



Vector Special Meeting

Wednesday 16 December 2015

Ellerslie Event Centre, Auckland

Creating a new energy future



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



Directors

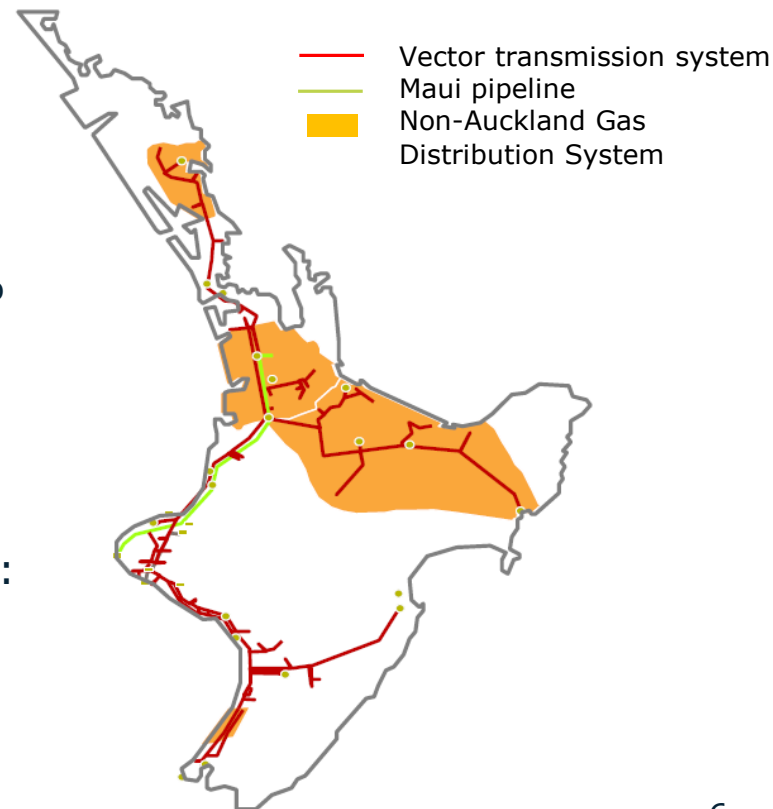
- James Carmichael
- Hugh Fletcher
- Jonathan Mason
- Dame Alison Paterson
- Karen Sherry
- Bob Thomson

Today's programme

- Transaction overview
- Transaction detail
- Resolution
- Voting
- Meeting close

Strategic review of Vector Gas

- Vector's gas transmission & non-Auckland gas distribution businesses
 - 2,200 km of high pressure gas transmission pipelines supplying natural gas across North Island
 - 4,800 km of gas distribution networks providing gas to more than 60,000 North Island customers
 - Leading provider of pipeline management services
- Following unsolicited interest in June, Vector appointed Goldman Sachs to conduct a strategic review. A range of options considered:
 - Full or partial sale
 - Management contract
 - Retention



Sale realises full value for shareholders

- The strategic review culminated in three final offers to buy the business
- Vector has agreed to sell for \$952.5 million to Australia's First State Funds, resulting in a gain on sale of around \$167 million*
- The sale price realises full value for shareholders and allows Vector to repay debt and recycle capital into higher growth opportunities
- Vector remains committed to maintaining a sustainable dividend
- First State's offer has the unanimous support of the Vector Board
- The Auckland Energy Consumer Trust has voted in favour of the transaction

*Vector Directors recommend shareholders vote
in favour of the transaction.*

Simon Mackenzie

Group Chief Executive



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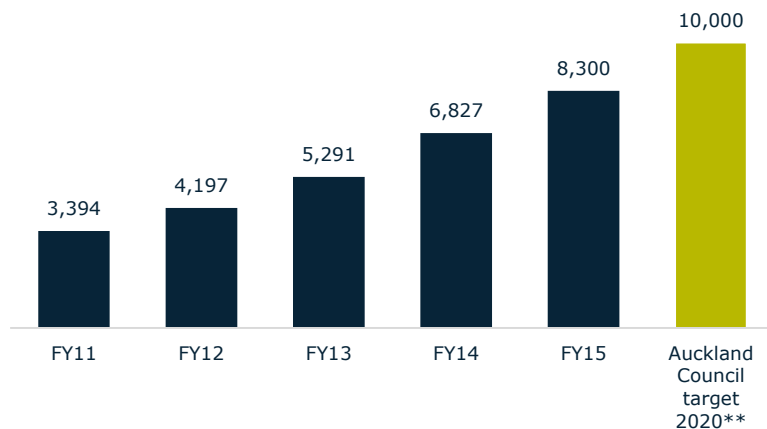


Leveraging our heritage and creating options



Auckland offers strong growth opportunities

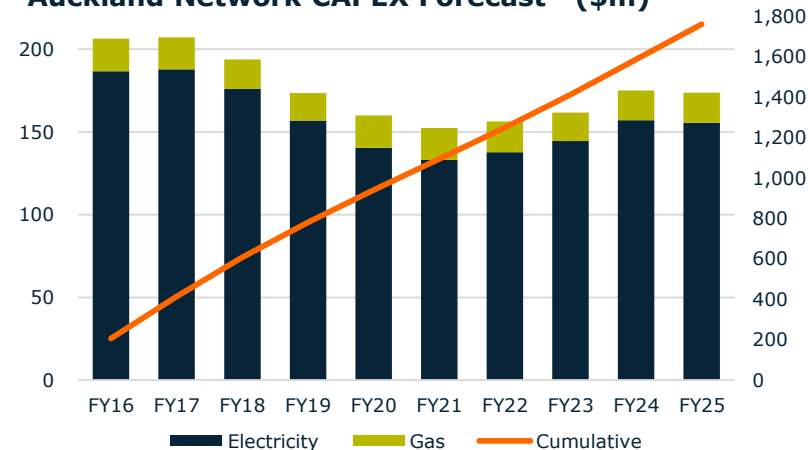
Auckland New Dwelling Consents*



* Source: Statistics NZ

** Source: The Auckland Plan, target per annum

Auckland Network CAPEX Forecast* (\$m)

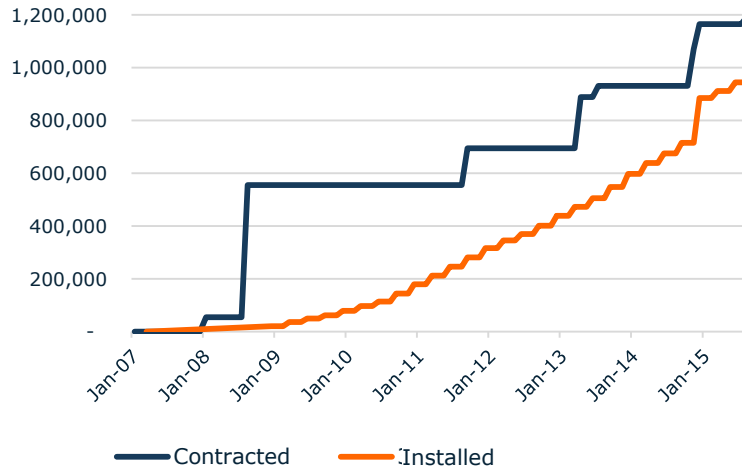


*Source: Vector asset management plan

Metering success creates growth platform

Vector's Technology business contributes more than \$100 million to group EBITDA

CONTRACTED & INSTALLED SMART METERS

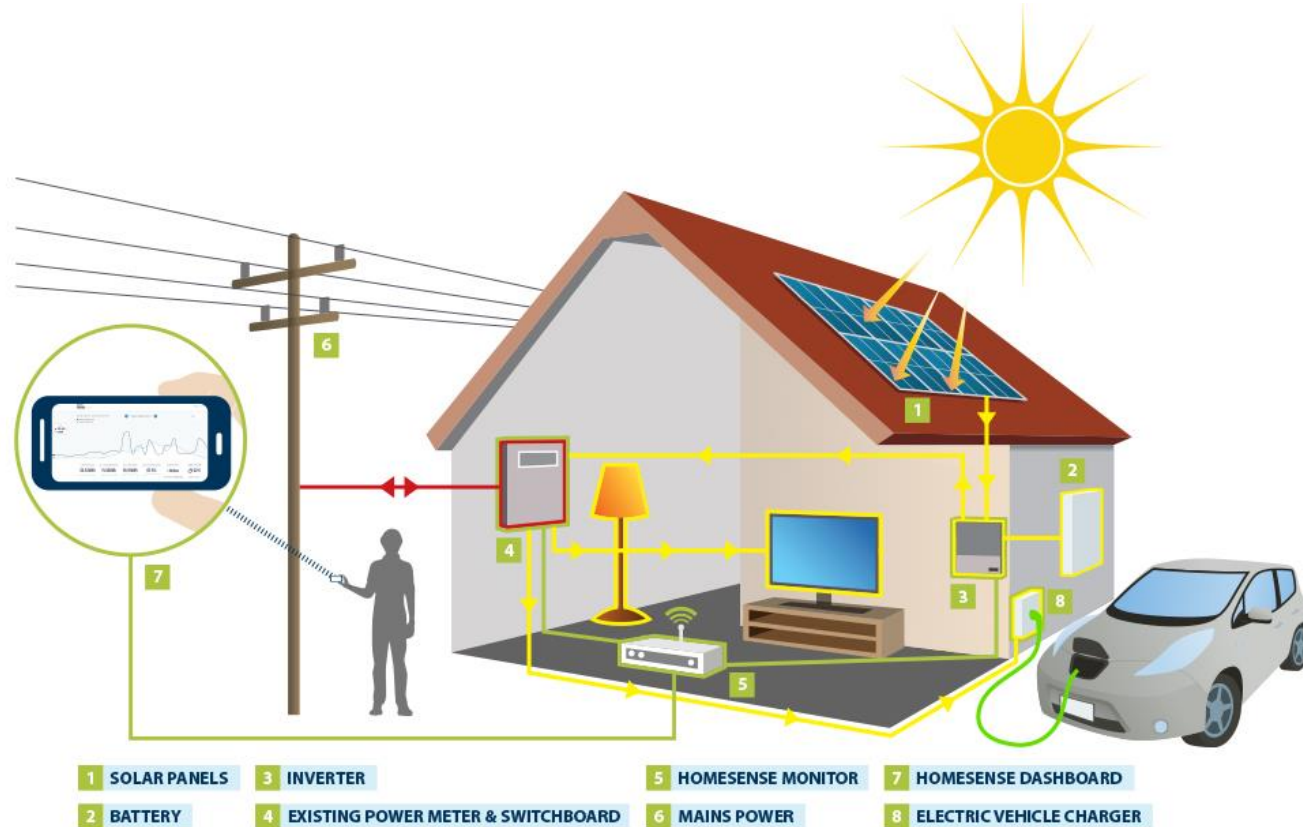


Australian metering potential



Current focus on Queensland, NSW and Tasmania, with an opportunity of 6.3m residential meters

A new energy future at home



Now is a good time to sell Vector Gas

- Vector's Auckland networks and unregulated activities offer more attractive growth and volume opportunities
- Parallels to the sale of Wellington Electricity network in 2008, which enabled Vector to reduce regulatory risk, repay debt and invest in smart meters



Vector Technology 2009-2014*

- EBITDA rises 92% to \$100.0 million from \$52.1 million

Wellington Electricity 2009-2014**

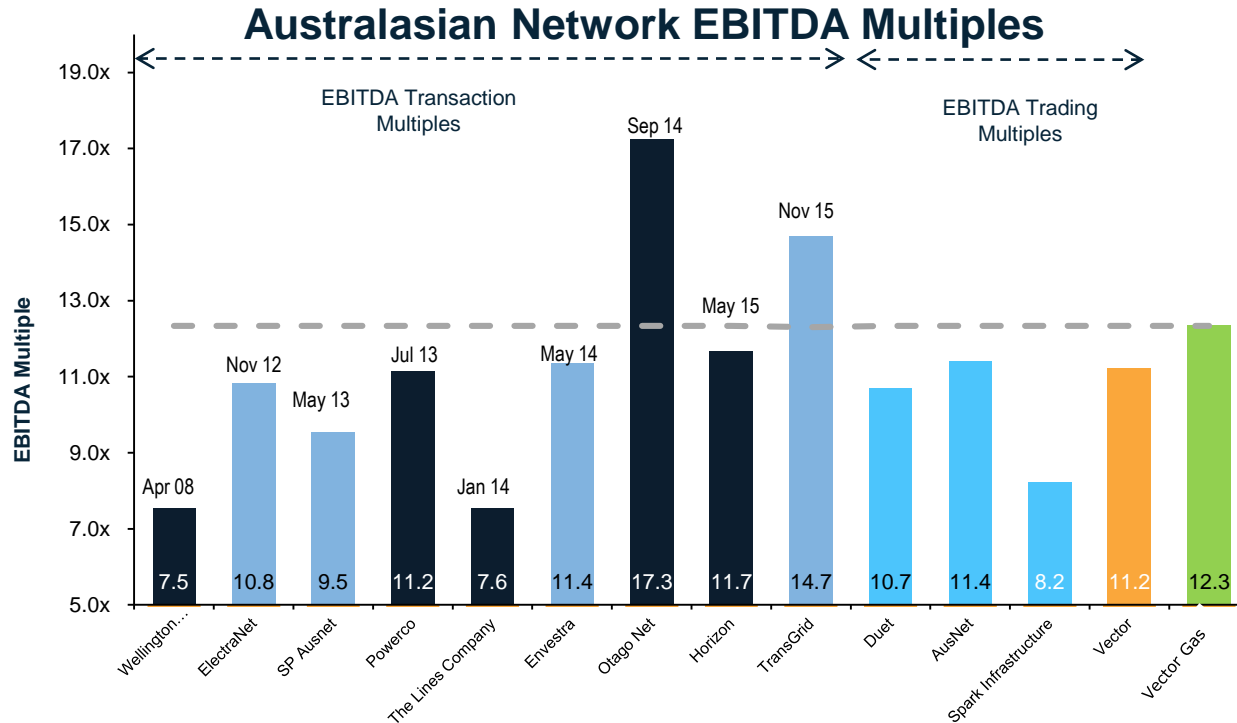
- EBITDA rises 13.1% from \$76.1 million to \$86.1 million

* Year to 30 June.

** Year to 31 December.

Source: New Zealand Companies Office returns.

\$952.5 million is a good price for Vector Gas



- EV/EBITDA multiple of 12.3x (trailing)
- Higher than all public Australasian sale multiples since 2012, except OtagoNet and TransGrid
- Higher than Vector's EBITDA trading multiple and other comparable company trading multiples

First State is a leading infrastructure manager



Electricity North West (UK)
- 2.4 million ICPs.



Reganosa (Spain)
- LNG regasification terminal in Galicia



Anglian Water (UK)
- The largest water and wastewater utility in the UK by area



ANZ Terminals (Australasia)
- 9 bulk liquid storage terminals in Australasia, with ~375,000m³ of storage

First State Investments

- Asset management division of CBA with over A\$170b of funds under management
- Leading manager of global infrastructure funds, with NZ\$7b invested in 16 utility investments in Australasia and Europe

Vector and First State to cooperate

- The sale will result in a significant gain on sale in the 2016 financial year
 - If the sale had occurred on 30 June 2015 the gain would have been \$167 million. The actual gain will depend on the date of completion
- Sale is conditional on:
 - Approval of Vector shareholders today
 - Approval of Overseas Investment Office
- Subject to these approvals, Vector and First State are working to complete the transaction by 31 March 2016
- Vector to provide transitional services to First State, likely through to the end of December 2016
- Vector and First State have agreed to cooperate in relation to their respective gas distribution activities and to consider co-investment in future energy infrastructure projects

Sale further strengthens Vector's balance sheet

- Proceeds will be applied to debt repayment, further strengthening Vector's balance sheet metrics
 - If the transaction had occurred on 30 June 2015, gearing would decrease from 54% to 42%
 - Assuming no other changes to Vector's business we expect Vector's investment grade credit rating to be unaffected by the sale at BBB stable (Standard & Poor's)
 - Sale will result in EPS dilution of ~10% over time relative to retention
 - We expect dilution will be reversed as we recycle capital into new opportunities
- Remain committed to maintaining a sustainable dividend
 - Sale will not result in special dividend or share buyback

Sale is in the best interests of shareholders

- Vector is creating a new energy future and we are leading change in New Zealand
- The sale of Vector Gas allows the company to redeploy capital in a way that is aligned with our vision
- Vector has completed an exhaustive process and has achieved a good price
- We have an agreement to sell to a leading infrastructure manager
- The sale has the unanimous support of the Vector Board
- The Auckland Energy Consumer Trust has voted its shares in favour of the transaction

Michael Stiassny

Chairman



Resolution

"To approve the sale by NGC Holdings Limited of all of the shares in Vector Gas Limited to Odysseus Investments Limited under an Agreement for the Sale and Purchase of shares in Vector Gas Limited dated 9 November 2015 between Vector Limited, NGC Holdings Limited, Odysseus Investments Limited and Colonial First State Infrastructure Managers (Australia) Pty Limited as manager and agent for Colonial First State Managed Infrastructure Limited as trustee for the Global Diversified Infrastructure Fund (Active), as required by clause 34.1 of Vector Limited's constitution."

Proxy position

Proxy voting

For	810,968,392
Against	596,905
Discretionary	2,050,822
Abstain	40,741

Voting





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