Vector

FINANCIAL & OPERATIONAL RESULTS

FULL YEAR ENDED 30 JUNE 2017

24 August 2017

REPOWERED.

LIFE.

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

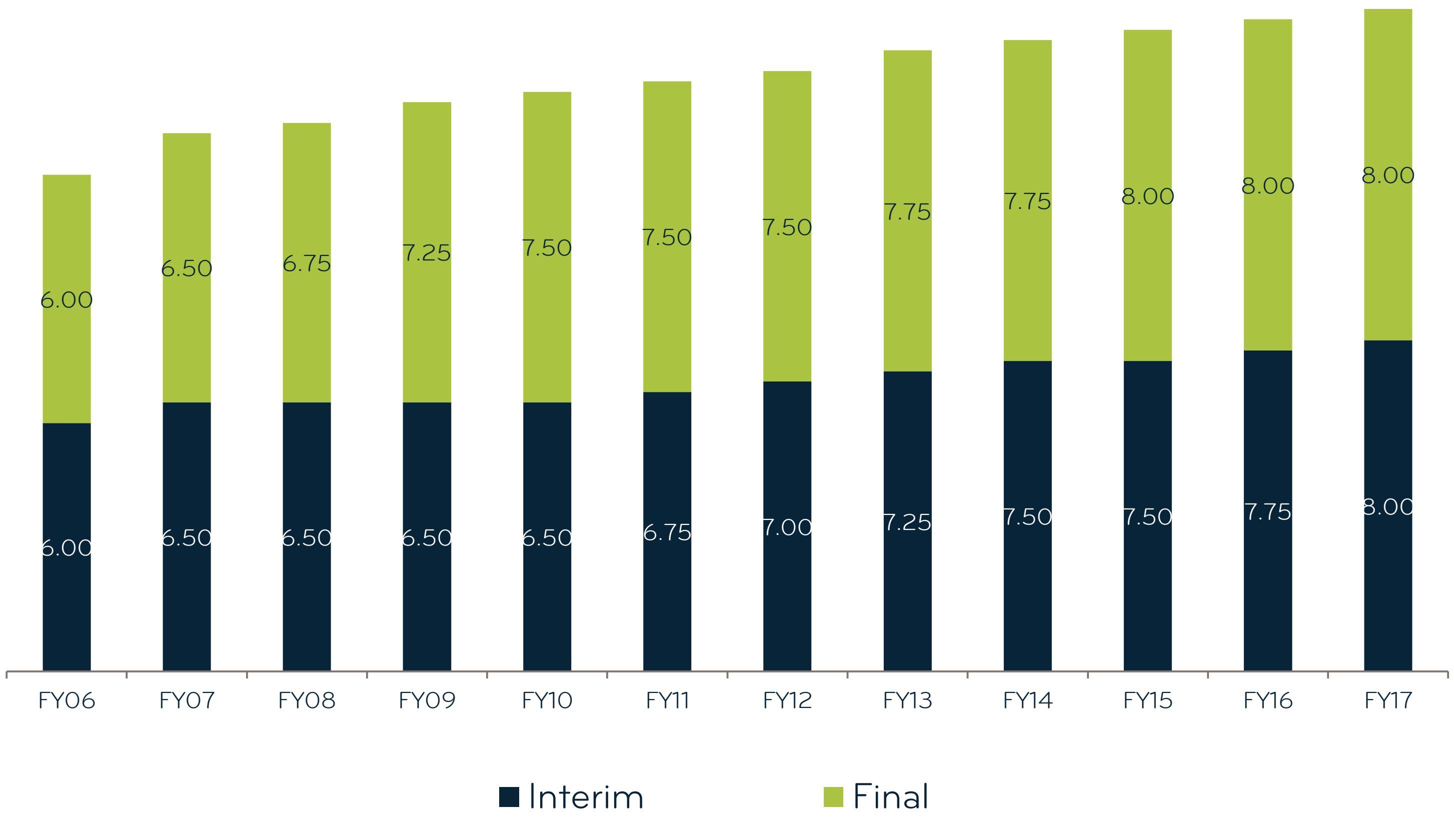
AGENDA

- Dividend
- FY17 Highlights
- Financial Performance
- Segment Performance
- Outlook
- Q & A
- Appendices

11 CONSECUTIVE YEARS OF DIVIDEND GROWTH

- Vector Adjusted EBITDA of $474.4m at the top end of market guidance
- Full year dividend 16.00 cents
  - Up 0.25 cents per share on prior year
  - Final dividend flat at 8.00 cents
  - Fully imputed
- Embracing disruptive technologies & commitment to the United Nations Sustainable Development Goals essential to our future

Dividend growth (cents per share)



SIMON MACKENZIE

GROUP CHIEF EXECUTIVE

DELIVERING CUSTOMERS REAL CHOICES...

- Next generation solutions redefining how customers access energy – Glen Innes, Ngāti Whātua Ōrākei, Territory Generation
- Putting greater levels of control in the hands of customers by leveraging digital engagement channels
- Investing in assets that can be moved around as required, not tethered to one location
- Distributed energy resource management, combined with data analytics, enables networks to lower peaks and reduce cost
- PowerSmart provides access to commercially proven solar/battery microgrid expertise
- E-Co Products Group provides distribution potential for untapped residential market

Vector

...TECHNOLOGICALLY

- Partnering with world class tech companies both in NZ and abroad to introduce new energy choices to NZ - Elemental Excelerator, Tesla, LG Chem & mPrest
- mPrest combines system integration and artificial intelligence to provide unprecedented network visibility and control
- Deployed 16 rapid Electric Vehicle Chargers - next iteration vehicle-to-grid will see EVs able to put power back into the grid
- Advocating for regulation/energy policy that keeps pace with technological change & delivers customers choice and value

Vector

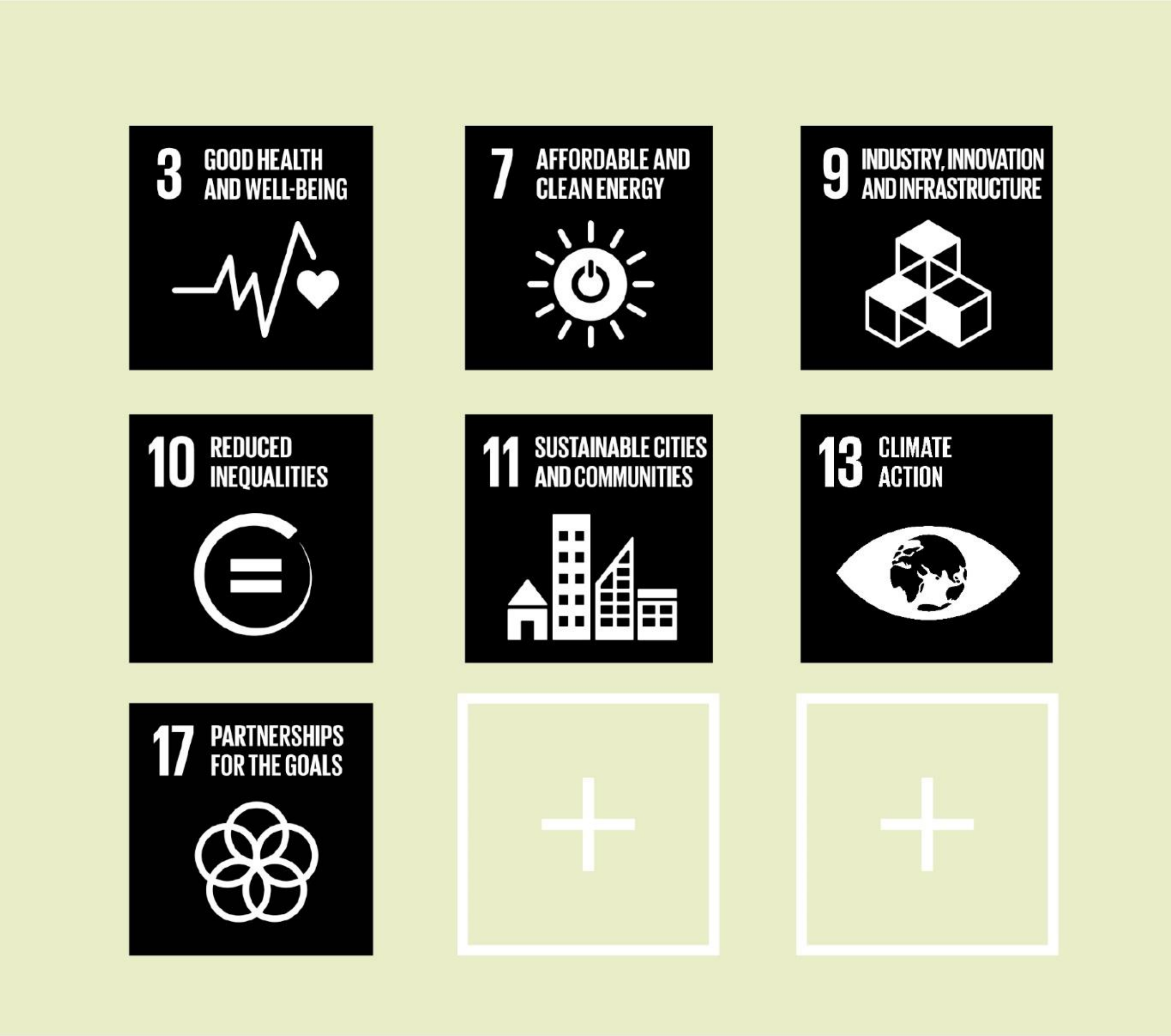
...CONNECTIVELY

- Vector has a legitimate position as a customer-facing business
- We will continue to capitalise on consumer trends and build our connection with customers
- Visited 36 schools during the year, and talked to 7,619 students about the importance of sustainability and staying safe around electricity
- Lighting the Auckland Harbour Bridge as part of multi-million dollar partnership with Auckland Council

Vector

...SUSTAINABLY

- Sustainability is at the heart of the new energy future
- We will pursue the United Nations Sustainable Development Goals, starting with 7 priority goals:
  - Good Health & Wellbeing;
  - Affordable & Clean Energy;
  - Industry, Innovation & Infrastructure;
  - Reduced Inequalities;
  - Sustainable Cities & Communities;
  - Climate Action; and
  - Partnerships for the Goals
- Included carbon reporting in this year's annual report
- Shortlisted for Responsible Investor award for Innovation and Industry Leadership
- Achieved Rainbow Tick certification

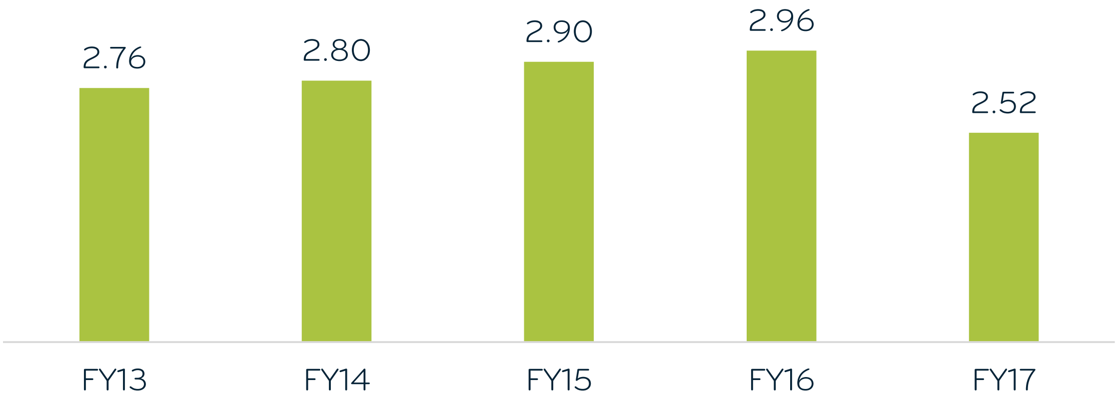


...AND SAFELY

- Decision to turn off power, wherever possible, when working on the electricity network puts safety first
- TRIFR result for FY17 slightly higher at 8.18, but on track to achieve longer-term goal of <6
- LTIFR reduced by 15%
- Achieved certification to AS/NZS 4801 and ISO 14001 for our Health Safety & Environment Management System
- OnGas won Safeguard Workplace Best Initiative to address a Health Risk Award

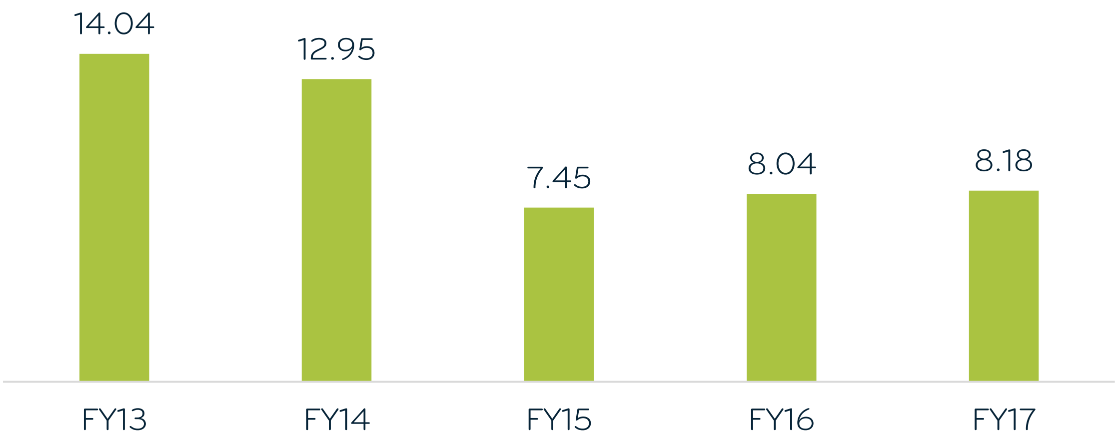
Total Lost Time Injury Frequency Rate (LTIFR)

Number of lost time injuries per million hours worked, including contractors



Total Recordable Injury Frequency Rate (TRIFR)

Number of recordable injuries per million hours worked, including contractors

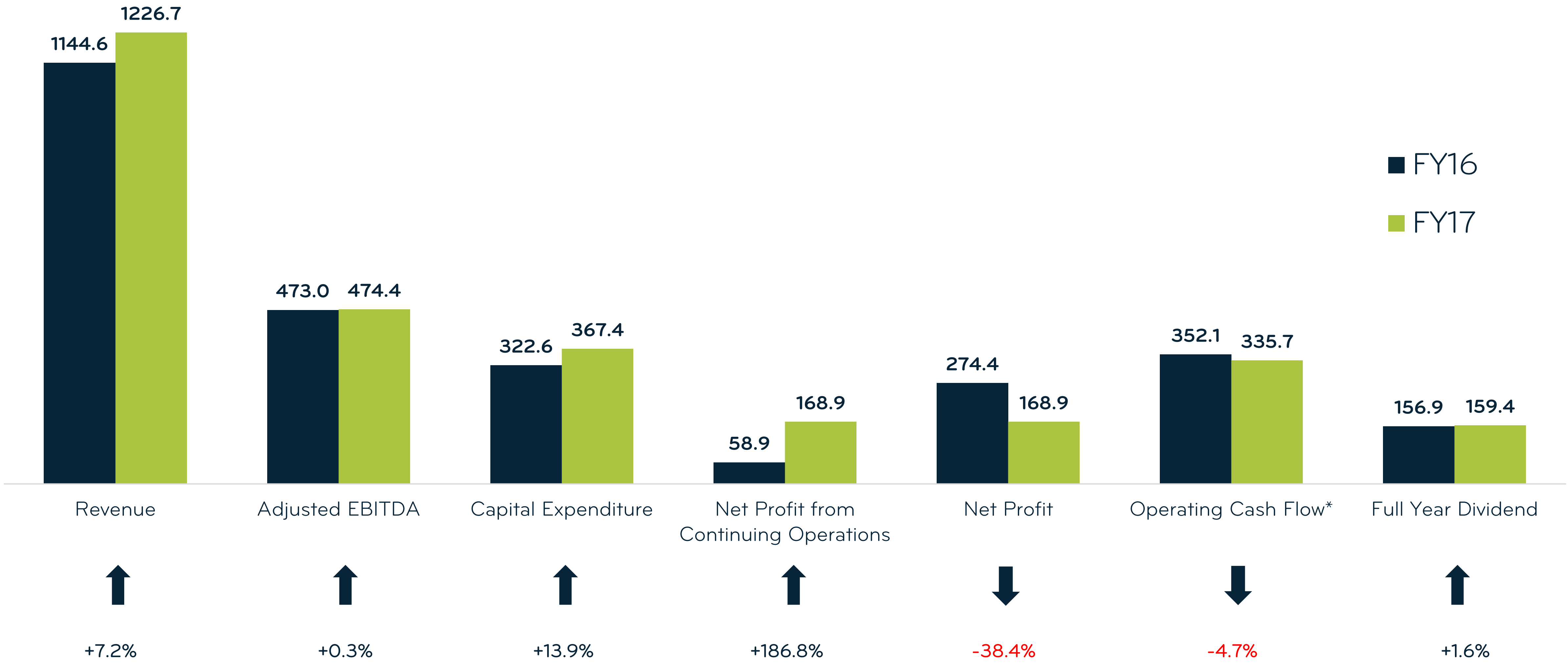


Vector

DAN MOLLOY

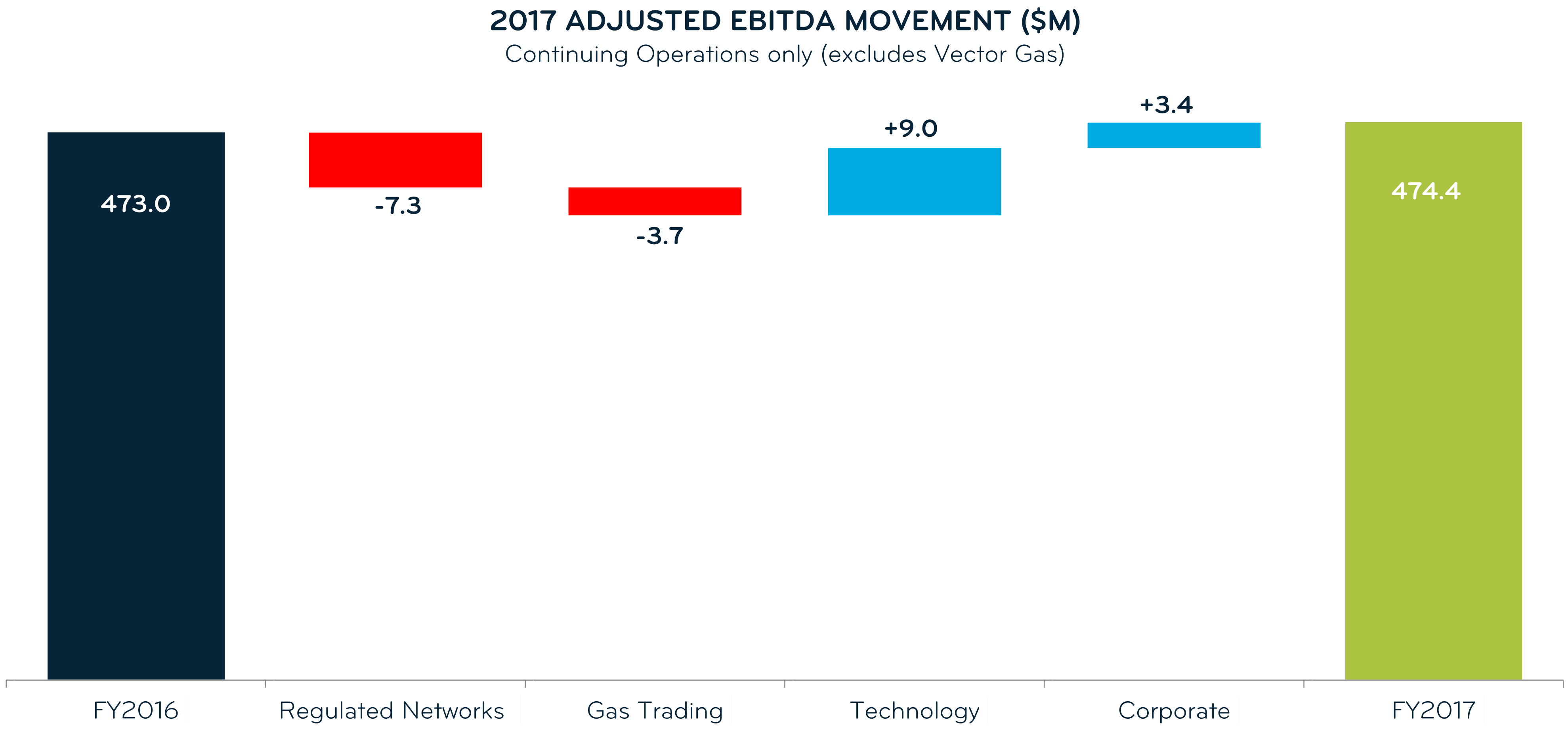
CHIEF FINANCIAL OFFICER

OVERVIEW OF FINANCIAL PERFORMANCE



* Operating cash flow in prior period includes discontinued operations
Adjusted EBITDA is not a GAAP measure of profit. For a reconciliation of adjusted EBITDA to EBITDA and net profit refer to page 32 of this presentation.

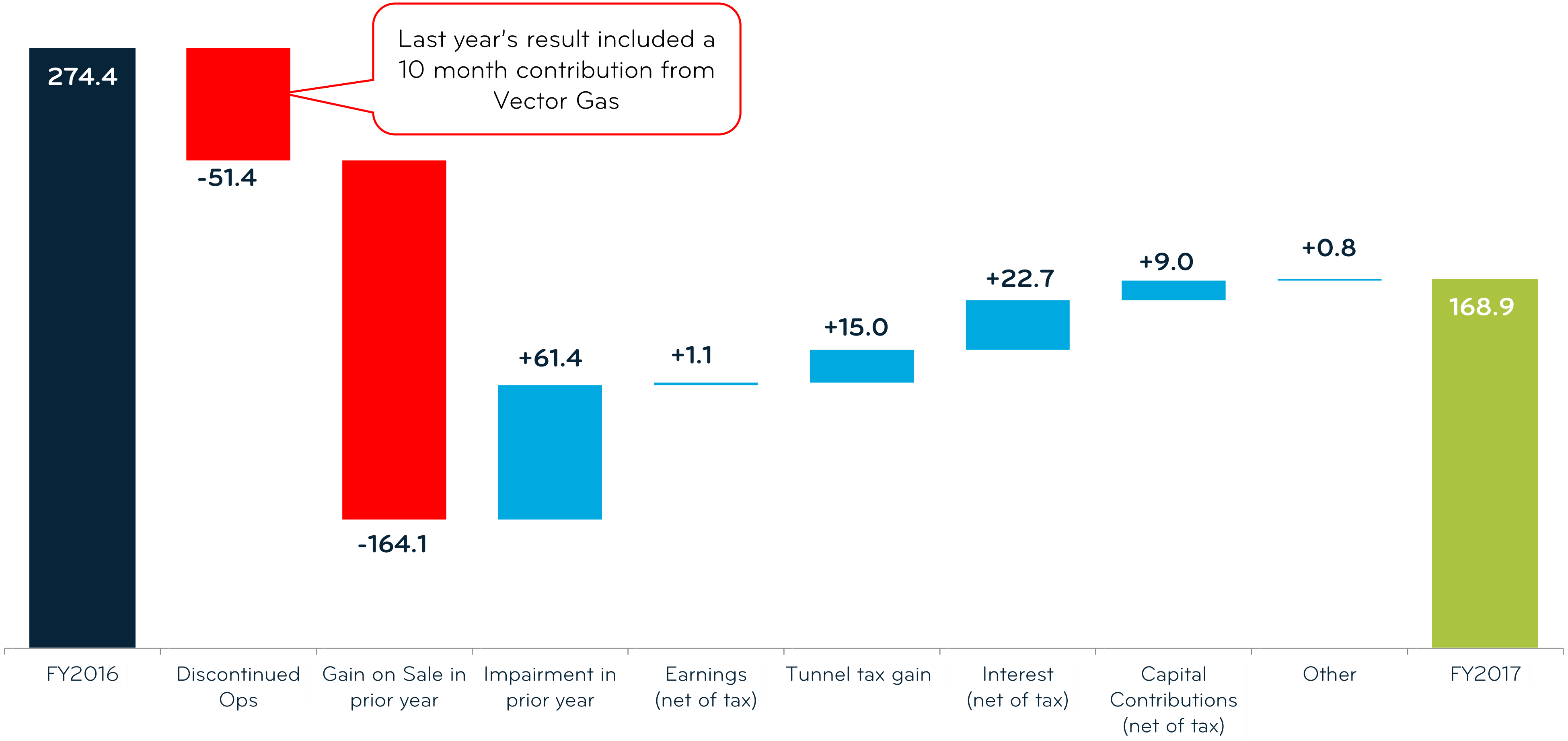
EARNINGS GROWTH IN TECHNOLOGY OFFSET BY NETWORKS & GAS TRADING



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

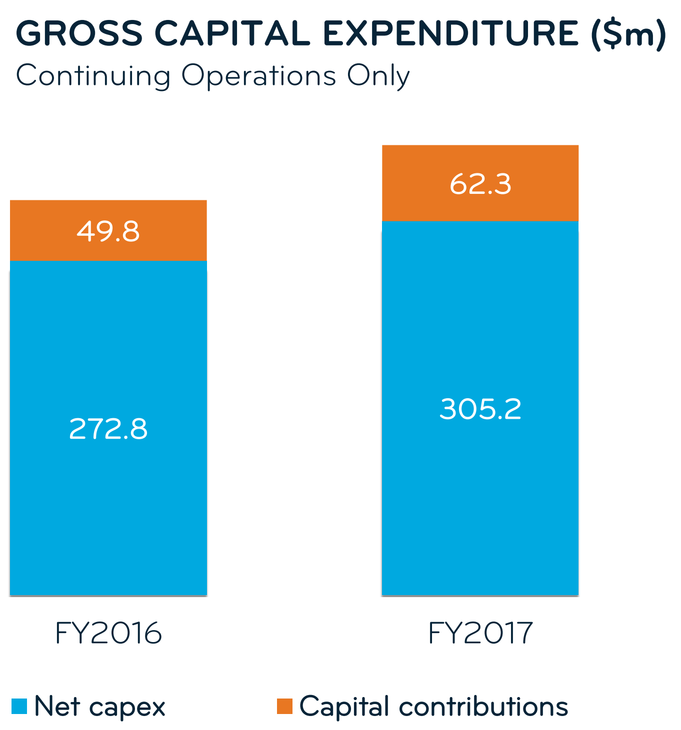
UNDERLYING NET PROFIT UP ON BACK OF CAPITAL CONTRIBUTIONS, LOWER INTEREST & TUNNEL TAX GAIN

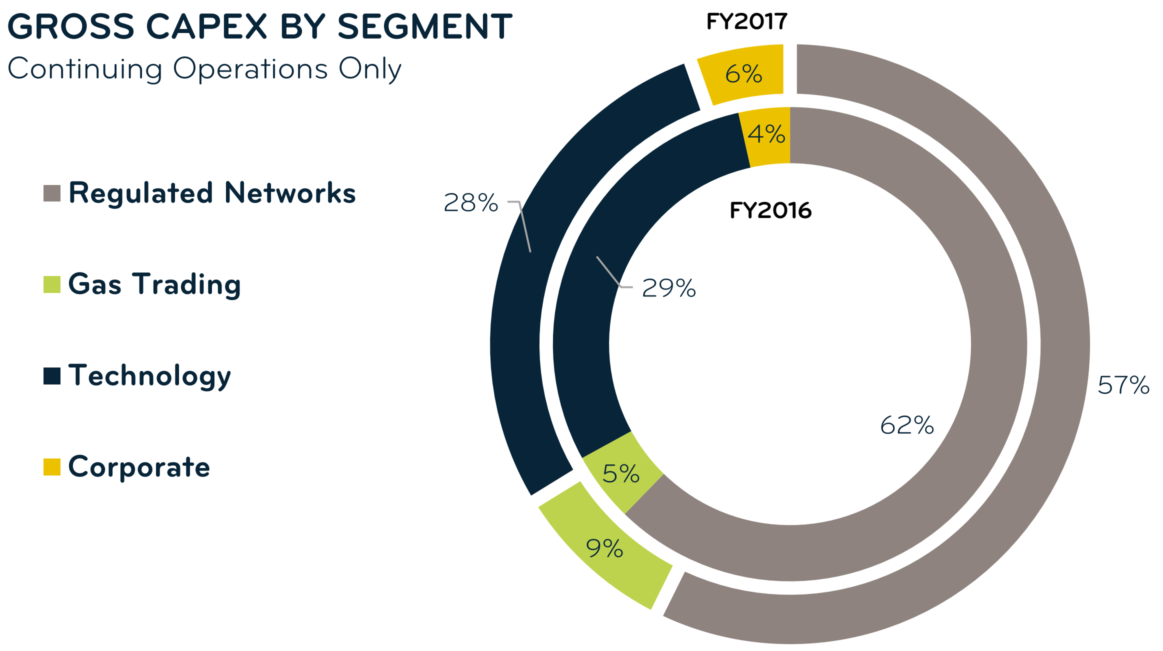
MOVEMENT IN NET PROFIT AFTER TAX ($M)



Other includes depreciation, prior period tax washup, associates and fair value change on financial instruments

RE-INVESTMENT INTO AUCKLAND & METERING GROWTH

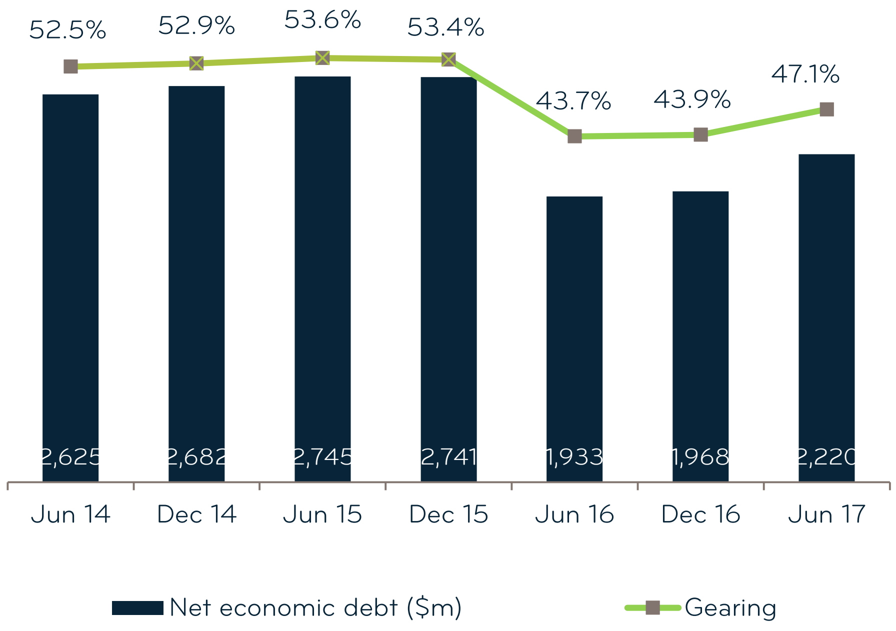




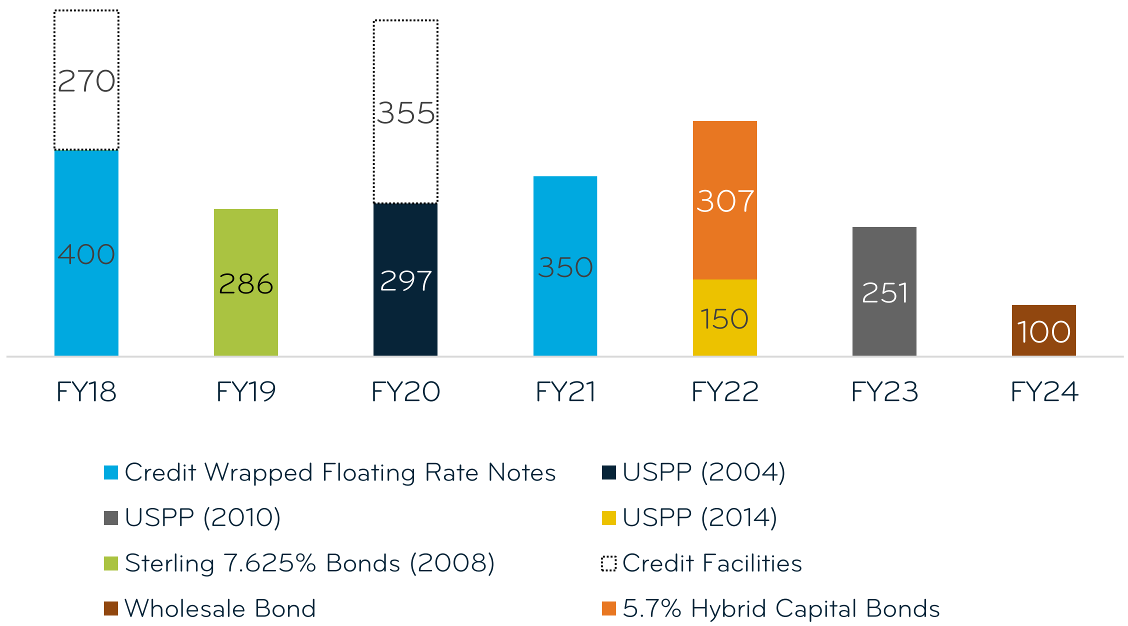
- Gross capex up 13.9% to $367.4m. Net capex (after contributions) up 11.9% at $305.2m
- Growth capex up 23.0% to $228.3m. Replacement capex up 1.5% to $139.1m

$762M OF REFINANCING IN FY2017

NET ECONOMIC DEBT & GEARING ($m)



GROUP DEBT MATURITY ($m)



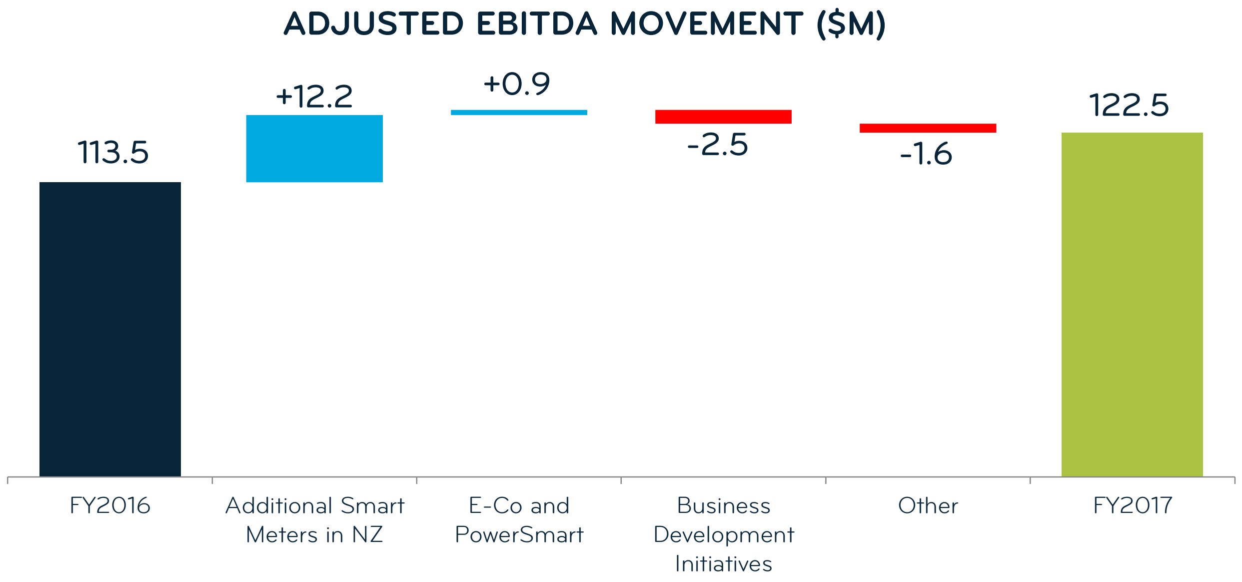
- Gearing now 47.1%
- Refinancing in FY2017 included $355m of bank facilities, $100m 7 year NZ wholesale bond and $307m of capital bonds

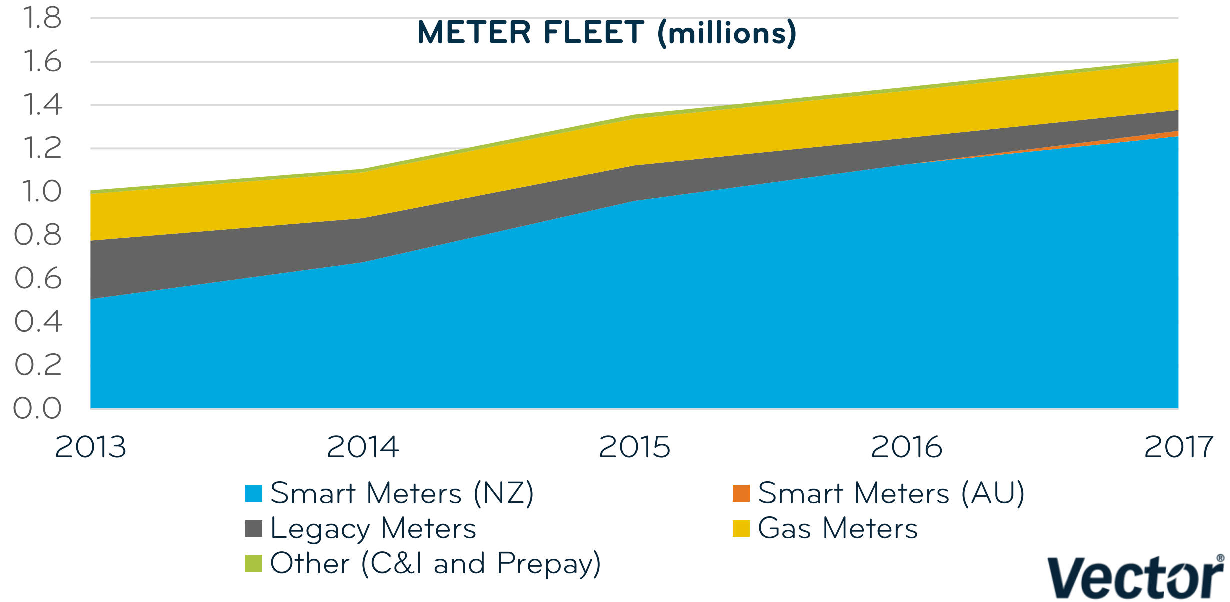
SIMON MACKENZIE

GROUP CHIEF EXECUTIVE

TECHNOLOGY RESULT DRIVEN BY SMART METER ROLLOUT

- Deployed almost 145,000 smart meters in NZ and more than 24,200 in Australia. Smart meter fleet now at 1.28 million (owned & managed)
- Expect to install 80,000 – 100,000 meters in NZ in FY18, at which point Vector's NZ smart meter rollout will be largely complete
- Australian FY18 deployment volumes depend on outcome of retailer procurement processes for competitive metering post Power of Choice go live on 1 December
- Technology segment result includes E-Co Products Group & PowerSmart from 1 April
- Gains from smart meter rollout & acquisitions diluted by business development costs for new energy technologies & Australian metering





NEW ACQUISITIONS PROVIDE CHANNELS FOR RESIDENTIAL & COMMERCIAL NEW ENERGY TECHNOLOGIES

- Acquired E-Co Products Group (trading as HRV and EES) & PowerSmart on 31 March 2017 for $106m
- E-Co Products Group offers healthy home solutions direct to consumer: ventilation, heat-pumps, water filters, retrofit double glazing
- E-Co Products Group to expand its energy efficient home solutions, including residential solar, batteries & hot water heat-pumps
- PowerSmart is a leading provider of commercial solar solutions & solar/battery microgrids
- PowerSmart will be Vector's channel for commercial solar/battery in Australasia; will deliver 5MW battery solution to Territory Generation in Northern Territory
- Combined revenue of $84m & EBITDA of $13m in 12 months to 31 March 2017

HRV – For the world's purest invironments™

PowerSmart – SOLAR ELECTRICITY – a greater choice

EES – ENERGY EFFICIENT SOLUTIONS – > the heat pump specialists

10,803
Ventilation system sales & upgrades*

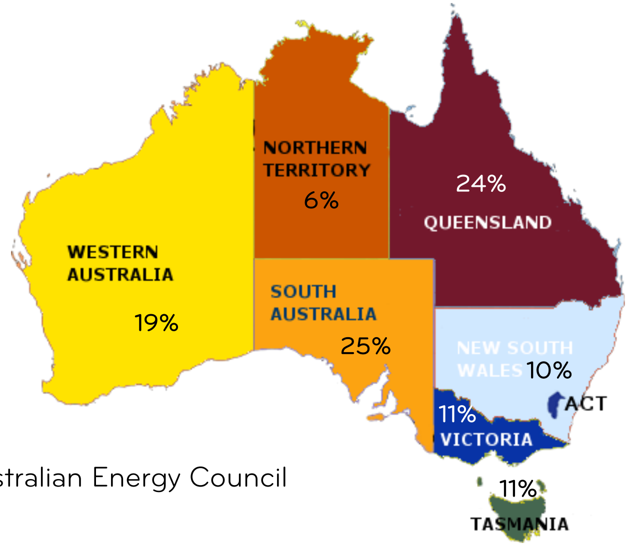
More than
160,000
home visits*

2,740
Heat-pump sales*

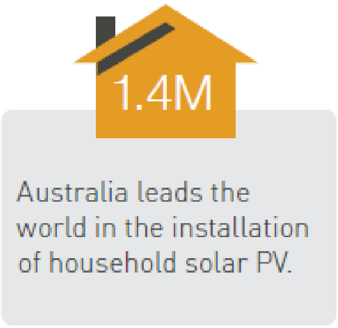
** By E-Co Products in the 12 months ended 30 June 2017*

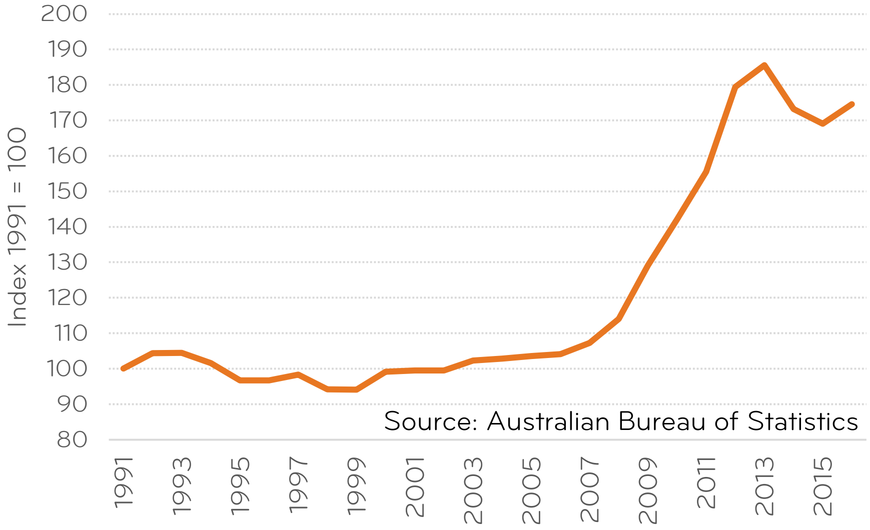
AUSTRALIA ONE OF THE BEST MARKETS FOR NEW ENERGY TECHNOLOGIES

Residential solar penetration: 15% overall



Source: Australian Energy Council



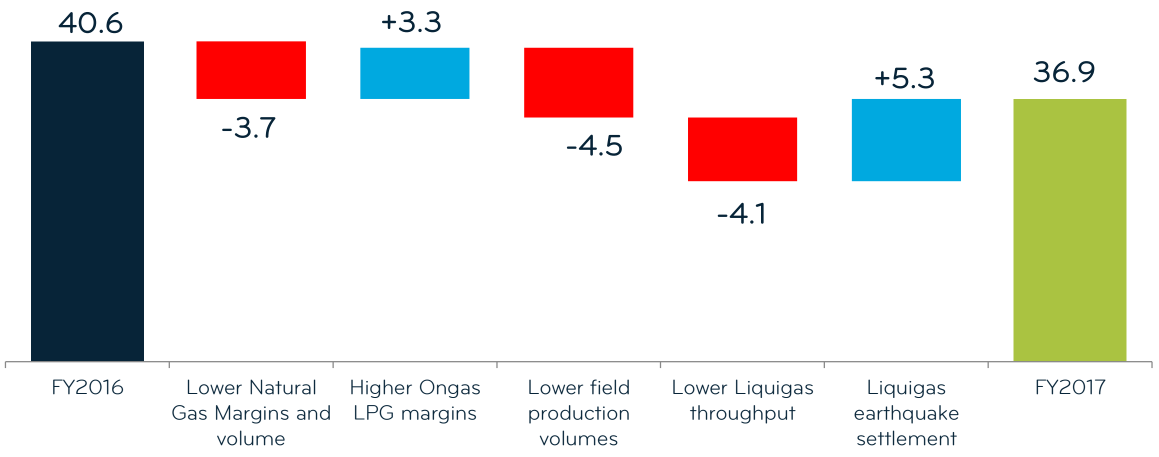


- Power of Choice goes live 1 December - metering becomes competitive, responsibility shifts to retailers (from networks). Almost all retailers now running procurement processes for new & replacement metering services
- Yet to secure significant deployment volumes post 1 December, but we are actively engaged with the major retailers, and with numerous smaller retailers
- Investment in Australian metering to date totals $28.8m as at 30 June 2017 (excluding deployed meters)
- Australia one of best markets for new energy technologies. Solar penetration forecast to double over next 2 years, with c20% of solar homes looking to purchase a battery in same timeframe

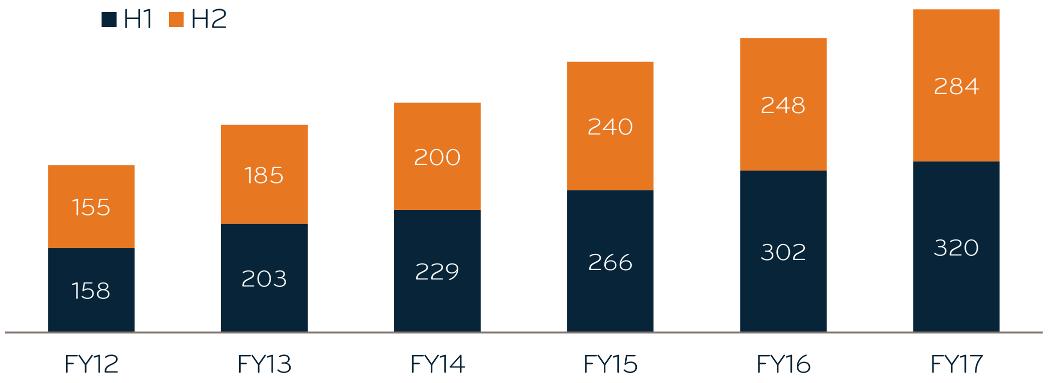
LPG SHOWING STRONG GROWTH

- Natural Gas contribution impacted by strong competition, ongoing lower international hydrocarbon prices and lower Kapuni production
- LPG operations occupy strong market position - increases in bottle swap, bulk & cylinder volumes
  - Bottle swaps (9kg) up 9.9% to 604,391 bottles from 549,998 a year earlier
  - Expect new bottle plant in South Auckland to be operational in time for summer peak
  - OnGas continues to enjoy high levels of customer satisfaction – residential LPG rating of 92%

ADJUSTED EBITDA MOVEMENT ($M)



BOTTLE SWAP VOLUMES ('000 cylinders)

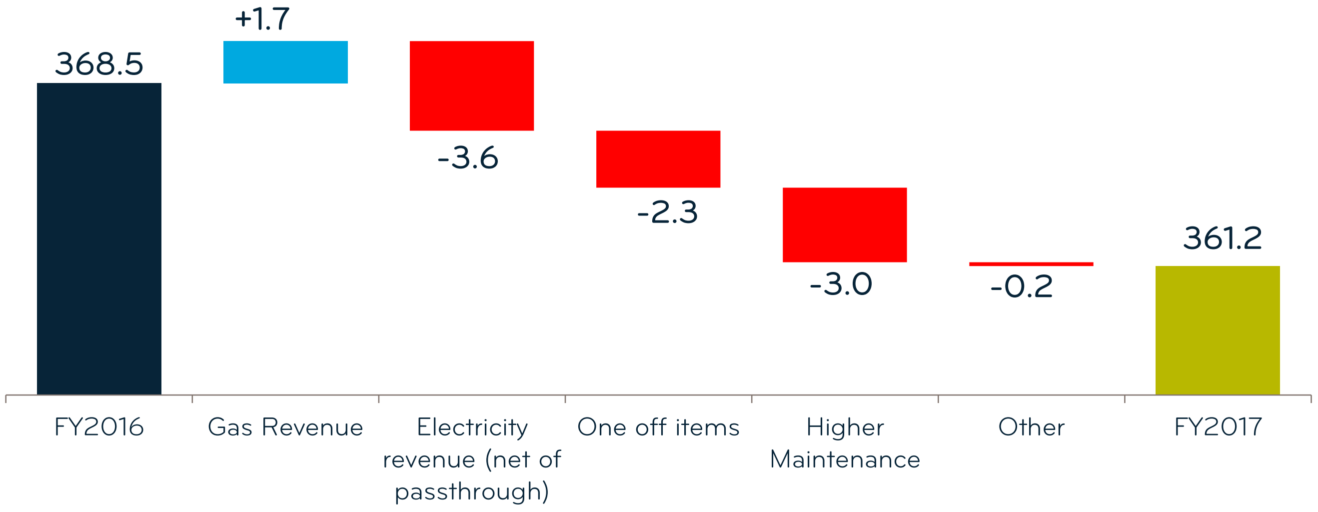


AUCKLAND GROWTH CONTINUES...

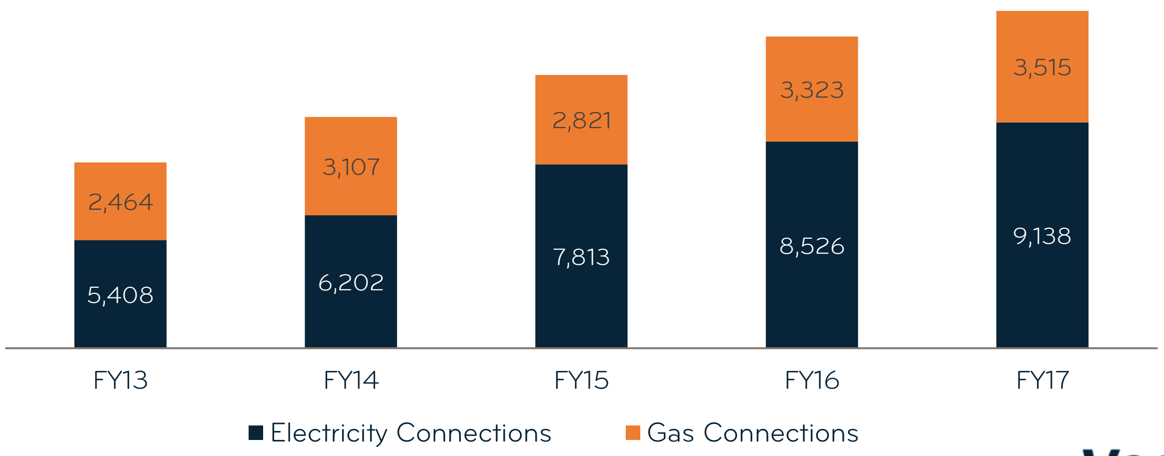
Regulated Networks Segment

- New connections up 7% to 12,653
  - 555,100 electricity connections (up 0.9%)
  - 106,670 gas connections (up 2.3%)
- Gas Volumes up 2.9% to 14.3 PJ
- Capital Contributions up 25.2% to $61.2m driven by connection growth & infrastructure development
- Electricity Regulated Asset Base (RAB) as at 31 March is $2.9b. Gas RAB is c$390m

ADJUSTED EBITDA MOVEMENT ($M)



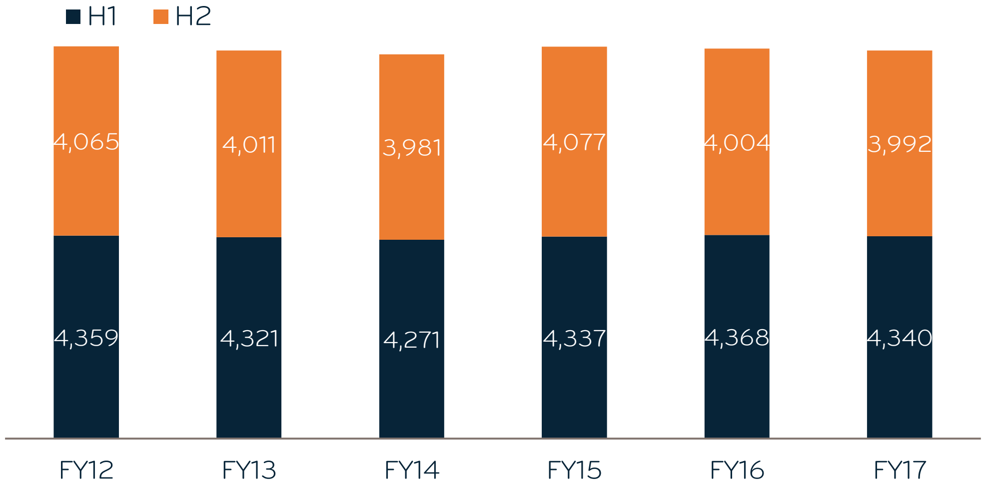
NEW CONNECTIONS



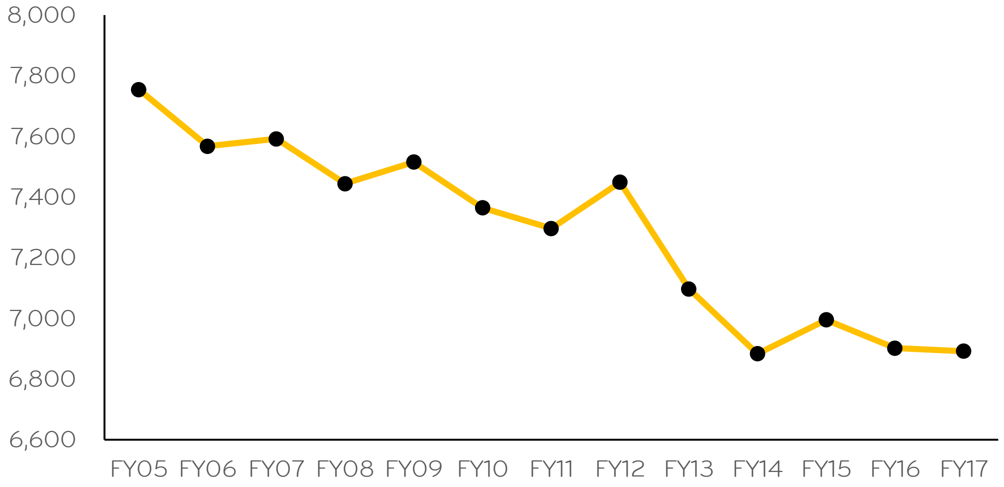
...BUT CONNECTION GROWTH NOT TRANSLATING TO HIGHER NETWORK EARNINGS

- Despite the connection growth, electricity volumes fell 0.5% due to continued fall in household consumption
- Final decision on default price path for gas will see prices reduce by c14% from 1 October 2017
- Settlement with Commerce Commission for unintentional breach of price cap will see $13.9m[1] returned to Auckland consumers from 1 April 2018 (expected FY18 EBITDA impact is $0.9m, $4.3m in FY19 and $5.0m in FY20)
- SAIDI/SAIFI quality breaches to reduce revenue by c$4m pa from 1 April 2018
- As a result of these factors, Networks EBITDA is expected to be largely flat to next reset (1 April 2020)
- At this stage we estimate a Po of c5% at 2020 electricity reset, although this is very sensitive to numerous assumptions
  - A 50bp change in the risk free rate can result in a c$16m pa change to revenue in the next DPP period

ELECTRICITY VOLUMES (GWH)



RESIDENTIAL POWER CONSUMPTION (kWh)*



*Annual consumption per residential ICP

[1] *Includes an interest charge of $3.8m*

OUTLOOK

- Expect largely flat Network earnings through to 2020
  - Auckland growth to continue. Expect circa 10,000 new electricity connections in FY18
  - Declining consumption, gas reset, settlement with Commerce Commission, de-energised work practices, and ongoing SAIDI/SAIFI breaches counteracting the impact of growth
  - Current interest rate projections suggest earnings uplift at 2020 electricity reset, driven primarily by RAB growth (although this is very sensitive to numerous assumptions, especially the risk free rate prevailing in late 2019)
- Continued diversification into unregulated adjacencies
  - 80,000-100,000 smart meters in NZ in FY18 (this will largely complete Vector's NZ smart meter mass deployment)
  - Well-positioned for metering success in Australia, but must win competitive contracts over next 4-6 months
  - New energy technologies via PowerSmart & E-Co Products Group
- Expect adjusted EBITDA for FY18 at or around FY17 result
- Absent Australian metering, expect net capex in FY18 to be in line with FY17 spend of $305 million

Q&A

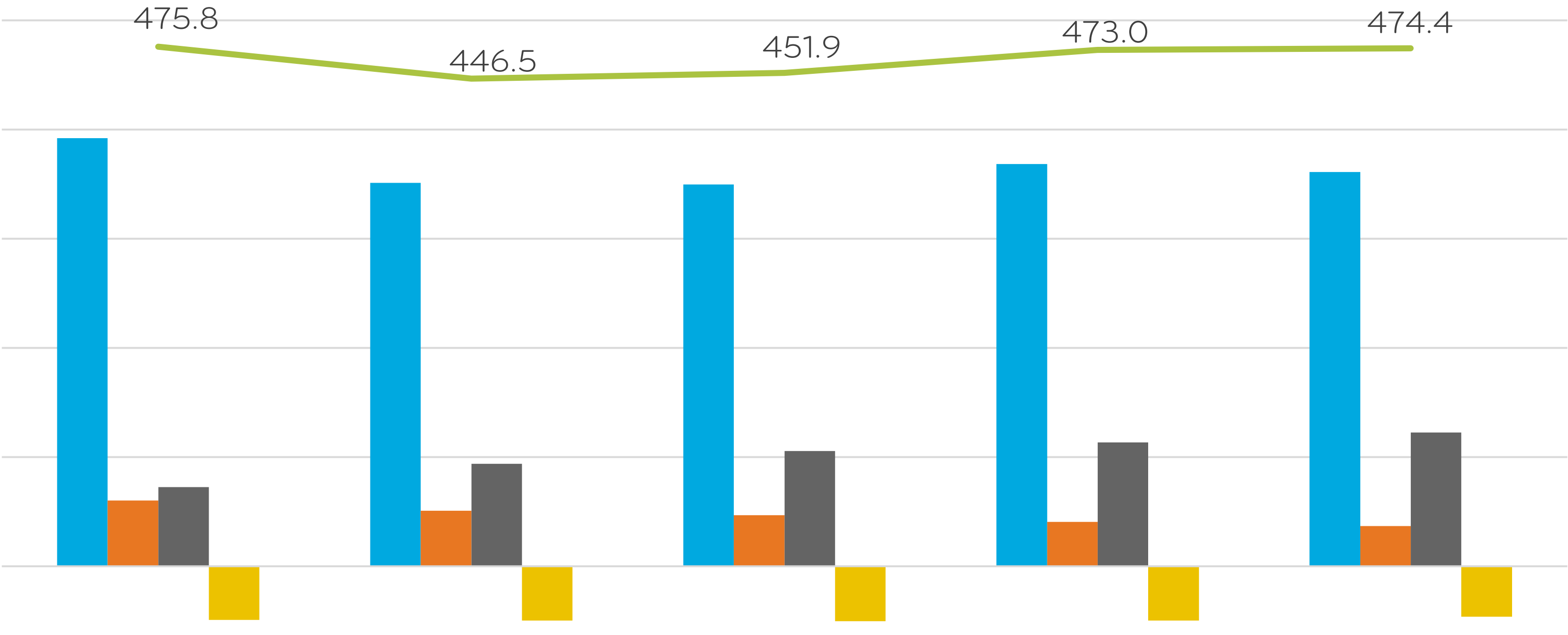
ANY QUESTIONS?

APPENDICES

5 YEAR ADJUSTED EBITDA PERFORMANCE BY SEGMENT

Adjusted EBITDA (Continuing Operations Only)

$million
For the year ended 30 June



	FY2013	FY2014	FY2015	FY2016	FY2017
Regulated Networks	391.9	351.1	349.7	368.5	361.2
Gas Trading	60.4	50.9	46.9	40.6	36.9
Technology	72.7	94.0	105.5	113.5	122.5
Corporate	(49.1)	(49.6)	(50.2)	(49.6)	(46.2)
Total Group	475.8	446.5	451.9	473.0	474.4

Vector

GROUP PROFIT STATEMENT
YEAR ENDED 30 JUNE ($M)

INCOME STATEMENT	2017 $m	2016 $m	Change %
Revenue (excluding capital contributions)	1,164.4	1,094.8	+6.4
Operating expenditure	(690.0)	(621.8)	-11.0
Adjusted EBITDA	**474.4**	**473.0**	**+0.3**
Capital Contributions	62.3	49.8	+25.1
Depreciation and amortisation	(199.6)	(194.6)	-2.6
Net interest costs	(137.3)	(168.8)	+18.7
Fair value change on financial instruments	1.6	2.3	-30.4
Associates (share of net profit/(loss))	1.6	2.8	-42.9
Tax	(34.1)	(44.3)	+23.0
Impairment	-	(61.4)	-
Net profit for the period from Continuing operations	**168.9**	**58.9**	**+186.8**
Net profit for the period from Discontinued operations (net of tax)	**-**	**215.5**	**-**
Net profit for the period	**168.9**	**274.4**	**-38.4**

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GROUP CASH FLOW [1]

YEAR ENDED 30 JUNE ($M)

CASH FLOW	2017 $m	2016 $m
Operating cash flow	335.7	352.1
Replacement capex	(137.0)	(144.4)
Dividends paid	(161.0)	(159.2)
Cash available for growth and debt repayment	**37.7**	**48.5**
Growth capex	(217.2)	(195.7)
Acquisitions	(91.0)	0.0
Proceeds from sale of discontinued operations	(0.1)	960.0
Other investment activities	0.4	(0.4)
Pre debt financing cash (outflow)/inflow	**(270.2)**	**812.2**
Increase/(decrease) in borrowings	(33.6)	(499.0)
Other financing activities	(2.7)	(0.1)
Increase/(decrease) in cash	**(306.5)**	**313.1**

1 Prior year includes continuing and discontinued operations

SEGMENT RESULTS

YEAR ENDED 30 JUNE ($M)

	REGULATED NETWORKS			TECHNOLOGY			GAS TRADING			CORPORATE		
	2017	2016	Change %	2017	2016	Change %	2017	2016	Change %	2017	2016	Change %
Revenue excluding Capital Contributions	680.7	677.3	+0.5	212.9	179.1	+18.9	281.8	277.1	+1.7	4.8	2.1	+128.6
Operating expenditure	(319.5)	(308.8)	-3.5	(90.4)	(65.6)	-37.8	(244.9)	(236.5)	-3.6	(51.0)	(51.7)	+1.4
Segment Adjusted EBITDA	**361.2**	**368.5**	**-2.0**	**122.5**	**113.5**	**+7.9**	**36.9**	**40.6**	**-9.1**	**(46.2)**	**(49.6)**	**+6.9**
CAPEX												
Replacement	102.6	104.7	-2.0	11.8	12.6	-6.3	6.4	8.3	-22.9	18.3	11.3	+61.9
Growth	108.0	96.3	+12.1	92.5	82.5	+12.1	26.3	6.9	+281.2	1.5	0.0	n/a
Total capex	**210.6**	**201.0**	**+4.8**	**104.3**	**95.1**	**+9.7**	**32.7**	**15.2**	**+115.1**	**19.8**	**11.3**	**+75.2**

Vector

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 or considered as a substitute for measures reported by Vector in accordance with NZ IFRS.

Definitions

EBITDA
Earnings before interest, taxation, depreciation and amortisation.

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

Year ended 30 June	**2017** $M	**2016** $M
Reported net profit for the period (GAAP)	168.9	58.9
Add back: net interest costs[1]	137.3	168.8
Add back: tax (benefit)/expense[1]	34.1	44.3
Add back: depreciation and amortisation[1]	199.6	194.6
EBITDA	**539.9**	**466.6**
Adjusted for:		
Associates (share of net (profit)/loss) [1]	(1.6)	(2.8)
Fair value change on financial instruments[1]	(1.6)	(2.3)
Impairment	-	61.4
Capital Contributions	(62.3)	(49.8)
Adjusted EBITDA	**474.4**	**473.0**

1 Extracted from audited financial statements

SEGMENT ADJUSTED EBITDA

SEGMENT ADJUSTED EBITDA ($m)	2017			2016		
Year ended 30 June	Reported segment EBITDA	less capital contributions	Segment adjusted EBITDA	Reported segment EBITDA	less capital contributions	Segment adjusted EBITDA
Technology	123.6	(1.1)	122.5	114.4	(0.9)	113.5
Gas Trading	36.9	0.0	36.9	40.6	0.0	40.6
Unregulated Segments	**160.5**	**(1.1)**	**159.4**	**155.0**	**(0.9)**	**154.1**
Regulated Networks Continuing	422.4	(61.2)	361.2	417.4	(48.9)	368.5
Regulated Networks Discontinued	0.0	0.0	0.0	79.1	(3.8)	75.3
Regulated Segments	**422.4**	**(61.2)**	**361.2**	**496.5**	**(52.7)**	**443.8**
Corporate	**(46.2)**	**0.0**	**(46.2)**	**(49.6)**	**0.0**	**(49.6)**
TOTAL	**536.7**	**(62.3)**	**474.4**	**601.9**	**(53.6)**	**548.3**
TOTAL - Continuing Operations Only	**536.7**	**(62.3)**	**474.4**	**522.8**	**(49.8)**	**473.0**

Vector®