

FINANCIAL & OPERATIONAL RESULTS

HALF YEAR ENDED 31 DECEMBER 2017

28 February 2018



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

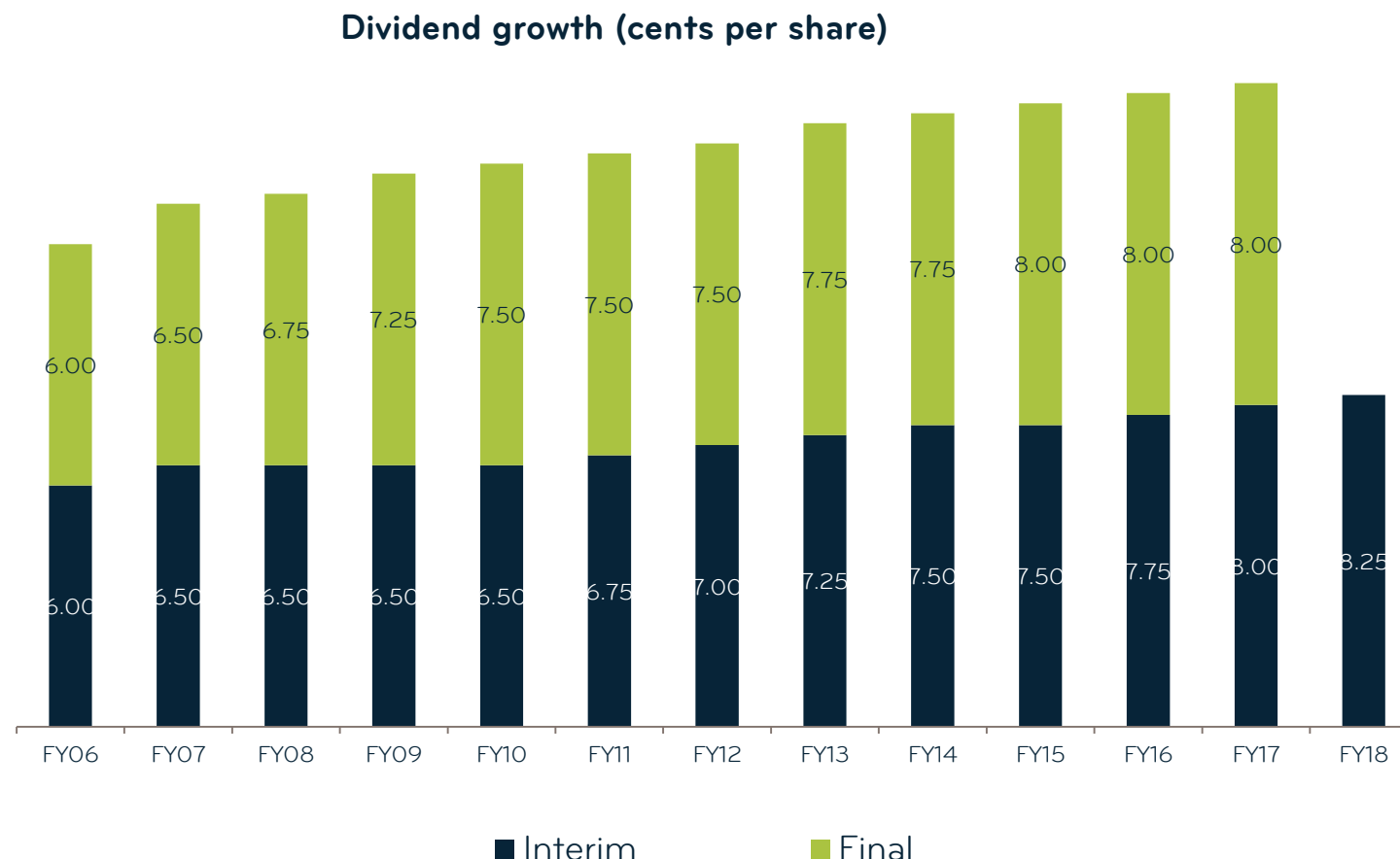
AGENDA

- Dividend
- FY2018 H1 Operational Highlights
- Financial Performance
- Segment Performance
- Outlook
- Q & A
- Appendices



INTERIM DIVIDEND INCREASES TO 8.25 CPS

- Half year dividend 8.25 cents
 - Up 0.25 cps on prior year
 - Fully imputed
- Board has approved a progressive dividend policy of at least 0.25 cps increase each year, contingent on:
 - Maintaining a BBB credit rating
 - Complying with funding covenants
 - Ensuring we have the financial capacity to meet medium term investment and operating requirements
- Dividend policy will be reviewed once parameters for 2020 electricity reset are confirmed



SIMON MACKENZIE

GROUP CHIEF EXECUTIVE

FY2018 H1 OPERATIONAL HIGHLIGHTS

- Regulated Networks and Gas Trading performing as expected. Technology result below expectations
- Australian Metering business successfully mobilised for Power of Choice launch
 - Deployment contracts with four leading retailers
- New gas bottling plant commissioned
 - 1st safety case to be approved for a new major hazard facility
- Launched HRV solar in Auckland, rest of NZ to follow (www.hrvsolar.co.nz)
- PowerSmart projects in Alice Springs and South Pacific
- Lighting of Auckland Harbour Bridge
- mPrest internet of energy solution being implemented on Vector's network

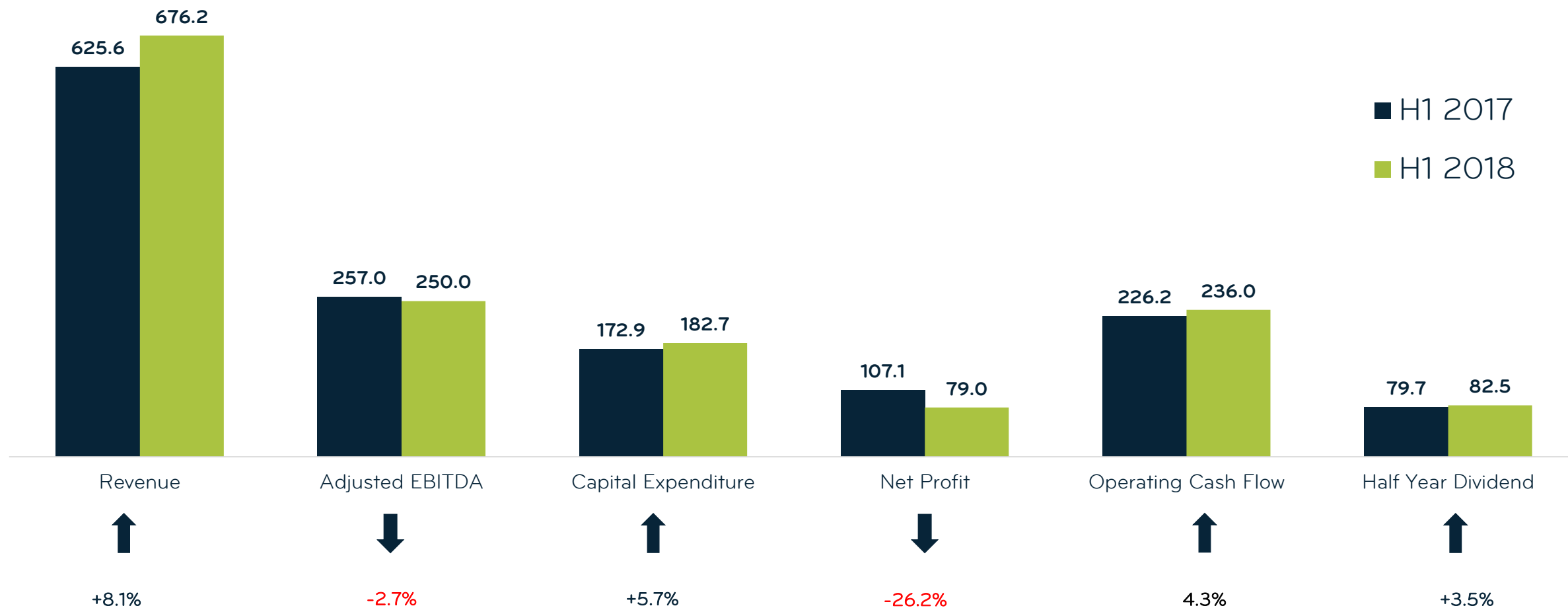


DAN MOLLOY

CHIEF FINANCIAL OFFICER

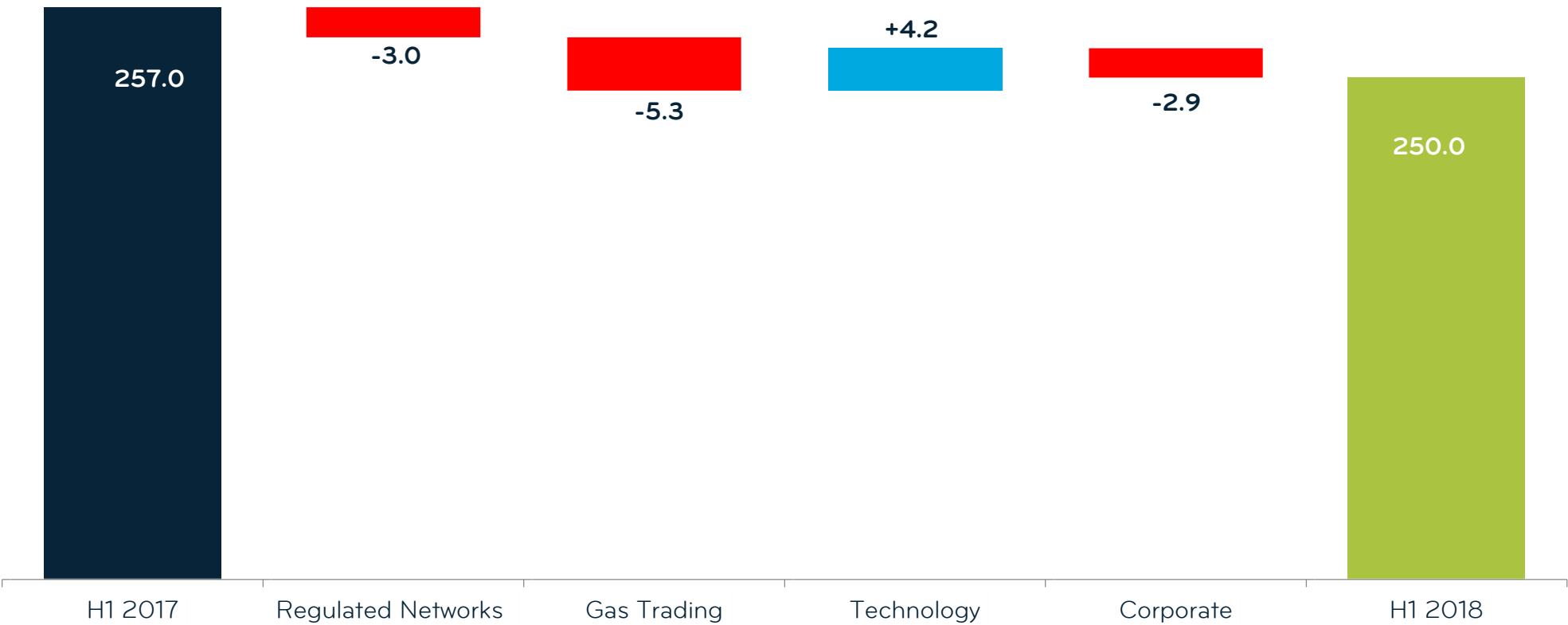
OVERVIEW OF FINANCIAL PERFORMANCE

H1 2018 FINANCIAL PERFORMANCE (\$M)

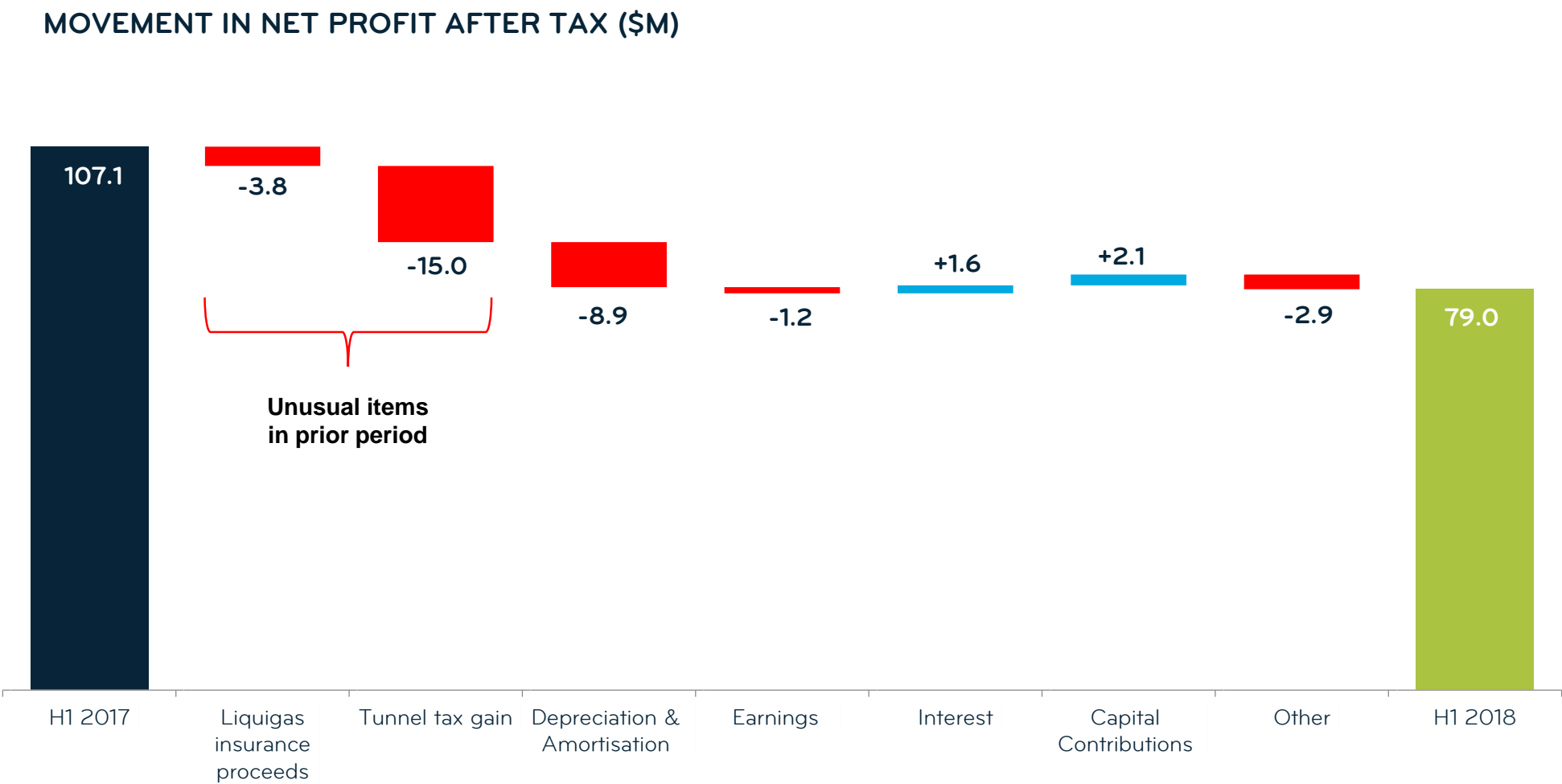


EARNINGS GROWTH IN TECHNOLOGY OFFSET BY OTHER SEGMENTS

H1 2018 ADJUSTED EBITDA MOVEMENT (\$M)



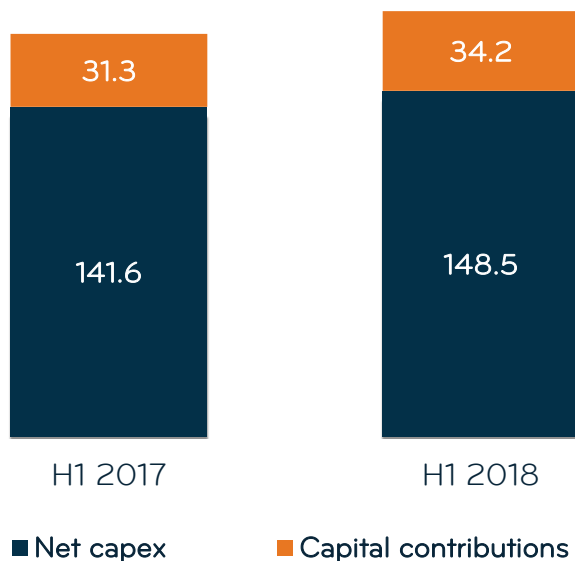
NET PROFIT IMPACTED BY HIGHER DEPRECIATION & UNUSUAL ITEMS IN PRIOR PERIOD



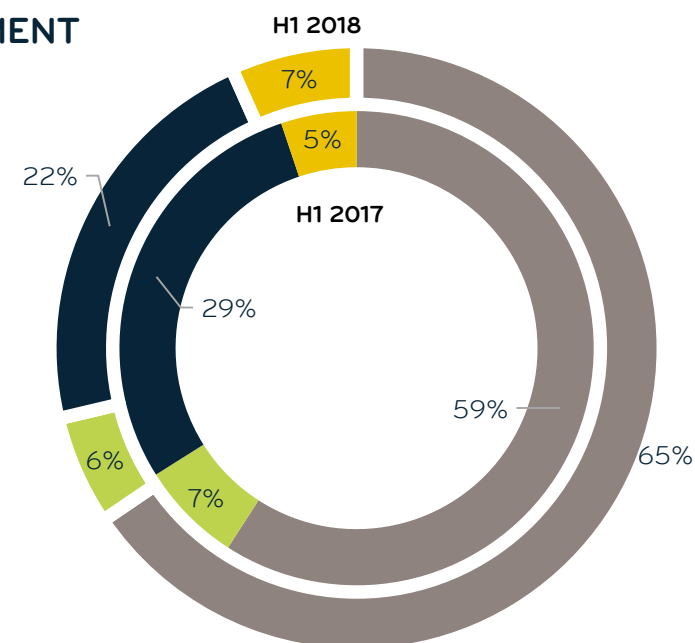
All items above are net of tax.
"Other" includes prior period tax washup, associates and fair value change on financial instruments

NETWORK CAPEX UP 17% DRIVEN BY CONNECTION GROWTH

GROSS CAPITAL EXPENDITURE (\$m)



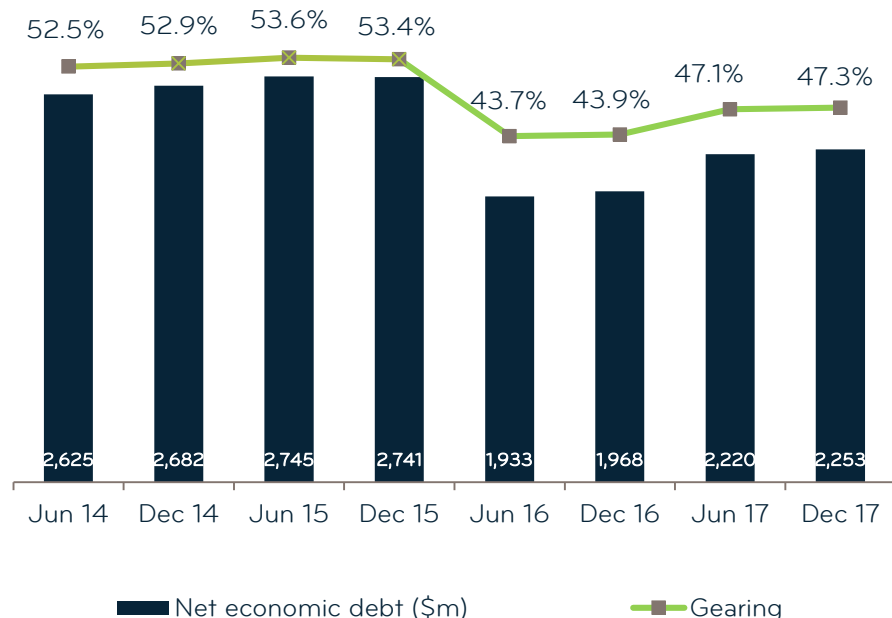
GROSS CAPEX BY SEGMENT



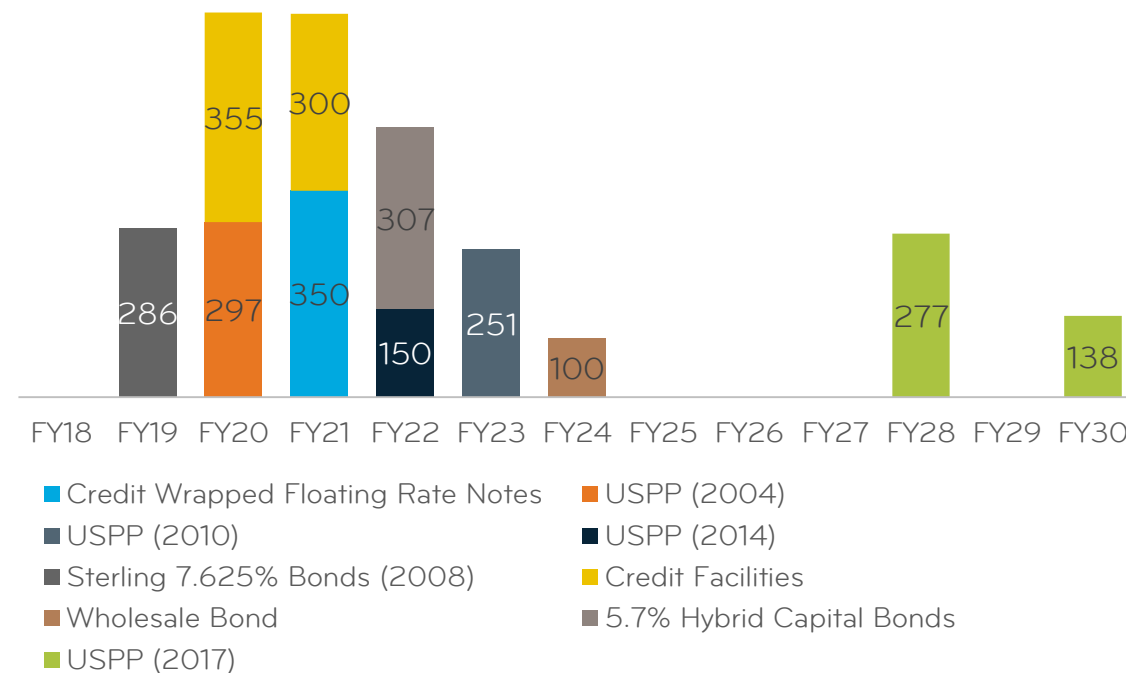
- Gross capex up 5.7% to \$182.7m. Net capex (after contributions) up 4.9% to \$148.5m
- Growth capex down 3.1% to \$108.1m. Replacement capex up 21.7% to \$74.6m

\$1.5B OF REFINANCING COMPLETED IN LAST 12 MONTHS

NET ECONOMIC DEBT (\$M) & GEARING (%)



GROUP DEBT MATURITY (\$M)



- Gearing now 47.3%
- \$715m refinancing for the half year - \$415m USPP & \$300m bank facilities
- Strong demand for Vector credit - USPP 3x oversubscribed

SIMON MACKENZIE

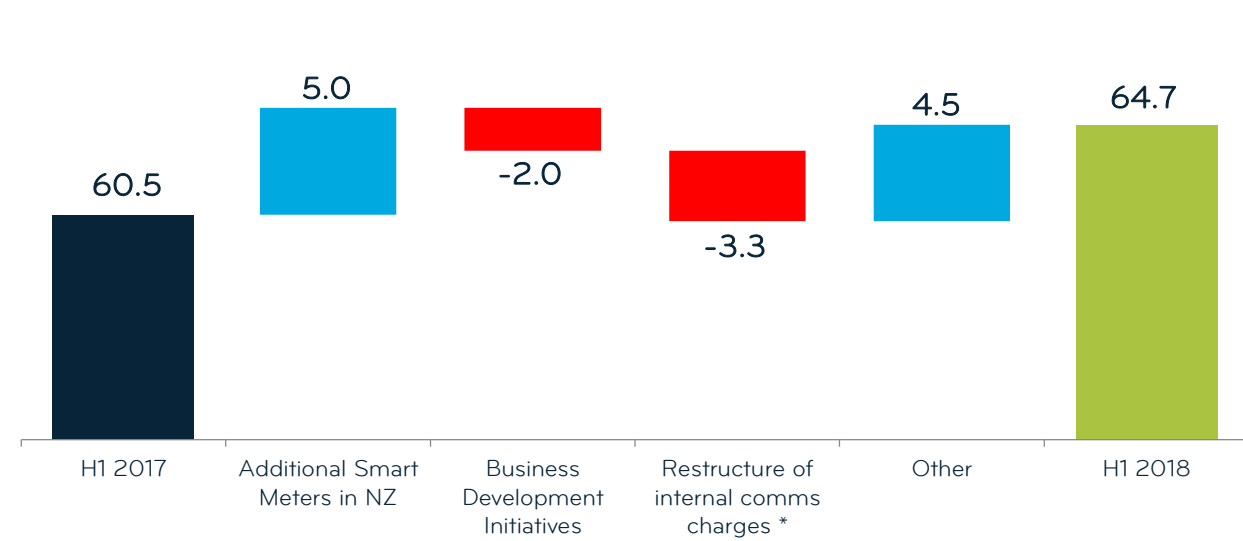
GROUP CHIEF EXECUTIVE

TECHNOLOGY RESULT DRIVEN BY SMART METER ROLLOUT

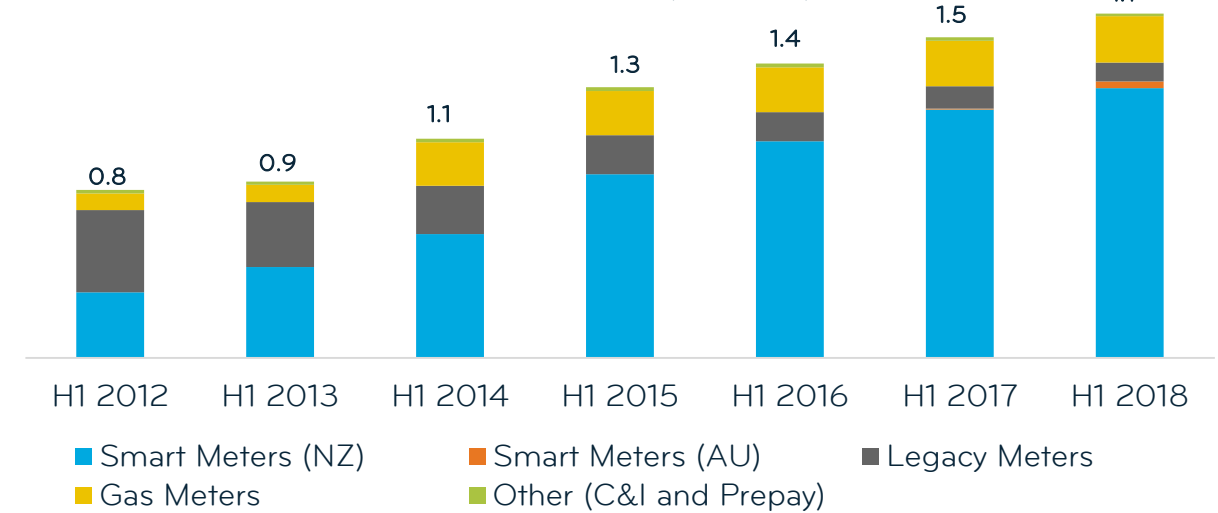
Technology Segment

- Gains from smart meter rollout & acquisitions diluted by business development costs for new energy technologies & Australian metering
- Deployed 44,804 smart meters in NZ & 7,515 in Australia. Smart meter fleet now at 1.33 million (owned & managed)
- On track to install 80,000 – 100,000 meters in NZ in FY18, at which point Vector's NZ smart meter rollout will be largely complete
- Deployment contracts with four leading retailers in Australia. Currently deploying more than 1,000 meters per week
- Performance from E-Co & PowerSmart impacted by integration costs, timing of new contracts and gearing up for HRV Solar

ADJUSTED EBITDA MOVEMENT (\$M)



METER FLEET (millions)



* There is a corresponding offset included in Regulated Networks segment

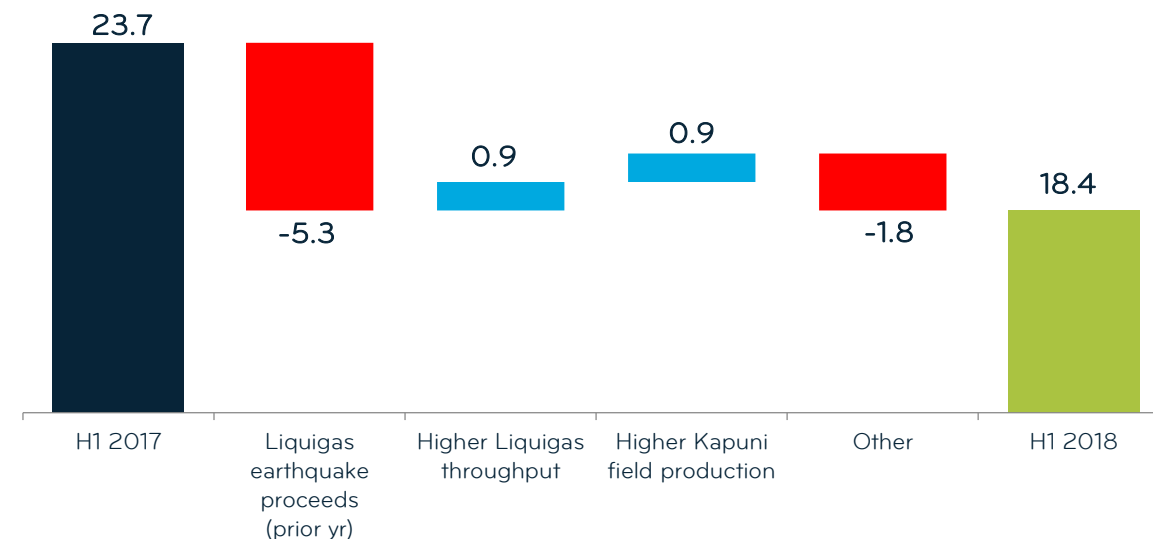


ABSENT LAST YEAR'S INSURANCE SETTLEMENT, GAS TRADING EARNINGS ARE FLAT

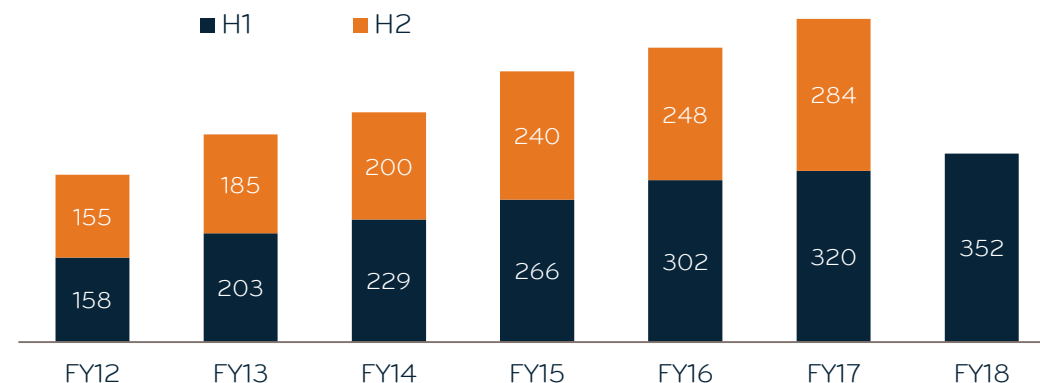
Gas Trading
Segment

- Increased Kapuni production & higher Liquigas throughput
- New bottle plant in South Auckland is now operational
 - Bottle swaps (9kg) up 10.1% to 351,962 bottles from 319,685 a year earlier
 - New plant to drive higher margins in H2

ADJUSTED EBITDA MOVEMENT (\$M)



BOTTLE SWAP VOLUMES ('000 cylinders)

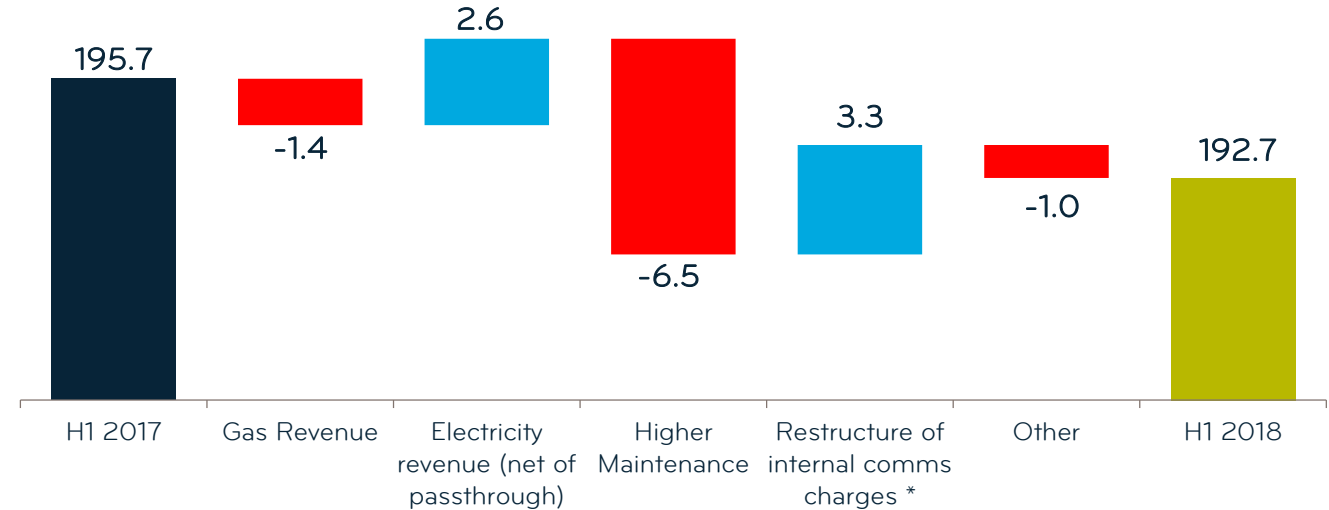


NETWORK EARNINGS IMPACTED BY HIGHER MAINTENANCE

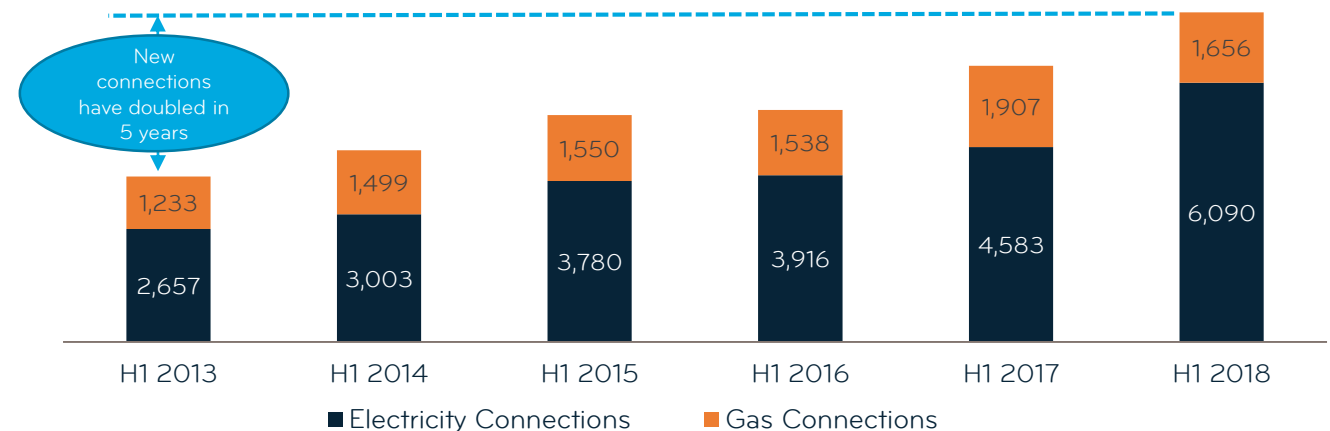
Regulated
Networks
Segment

- New connections up 19.4% to 7,746
 - 559,777 electricity connections (up 1.2%)
 - 108,270 gas connections (up 2.2%)
- Despite connection growth, electricity volumes only up 0.3% to 4,352 GWh
- Gas Volumes up 1.3% to 7.7 PJ
- Capital Contributions up 9.7% to \$33.8m driven by connection growth & infrastructure development
- Gas price reduction of 14% from 1 October
- Increase in maintenance spend driven by additional vegetation and planned maintenance

ADJUSTED EBITDA MOVEMENT (\$M)



NEW CONNECTIONS



* There is a corresponding offset included in Technology segment

OUTLOOK

- Strong connection growth in Networks, but not flowing to earnings
 - Gas Reset price reduction of 14% from 1 October 2017
 - SAIDI/SAIFI penalty impacting revenue by c\$4m from 1 April 2018
 - Commerce Commission LUFC settlement of \$13.9m spread over two regulatory years commencing 1 April 2018
- Metering deployment switching towards Australia
 - 80,000-100,000 smart meters in NZ in FY18 (this will largely complete Vector's NZ smart meter mass deployment)
 - Currently deploying 1,000 meters per week in Australia, expect this to accelerate over H2
- Continue to expect adjusted EBITDA for FY18 at or around FY17 result

Q&A

ANY QUESTIONS?

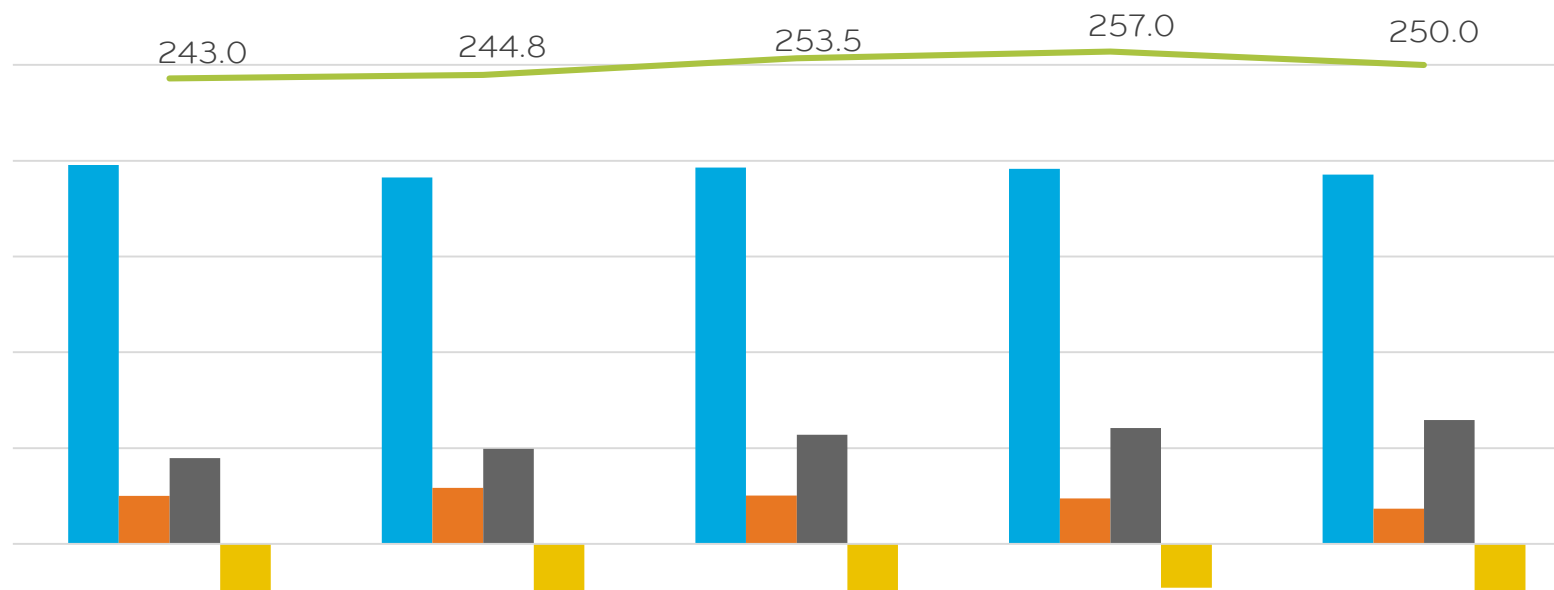
APPENDICES

5 YEAR ADJUSTED EBITDA PERFORMANCE BY SEGMENT

Adjusted EBITDA

\$million

For the half year ended 31 December



	H1 2014	H1 2015	H1 2016	H1 2017	H1 2018
Regulated Networks	197.7	191.3	196.4	195.7	192.7
Gas Trading	25.1	29.3	25.2	23.7	18.4
Technology	44.8	49.7	57.0	60.5	64.7
Corporate	-24.6	-25.5	-25.1	-22.9	-25.8
Total Group	243.0	244.8	253.5	257.0	250.0

GROUP PROFIT STATEMENT

HALF YEAR ENDED 31 DECEMBER (\$M)

INCOME STATEMENT	H1 2018 \$m	H1 2017 \$m	Change %
Revenue (excluding capital contributions)	642.0	594.3	+8.0
Operating expenditure	(392.0)	(337.3)	-16.2
Adjusted EBITDA	250.0	257.0	-2.7
Capital Contributions	34.2	31.3	+9.3
Depreciation and amortisation	(109.6)	(97.2)	-12.8
Net interest costs	(66.4)	(68.6)	+3.2
Fair value change on financial instruments	2.8	0.0	n/a
Associates (share of net profit/(loss))	(0.1)	1.1	n/a
Tax	(31.9)	(16.5)	-93.3
Net profit for the period	79.0	107.1	-26.2

GROUP CASH FLOW

HALF YEAR ENDED 31 DECEMBER (\$M)

CASH FLOW	H1 2018 \$m	H1 2017 \$m
Operating cash flow	236.0	226.2
Replacement capex	(75.2)	(70.3)
Dividends paid	(80.3)	(80.2)
Cash available for growth and debt repayment	80.5	75.7
Growth capex	(109.6)	(110.0)
Other investment activities	(15.7)	0.1
Pre debt financing cash inflow	(44.8)	(34.2)
Proceeds from borrowings	435.8	0.0
Repayment of borrowings	(400.0)	(98.9)
Other financing activities	12.0	(1.0)
Increase/(decrease) in cash	3.0	(134.1)

SEGMENT RESULTS

HALF YEAR ENDED 31 DECEMBER (\$M)

	REGULATED NETWORKS			TECHNOLOGY			GAS TRADING			CORPORATE		
	H1 2018	H1 2017	Change %	H1 2018	H1 2017	Change %	H1 2018	H1 2017	Change %	H1 2018	H1 2017	Change %
Revenue excluding Capital Contributions	358.9	353.8	+1.4	133.5	97.9	+36.4	153.5	150.2	+2.2	0.8	2.2	-63.6
Operating expenditure	(166.2)	(158.1)	-5.1	(68.8)	(37.4)	-84.0	(135.1)	(126.5)	-6.8	(26.6)	(25.1)	-6.0
Segment Adjusted EBITDA	192.7	195.7	-1.5	64.7	60.5	+6.9	18.4	23.7	-22.4	(25.8)	(22.9)	-12.7
CAPEX												
Replacement	63.7	44.9	+41.9	4.3	5.5	-21.8	2.8	2.1	+33.3	3.8	8.8	-56.8
Growth	55.9	57.3	-2.4	35.9	44.3	-19.0	7.8	9.9	-21.2	8.5	0.1	n/a
Total capex	119.6	102.2	+17.0	40.2	49.8	-19.3	10.6	12.0	-11.7	12.3	8.9	+38.2

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 from continuing operations.

Adjusted EBITDA

EBITDA from continuing operations 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

Half year ended 31 December	H1 2018 \$M	H1 2017 \$M
Reported net profit for the period (GAAP)	79.0	107.1
Add back: net interest costs ¹	66.4	68.6
Add back: tax (benefit)/expense ¹	31.9	16.5
Add back: depreciation and amortisation ¹	109.6	97.2
EBITDA	286.9	289.4
<i>Adjusted for:</i>		
Associates (share of net (profit)/loss) ¹	0.1	(1.1)
Fair value change on financial instruments ¹	(2.8)	0.0
Capital Contributions	(34.2)	(31.3)
Adjusted EBITDA	250.0	257.0

¹ Extracted from audited financial statements

SEGMENT ADJUSTED EBITDA

SEGMENT ADJUSTED EBITDA (\$m)	H1 2018			H1 2017		
	Reported segment EBITDA	less capital contributions	Segment adjusted EBITDA	Reported segment EBITDA	less capital contributions	Segment adjusted EBITDA
Half year ended 31 December						
Technology	65.1	(0.4)	64.7	61.0	(0.5)	60.5
Gas Trading	18.4	-	18.4	23.7	-	23.7
Unregulated Segments	83.5	(0.4)	83.1	84.7	(0.5)	84.2
Regulated Networks	226.5	(34.2)	192.7	226.5	(30.8)	195.7
Corporate	(25.8)	-	(25.8)	(22.9)	0.0	(22.9)
TOTAL	284.2	(34.2)	250.0	288.3	(31.3)	257.0

