

Vectren Corporation

3rd Quarter & YTD 2016

Financial Review

November 3, 2016



Today's Participants



Carl Chapman

Chairman, President & CEO



Susan Hardwick

Exec. Vice President & CFO



Rick Schach

Exec. Vice President & COO



Ron Christian

Exec. Vice President &
Chief Legal and External Affairs Officer



Dave Parker

Director, Investor
Relations

Forward-Looking Statements and Non-GAAP Measures



All statements other than statements of historical fact are forward-looking statements made in good faith by the company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such statements are based on management's beliefs, as well as assumptions made by and information currently available to management and include such words as "believe", "anticipate", "endeavor", "estimate", "expect", "objective", "projection", "forecast", "goal", "likely", and similar expressions intended to identify forward-looking statements.

Vectren cautions readers that the assumptions forming the basis for forward-looking statements include many factors that are beyond Vectren's ability to control or estimate precisely and actual results could differ materially from those contained in this document. Forward-looking statements speak only as of the date on which our statement is made, and we assume no duty to update them. More detailed information about these factors is set forth in Vectren's filings with the Securities and Exchange Commission, including Vectren's 2015 annual report on Form 10-K filed on February 23, 2016.

Vectren also uses non-GAAP measures to describe its financial results. More information can be found in the Appendix related to the use of such measures.

Dave Parker – Director, Investor Relations

d.parker@vectren.com

812-491-4135

2016 Q3 and YTD Results



Improved Q3 Results At All Business Units

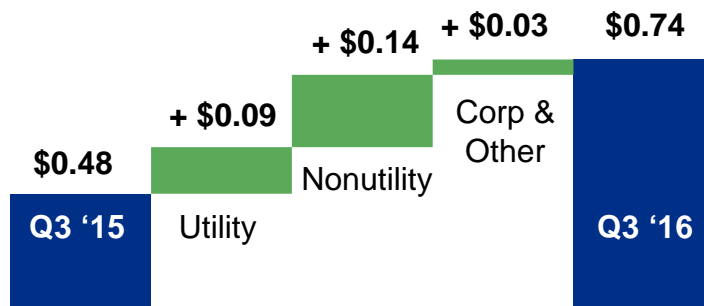
**Q3 EPS up
54% Y/Y;
YTD up 6.9%**

- Utility Q3 EPS driven by gas infrastructure investment programs and favorable weather
- VESCO posts record quarterly revenues
- VISCO Q3 earnings up Y/Y; solid Distribution growth; Transmission results improved with more projects underway, including start of a large project

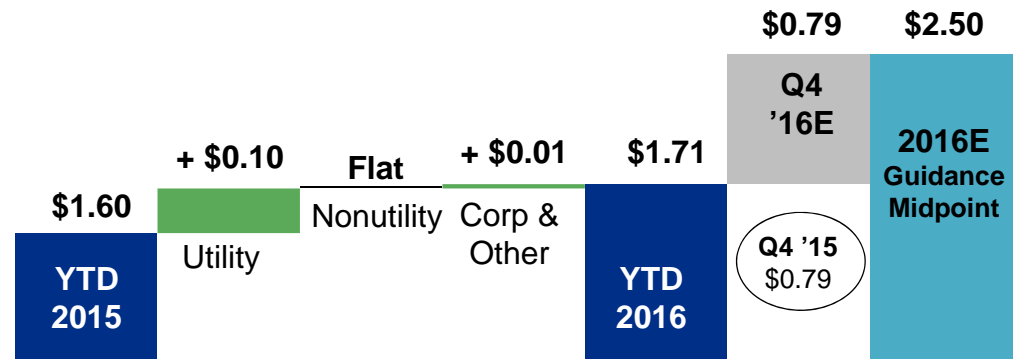
**2016 Guidance
Affirmed
\$2.45 - \$2.55**

- Utility, VESCO and VISCO Distribution YTD performance at or above plan
- VISCO Transmission continues to navigate a difficult market

Vectren Consolidated - Q3

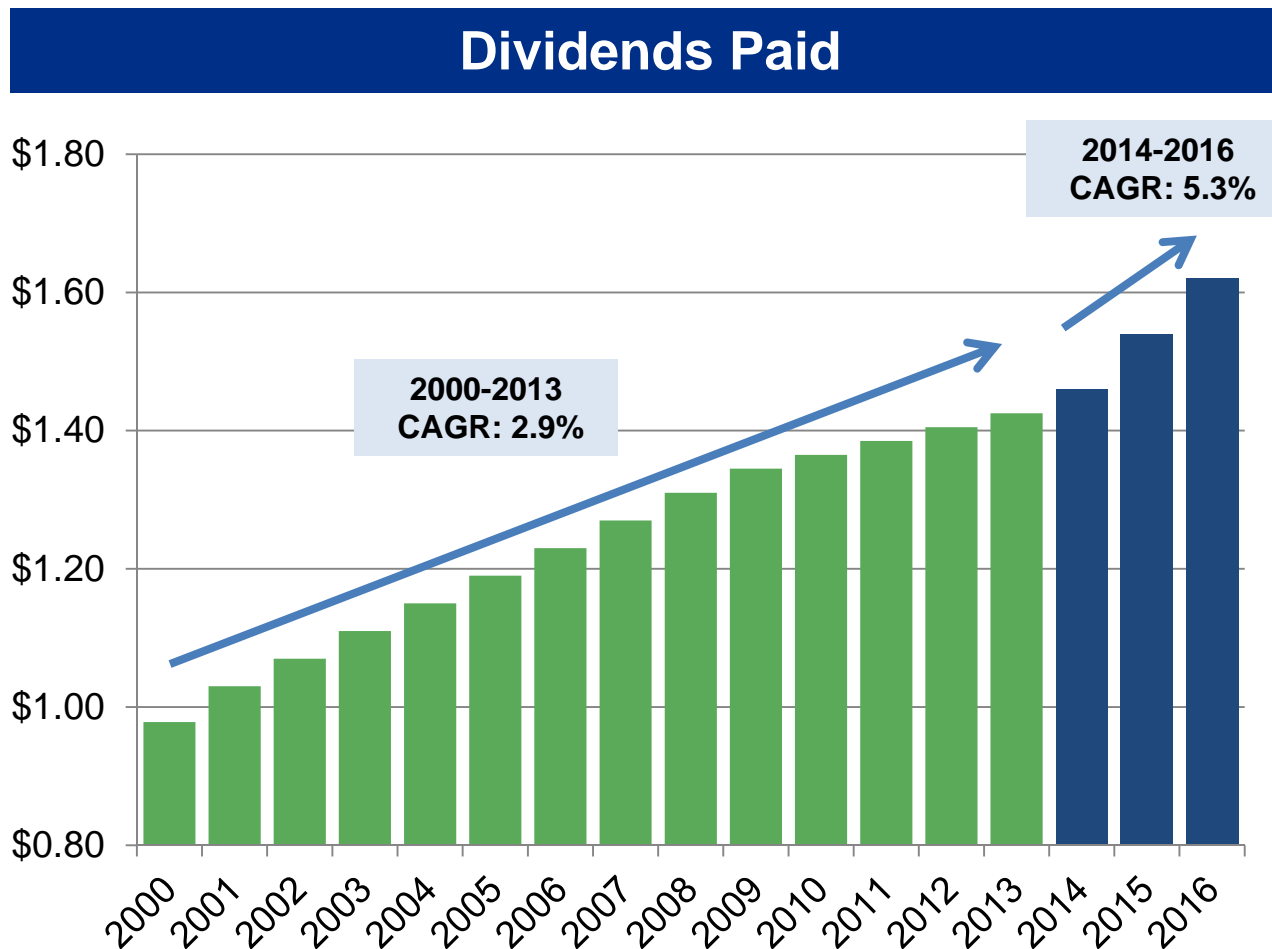


Vectren Consolidated – YTD/2016E



Top Decile Dividend History

57 Consecutive Years of Dividend Increases



Annualized dividend rate of \$1.68 per share approved by Board on November 2, 2016.

Dividend history above highlights dividends paid since Vectren's inception in 2000.

Utility Business Review



Growth Fueled By Gas Infrastructure Investment

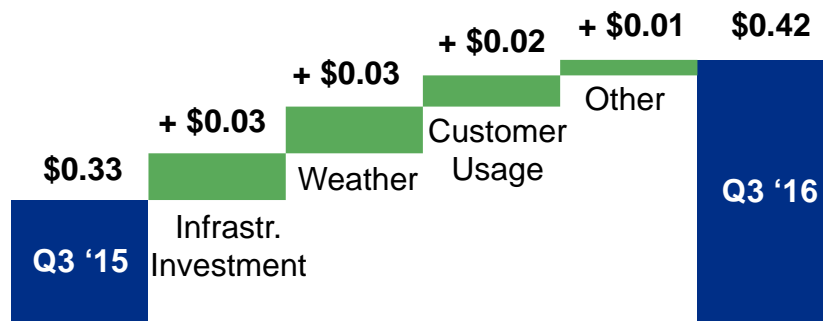
Strong Utility Performance Continues

- Q3 EPS of \$0.42, up \$0.09 Y/Y
 - Weather, large customer sales boost results above plan
- YTD EPS of \$1.48, up \$0.10 or ~7% compared to YTD '15
 - Gas infrastructure programs continue to drive EPS growth

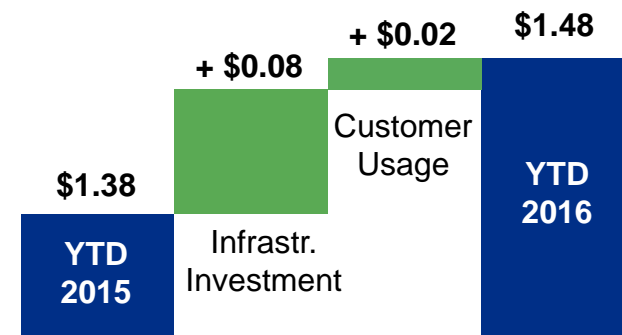
Positive Outlook Unchanged

- Gas infrastructure investment programs fuel sustainable 4% - 6% EPS growth
- Focused on earning overall allowed return for fifth year in a row

Vectren Utility Holdings – Q3



Vectren Utility Holdings – YTD



Electric Integrated Resource Plan (IRP)



IRP Filing Expected in Mid-December

Schedule Update

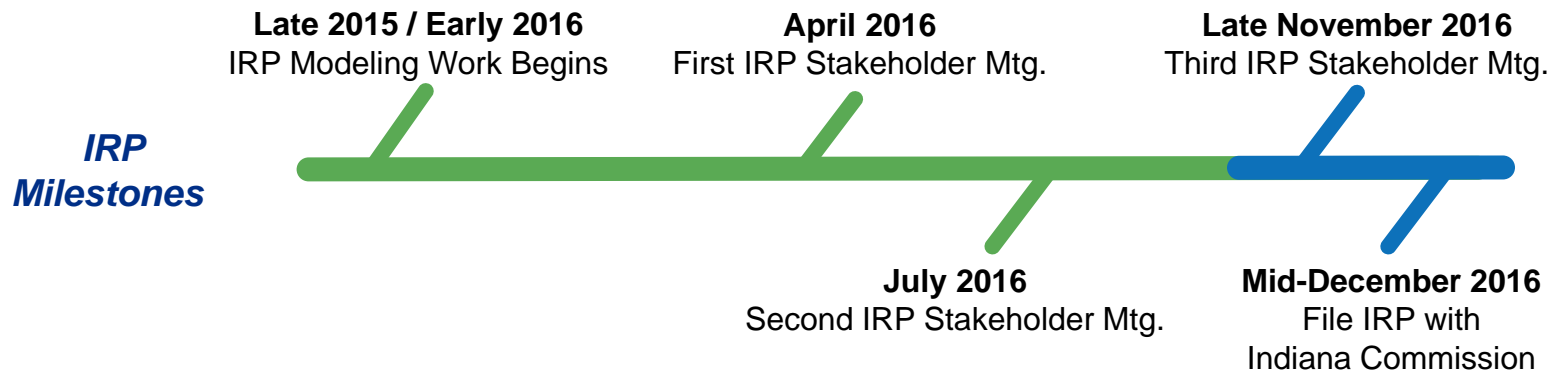
- Productive first two stakeholder meetings to gather public input
- Final meeting scheduled for late Nov. to review draft of plan
- Modeling remains focused on customer impacts and fuel diversity

IRP Complexities

- EPA regulations - water, ash, carbon
- Self-generation - large customer (SABIC) adding generation; large employer (self-generating Alcoa) restructuring operations

Supported Recovery

- Substantial additional cap ex likely in mid- to long-term; significant recovery expected via existing mechanisms



Nonutility Business Review



EPS Up Significantly Year over Year, Flat YTD

VESCO

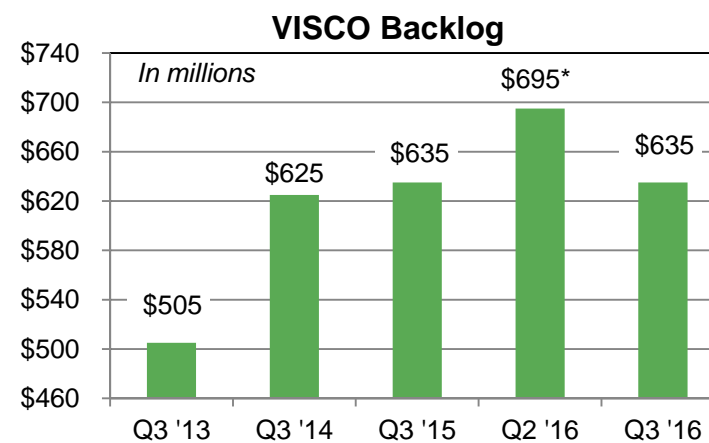
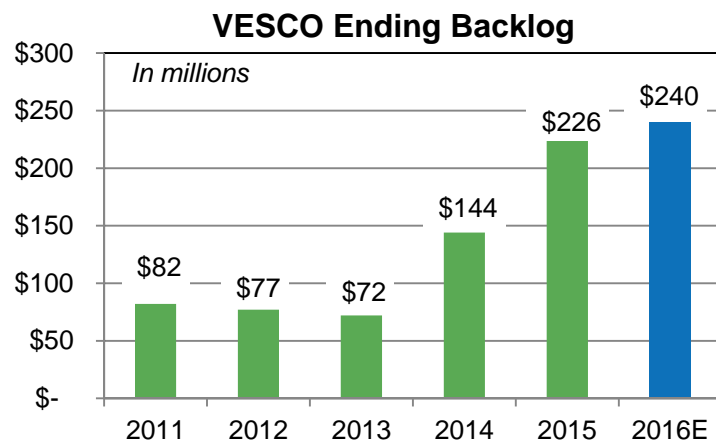
Q3 EPS up
\$0.04 Y/Y;
YTD up \$0.11

- Strong results across most markets & geographic regions drives record Q3 revenues
- 179D earnings will be lower in Q4 '16 Y/Y as benefit in '16 recognized quarterly; '15 full year benefit recorded in Q4 '15 once the tax law was extended in Dec. '15

VISCO

Q3 EPS up
\$0.10 Y/Y;
YTD down \$0.12

- Solid Distribution performance, including Water/Wastewater, continues; record number of deployed resources in Q3 '16
- Backlog flat Y/Y at \$635M; down \$60M from Q2 '16 as pipeline project indefinitely delayed as previously discussed



* Backlog included \$50M project identified as at risk during Q2 '16 EPS call

Investment Considerations

Vectren Well Positioned for Strong Growth



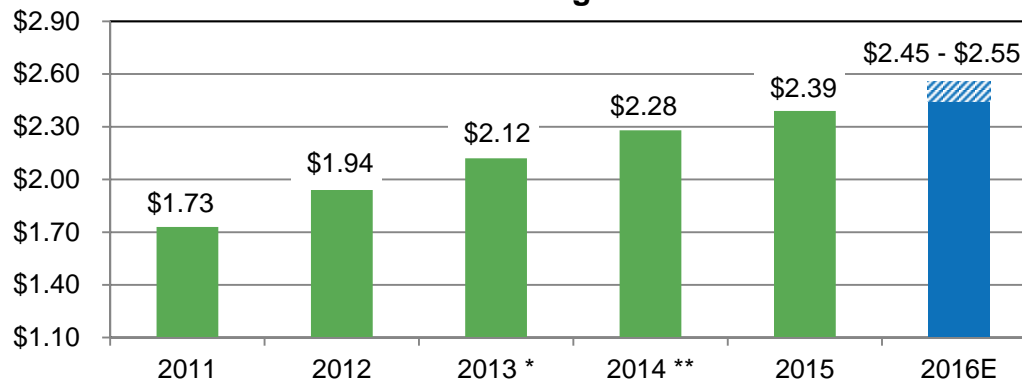
Keys to VVC's Value Proposition

- Demonstrated execution of utility-focused business strategies
- Focused on infrastructure and efficiency-related work across all business segments to drive TSR goal of 9-11% annually
- Strong record of consistent earnings and dividend growth

Dividend & Balance Sheet

- Dividend increased 5.0% in Nov. 2016 to \$1.68/sh., annualized
- **57 consecutive years of dividend increases**
- Strong financial metrics as reflected in credit ratings, Stable outlook: A- / A2 at S&P / Moody's

Vectren Earnings Per Share



Target: 5-7% Earnings and Dividend Growth

2011-2016E CAGR: 7.6%

* Excluding ProLiance in 2013 - year of disposition

** Excluding Coal Mining in 2014 - year of disposition

Appendix



Consolidated 2016 Results



	3 Months		9 Months	
	Ended Sept 30		Ended Sept 30	
	2016	2015	2016	2015
<i>In millions, except per share amounts</i>				
Utility Group	\$ 34.9	\$ 26.9	\$ 122.3	\$ 114.3
Nonutility Group				
Infrastructure Services	18.2	9.9	9.8	19.6
Energy Services	6.2	3.1	8.7	(0.4)
Other Businesses	(0.1)	(0.5)	(0.3)	(1.0)
Nonutility Group	24.3	12.5	18.2	18.2
Corporate and Other	2.2	(0.1)	1.5	(0.4)
Earnings	\$ 61.4	\$ 39.3	\$ 142.0	\$ 132.1
<i>Earnings Per Share</i>				
Utility Group	\$ 0.42	\$ 0.33	\$ 1.48	\$ 1.38
Nonutility Group	0.29	0.15	0.22	0.22
Corporate and Other	0.03	-	0.01	-
EPS	\$ 0.74	\$ 0.48	\$ 1.71	\$ 1.60
Weighted Avg Shares Outstanding - Basic	82.8	82.7	82.8	82.7

Vectren's 2016 EPS Guidance Affirmed

Utility Growth Continues to Lead the Way



2016 EPS Guidance		2015 Actual
Utility	\$2.05 - \$2.10	\$1.95
Nonutility/Corp	\$0.40 - \$0.45	\$0.44
Consolidated	\$2.45 - \$2.55	\$2.39

2016 Guidance Affirmed

- Continued strong Utility earnings growth expected
- VESCO and VISCO Distribution on track for a solid year
- VISCO Transmission results expected to remain pressured

Key Drivers For Remainder of 2016

- Utility continues to execute on gas infrastructure programs
- VESCO finishes the year strong with new contracts
- VISCO converting backlog to revenue; normal weather

Infrastructure Services (VISCO)

Metrics



\$ in millions	3 Months		9 Months	
	Ended Sept 30		Ended Sept 30	
	2016	2015	2016	2015
Gross Revenue	\$ 263.8	\$ 234.1	\$ 565.6	\$ 642.5
Gross Margin %	17%	15%	13%	14%
EBITDA ⁽¹⁾	\$ 42.3	\$ 32.5	\$ 57.1	\$ 78.5
Depreciation & Amortization ⁽²⁾	\$ 9.6	\$ 11.9	\$ 28.5	\$ 32.8
Earnings From Operations ⁽¹⁾	\$ 31.8	\$ 21.6	\$ 28.9	\$ 47.4
Interest ⁽³⁾	\$ 3.0	\$ 3.9	\$ 9.6	\$ 11.4
Net Income ⁽¹⁾	\$ 18.2	\$ 9.9	\$ 9.8	\$ 19.6
Earnings Per Share ⁽¹⁾	\$ 0.22	\$ 0.12	\$ 0.12	\$ 0.24
Ending Backlog	\$ 635	\$ 635		

Footnotes:

1) After allocations

2) Lower expected D&A in 2016 due to adjustments of depreciable lives in accordance with updated depreciation study; lower D&A is being reflected in bidding and thus is not expected to have a material impact on net income

3) Additional interest expense allocated in 2015 as a result of sale of Coal Mining in 2014

Infrastructure Services (VISCO)



Estimated Backlog

➤ General Description of Types of Customer Contracts for Infrastructure Services

- Infrastructure Services operates primarily under two types of contracts – blanket contracts and bid contracts. Blanket contracts are ones which a customer is not committed to specific volumes of services, but where we have been or expect to be chosen to perform work needed by a customer in a given time frame (typically awarded on a yearly basis). Bid contracts are ones which a customer will commit to a specific service to be performed for a specific price, whether in total for a project or on a per unit basis (e.g., per dig or per foot).

➤ General Description of Backlog for Infrastructure Services

- For blanket work, backlog represents an estimate of the amount of gross revenue that we expect to realize from work to be performed in the next 12 months on existing contracts or contracts we reasonably expect to be renewed or awarded based upon recent history or discussions with customers.
- For bid work, backlog represents the value remaining on contracts awarded or that we reasonably expect to be awarded, but are not yet completed.
- While there is a reasonable basis to estimate backlog, there can be no assurance as to our customers' eventual demand for our services each year or, therefore, the accuracy of our estimate of backlog.

➤ Backlog for Infrastructure Services estimated as follows:

- For blanket work, estimated backlog as of 9/30/16 is \$445 million. The estimate of the amount of gross revenue that we expect to realize from work to be performed in the next 12 months is multiplied by 80% to factor in such unknowns as weather and potential budgetary restrictions of customers.
- For bid work, estimated backlog as of 9/30/16 is \$190 million.
- **Total estimated backlog as of 9/30/16: \$635 million compared to \$695 million at 6/30/16 and \$635 million at 9/30/15**

Energy Services (VESCO)

Metrics



\$ in millions	3 Months		9 Months	
	Ended Sept 30 2016	2015	Ended Sept 30 2016	2015
Revenue	\$ 76.6	\$ 67.2	\$ 191.8	\$ 134.0
Gross Margin as % of Revenue	25%	23%	24%	22%
EBITDA ⁽¹⁾	\$ 8.2	\$ 5.9	\$ 11.9	\$ 1.7
Interest	\$ 0.4	\$ 0.3	\$ 1.4	\$ 0.9
179D Tax Deductions ⁽²⁾	\$ 1.2	\$ -	\$ 2.6	\$ -
Net Income / (Loss) ⁽¹⁾	\$ 6.2	\$ 3.1	\$ 8.7	\$ (0.4)
Earnings Per Share ⁽¹⁾	\$ 0.08	\$ 0.04	\$ 0.11	\$ -
Ending Backlog ⁽³⁾	\$ 182	\$ 177		
New Contracts	\$ 65	\$ 63	\$ 126	\$ 150

Footnotes:

1) After allocations

2) Net income impact to VESCO, net of related expenses; EPS impact to Vectren of approx. \$0.05 per share in 2015, net of related expenses, and expect ~\$0.03 per share in 2016

3) Represents signed construction contracts

Use of Non-GAAP Performance Measures and Per Share Measures



Contribution to Vectren's Basic EPS

Per share earnings contributions of the Utility Group, Nonutility Group, and Corporate and Other are presented and are non-GAAP measures. Such per share amounts are based on the earnings contribution of each group included in the Company's consolidated results divided by the Company's basic average shares outstanding during the period. The earnings per share of the groups do not represent a direct legal interest in the assets and liabilities allocated to the groups, but rather represent a direct equity interest in Vectren Corporation's assets and liabilities as a whole. These non-GAAP measures are used by management to evaluate the performance of individual businesses. In addition, other items giving rise to period over period variances, such as weather, may be presented on an after tax and per share basis. These amounts are calculated at a statutory tax rate divided by the Company's basic average shares outstanding during the period. Accordingly, management believes these measures are useful to investors in understanding each business' contribution to consolidated earnings per share and in analyzing consolidated period to period changes and the potential for earnings per share contributions in future periods. Per share amounts of the Utility Group and the Nonutility Group are reconciled to the GAAP financial measure of basic EPS by adding the two together. If there is a difference, that difference results from Corporate and Other operations. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP.