FINANCIAL & OPERATIONAL RESULTS

FULL YEAR ENDED 30 JUNE 2016

24 August 2016

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

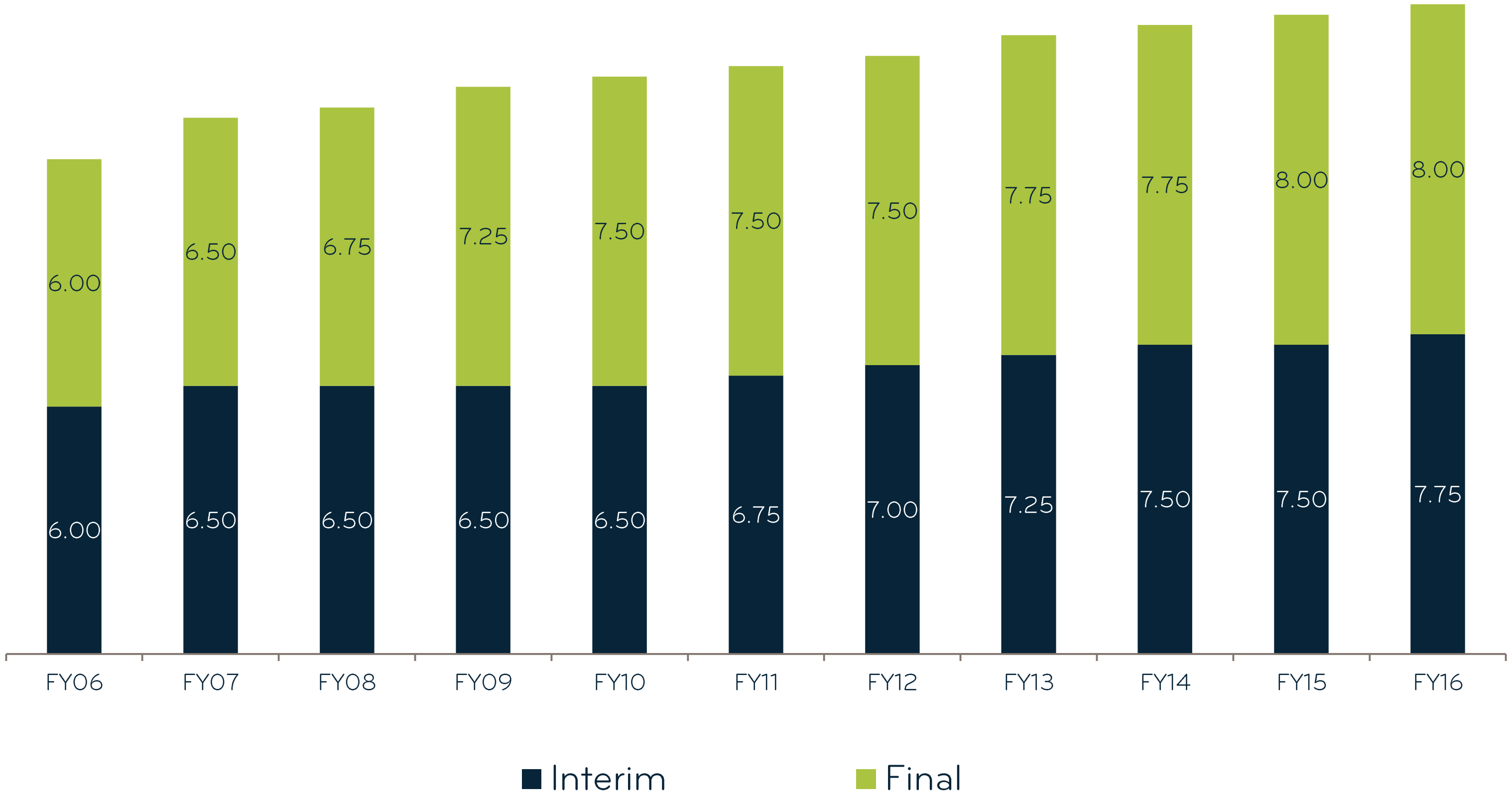
AGENDA

- Dividend
- FY2016 Highlights
- Financial Overview
- Outlook
- Q & A
- Appendices

RESHAPING OUR PORTFOLIO TOWARDS GROWTH

- Vector Gas sold for $952.5m*
- Reinvesting proceeds for growth
  - Auckland networks
  - Smart metering
  - New energy technologies
- Full year dividend 15.75 cents
  - Up 0.25 cents per share on prior year
  - Final dividend flat at 8.00 cents
  - Fully imputed

10 consecutive years of dividend growth (cents per share)



** The sale of Vector Gas to First State Funds completed on 20 April for $952.5 million. On June 22 Vector received a fee of $7.5 million plus GST from First Gas Limited in relation to its successful acquisition of the Maui pipeline.*

SIMON MACKENZIE

GROUP CHIEF EXECUTIVE

CREATING A NEW ENERGY FUTURE VIA 5 STRATEGIC PILLARS

SAFETY, PEOPLE & CULTURE

SUSTAINABLE GROWTH

CUSTOMER FOCUS

PARTNERSHIPS

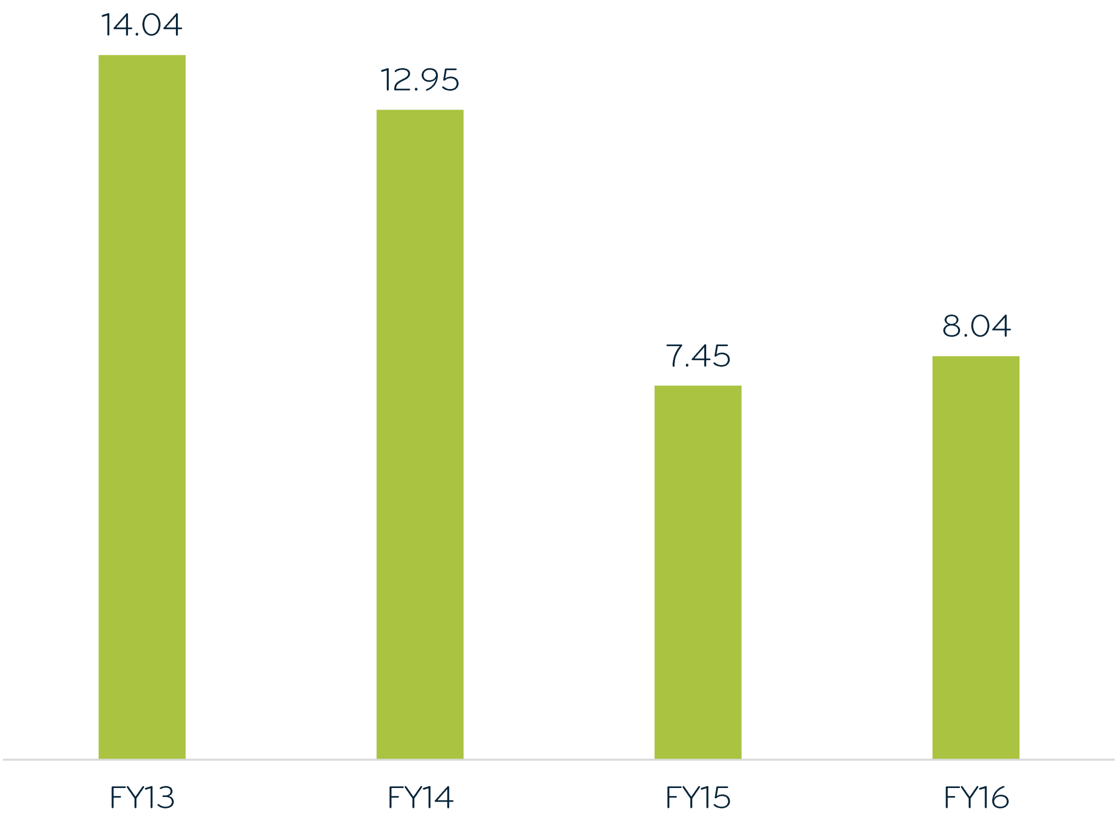
OPERATIONAL EXCELLENCE

CREATING A NEW ENERGY FUTURE VIA A CULTURE THAT PRIORITISES SAFETY, INNOVATION & DIVERSITY

Safety, People & Culture

- Vector welcomes Health & Safety at Work Act 2015
- Focus on workplace safety rewarded with 43% reduction in TRIFR since FY13
- Ceased most live-line work as part of taking all practicable steps to protect health & safety of our people
- Battery systems are complex and must satisfy numerous health & safety, electrical and compliance standards
- Rainbow Tick certification builds on success as winners of 2015 Diversity Awards

Total Recordable Injury Frequency Rate (TRIFR)
Number of recordable injuries per million hours worked, including contractors



PROCEEDS OF VECTOR GAS SALE TO BE RECYCLED INTO HIGHER GROWTH OPPORTUNITIES

Sustainable Growth

- Vector Gas sold for $952.5m
- Proceeds applied to debt before recycling for growth
  - Auckland networks
  - Smart metering
  - New energy technologies
- Auckland adding equivalent population of Hamilton every 5 years
- Vector's NZ smart meter rollout largely complete in FY17
- Targeting Australia for future metering growth

550,053 Auckland Electricity Connections	↑ 1.0%
104,322 Auckland Gas Connections	↑ 2.7%
11,849 New Network Connections	↑ 11.4%
1,126,258 NZ Smart Meters	↑ 17.5%

Vector

NEW TECHNOLOGIES WILL DELIVER CUSTOMER CHOICE

Customer Focus

- Facilitating EV uptake
- Advocating for Auckland consumers
- OnGas voted 2016 Best Gas Provider by its customers
- Collaboration with Microsoft Student Accelerator Programme has cut time between order and delivery of LPG

GOING THE DISTANCE:
THE RANGE OF AN AVERAGE EV RELYING ON VECTOR'S CHARGING NETWORK

KEY

- Vector Rapid EV Charger
  NOTE: each of the locations indicated has two rapid chargers
- Vector Standard EV Charger
- Range of an average EV* relying on Vector's rapid charging Network

* Assumes a return journey on State Highway 1 from the nearest Vector charger.

16
Vector EV chargers across Auckland

4,469
Rapid charging sessions

371
Solar Battery Systems Installed

Vector

BUILDING RELATIONSHIPS WITH LEADING INNOVATORS

Partnerships

- Membership of Hawaiian Energy Excelerator gives access to latest energy innovation
- Installed 1 MW / 2 MWh Tesla Powerpack in Glen Innes
- Tesla Powerwall battery/solar installations underway for Future of Energy Programme
- Clustered Powerwall deployment in affordable housing development for Ngāti Whātua in Ōrākei

130

Families, schools & community groups receiving Tesla Powerwall & solar free for 10 years

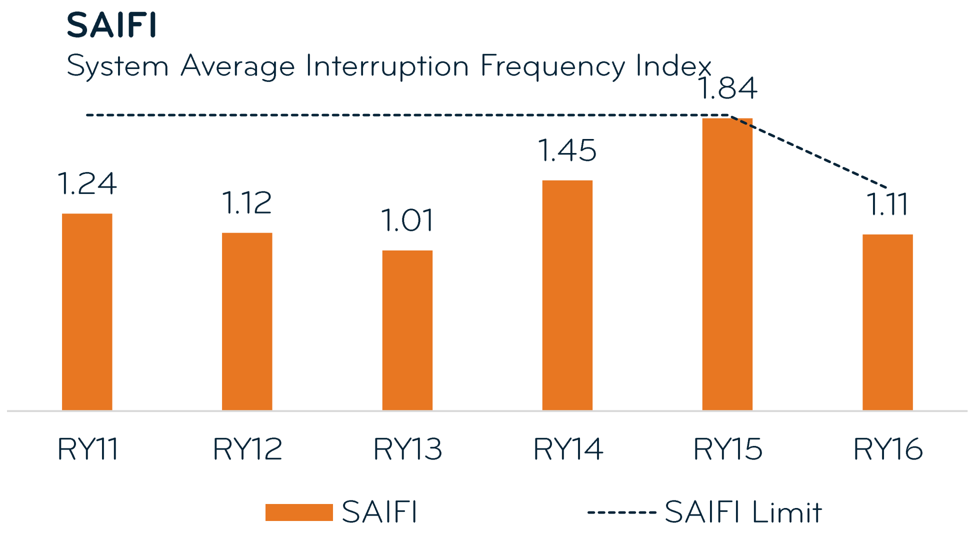
500

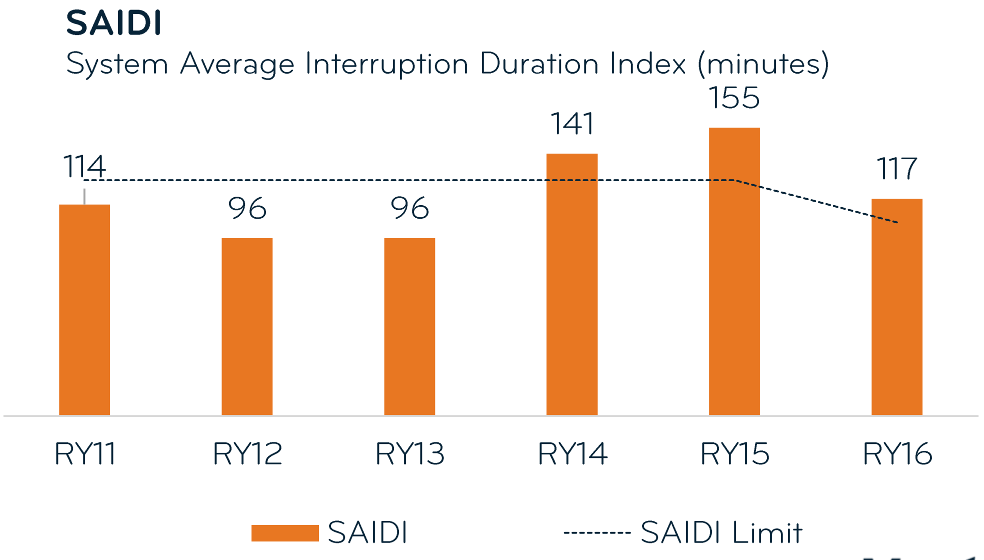
Average homes can be powered for two hours by our Glen Innes battery

NETWORK REGULATION SHOULD INCENTIVISE CUSTOMER CHOICE & INNOVATION

Operational Excellence

- Continue to strive for regulation/energy policy that:
  - Delivers customers choice and value
  - Evolves with technological change
  - Promotes and rewards innovation
  - Allows companies to earn a fair return
- Appropriate policy settings vital if Vector is to invest $2.0b capex required for Auckland energy networks over next decade
- Vector consistently meets Commission's SAIFI target but exceeded SAIDI target for past 3 years
- SAIDI impacted, amongst other things, by traffic & changes in live line practice



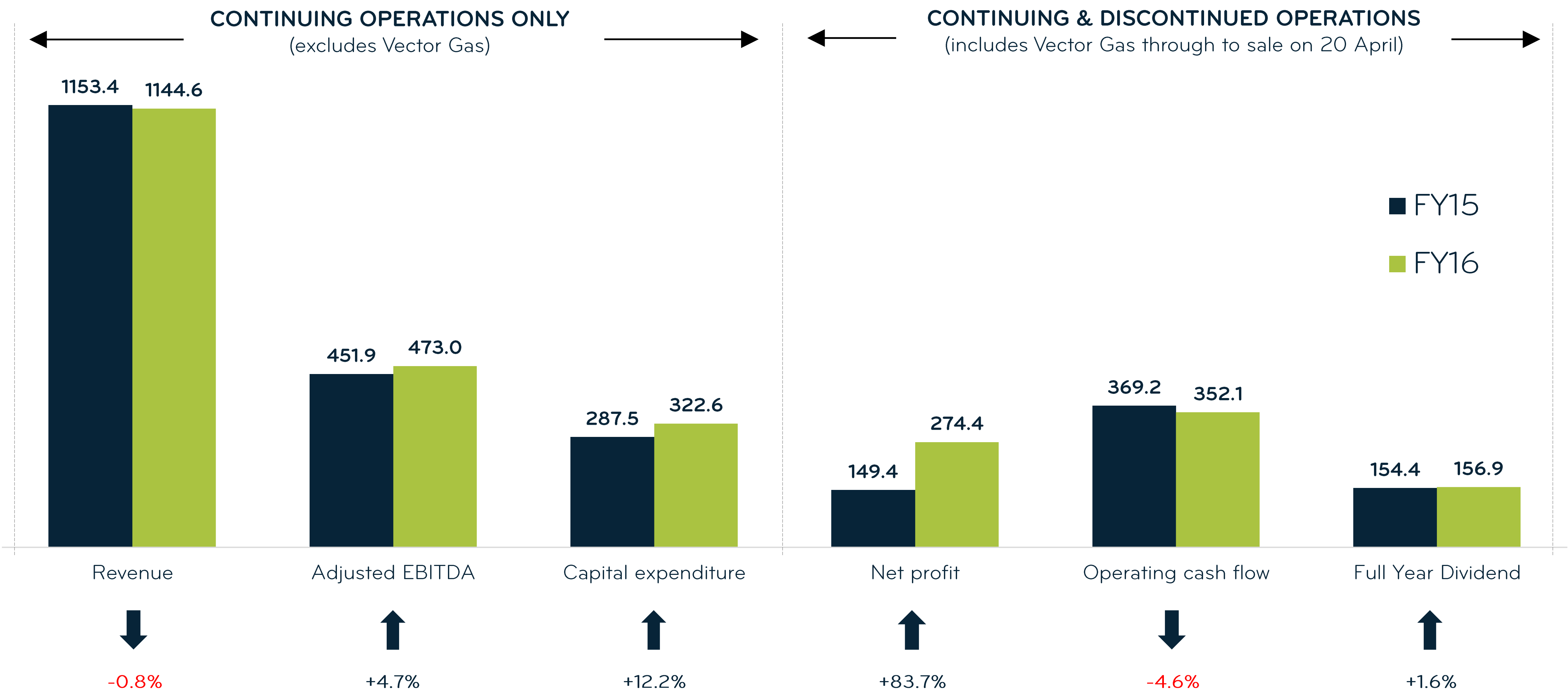


Vector

DAN MOLLOY

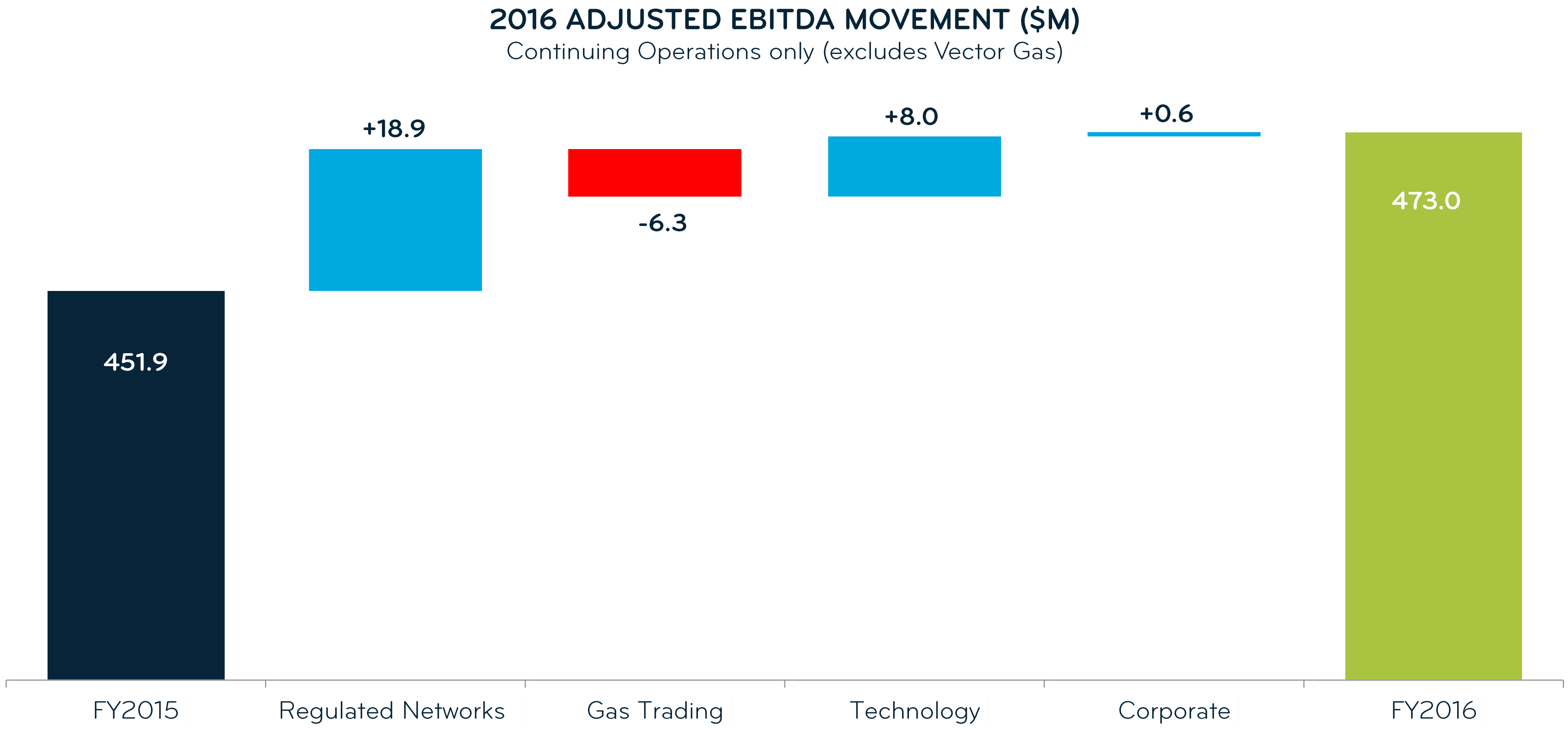
CHIEF FINANCIAL OFFICER

GROWTH IN ADJUSTED EBITDA & NET PROFIT



This year we have amended our definition of adjusted EBITDA to exclude capital contributions. Adjusted EBITDA is not a GAAP measure of profit. For a reconciliation of adjusted EBITDA to EBITDA and net profit refer to page 30 of this presentation.

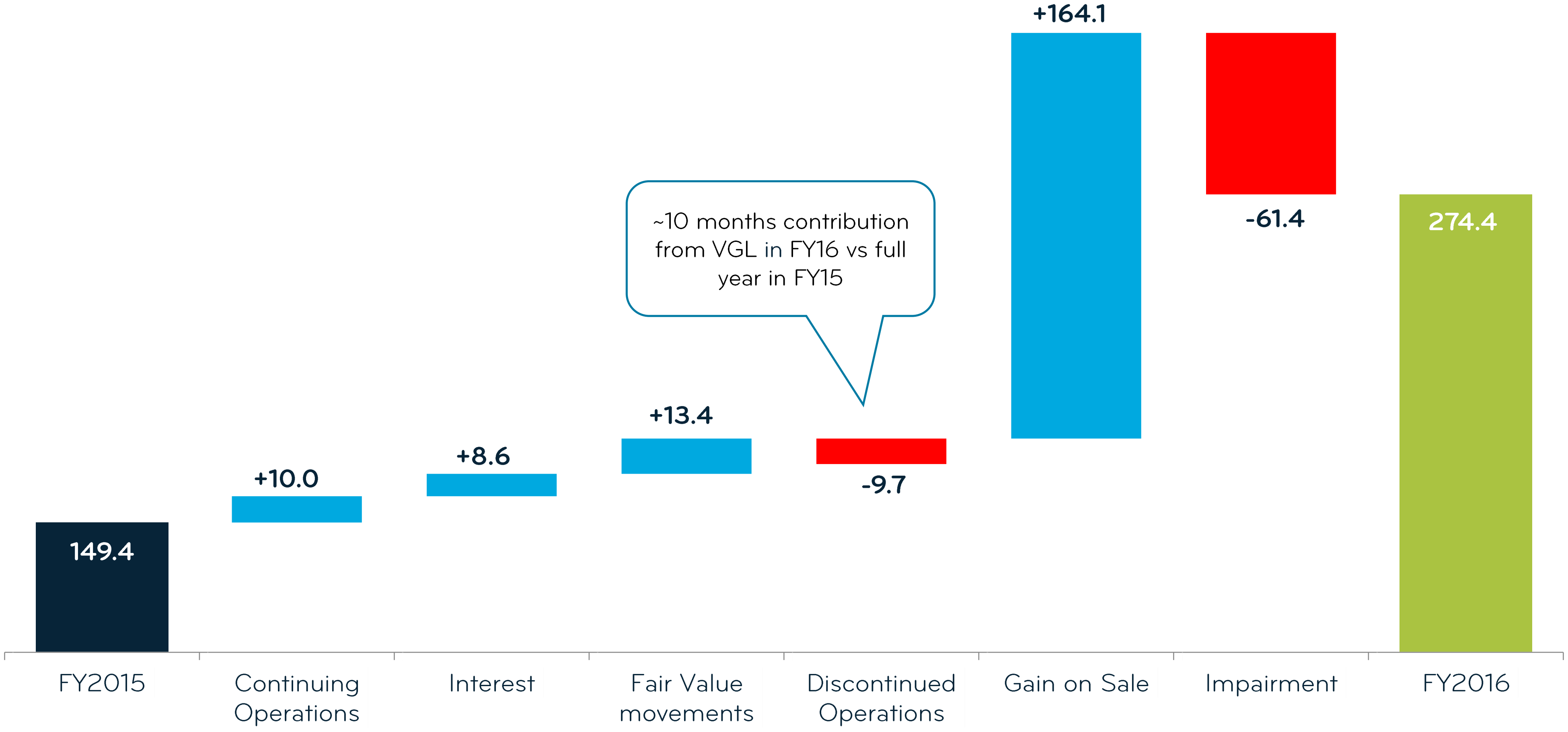
EARNINGS GROWTH IN NETWORKS & TECHNOLOGY, OFFSET BY GAS TRADING



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

HIGHER EARNINGS, LOWER FUNDING COSTS & GAIN ON SALE OFFSET BY IMPAIRMENT OF GAS TRADING

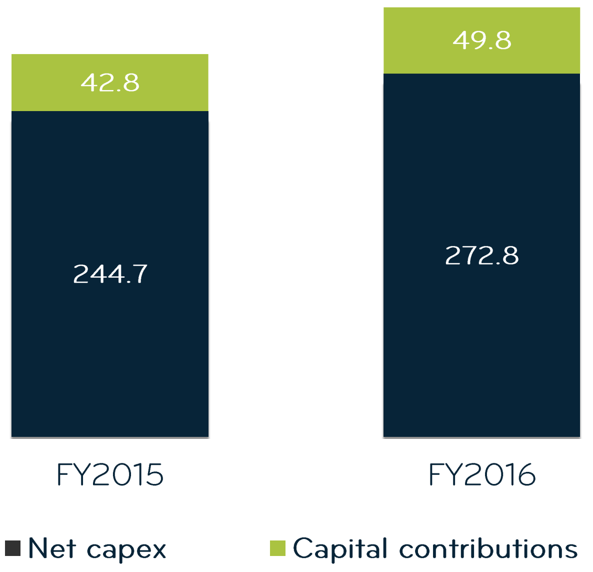
MOVEMENT IN NET PROFIT AFTER TAX ($M)



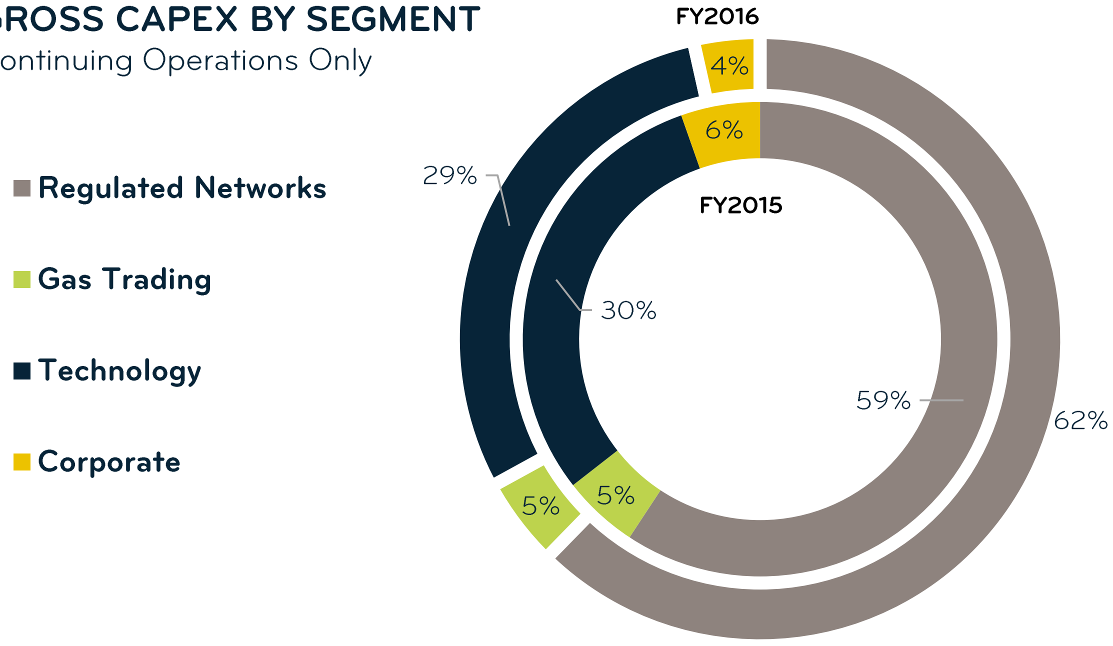
Continuing Operations contribution is shown net of taxation and depreciation. Includes earnings from associates
Discontinued Operations contribution is shown net of taxation and depreciation
Interest contribution is shown net of taxation

RE-INVESTMENT INTO AUCKLAND & METERING GROWTH

GROSS CAPITAL EXPENDITURE ($m)
Continuing Operations Only



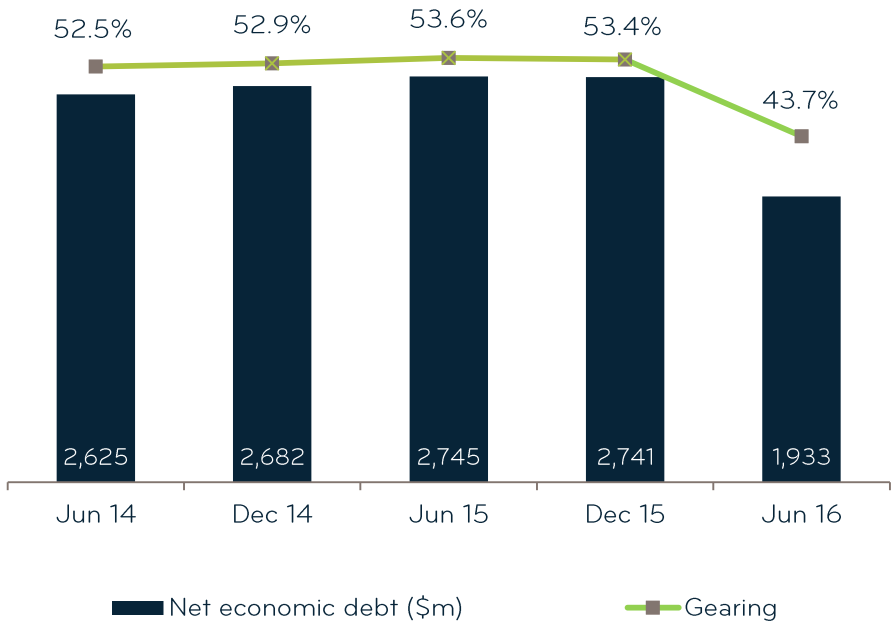
GROSS CAPEX BY SEGMENT
Continuing Operations Only



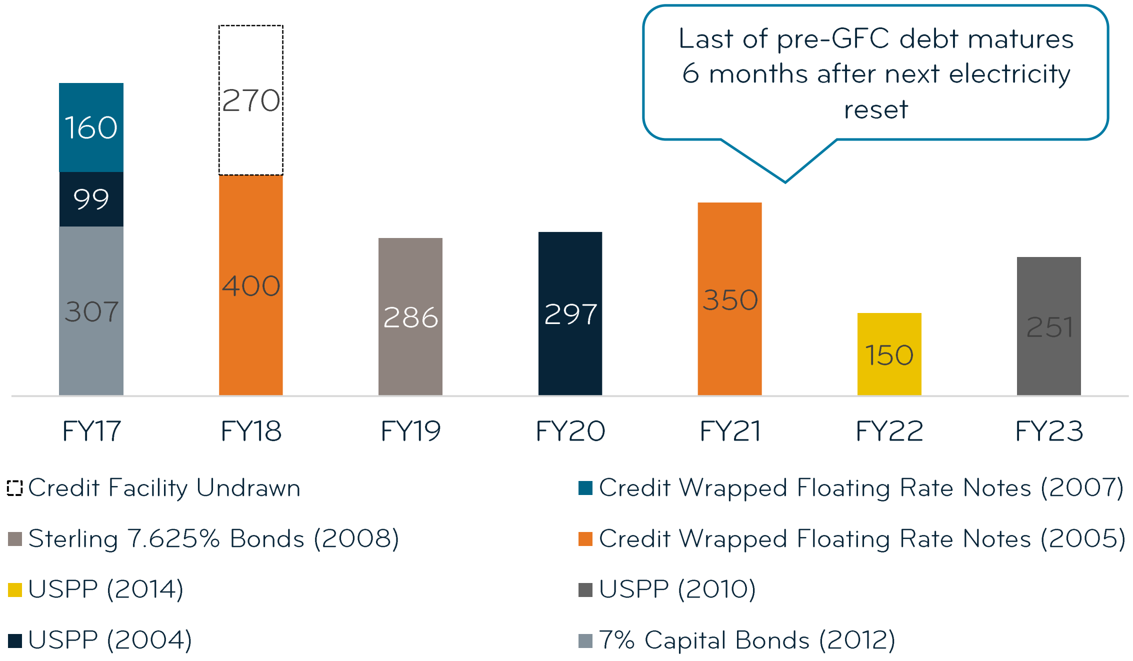
- Gross capex up 12.2% to $322.6m. Net capex (after contributions) up 11.5% at $272.8m
- Growth capex up 13.0% to $185.6m. Replacement capex up 11.1% to $137.0m

SALE OF VECTOR GAS FURTHER STRENGTHENS BALANCE SHEET

NET ECONOMIC DEBT & GEARING ($m)



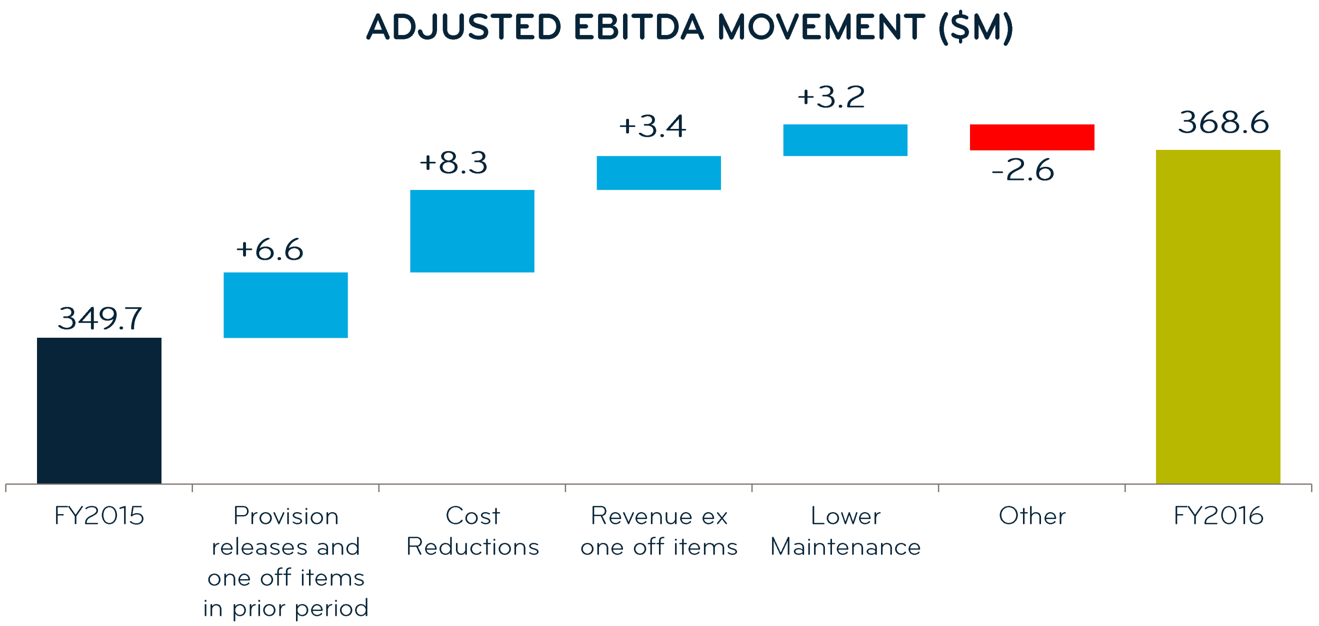
GROUP DEBT MATURITY ($m)

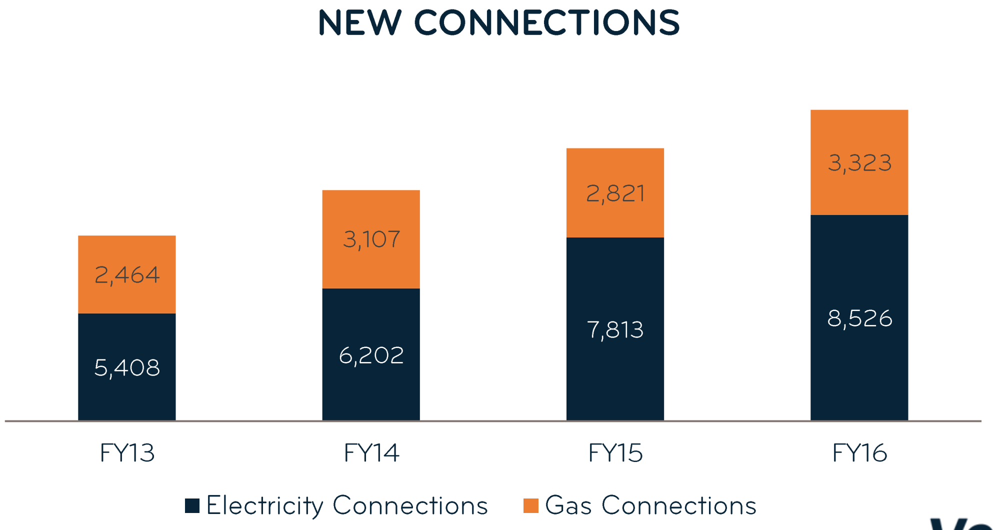


- Gearing 43.7% after Vector Gas proceeds applied to repay $610m of debt
- Remaining proceeds applied to repay debt maturing this financial year

AUCKLAND CONTINUES TO DELIVER GROWTH

- New connections remain elevated, up 11%
- Electricity volumes down 0.5% due to warmer Q4 & continuing decline in usage per ICP
- Auckland regulated asset base >$3 billion
  - Electricity $2.68b (March 2016)
  - Gas $0.37b (June 2016)
- Draft IM review a mixed bag
  - Positives: revenue cap; treatment of emerging technology; accelerated depreciation (up to ~$18m[1] pa revenue increase from April 2020)
  - Negatives: cash flows remain weighted towards end of asset life; gas asset beta (~$4m pa revenue decrease from Oct 2017); debt allowances (~$3m pa revenue decrease from April 2020)





[1] *Maximum benefit if accelerated deprecation allowance applied to all existing electricity assets*

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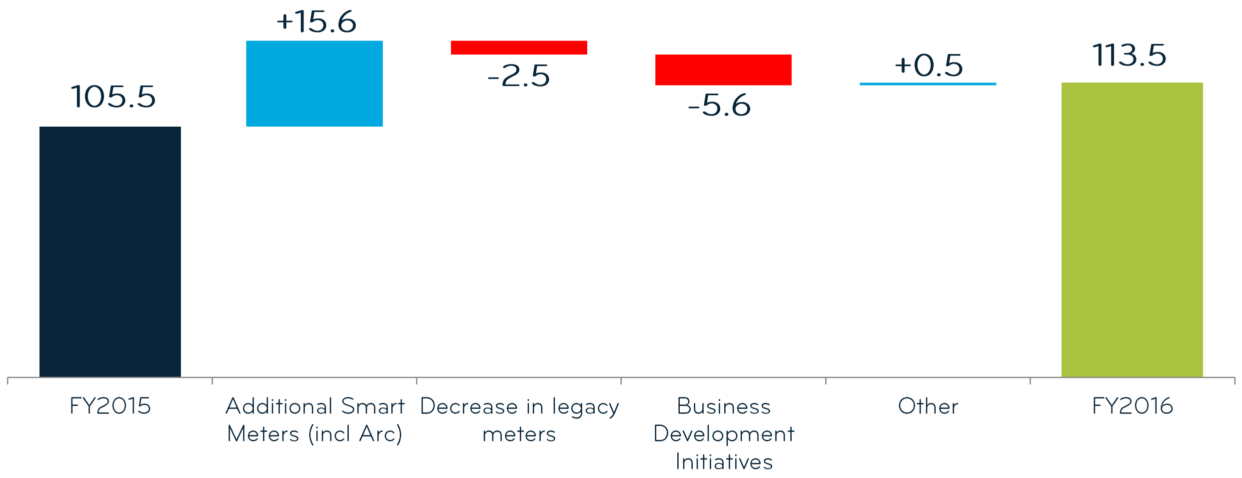
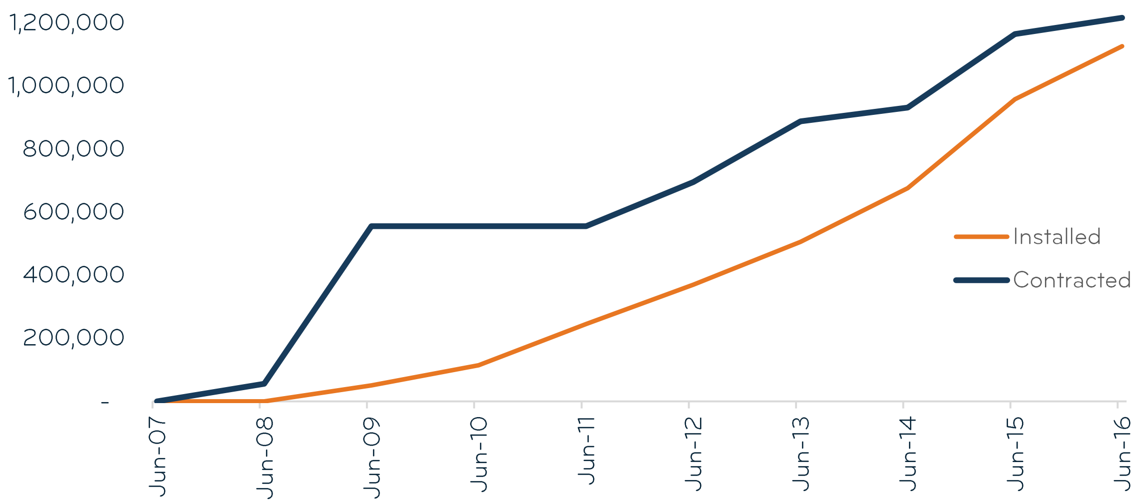
TECHNOLOGY RESULT DRIVEN BY SMART METER ROLLOUT

- Vector's NZ smart metering rollout largely complete in FY17
  - Record 180k meters installed in FY16
  - Targeting 140k-160k meters in NZ in FY17
- Focus shifting to Australia as next growth horizon
  - In FY16 we achieved accreditation, first metering services contract & installed first meters in Australia
- EBITDA growth driven by smart meters offset by business development costs for new energy technologies & Australia
- Strong interest in residential and utility scale batteries

ADJUSTED EBITDA MOVEMENT ($M)

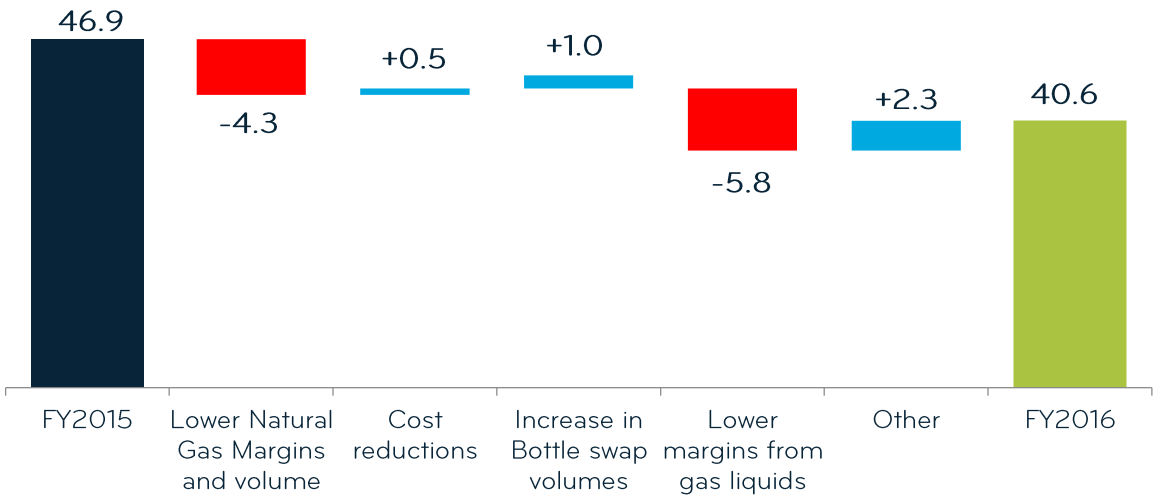


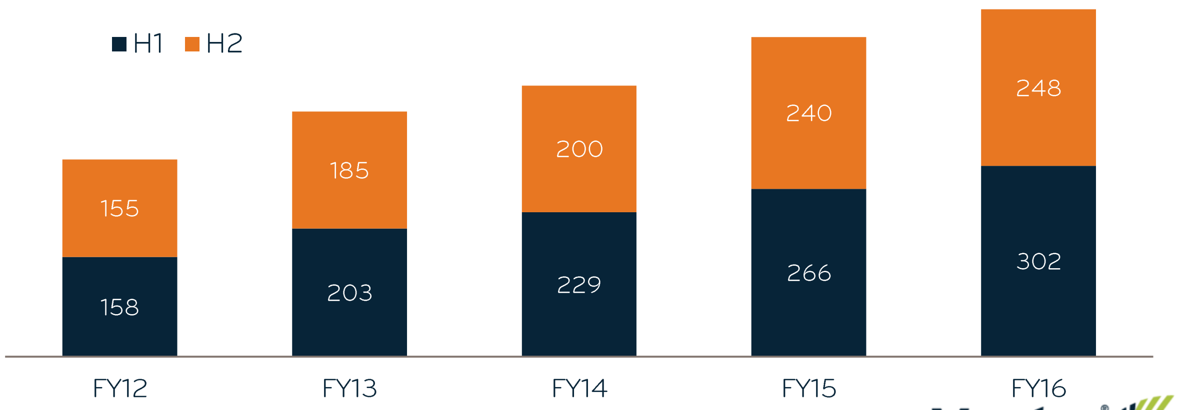
NZ SMART METERS



$64 MILLION GAS TRADING WRITE DOWN

- Goodwill associated with this segment dates back to the acquisition of NGC in 2005
- Impairment reflects outlook for natural gas operations, and more specifically Kapuni
  - Output from Kapuni field declining
  - Diminishing prospects of further field development due to ongoing disputes
- Vector's LPG operations occupy a strong market position





SIMON MACKENZIE

GROUP CHIEF EXECUTIVE

OUTLOOK

- Network earnings stability through to 2020
  - Maximum allowable electricity revenues set through to the next electricity reset in April 2020
  - Sale of Vector Gas significantly reduces our exposure to a negative gas reset in 2017
  - Within 6 months of the 2020 reset, all debt will have been refinanced in post-GFC environment
- Commission's draft IM review pointing to regulatory stability through to 2025
  - Accelerating return on traditional investment
  - Investment in new energy technologies to ensure customer choice
- Regulatory stability supports re-investment into Auckland & diversification into unregulated adjacencies
  - Expect circa 10,000 new electricity connections & 140,000-160,000 smart meters in NZ in FY2017
  - Increasingly looking to Australia for the next phase of our metering growth
  - Developing internal pipeline of opportunities associated with new energy technologies
  - Capex in FY17 expected to be higher than FY16 spend of $323 million
- Expect adjusted EBITDA for FY2017 in the range of $460 – $475 million

Q&A

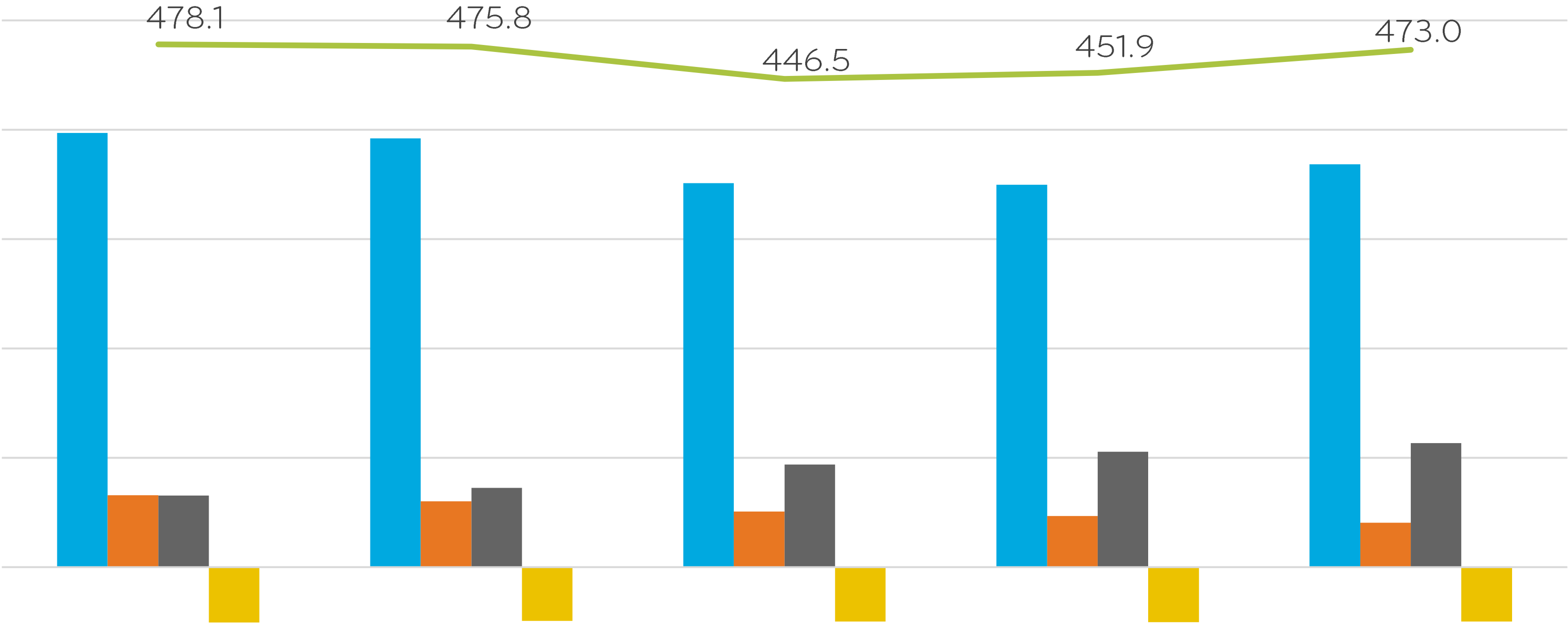
ANY QUESTIONS?

APPENDICES

5 YEAR ADJUSTED EBITDA PERFORMANCE BY SEGMENT

Adjusted EBITDA (Continuing Operations Only)

$million
For the year ended 30 June



	FY2012	FY2013	FY2014	FY2015	FY2016
Regulated Networks	397.1	391.9	351.1	349.7	368.5
Gas Trading	65.8	60.4	50.9	46.9	40.6
Technology	65.7	72.7	94.0	105.5	113.5
Corporate	(50.5)	(49.1)	(49.6)	(50.2)	(49.6)
Total Group	478.1	475.8	446.5	451.9	473.0

GROUP PROFIT STATEMENT
YEAR ENDED 30 JUNE ($M)

INCOME STATEMENT	2016 $m	2015 $m	Change %
Revenue (excluding capital contributions)	1,094.8	1,110.6	-1.4
Operating expenditure	(621.8)	(658.7)	+5.6
Adjusted EBITDA	**473.0**	**451.9**	**+4.7**
Capital Contributions	49.8	42.8	+16.4
Depreciation and amortisation	(194.6)	(179.0)	-8.7
Net interest costs	(168.8)	(180.8)	+6.6
Fair value change on financial instruments	2.3	(11.0)	n/a
Associates (share of net profit/(loss))	2.8	0.8	+250.0
Tax	(44.3)	(36.4)	-21.7
Impairment	(61.4)	-	n/a
Net profit for the period from Continuing operations	**58.9**	**88.3**	**-33.3**
Net profit for the period from Discontinued operations (net of tax)	**215.5**	**61.1**	**+252.7**
Net profit for the period	**274.4**	**149.4**	**+83.7**

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GROUP CASH FLOW [1]

YEAR ENDED 30 JUNE ($M)

CASH FLOW	2016 $m	2015 $m
Operating cash flow	352.1	369.2
Replacement capex	(144.4)	(146.4)
Dividends paid	(159.2)	(155.4)
Cash available for growth and debt repayment	**48.5**	**67.4**
Growth capex	(195.7)	(165.4)
Acquisitions	0.0	(19.9)
Proceeds from sale of discontinued operations	960.0	0.0
Other investment activities	(0.4)	(0.5)
Pre debt financing cash inflow	**812.2**	**(118.4)**
Increase/(decrease) in borrowings	(499.0)	120.0
Other financing activities	(0.1)	(1.7)
Increase/(decrease) in cash	**313.1**	**(0.1)**

1 Includes continuing and discontinued operations

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SEGMENT RESULTS
YEAR ENDED 30 JUNE ($M)

	REGULATED NETWORKS			TECHNOLOGY			GAS TRADING			CORPORATE		
	2016	2015	Change %	2016	2015	Change %	2016	2015	Change %	2016	2015	Change %
Revenue excluding Capital Contributions	677.3	683.5	-0.9	179.1	155.7	+15.0	277.1	314.2	-11.8	2.1	0.4	+525.0
Operating expenditure	(308.8)	(333.8)	+7.5	(77.5)	(50.2)	-54.4	(236.5)	(267.2)	+11.5	(51.7)	(50.6)	-2.2
Segment Adjusted EBITDA	**368.5**	**349.7**	**+5.4**	**113.5**	**105.5**	**+7.6**	**40.6**	**46.9**	**-13.4**	**(49.6)**	**(50.2)**	**+1.2**
CAPEX												
Replacement	104.7	86.1	+21.6	12.6	13.3	-5.2	8.3	8.8	-5.7	11.3	15.1	-25.2
Growth	96.3	84.3	+14.2	82.5	73.4	+12.4	6.9	6.1	+13.1	0.0	0.4	-100.0
Total capex	**201.0**	**170.4**	**+18.0**	**95.1**	**86.7**	**+9.7**	**15.2**	**14.9**	**+2.0**	**11.3**	**15.5**	**-27.1**

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.

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 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

Year ended 30 June	**2016** $M	**2015** $M
Reported net profit for the period (GAAP)	58.9	88.3
Add back: net interest costs[1]	168.8	180.8
Add back: tax (benefit)/expense[1]	44.3	36.4
Add back: depreciation and amortisation[1]	194.6	179.0
EBITDA	**466.6**	**484.5**
Adjusted for:		
Associates (share of net (profit)/loss)[1]	(2.8)	(0.8)
Capital contributions[1]	(49.8)	(42.8)
Fair value change on financial instruments[1]	(2.4)	11.0
Impairment	61.4	0.0
Adjusted EBITDA	**473.0**	**451.9**

1 Extracted from audited financial statements

Vector

SEGMENT ADJUSTED EBITDA

SEGMENT ADJUSTED EBITDA ($m)	2016			2015		
Year ended 30 June	Reported segment EBITDA	less capital contributions	Segment adjusted EBITDA	Reported segment EBITDA	less capital contributions	Segment adjusted EBITDA
Technology	114.4	(0.9)	113.5	108.1	(2.7)	105.5
Gas Trading	40.6	0.0	40.6	46.9	0.0	46.9
Unregulated Segments	**155.0**	**(0.9)**	**154.1**	**155.1**	**(2.7)**	**152.4**
Regulated Networks Continuing	417.4	(48.9)	368.5	389.8	(40.1)	349.7
Regulated Networks Discontinued	79.1	(3.8)	75.3	102.2	(13.7)	88.5
Regulated Segments	**496.5**	**(52.7)**	**443.8**	**492.0**	**(53.8)**	**438.2**
Corporate	**(49.6)**	**0.0**	**(49.6)**	**(50.2)**	**0.0**	**(50.2)**
TOTAL	**601.9**	**(53.6)**	**548.3**	**596.9**	**(56.5)**	**540.4**
TOTAL - Continuing Operations Only	**522.8**	**(49.8)**	**473.0**	**494.7**	**(42.8)**	**451.9**

Vector®