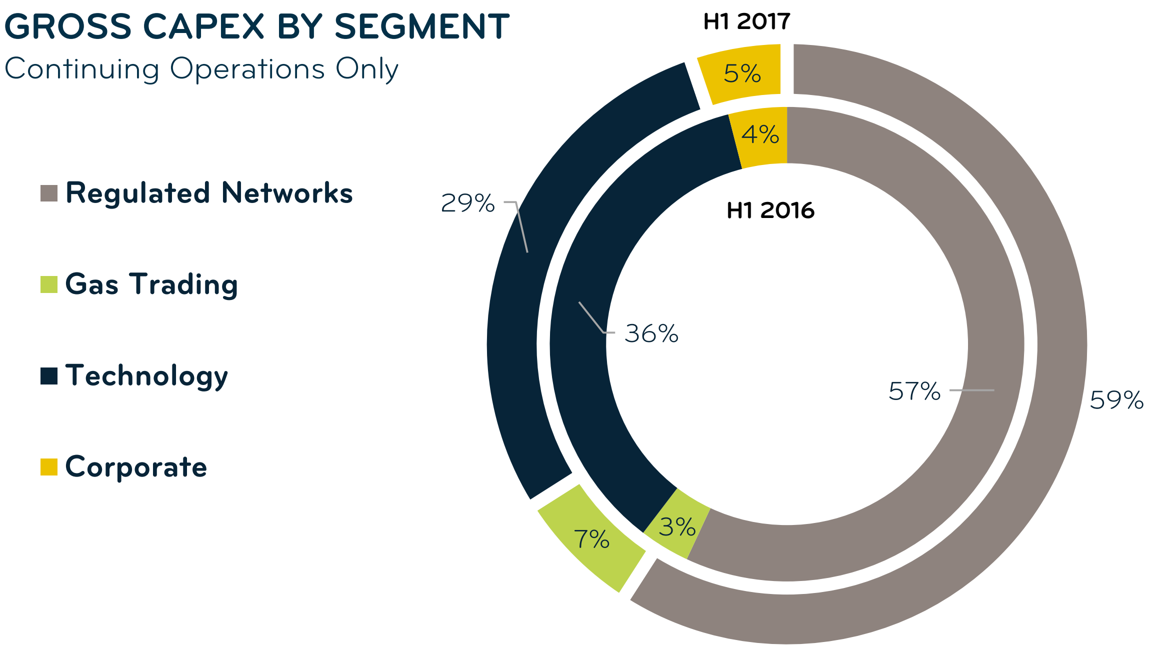
GROSS CAPITAL EXPENDITURE ($m)

Continuing Operations Only



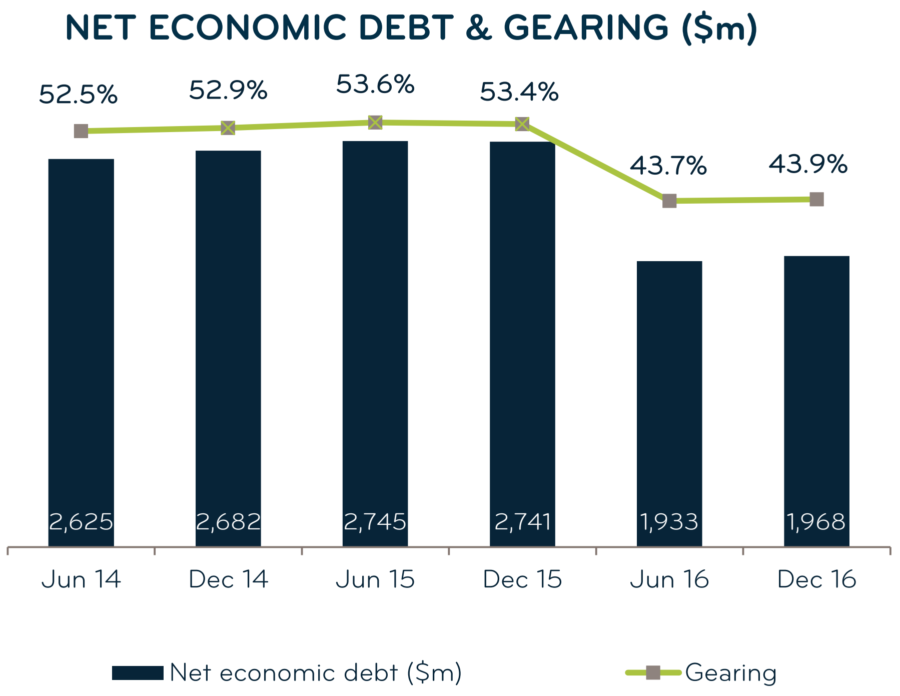
GROSS CAPEX BY SEGMENT

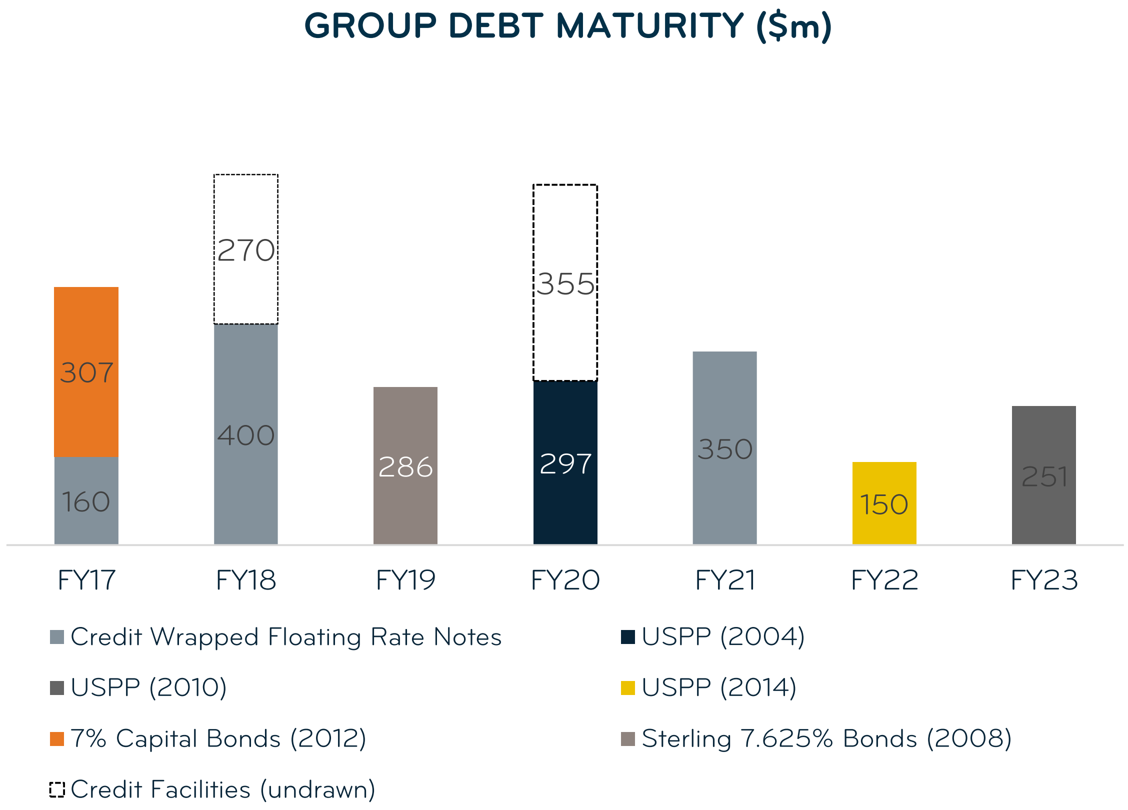
Continuing Operations Only



- Gross capex up 23.2% to $172.9m. Net capex (after contributions) up 19.6% at $141.6m
- Growth capex up 33.5% to $111.6m. Replacement capex up 8.1% to $61.3m

STRONG BALANCE SHEET





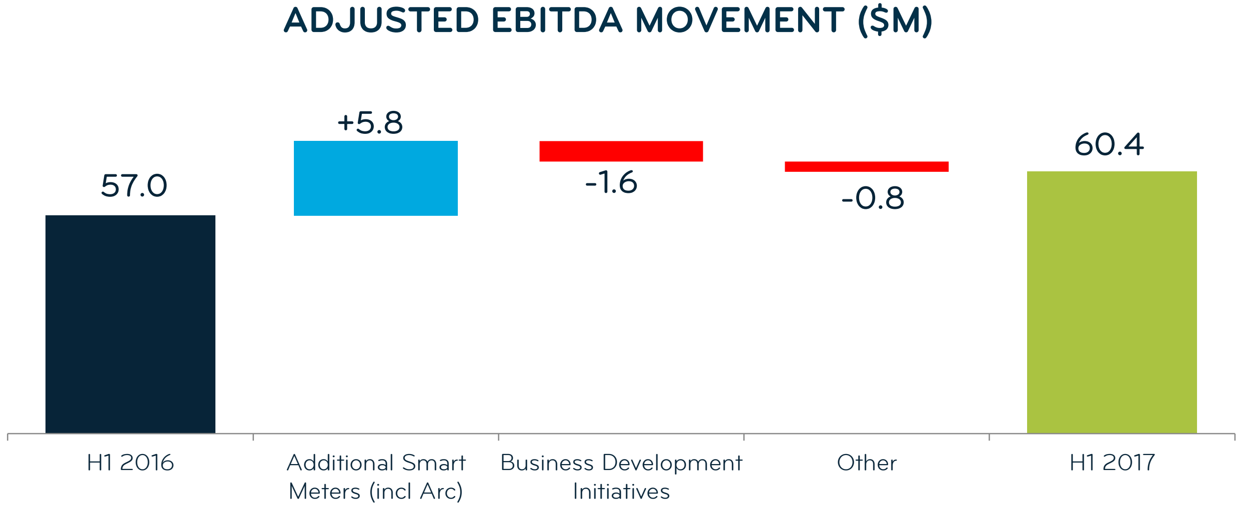
- $160m floating rate notes are to be redeemed in April
- Capital Bonds election date 15 June 2017

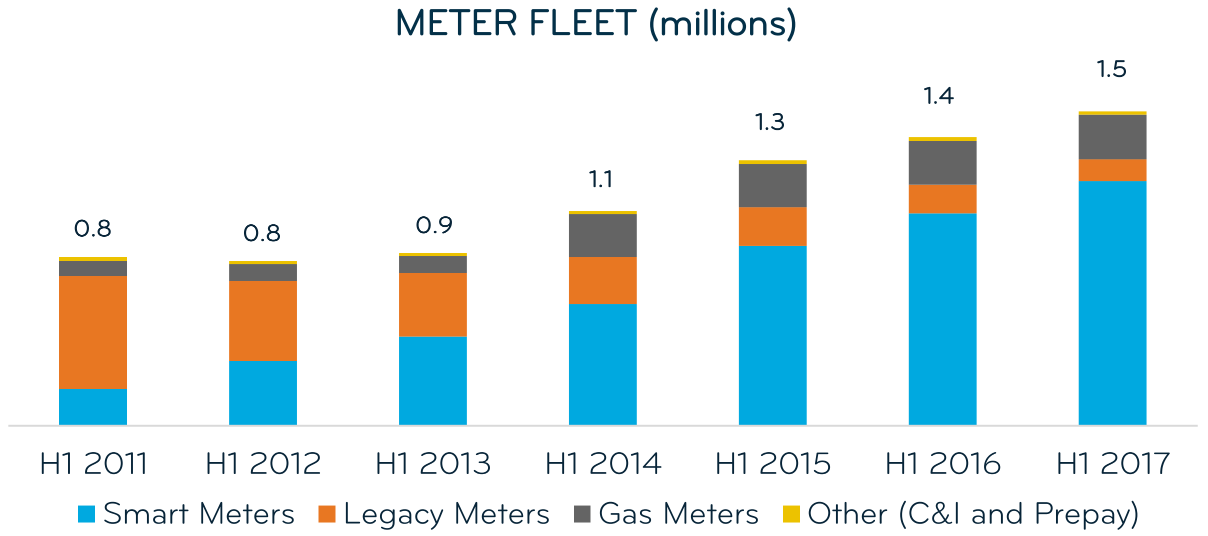
SIMON MACKENZIE

GROUP CHIEF EXECUTIVE

TECHNOLOGY RESULT DRIVEN BY SMART METER ROLLOUT

- The mass roll out of smart meters in New Zealand is drawing to a close
- Significant numbers of new smart meters will still be deployed for new and replacement sites
- Despite resource challenges industry-wide, more than 10,000 meters installed in Australia
- EBITDA growth driven by smart meters, offset by business development costs for Australian metering & new energy technologies
- From Dec 2017, Australian retailers take responsibility for provision of new and replacement metering installations

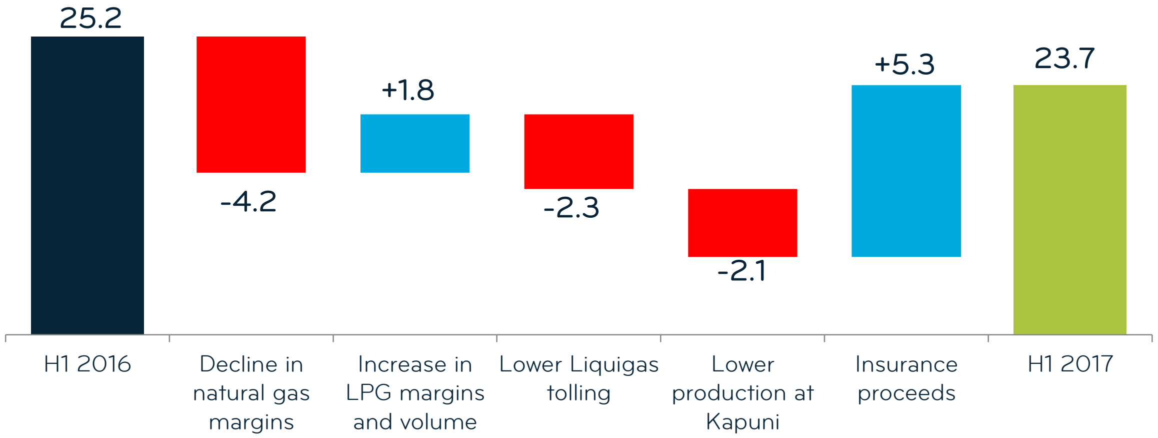




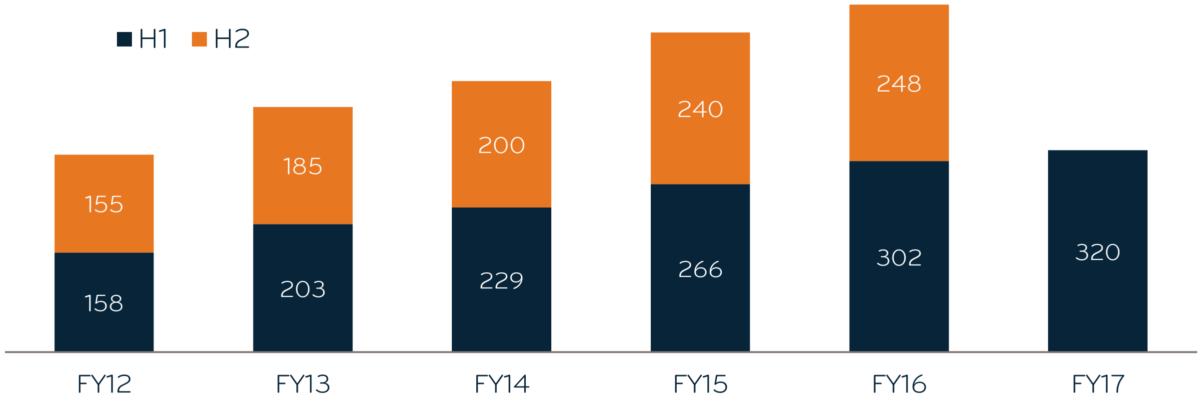
GAS TRADING CONTINUES TO BE IMPACTED BY LOWER NATURAL GAS MARGINS

- Pressure on trading margins continues, with lower international hydro carbon prices, lower LPG exports and lower Kapuni production
- Vector's LPG operations occupy strong market position; increases in bottle swap, bulk & cylinder volumes
- New bottle plant in South Auckland will be operational in second half of calendar 2017

ADJUSTED EBITDA MOVEMENT ($M)



BOTTLE SWAP VOLUMES ('000 cylinders)

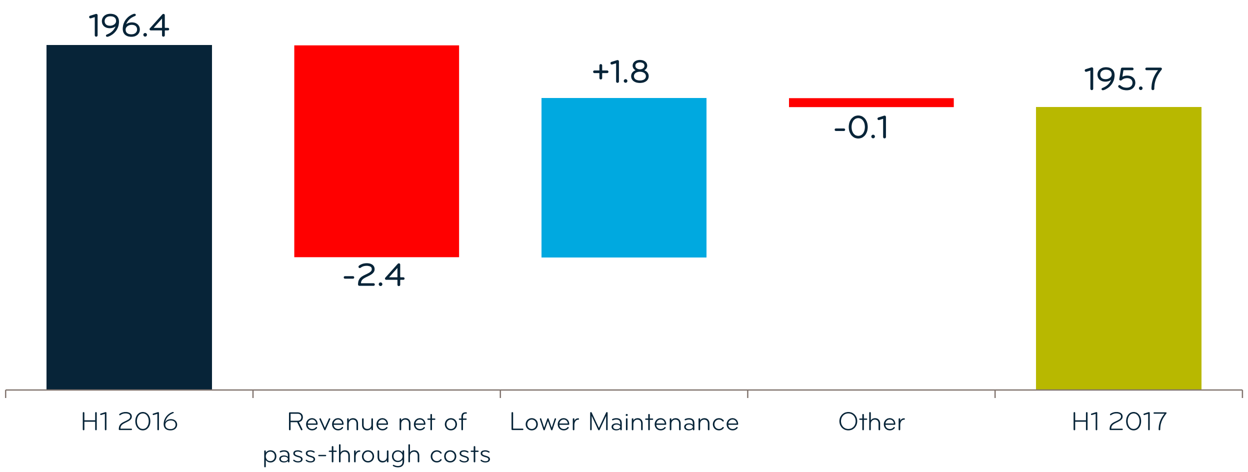


AUCKLAND GROWTH CONTINUES...

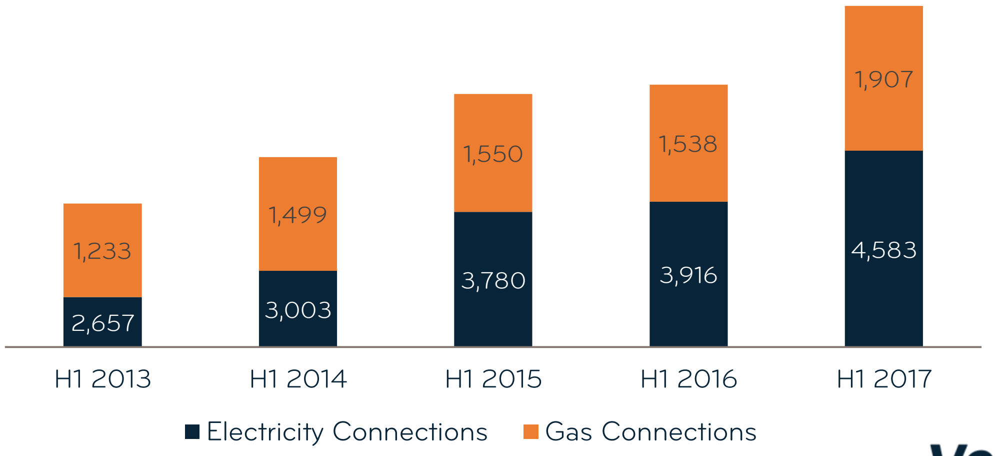
Regulated Networks Segment

- New connections up 19%
- Technology is augmenting our ability to deliver solutions that give customers choice and control
- Commerce Commission IM review provides stability of approach whilst recognising technological change
  - Result marginally better than draft position, especially for gas
  - Revenue cap and accelerated depreciation for Electricity
  - Recognises the benefits new energy technologies can deliver to consumers and the imperative to invest in networks efficiently

ADJUSTED EBITDA MOVEMENT ($M)

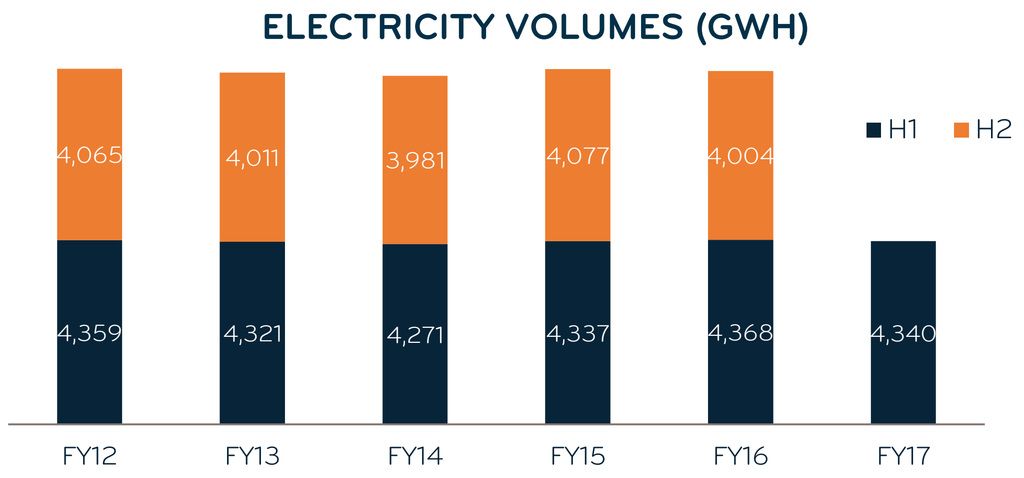


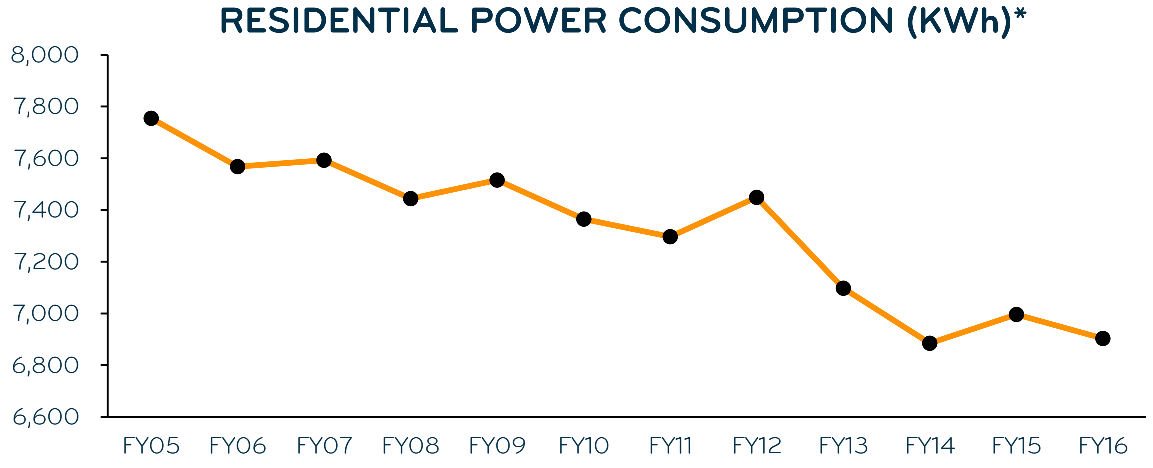
NEW CONNECTIONS



...BUT DELIVERS CHALLENGES

- Electricity volumes are flat as connection growth is offset by the continued fall in household electricity consumption
- Regulatory cash flows weighted towards the end of asset lives, increasing stranded-assets risk
- Differences between Commission forecasts of inflation and actual outcomes continue to cost Vector
- Labour and congestion constraints are very real





*Annual consumption per residential ICP

OUTLOOK

- Maturity of regulation provides Vector with considerable certainty through to 2025, and gives us confidence to re-invest into energy networks to support growth in Auckland
- Our strong balance sheet and diverse portfolio ensures we are well positioned to capitalise on the opportunities emerging from the significant disruption we are seeing in energy markets
- Our metering business is well positioned in New Zealand and is making progress in Australia and we remain confident of our prospects in this new market
- We have long been at the forefront of recognising the significant disruption taking place in the industry and leading the way with investments in new energy technologies
- These investments ensure the ongoing relevance of our energy networks; give customers greater choice and control; and create new opportunities for growth
- We are on track to deliver adjusted EBITDA broadly in line with last year's result, and towards top end of previous guidance

Q&A

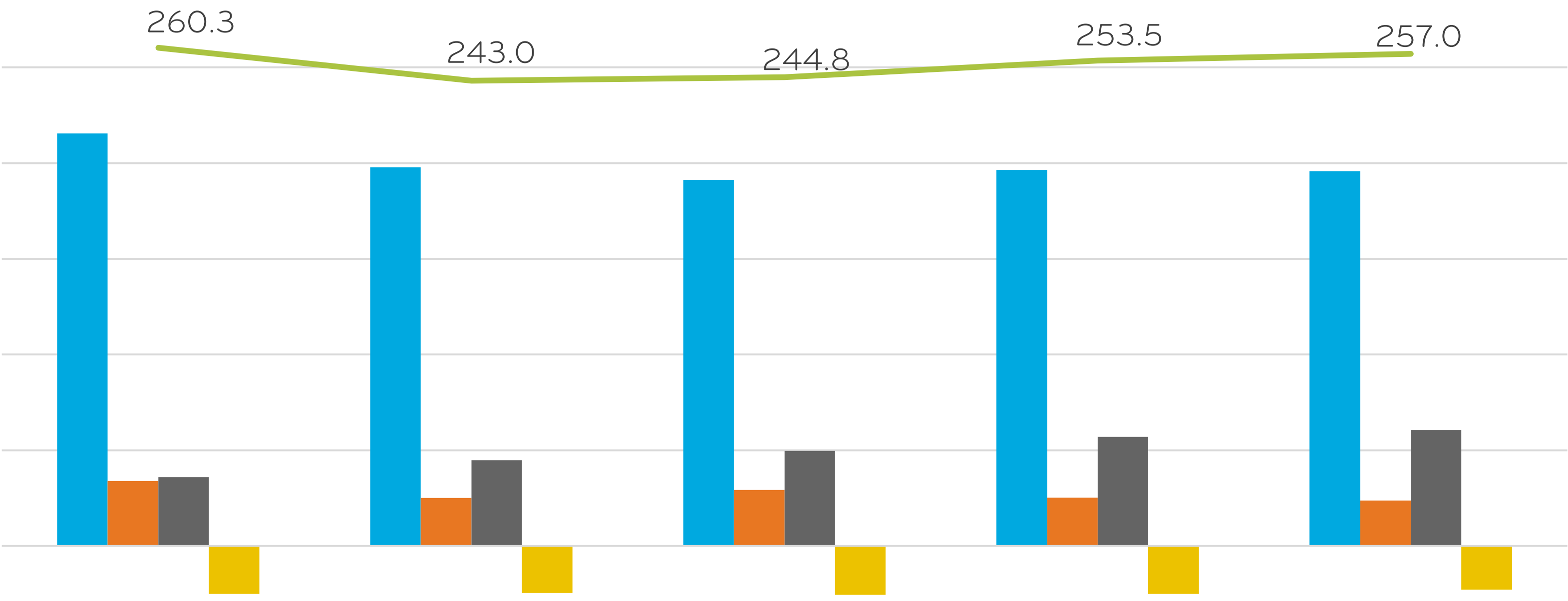
ANY QUESTIONS?

APPENDICES

5 YEAR ADJUSTED EBITDA PERFORMANCE BY SEGMENT

Adjusted EBITDA (Continuing Operations Only)

$million
For the half year ended 31 December



	H1 2013	H1 2014	H1 2015	H1 2016	H1 2017
Regulated Networks	215.4	197.7	191.3	196.4	195.7
Gas Trading	34.0	25.1	29.3	25.2	23.7
Technology	36.0	44.8	49.7	57.0	60.4
Corporate	(25.1)	(24.6)	(25.5)	(25.1)	(22.8)
Total Group	260.3	243.0	244.8	253.5	257.0

GROUP PROFIT STATEMENT
HALF YEAR ENDED 31 DECEMBER ($M)

INCOME STATEMENT	H1 2017 $m	H1 2016 $m	Change %
Revenue (excluding capital contributions)	594.3	568.6	+4.5
Operating expenditure	(337.3)	(315.1)	-7.0
Adjusted EBITDA	**257.0**	**253.5**	**+1.4**
Capital Contributions	31.3	21.9	+42.9
Depreciation and amortisation	(97.2)	(97.0)	-0.2
Net interest costs	(68.6)	(90.0)	+23.8
Fair value change on financial instruments	0.0	2.4	-100.0
Associates (share of net profit/(loss))	1.1	0.4	+175.0
Tax	(16.5)	(26.1)	+36.8
Net profit for the period from Continuing operations	**107.1**	**65.1**	**+64.5**
Net profit for the period from Discontinued operations (net of tax)	**-**	**35.0**	**n/a**
Net profit for the period	**107.1**	**100.1**	**+7.0**

GROUP CASH FLOW [1]

HALF YEAR ENDED 31 DECEMBER ($M)

CASH FLOW	H1 2017 $m	H1 2016 $m
Operating cash flow	226.3	248.8
Replacement capex	(70.3)	(71.5)
Dividends paid	(80.3)	(80.9)
Cash available for growth and debt repayment	**75.7**	**96.4**
Growth capex	(110.0)	(91.6)
Other investment activities	0.1	(0.6)
Pre debt financing cash inflow	**(34.2)**	**4.2**
Repayment of borrowings	(98.9)	(6.0)
Other financing activities	(1.0)	(0.4)
Increase/(decrease) in cash	**(134.1)**	**(2.2)**

1 Half year comparatives includes continuing and discontinued operations

SEGMENT RESULTS

HALF YEAR ENDED 31 DECEMBER ($M)

	REGULATED NETWORKS			TECHNOLOGY			GAS TRADING			CORPORATE		
	H1 2017	H1 2016	Change %	H1 2017	H1 2016	Change %	H1 2017	H1 2016	Change %	H1 2017	H1 2016	Change %
Revenue excluding Capital Contributions	353.8	353.6	+0.1	97.8	88.1	+11.0	150.2	151.4	-0.8	2.2	0.3	+633.3
Operating expenditure	(158.1)	(157.2)	-0.6	(37.4)	(31.1)	-20.3	(126.5)	(126.2)	-0.2	(25.0)	(25.4)	+1.6
Segment Adjusted EBITDA	**195.7**	**196.4**	**-0.4**	**60.4**	**57.0**	**+6.0**	**23.7**	**25.2**	**-6.0**	**(22.8)**	**(25.1)**	**+9.2**
CAPEX												
Replacement	44.9	42.4	+5.9	5.5	5.4	+1.9	2.1	3.3	-36.4	8.8	5.6	+57.1
Growth	57.3	37.5	+52.8	44.3	44.6	-0.7	9.9	1.5	+560.0	0.1	0.0	n/a
Total capex	**102.2**	**79.9**	**+27.9**	**49.8**	**50.0**	**-0.4**	**12.0**	**4.8**	**+150.0**	**8.9**	**5.6**	**+58.9**

GAAP TO NON-GAAP RECONCILIATION

Vector's standard profit measure prepared under New Zealand GAAP is net profit. Vector has used non-GAAP profit measures when discussing financial performance in this document. The directors and management believe that these measures provide useful information as they are used internally to evaluate performance of business units, to establish operational goals and to allocate resources. For a more comprehensive discussion on the use of non-GAAP profit measures, please refer to the policy 'Reporting non-GAAP profit measures' available on our website (vector.co.nz).

Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation from or considered as a substitute for measures reported by Vector in accordance with NZ IFRS.

In this period we have amended our definition of Adjusted EBITDA to exclude capital contributions.

Definitions

EBITDA
Earnings before interest, taxation, depreciation and amortisation from continuing operation.

Adjusted EBITDA
EBITDA adjusted for fair value changes, capital contributions, associates, impairments and significant one-off gains, losses, revenues and/or expenses.

GAAP to Non-GAAP reconciliation
EBITDA and Adjusted EBITDA
(Continuing operations only)

Half year ended 31 December	**H1 2017** $M	**H1 2016** $M
Reported net profit for the period (GAAP)	107.1	65.1
Add back: net interest costs[1]	68.6	90.0
Add back: tax (benefit)/expense[1]	16.5	26.1
Add back: depreciation and amortisation[1]	97.2	97.0
EBITDA	**289.4**	**278.2**
Adjusted for:		
Associates (share of net (profit)/loss)[1]	(1.1)	(0.4)
Fair value change on financial instruments[1]	0.0	(2.4)
Capital Contributions	(31.3)	(21.9)
Adjusted EBITDA	**257.0**	**253.5**

1 Extracted from audited financial statements

SEGMENT ADJUSTED EBITDA

SEGMENT ADJUSTED EBITDA ($m)	H1 2017			H1 2016		
Half year ended 31 December	Reported segment EBITDA	less capital contributions	Segment adjusted EBITDA	Reported segment EBITDA	less capital contributions	Segment adjusted EBITDA
Technology	60.9	(0.5)	60.4	57.3	(0.3)	57.0
Gas Trading	23.7	0.0	23.7	25.2	0.0	25.2
Unregulated Segments	**84.6**	**(0.5)**	**84.1**	**82.5**	**(0.3)**	**82.2**
Regulated Networks Continuing	226.5	(30.8)	195.7	218.0	(21.6)	196.4
Regulated Networks Discontinued	0.0	0.0	0.0	54.3	(1.9)	52.4
Regulated Segments	**226.5**	**(30.8)**	**195.7**	**272.3**	**(23.5)**	**248.8**
Corporate	**(22.8)**	**0.0**	**(22.8)**	**(25.1)**	**0.0**	**(25.1)**
TOTAL	**288.3**	**(31.3)**	**257.0**	**329.7**	**(23.8)**	**305.9**
TOTAL - Continuing Operations Only	**288.3**	**(31.3)**	**257.0**	**275.4**	**(21.9)**	**253.5**