





# Michael Stiassny

CHAIRMAN



# Directors

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- Alison Paterson
- Karen Sherry
- Hugh Fletcher
- James Carmichael
- Peter Bird
- Bob Thomson

# Agenda

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1. Chairman's update
2. Group Chief Executive's update
3. Ordinary business
4. Election of directors
5. Appointment and remuneration of auditors
6. Directors' remuneration
7. General business

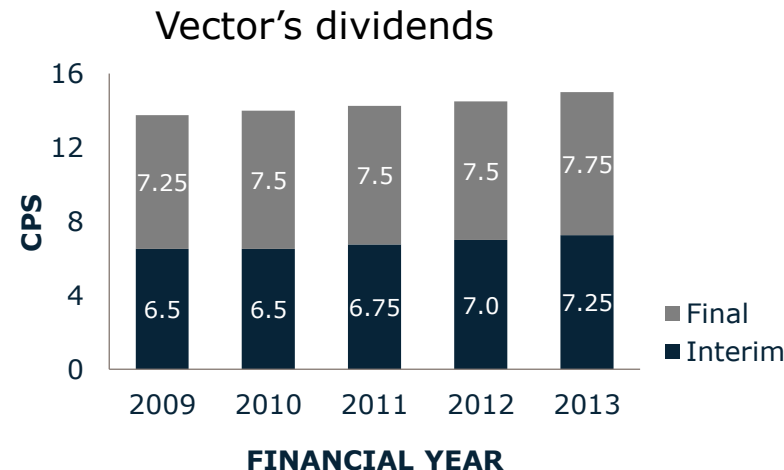
# Vector's vision and goal



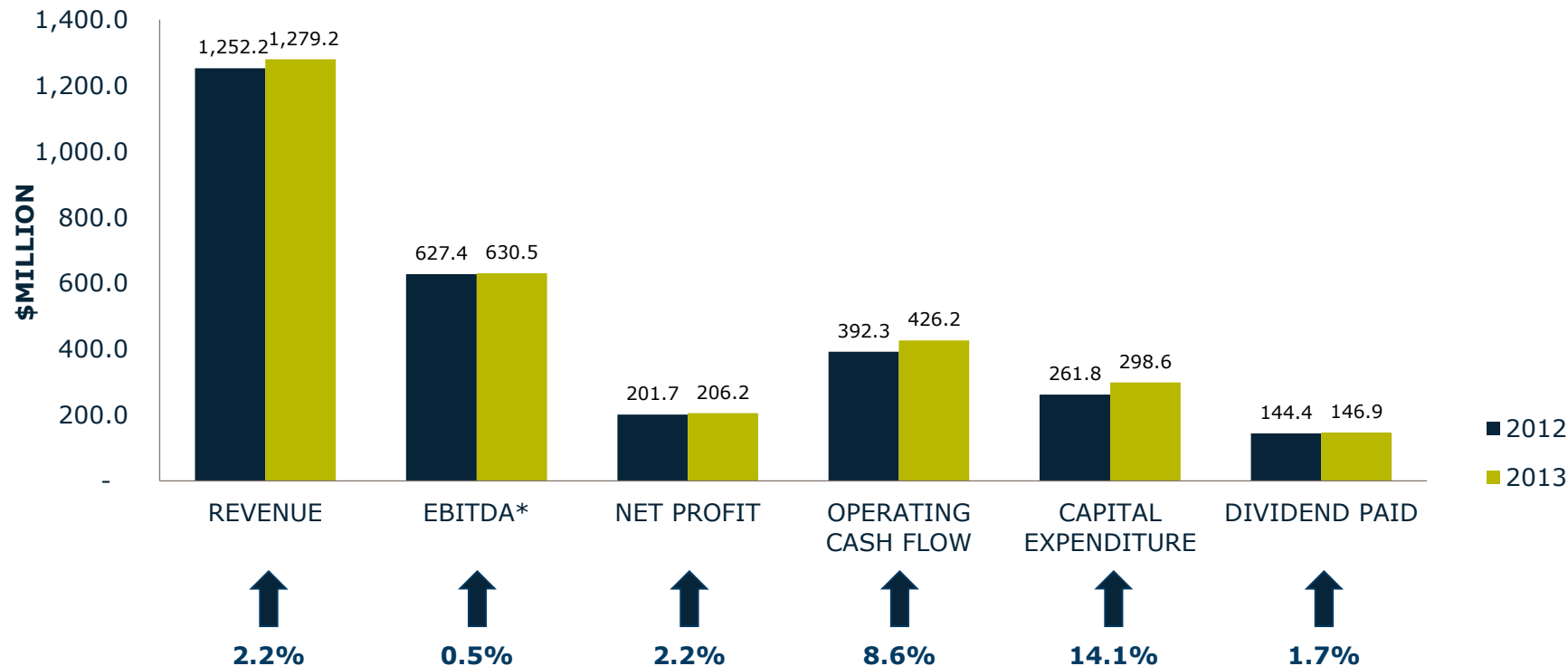
VISION: First choice for integrated infrastructure solutions

GOAL: Deliver sustainable dividend increases

- Seventh consecutive year of dividend increases
- Dividend injects well over \$100M into the economy
- Gearing improved to 51.1%
- Standard & Poor's BBB+/stable rating



# Delivering for shareholders and Auckland

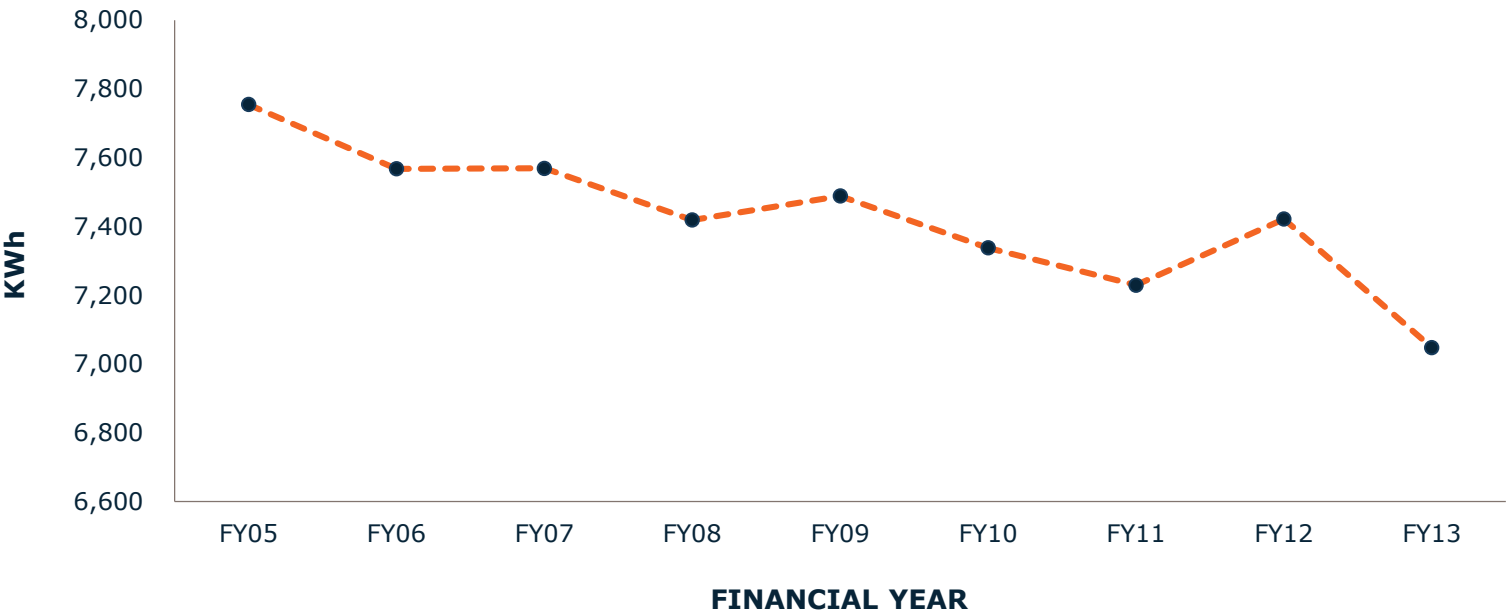


\*EBITDA is a non-Generally Accepted Accounting Practice (GAAP) profit measure and is defined on page 41 and reconciled to GAAP on page 42 of this presentation. All references to this measure throughout this presentation is consistent with this definition.

# The new economic reality



POWER USAGE PER VECTOR RESIDENTIAL CONNECTION POINT



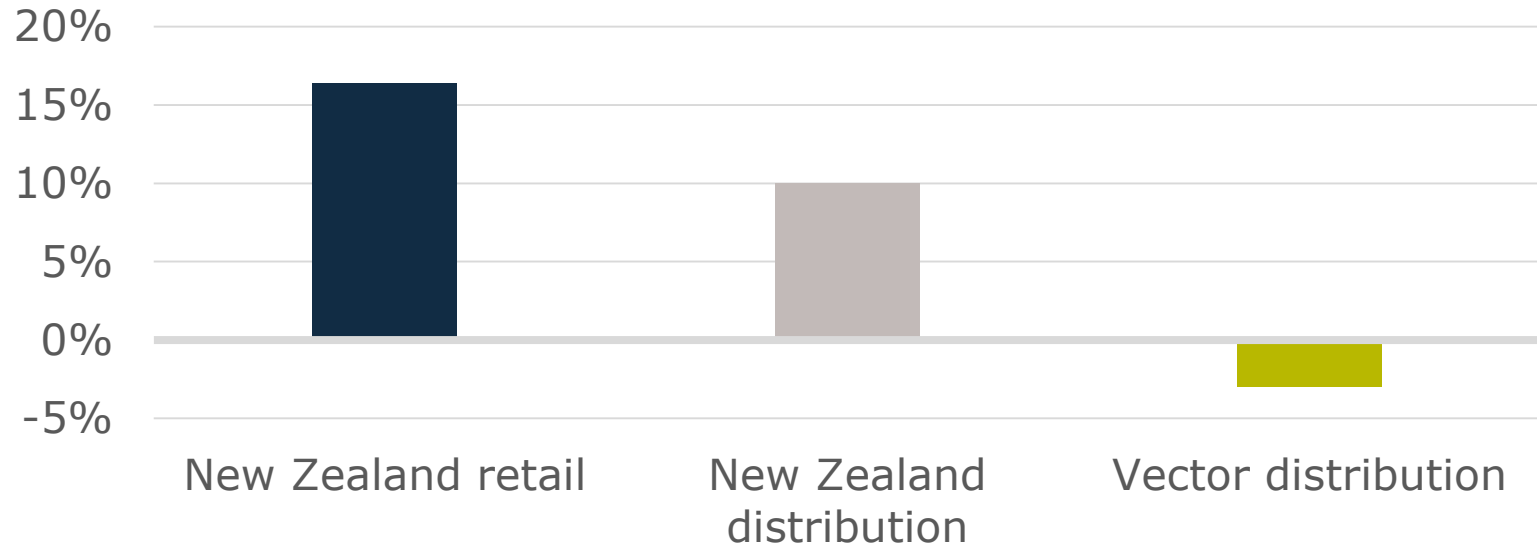
Source: Vector



# Price is driving customer behaviour



Real energy price change 2008 - 2013



Source: MBIE

# The new economic reality



The drive for reduced spending gains momentum as:

- Customers demand greater choice and control over their energy use
- 'Sustainability' enters popular consciousness
- Home appliances become more energy efficient
- Governments promote energy efficiency

Alternatives to centrally-generated electricity more attractive

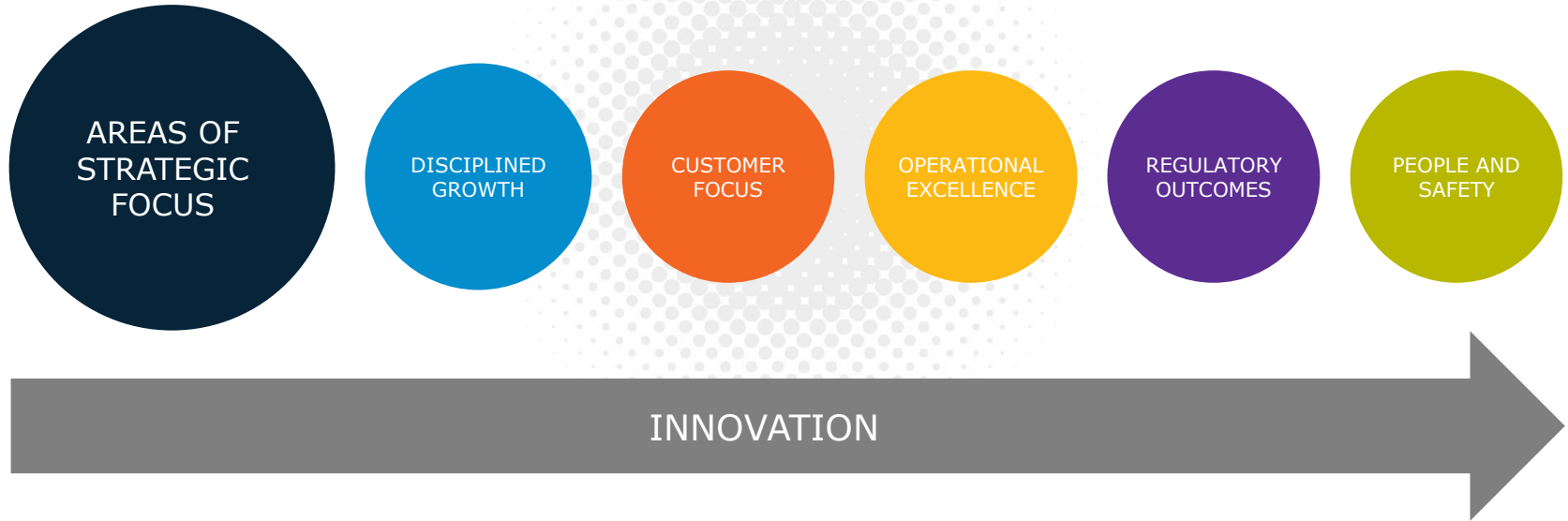
- The solar panel choice is becoming:
  1. Right for the environment ✓
  2. Right for the wallet ✓

Vector must be relevant for customers and we are achieving that goal.

# Vector's goal



GOAL: Deliver sustainable dividend increases



# Strategic focus: disciplined growth



DISCIPLINED  
GROWTH

## MARKET-FACING OPERATIONS

### Technology

- Smart meters will transform energy management
- Contracted installations rise 14.0% to 764,000 meters
- Acquired Contact Energy's gas meter portfolio, gas meter fleet rises from 82,000 to 216,000

### Gas Wholesale

- Established as New Zealand's leading gas aggregator
- Matching disparate sources of gas supply with demand across a broad range of New Zealand businesses



INNOVATION

# Strategic focus: disciplined growth



## REGULATED OPERATIONS

### Electricity and Gas Transportation

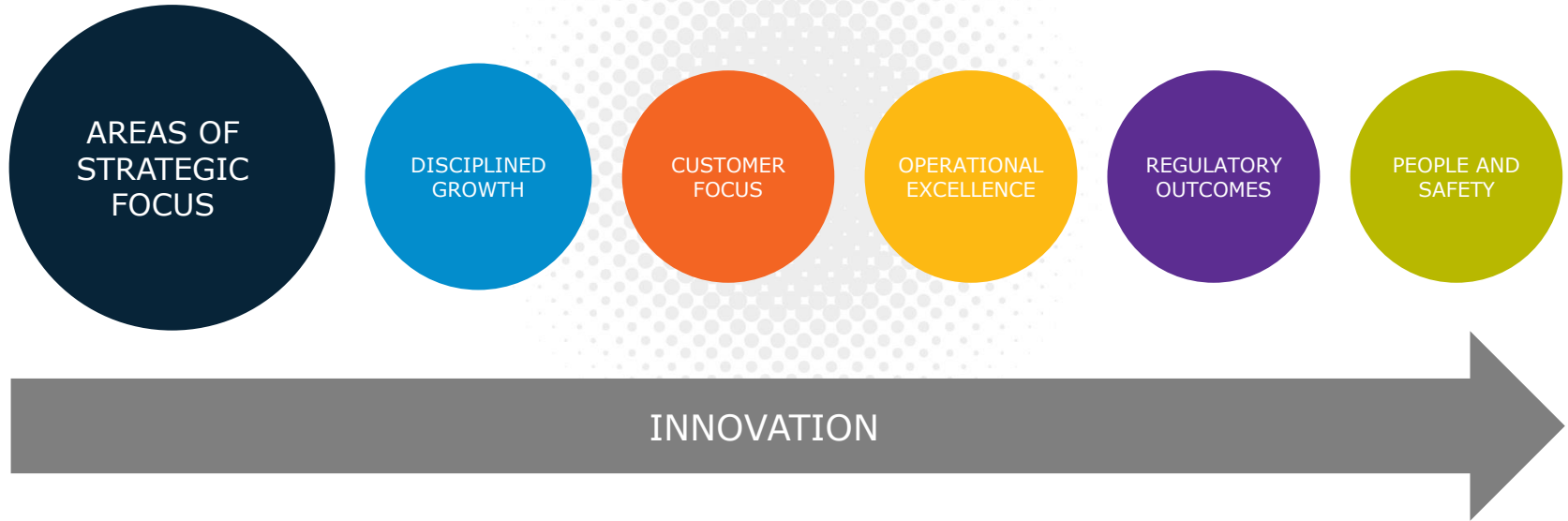
- Growth driven by population increases in and around our networks
- Acquisitions are challenging: critical infrastructure assets highly coveted by international investors
- Rely on our strategic areas of focus to drive earnings improvements



# Vector's goal



GOAL: Deliver sustainable dividend increases



# Simon Mackenzie

## GROUP CHIEF EXECUTIVE



# Strategic focus: customers



## Customers want

- A utility they can trust
- Reliable, efficient infrastructure services
- Timely delivery and online services
- Choice and flexibility over how they use energy
- Good value





# Strategic focus: customers



CUSTOMERS

Solar  
+  
Communication



INNOVATION

# Strategic focus: customers



CUSTOMERS

Smart Meters  
+  
Gas Wholesale



Vector's roll out of half a million smart meters attracts international attention



Large gas users turn to Vector as we configure gas supply to their needs

INNOVATION

# Strategic focus: customers



## CUSTOMERS

Looking after  
the interests of  
the Auckland  
region

### Electricity transmission pricing

- Vector does not support Electricity Authority proposals, which are likely to lead to higher Auckland prices
- Vector seeks robust evidence to support pricing changes
- South Island generators should bear the cost of the Cook Strait cable, not consumers

Vector supports the Manaiakalani Trust, which is fostering e-learning in East Auckland



**Manaiakalani**

INNOVATION

# Strategic focus: operational excellence

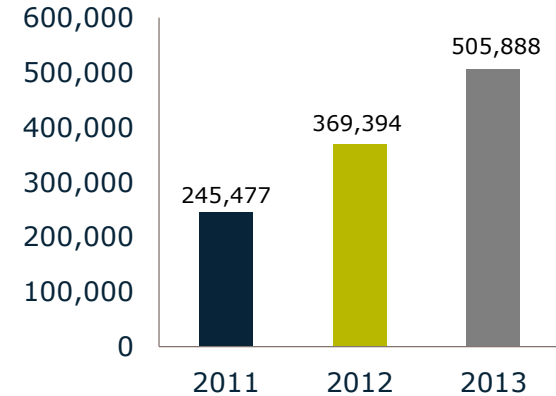


OPERATIONAL  
EXCELLENCE

Technology

- Revenue rises 12.5% to \$109.1M
- EBITDA rises 13% to \$76.3M
- Installed smart meter base rises 37.0%
- Vector Communications makes an important contribution to the business

## Electricity Smart Meters



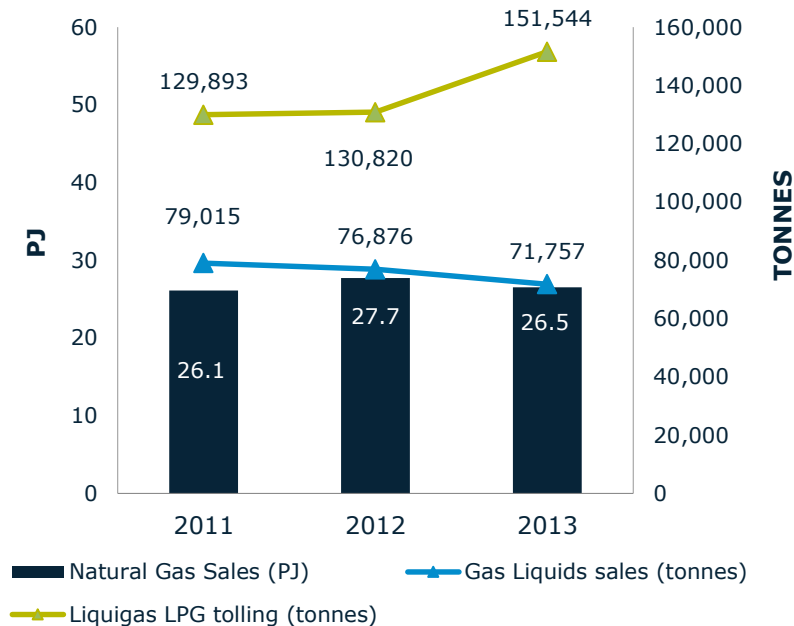
# Strategic focus: operational excellence



## OPERATIONAL EXCELLENCE

### Gas Wholesale

- Revenue fell 2.3% from \$380.9M to \$372.2M
- EBITDA fell 8.2% from \$65.8M to \$60.4M
- Results underpinned by the continuation of Kapuni gas at legacy prices
- LPG sales and tolling volumes assist performance



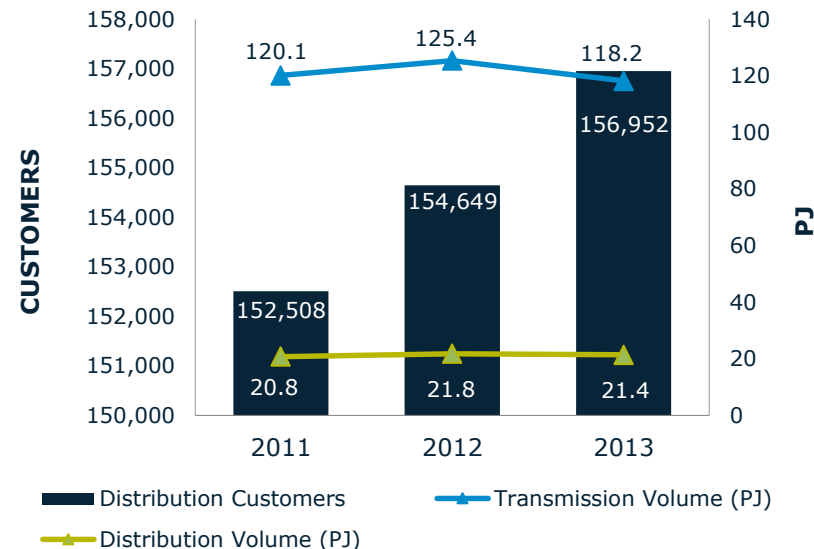
# Strategic focus: operational excellence



## OPERATIONAL EXCELLENCE

### Gas Transportation

- Revenue rises 2.3% from \$214.6M to \$219.6M
- EBITDA rises 6.2% from \$160.5M to \$170.4M
- Network availability 99.99%
- Volume falls due to reduced gas-fired power station demand
- Customer increases assisted by subdivision activity and SME growth



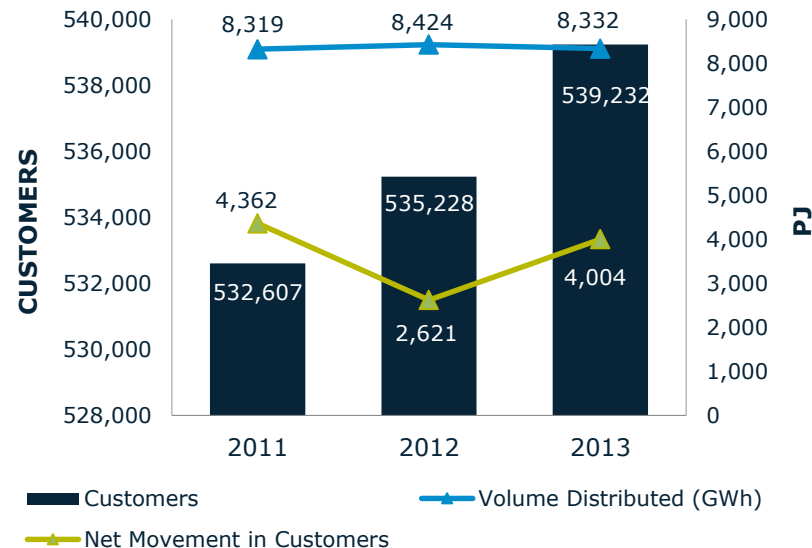
# Strategic focus: operational excellence



## OPERATIONAL EXCELLENCE

### Electricity

- Revenue rises 3.9% from \$609.0M to \$632.9M
- Higher Transpower charges drive revenue increases
- EBITDA falls 3% from \$384.1M to \$372.5M
- Volumes fall due to warm weather and continuing falls in energy usage
- Networks available 99.98% of the time



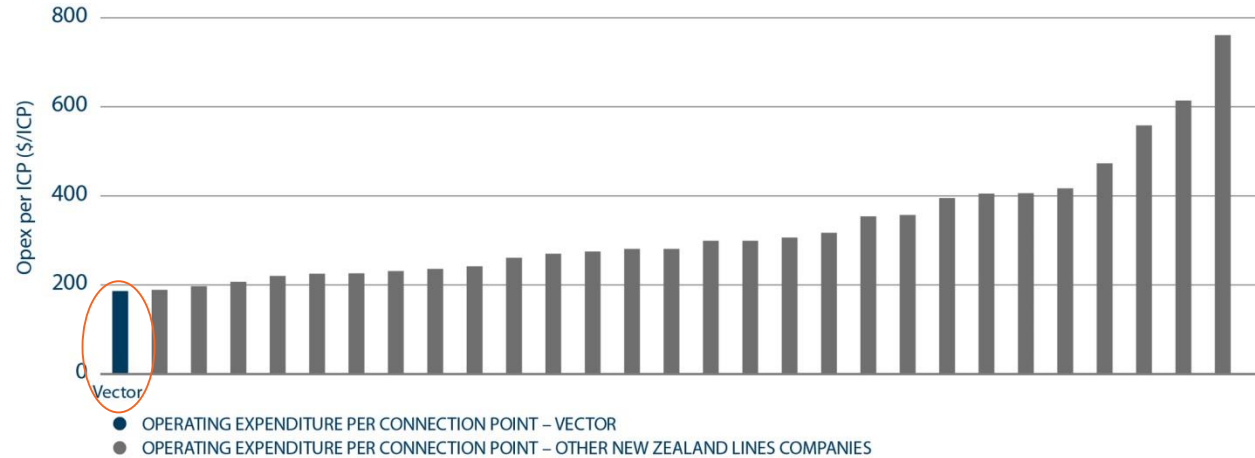
# Strategic focus: operational excellence



OPERATIONAL  
EXCELLENCE

Electricity

New Zealand Electricity Distribution Business operating costs



Source: PwC Electricity Line Business Information Disclosure Compendium, April 2013



# Strategic focus: regulation

A large purple circle containing the text "REGULATORY OUTCOMES" in white, uppercase letters.

## REGULATORY OUTCOMES

- The decisions on the Merit Appeals of the Commerce Commission's Input Methodology are due shortly
  - Brought by Vector along with six of New Zealand's largest infrastructure companies
  - Decision will represent a further maturation of the New Zealand regulatory regime
- Productivity Commission investigation into enhancements to New Zealand's regulatory regime
  - Opportunity for recommendations that deliver better outcomes for infrastructure investment
  - Reducing the number of regulators and minimising duplication and overlap of responsibilities amongst regulatory bodies

# Strategic focus: people & safety



## PEOPLE

Employing great people  
& keeping them safe

**Follow Buck's 3 rules to protect your power supply this winter**

Extreme weather and trees touching or falling onto electricity lines are a leading cause of electricity outages. If you are a property owner, then you own and are responsible for maintaining the electricity service lines and equipment on your property. Look, but don't touch. Call Vector on 09 301 0800 if you have any concerns.

<b>RULE #1:</b>	<b>RULE #2:</b>	<b>RULE #3:</b>
<b>LOOK UP</b>	<b>LOOK OUT</b>	<b>LOOK DOWN</b>
For trees close to your power lines	For worn power lines on your property	For fallen lines

Download our new mobile outage App and stay informed  
[www.vector.co.nz](http://www.vector.co.nz)

- Graduate recruitment – providing Vector with new leaders
- Apprentices programme – developing the skills for the future
- Safety programmes – ensuring staff and the public are safe in and around our operations

# Strategic focus: people & safety



## PEOPLE

Employing great  
people  
& keeping  
them safe



- Safety practices continuously improved and benchmarked against New Zealand and international best practice
- Implemented a new Incident Reporting Management programme
- Continuing to enhance and maturing our risk management framework

# Outlook



- Targeting EBITDA to meet market consensus estimates for the 2014 financial year
- Remain focused on continued growth in our technology portfolio and tight cost control

# Michael Stiassny

CHAIRMAN



# Ordinary business



# Election of directors



# Re-election of Peter Bird



## Proxy Voting

For	800,455,923
Against	168,654
Abstain	149,571
Discretionary	862,543
Additional discretionary held by the Chairman	1,394,921



# Re-election of Bob Thomson



## Proxy Voting

For	800,454,116
Against	184,223
Abstain	136,206
Discretionary	863,416
Additional discretionary held by the Chairman	1,393,651

# Election of Jonathan Mason



## Proxy Voting

For	800,374,289
Against	179,617
Abstain	170,522
Discretionary	863,626
Additional discretionary held by the Chairman	1,443,558

# Appointment of auditor



## Proxy Voting

For	800,865,281
Against	178,755
Abstain	69,497
Discretionary	862,156
Additional discretionary held by the Chairman	1,055,923

# Directors' remuneration



After a detailed review of the directors' remuneration including advice from independent expert remuneration consultants, dsd Consulting Limited, the board seeks:

- To increase the annual sum payable to the Chairman by \$11,400 plus GST from \$189,900 plus GST to \$201,300 plus GST; and
- To increase the annual sum payable to each other Director by \$5,700 plus GST from \$94,950 plus GST to \$100,650 plus GST

Reflects:

- Fees last increased in 2010
- The need to attract and retain the highest quality Directors
- The increasing governance and regulatory requirements on the Company's business continue to increase the workload on Directors
- Payments cover all services by Directors
- dsd Consulting recommended an increase of 6%, equal to increase sought

# Directors' remuneration



## Proxy Voting

For	792,731,622
Against	7,725,786
Abstain	556,210
Discretionary	835,955
Additional discretionary held by the Chairman	1,182,039

# Voting





# Meeting close





# Appendix



## Non-GAAP reporting measures

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](http://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.

Vector's definition of non-GAAP profit measures used in this document:

- **EBITDA:** Earnings before net finance costs, income tax, depreciation, amortisation, share of net profit/(loss) from associates and impairments
- **EBIT:** Earnings before net finance costs, income tax, share of net profit/(loss) from associates and impairments.

# Appendix



## GAAP to non-GAAP reconciliation

YEAR ENDED 30 JUNE	2013 \$M	2012 \$M
<b>Net profit for the period (GAAP)</b>	<b>206.2</b>	<b>201.7</b>
Add back: income tax expense <sup>1</sup>	83.6	81.6
Add back: impairment of investment in associates <sup>1</sup>	3.6	4.1
Deduct: share of net profit from associates <sup>1</sup>	(1.3)	0.3
Add back: net finance costs <sup>1</sup>	164.3	166.2
<b>EBIT</b>	<b>456.4</b>	<b>453.9</b>
Add back: depreciation and amortisation <sup>1</sup>	174.1	173.5
<b>EBITDA</b>	<b>630.5</b>	<b>627.4</b>

1. Extracted from Vector's 2013 audited financial statements



[www.vector.co.nz](http://www.vector.co.nz)