

CAPITAL BOND ROLLOVER

ROADSHOW PRESENTATION

May 2017

Vector  **DeutscheCRAIGS**  **FORSYTH BARR**



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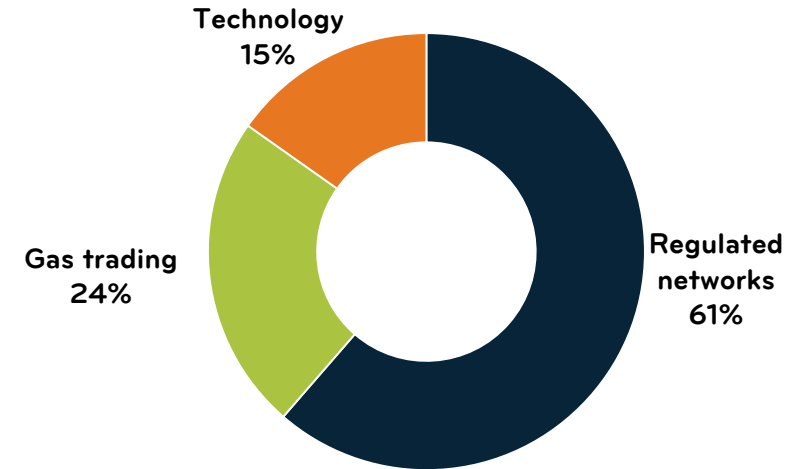
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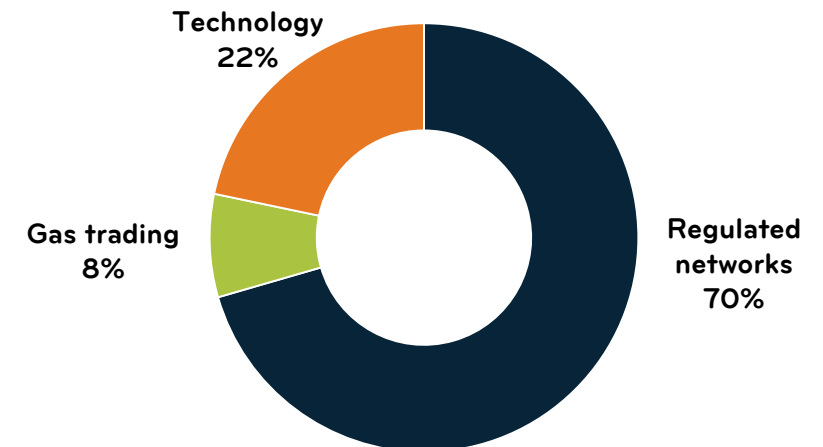
VECTOR IS NZ'S LARGEST PROVIDER OF ENERGY INFRASTRUCTURE

- New Zealand's largest owner and manager of energy infrastructure networks
 - #1 electricity distribution business
 - #1 provider of electricity and gas metering
 - #2 retailer of LPG
- ~60% of revenue & ~70% of adjusted EBITDA sourced from regulated assets, with balance sourced from competitive activities
- Vector reports its financial results in 3 segments
 - Regulated Networks
 - Gas Trading
 - Technology

FY16 REVENUE

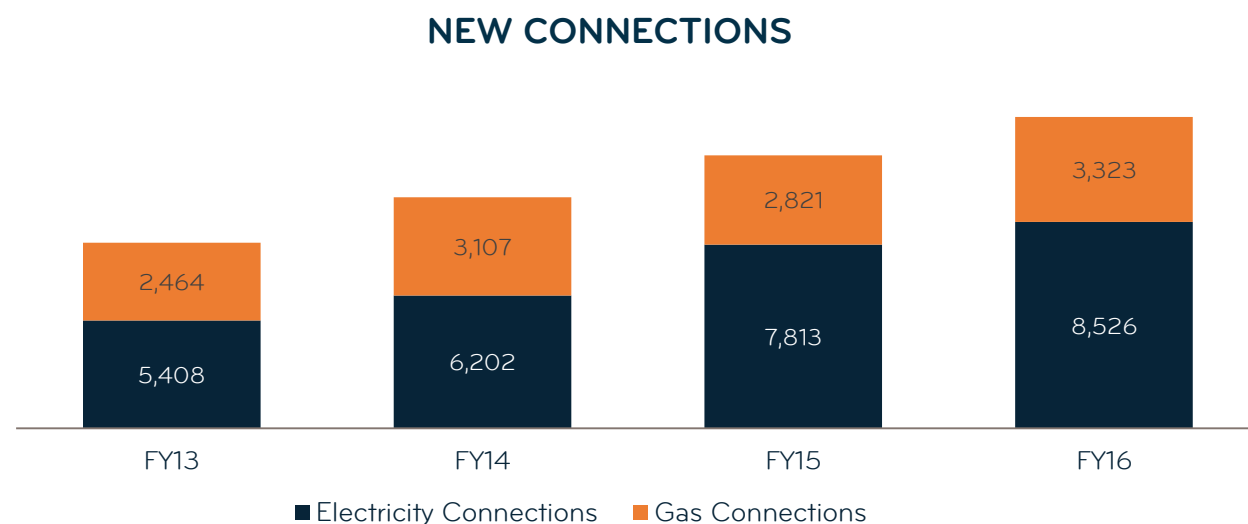


FY16 ADJUSTED EBITDA



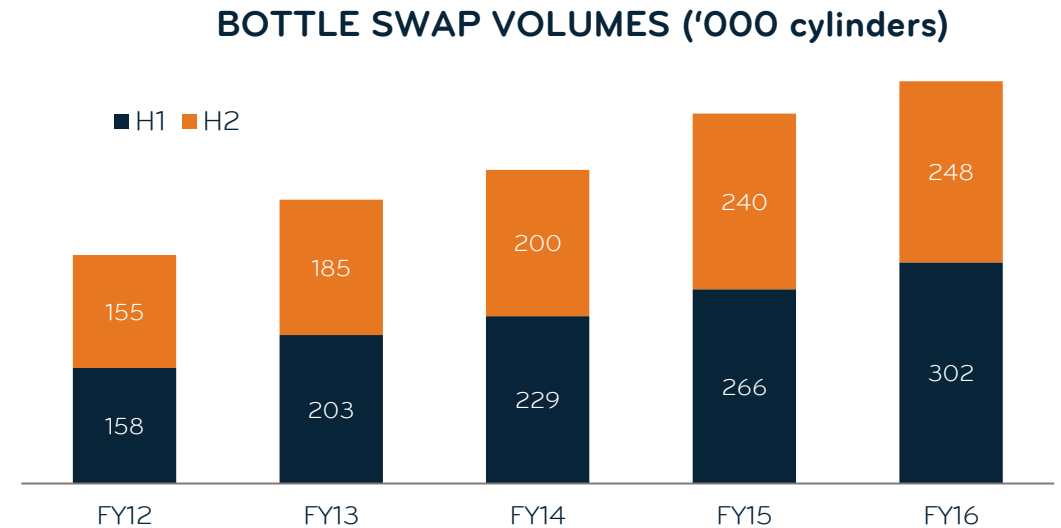
VECTOR'S REGULATED NETWORKS DELIVER ENERGY TO AUCKLAND HOMES & BUSINESSES

- Vector delivers electricity to 553,806 and gas to 106,544 Auckland homes & businesses
- Regulated asset base ~\$3.0 billion
- Returns regulated by Commerce Commission
 - Input Methodologies provide relative certainty of regulation through 2025
 - Next "reset" for gas in October 2017 and for electricity in April 2020
- Significant investment required to support Auckland's rapid growth
- Sold Vector Gas (gas transmission and non-Auckland Gas distribution) for \$952.5m in April 2016. Proceeds were applied to debt reduction but will be re-invested.
- Vector is at the forefront of using new technology to ensure network investment is efficient, flexible and future-proofed



VECTOR'S GAS TRADING BUSINESS DELIVERS LPG AROUND NZ

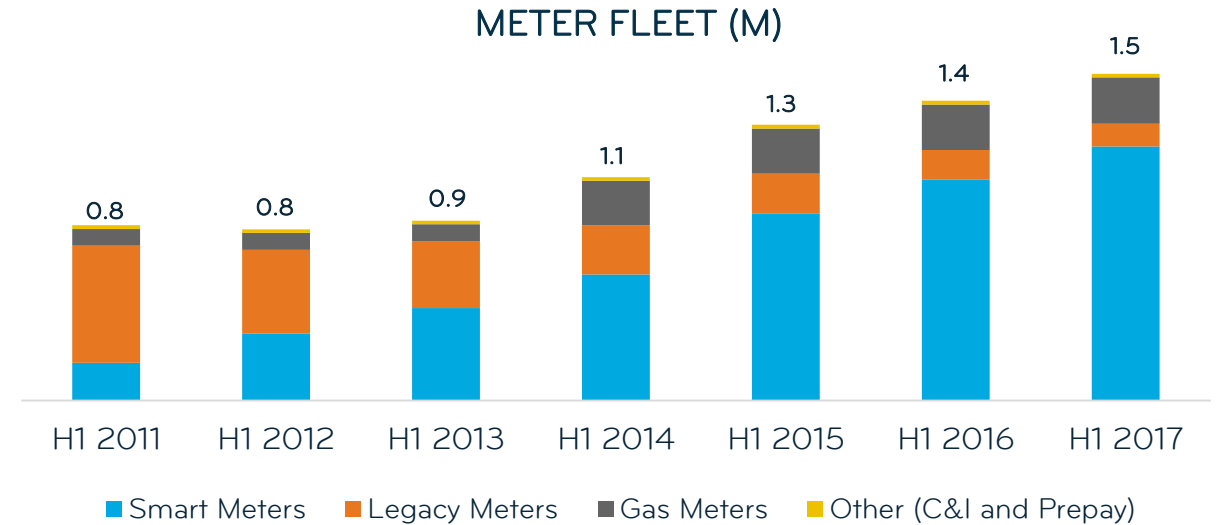
- Gas Trading business consists of:
 - Natural Gas - wholesale, trading and industrial sales; gas treatment plant in Taranaki, with rights to Kapuni gas
 - LPG - OnGas sales, distribution and reticulated networks; 60% stake in Liquigas
- Natural gas business has declined over recent years as entitlements to legacy gas have been exhausted
- Vector's LPG operations occupy a strong market position
- OnGas won Best Gas Provider of the Year at the Roy Morgan Research Customer Satisfaction Awards 2016
- New LPG bottle plant in South Auckland will be operational later in the year



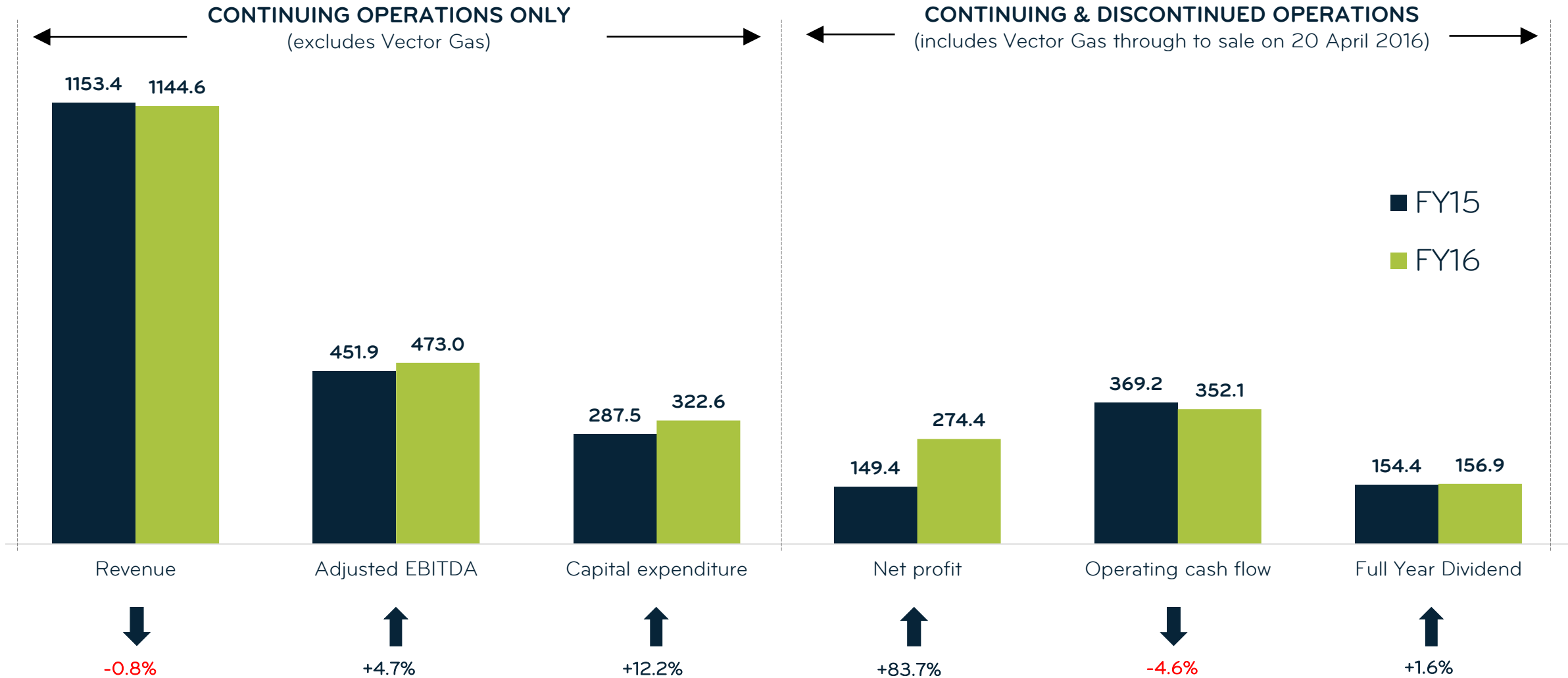
VECTOR'S TECHNOLOGY SEGMENT DELIVERS NEW ENERGY SOLUTIONS TO HOMES & BUSINESSES

- Vector owns ~1.5 million electricity and gas meters
 - Installed more than 1.1 million smart meters in NZ
 - Looking across the Tasman for next phase of growth, and have recently installed 15,000 smart meters in Australia

- Recently acquired two energy solutions businesses
 - E-Co Products Group provides ventilation, air-conditioning, water filtration and retrofit double glazing to NZ homes
 - PowerSmart Solar is a leader in commercial solar and battery solutions in NZ & Pacific



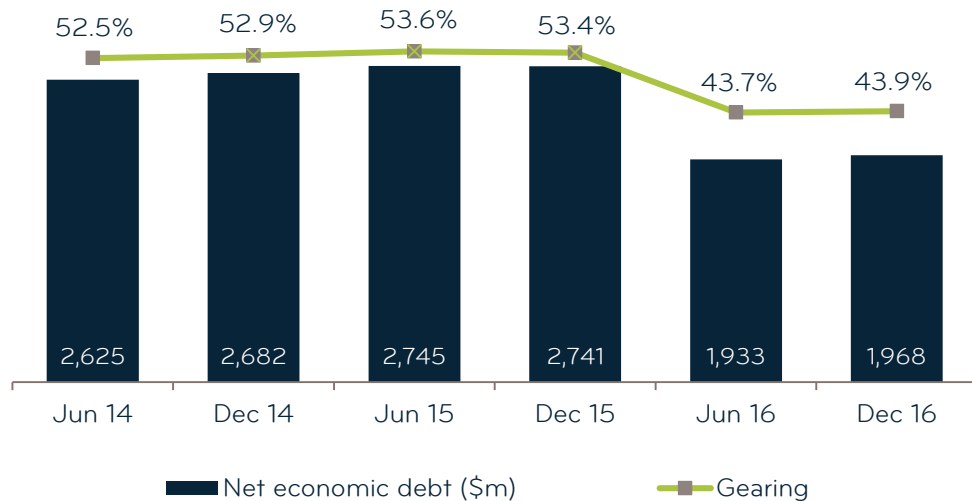
KEY FINANCIAL PERFORMANCE METRICS



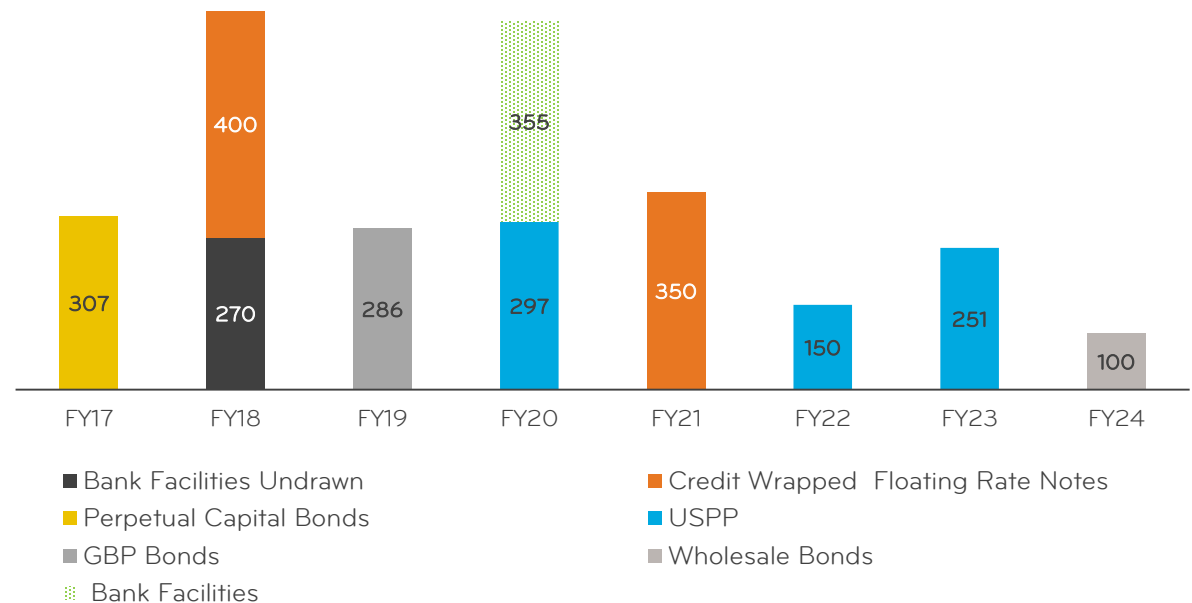
STRONG BALANCE SHEET

- Vector's balance sheet has further strengthened following the NZ\$952.5m sale of Vector Gas in FY16, with proceeds initially being used to pay down debt
- Group debt maturities are comfortably spread in a variety of markets

NET ECONOMIC DEBT & GEARING (\$m)

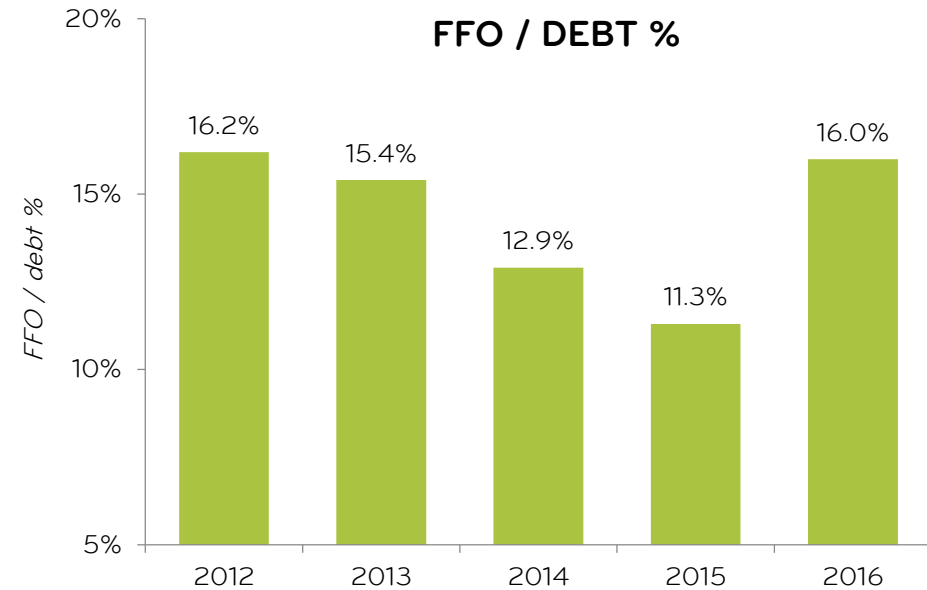
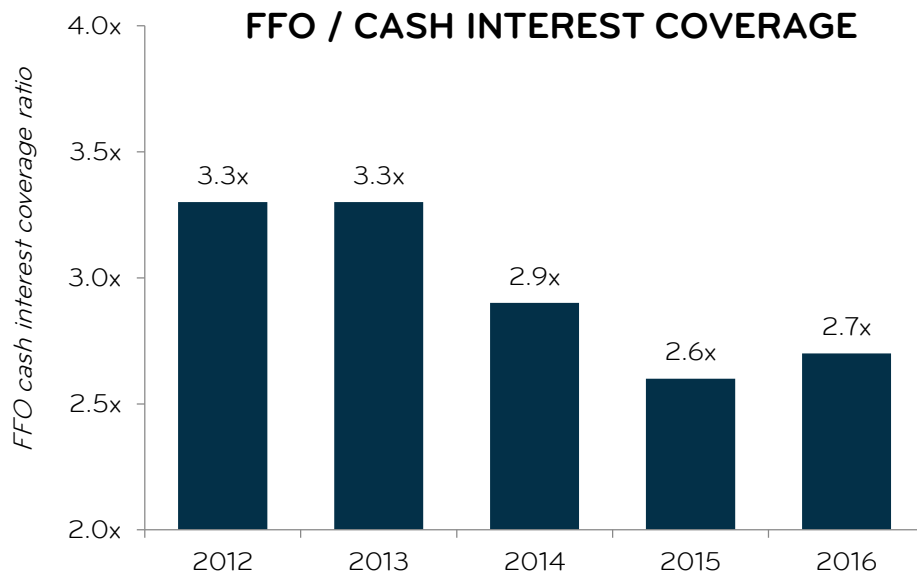


GROUP DEBT MATURITY (\$m)



BBB CREDIT RATING

- Vector rated BBB (stable outlook) by Standard & Poor's & Baa1 (stable outlook) by Moody's
- Capital Bonds currently rated BB+ by Standard & Poor's (two notches below Vector's issuer credit rating)



Source of charts : Standard & Poor's Rating Report October 2016

CREATING A NEW ENERGY FUTURE

- 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

CAPITAL BONDS / ELECTION PROCESS

CAPITAL BOND SUMMARY

KEY TERMS AND CONDITIONS FROM 15 JUNE 2017

Issuer	Vector Limited ("Vector")
Status	The Capital Bonds are unsecured and subordinated to all indebtedness of Vector other than indebtedness ranking equally with, or subordinate to, the Capital Bonds
Issue Size	\$307,205,000 Capital Bonds currently on issue (\$44,553,666 Capital Bonds currently held by Vector as Treasury Stock)
Credit Ratings	The Capital Bonds are currently rated BB+ by Standard & Poor's Vector currently has an issuer credit rating of BBB (stable outlook) by Standard & Poor's and Baa1 (stable outlook) by Moody's
Interest Rate	<p>If all Capital Bonds in the Resale Facility are sold or redeemed the Interest Rate will be set on 14 June 2017 as the greater of:</p> <ul style="list-style-type: none"> - 5.70% p.a. - the Swap Rate plus the Issue Margin <p>If any Capital Bonds offered for sale through the Resale Facility are not sold or redeemed, the interest rate payable by Vector on all Capital Bonds will be the Swap Rate plus 3.95% p.a.</p> <p>This rate will apply until the next Election Date on 15 June 2022</p>
Issue Margin	2.75% p.a.
Swap Rate	The NZ interest rate swap for a term of 5 years on 14 June 2017
Interest Payments	Interest is payable semi-annually in arrears. Vector may elect to cancel all or any part of any interest due. Interest Payments are non-cumulative
Discretion to cancel interest	<p>The Issuer may at its discretion elect to cancel payment of all or any part of the interest due on an Interest Payment Date. The Issuer will not have any obligation to pay any cancelled interest at any time in the future</p> <p>If the Issuer has cancelled any interest payment, it may not pay any dividend or make any distribution on its shares unless the Issuer has paid either all interest that was cancelled since the last time two consecutive interest payments were made or the two consecutive interest payments immediately prior to the dividend/distribution</p>
Next Election Date	15 June 2022

ELECTION PROCESS

- NZ Bondholders have the following election options
 - Keep all Capital Bonds
 - Keep all Capital Bonds and apply for additional Capital Bonds through the Resale Facility
 - Offer to sell some of their Capital Bonds through the Resale Facility and keep the balance of their Capital Bonds
 - Offer to sell all of their Capital Bonds through the Resale Facility
- Holders with less than the Minimum Holding of Capital Bonds or non-residents will be deemed to have elected to offer to sell all of their Capital Bonds through the Resale Facility
- Election Notices to be at the registrar by 5:00pm 31 May 2017:
 - Size of Resale Facility determined at this point
 - If there are any existing Bondholders who apply for Bonds in the Resale Facility, it is Vector's current intention to give them preferential access to Bonds available from the Resale Facility
- 0.50% brokerage payable on 'stamped' Election Notices
 - 'Stamped' includes handwritten attributions

TIMETABLE

Election Record Date	28 April 2017
Election Documents distributed to bondholders	3 May 2017
Notification Date	31 May 2017
Resale Facility determined and advised to intermediaries	1 June 2017*
Firm Allocation Applications due	Midday 2 June 2017*
Rate Set Date	14 June 2017
Election Date / Settlement Date	15 June 2017

**Time / date may be changed by Vector without consultation*

RESALE FACILITY

➤ Resale Facility

- Firm bids due midday 2 June 2017, following determination of the size of the Resale Facility
- Firm Allocations will be determined after the book build process
- Vector may purchase Capital Bonds in the Resale Facility or redeem Capital Bonds not sold through the Resale Facility. Vector has not made any decisions as to whether it will purchase or redeem any Capital Bonds which are placed by Bondholders into the Resale Facility, however, any such decision will be subject to the terms of the Replacement Security Deed Poll
- Applicants for Firm Allocations will undertake to purchase Capital Bonds equal to their Actual Firm Allocation, with settlement on 15 June 2017

➤ Fees on Firm Allocations

- Brokerage fee of 0.50% plus firm commitment fee of 0.50%

➤ Adjusted Interest Rate

- If any Capital Bonds offered for sale through the Resale Facility are not sold or redeemed by Vector, the interest rate payable by Vector on all Capital Bonds from 15 June 2017 is the Adjusted Interest Rate. The Adjusted Interest Rate is the aggregate of the:
 - five-year swap rate on 14 June 2017; plus
 - Issue Margin for the prior Bond Period (being an Issue Margin of 2.95% per annum); plus
 - Specified Margin (being 1.00% per annum)

Q&A

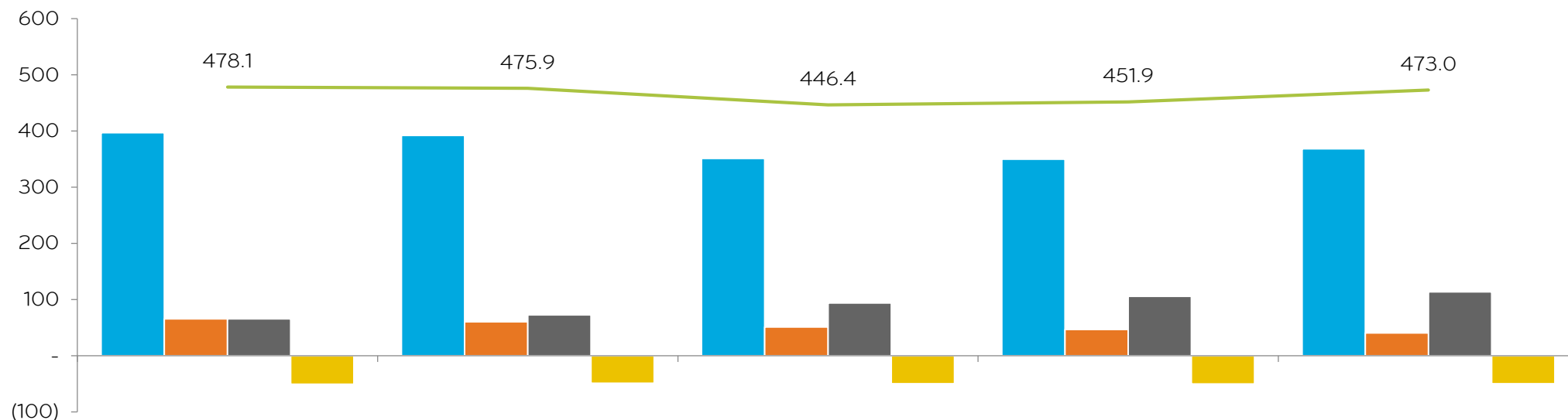
ANY QUESTIONS?

APPENDICES

5 YEAR ADJUSTED EBITDA PERFORMANCE BY SEGMENT

Adjusted EBITDA (Continuing Operations Only) \$million

For the year ended 30 June



	FY12	FY13	FY14	FY15	FY16
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	475.9	446.4	451.9	473.0

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
<i>Adjusted for:</i>		
Associates (share of net (profit)/loss) ¹	(2.8)	(0.8)
Capital Contributions	(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

