

Vector 2011 Annual General Meeting

Chairman and CEO's speeches Ellerslie Function Centre

Good afternoon shareholders, ladies and gentlemen. I'm Michael Stiasny, independent director and chairman of Vector. As we have a quorum and it is now past 2:00pm, it is my duty and pleasure to declare open this 2011 Annual General Meeting of Vector Limited.

On behalf of my fellow directors, a very warm welcome, and a special welcome to those shareholders following the meeting from our webcast. Vector has a total of 37,984 shareholders.

In addition to those attending in person today, 1,628 shareholders, holding a total of 795,598,158 shares, have appointed proxies. They are represented by 17 proxy holders, and in my capacity as chairman of the meeting and in my own name I hold proxies for 1,482 shareholders, representing a total of 41,122,132 shares. Included in the shares held by proxy are the 751 million shares held by the Auckland Energy Consumer Trust, Vector's majority shareholder. The trust is represented by Warren Kyd.

Before we move on to the agenda, it's important that the meeting is not disturbed. Can anyone who has a cell phone, blackberry, pager or any recording device please switch it off now.

One other matter of housekeeping, before we start. If we need to evacuate this room for any reason there are exits behind me and also the entrance you came through. Thank you.

All of our directors are here and I would like to take the opportunity to introduce my fellow board members: Bob Thomson, Alison Paterson, Hugh Fletcher, James Carmichael, Karen Sherry, James Miller, Tony Carter and Peter Bird. Also joining the board is Vector's Group Chief Executive, Simon Mackenzie, and Company Secretary, Jennifer Watt. Also present are members of Vector's executive team, our auditors, KPMG, and our legal advisers, Russell McVeagh.

Before I get to the reason why we're all here, I want to update you all on the Maui Pipeline issue. I'm sure you are aware that Vector has had staff working around the clock to repair the Maui Pipeline since Monday night of this week.

Firstly – the pipeline. It is privately owned by Maui Development Limited, a company that is majority owned by Shell New Zealand. The pipeline is certified – by law – to Australian standards by Lloyd’s Register. Vector is the technical operator of the pipeline under contract to Maui Development Limited. We maintain the pipeline and carry out other duties at the direction of the owners.

This is a significant event for gas customers from small businesses right through to large commercial operations, and for New Zealand. It’s the first time in 33 years that an issue has arisen on this pipeline, and I hope it is another 33 years before there is another one.

As well as undertaking repairs on the Maui pipeline, we also reconfigured our own pipeline that runs alongside the Maui pipe to ensure as much supply as possible could be made available to impacted customers.

There has been a lot of media coverage on the issue to date, and I thought that shareholders might appreciate a quick update of the situation and an outline of roles and responsibilities. We also have a short video from the worksite, taken yesterday that we will play shortly.

We expect to have the pipeline repaired and gas restored by Sunday evening, subject of course to no further issues arising during this time or the weather deteriorating. So far, gas supply has been restored to essential services including hospitals, most of the dairy companies, small businesses and small users of gas. Residential customers have not been affected, but this delicate situation still depends on all customers that are able to use gas being frugal, and those customers who have had their gas use curtailed continuing to stay off the system and not use gas. We were also pleased to announce earlier today that gas was restored to an additional 1,000 customers which included small industry, larger hotels, shopping malls and commercial buildings. We recognise and are grateful for the sacrifices made by all gas users.

As you will have heard, we continue to make good progress on the pipeline repair. It’s our worksite and we are identifying and managing all hazards as we are required to do to keep people safe. It’s tricky terrain and we have moved as quickly as possible, maintaining the highest safety standards and compliance with a raft of legislation.

It would be very nice to have a fix in 12 hours, but that was not going to happen. We were never, nor would we ever, put our people at risk. Health and safety is paramount at Vector and so it should be. We didn’t want to rush in and compound the problem. I’m proud of what this team has done, in trying circumstances while working to Vector’s high safety standards. They have been outstanding and I think it is appropriate to acknowledge their efforts.

There's been a bit of confusion in the media about the various parties involved with the pipeline and with managing this critical event.

Aside from Maui Development that own the pipeline, there is the Gas Industry Company or GIC. It is the regulatory body of the gas industry and has responsibilities that include the development of administration and Critical Contingency Curtailment protocols – the rules that govern how gas use is prioritised in the event of a gas shortage or emergency.

We know that businesses have been inconvenienced by being without gas and that's why we have done everything we possibly could, as fast as we could to find and fix this fault on Maui's pipeline.

We even stepped into the role of incident spokesperson as it was clear that there was a communication gap and customers and other parties needed information. Both the Government and Maui have said they are pleased with the work that we have done. You may have even seen, heard or read media articles featuring Simon talking about how we are managing this issue.

I'm no engineer, but I now know a lot more than I did at the beginning of the week about how Vector manages pipelines. The fact is that this pipeline is monitored constantly and the site examined visually every month. The pipe is buried some 3 metres underground. The area is difficult. We didn't see evidence of ground movement prior to the event or any leakage. In such circumstances there was little we could do.

We have taken legal advice and we consider that we do not have a financial exposure as a result of the Maui Transmission Pipeline gas escape. As shareholders I can assure you that we expect an immaterial financial impact and no liability on our business as a result of the Maui Pipeline Incident. We are comfortable that we are not liable for any costs as a result of this.

There has been a lot of talk about whether there is enough infrastructure capacity in this country. The answer is that New Zealand can have a Rolls Royce version of everything it wants, the only trouble is someone has to pay for it. We can't pay for it without getting a return for you, our shareholders – that is what we are here for.

The Government could do it, but it could impact the amount available to invest in really important things like health and education. We agree with the Government that businesses need to look at their own contingency management and the sources of fuel they have which will be the topic of a wider industry debate.

I'll now show you the video, which was filmed yesterday. and now, turning to today's agenda.



Before we get to general business and the formalities of voting I will talk about Vector's dividend and share performance and highlights for the year. Simon will then talk in more depth about our operational performance, health and safety – which is the top priority for the business - regulation and our case against the Commerce Commission. He'll then speak on pricing, how we are investing to grow, and recent developments followed by a summary and outlook for next year.

Then we will open the meeting for discussion about the annual report, including the financial statements and audit report. We will address each item of formal business and then it will be time to vote on the resolutions.

After that it is time for general business where you will be able to discuss other matters relevant to the company. And now to the year under review.

The board was very pleased to be able to deliver an increase in dividend to 14.25 cents per share. We have increased our dividend every year since we floated in 2005. It's a record to be proud of, and testament to Vector's underlying strength that we are able to maintain this momentum in our dividend.

I'm sure that most of you are aware that Vector is what's known as a yield stock, offering a safe and stable return. Our policy is to maintain our BBB+ Standard and Poor's credit rating.

Profitability is influenced by regulation with 62% of our revenue subject to regulation. We are reliant on economic conditions and volume growth for the majority of momentum in our business.

We are safe, solid and dependable – attributes that we take pride in and that in our view are important to our shareholders, particularly in these uncertain times.

When setting the dividend the board has taken a conservative position, guided by the dividend policy. We consider factors such as Vector's future profitability and the requirements of shareholders for a sustainable yield. You'll note that this year's payout ratio of 56% recognises the current regulatory environment, and at the time the dividend was declared, the potential for a negative price change in 2012.

The other graph on this page shows our performance on a total shareholder return basis.

This combines share price appreciation and dividends to get a total return to shareholders. On this measure you can see that if you were a Vector shareholder all year, you would be doing very well indeed.

I wanted to touch on some actions we have taken to recognise how important our shareholders are to us.

Firstly, there was Mr Whimp and his low-ball offers. The board was appalled both on a professional and personal level by Mr Whimp's behaviour.

We came out strongly against Mr Whimp and also advised those shareholders who had not accurately completed the transfer forms, that they had another opportunity to consider this offer.

Now the financial markets authority has been established, there should be less opportunity for Mr Whimp and others like him to repeat this behaviour.

In line with comments we have received from shareholders, I hope you will have noticed a distinct change in this year's annual report, to a format that is more readable, informative and easier to navigate.

We've introduced a new five year financial trend spread in response to a request made at last year's annual meeting, taken a new approach to both my and Simon's reports and expanded our glossary page.

We have had some very positive feedback on the report this year, and I thank those of you who have taken the time to let us know how you found it. Your comments, positive or negative, are always welcome.

For the first time, we are webcasting our annual meeting for those that can't attend in person. This is a "test and learn" experience for us. If we feel that there is sufficient demand from shareholders, we'll look at making it a regular feature of our future annual meetings.

It's our desire to keep working to improve our communication with shareholders, and over time you'll see more improvements.

We wouldn't be able to increase our dividend without a platform of solid operational and financial performance. All of our key financial measures have improved on last year with net profit after tax up by 4.1%.

There are a couple of one off items which distort the comparison between 2011 and 2010. Firstly, the Transpower deal, recorded this year which relates to access to our infrastructure assets. This contract generated revenue of \$51.6 million, and net profit of \$30.1 million. And last year there were changes to the tax regime, announced in the Government budget that also generated a one off non cash benefit of \$20.9 million.



We mention these one-offs because we want to be absolutely clear and transparent about Vector's core business and make sure that we manage expectations about future performance.

If we strip out these one-off items, underlying net profit after tax dipped slightly by 0.8%, reflecting increases in depreciation expense on our higher value asset base and increased borrowing costs.

Our strong operational performance generated strong operating cash flow, which increased by 1.9%.

Following new disclosures regarding gas reserves at the Kapuni field we now have entitlement to more gas.

Another big issue that I must touch on briefly, before Simon gives a more detailed explanation, is regulation. This year Vector took legal action against the Commerce Commission. We felt that we had no choice, but to resort to the courts to try and eliminate the uncertainty that has plagued our sector and get a better long term outcome for our customers and shareholders.

We've had some good news and some not so good news in recent weeks, which I will leave Simon to explain.

One final thing before I hand over. A feature of our annual meetings has been our shareholder competitions. This year is no exception, with chances to win tickets to Vector Arena shows.

You may have been given an entry form as you came in the door – if not get one during afternoon tea. Answer the two questions that relate to our displays and put your entry into the boxes provided. We will make the prize draw later this afternoon. It's now my pleasure to hand over to Vector's CEO, Simon Mackenzie.

Thanks Michael, and good afternoon everyone. Our financial performance is due in large part to how our business performs at an operational level, which I'm pleased to say, was very good last year.

Our customer base continues to grow, despite the slowdown in the multi dwelling apartment market impacting on growth in new residential electricity connections we saw good improvement in business electricity customer numbers and residential gas connections.

The two year trend of declining electricity volume reversed, despite the warmer temperatures.

Gas volumes were flat on our distribution network and up 9.5% on our transmission network.



Our smart meter business is going very well, with the number of meters installed doubling during the year. Our full ownership of smart meter company AMS is really paying off and we believe that the business has plenty of growth potential in the years to come.

We purchased the assets of bottle swap operator Kwik-Swap, and rebranded to Vector's LPG bottle swap brand, On Gas. We now have more than 600 On Gas bottle swap locations nationwide. This number is increasing every month, as customers – both trade and end user - appreciate the increased convenience and safety of this new channel to market.

It's appropriate to touch on the Government's ultra fast broadband initiative, especially as it has been such a focus for our business over the past couple of years.

We put forward a proposal that made commercial sense for us given the Government's published criteria. We still see value in our fibre business that we established more than 10 years ago. This network supports our energy assets, and is extremely valuable, not only for Vector, but also for many other parties.

We think there are many opportunities for our fibre business, and we will evaluate them all as New Zealand's communications sector evolves.

Health and safety is our number one priority – not just the safety of our people as they go about their jobs, but also the safety of the public. Hopefully you saw this first hand in our video earlier from the Maui Pipeline site.

While we have extensive safety campaigns which include radio and newspaper advertising to remind people and particularly third party contractors on how to be safe around our networks, it seems that sometimes people are taking unnecessary risks.

Gas and electricity networks need to be treated with caution. The Health & Safety in Employment Act is clear that the principal of any organisation undertaking a project is responsible for site safety and hazard identification.

This is a responsibility we take very seriously on our work sites, however we have been frustrated in recent times with the number of events that have occurred on the work sites of others and impacted our network.

To give you an example of the extent of the issue, we had 131 hits on our gas pipelines over the past three months. Eighty five percent of these were caused by third party contractors, and the remainder by members of the public digging on their own property.

Many of these incidents could have been avoided if contractors had observed the correct procedure which includes identifying the location of gas pipes or electricity cables before works commenced.

We also had 187 incidents on our electricity networks over the same timeframe which were caused by third parties such as a car hitting an electricity pole or contractors hitting underground lines while drilling.

This image shows some of the issues we deal with on a regular basis - where flag poles were driven into an 11 kilovolt electricity line in Papakura.

We do everything we can to promote safety, including providing maps and plans of where our assets are located via a "Dial Before You Dig" service, so our networks are not inadvertently hit while work is occurring, however we also rely on the public, third party contractors and those managing work sites to act responsibly and safely.

Another area that demands a lot of attention and resource is regulation.

Given the changes to the Commerce Act in 2008 and the Government's subsequent desire for regulatory certainty we were hopeful of an improved framework.

However the process has not delivered on these expectations and as a result we have been left with no option but to resort to legal action against the Commerce Commission.

The ability to legally challenge the Commission's decisions and processes was specifically included in the Act.

We are now part way through the process of taking the Commerce Commission to court.

We're doing this because we feel that the Commission failed in its job of providing a complete regulatory package. I liken it to being on an intrepid journey without knowing the destination as opposed to having a full itinerary with a clear destination up front.

The result of the first of our four legal challenges came out in late September. The High Court ruled in favour of our Judicial Review appeal against the process for setting the starting price for electricity and gas networks.

This is good news for Vector's other appeals against the Commission as there is a very high threshold to win a Judicial Review as it focuses on whether the Commission had an appropriate process and followed its legislative requirements.



As a result of the Judicial Review outcome, the Commission deferred the process for setting electricity prices until 2013.

However, last week the Commission also announced that it would appeal the outcome of the Judicial Review.

We're disappointed with this outcome as we felt that the Judge's decision had been very clear.

We now think it is the right time for all parties to stand back and have a fundamental review to see how regulatory certainty can be achieved in a way that meets both the long term interests of consumers and investors without huge cost and time delays.

This year we have spent \$17 million on regulation with a further \$2 million of regulatory costs being passed onto customers. It is hard to reconcile how this is an efficient regulatory outcome both in terms of time, cost and resources.

We remain committed to taking a leadership position on this issue and driving a better regulatory outcome for our customers and shareholders.

We will keep you posted on our progress.

One thing that is impacted by the Commission's decision to suspend the price reset until 2013 notice is our prices.

Just to be clear, our network charges have two components. The first part is charges for our network. The second part is charges from Transpower, relating to electricity transmission.

At this point in time it is difficult to know exactly what will happen, but we expect to adjust our average prices by CPI next year, in line with regulation.

As far as the Transpower charges are concerned, we expect these to increase by around 15%, which are passed through to customers.

Another issue that could affect pricing in the future is the Electricity Authority's review of Transpower pricing as it relates to the HVDC link, which connects the power systems of the North and South Islands.

At present, South Island generators pay the cost of the link, which was built to enable South Island generators to sell electricity to the North Island.

We are concerned that the Electricity Authority will make changes resulting in substantially higher prices for North Island consumers and benefits to South Island generators.

This would be a massive cost imposition on consumers, for which we believe there is no likelihood of offsetting benefits.

If it goes through we estimate that electricity charges for Auckland consumers will increase by approximately \$65 per year for 10 years.

The proposal is supported by South Island hydro and wind generators. Vector, along with all the consumers and consumer groups who have submitted to the Authority, has objected to the proposal.

We will continue to vigorously oppose this proposal.

We all know that the Auckland region is growing, and so will Vector as the population increases. Forecasters say Auckland's population will reach 2 million by 2031.

We take a long term approach to planning how and where we invest in our networks.

Over the next decade we are planning to spend \$2.3 billion in both capital expenditure and maintenance on our electricity networks.

That is a lot of money by any standard. This year alone we invested \$257 million in capital expenditure across all of our businesses.

Of this, \$156 million was on our regulated networks, which is the same amount of investment required to build a 100 MW gas fired power station providing power to approximately 65,000 homes and which earns a regulated stable return.

At the back of the room we are displaying visuals for our investment in the redevelopment of the Hobson Street and Wairau Road substations. These projects will help to improve and diversify Auckland's electricity supply.

You've also heard about the progress that our smart meter business is making. I've said many times before, but it is worth repeating that our meters are the latest technology. They lay the foundation for meeting future customer requirements and for delivering innovative retail solutions and are an integral part of a future intelligent electricity network. The meters also have applications for other utilities such as gas and water. We are actively pursuing these additional opportunities for our smart meter business.

We wanted to share with you some recent developments that have happened since year end and since the annual report was published.

Firstly, in October we were very pleased to announce a new smart meter contract with Contact Energy, to install up to a further 150,000 meters. Once completed that brings the number of Vector smart meters to around 700,000.

In our annual report we mention the time spent getting our network ready for the Rugby World Cup.

I thought I would touch briefly on the cost of our preparations which came to around half a million dollars of direct costs for things like having extra people in the field and standby generators. We also devoted a lot of internal resource and brought forward a number of planned maintenance and network reinforcement projects.

Just like the All Blacks, the preparation we put before the world cup paid off. We provided weekly updates during the tournament on our network performance and electricity supply to major sites including party central and Eden Park.

We currently underground overhead electricity lines as part of our agreement with the Trust. We have put this programme on hold pending a review of a number of key factors which include Auckland's fibre build project and undergrounding in the context of the Christchurch earthquakes.

Additionally, as has been played out in the media – getting insurance cover post earthquake for underground assets has proved difficult.

We are working closely with the Trust on how we consider these issues.

We are also working with the Commerce Commission on the issue of insurance generally, for our infrastructure assets. Parts of our network are self insured, such as poles, wires and cables – and that has always been the case and is also the case internationally. We can and do insure our substation buildings and assets within the substations. It comes as no surprise that the cost of insurance has increased significantly since the Christchurch earthquake.

You've heard how the Kapuni field reserve issue has turned in our favour. We are also pursuing the Kapuni miners for an additional 7.3 petajoules of gas that we believe we are entitled to at legacy gas prices.

Last week we released our first quarter operating statistics to the market. It shows that we are tracking well and the business is performing as expected. Electricity volume was up 1.7%, and we have made a good strong start to the 2012 financial year.

Also last week the Commerce Commission announced that it was appealing the outcome of the Judicial Review. Naturally we are disappointed in this development as there is a very high threshold to be met in order to win a judicial review and we thought the Judge's decision was pretty clear.

We will engage in the appeals process, but this is just delaying regulatory certainty even further.

We are strengthening our links with the community.

Our school safety programme continues to share the message of staying safe with electricity to the youngest members of our community. To date more than 75,000 children have learnt about electricity, and our new sustainability module touches on things like solar power, saving energy and the environment. There's even a fun online game for kids to play.

We also invited 170 children from low decile schools who take part in our school safety programme to the Walking with Dinosaurs Show that was held at Vector Arena.

We ran a schools' competition, generating 272 class entries from 165 different schools, with Avondale Primary School winning.

We continue to press home our safety message to contractors and the wider community. Our networks reach far and wide and are in unexpected places. Reminding people to check the area for cables and pipes before they started work was the key message of our "can of worms" campaign.

On the customer front we are working hard to improve our services and deliver a more consistent experience, no matter what part of Vector they deal with. Our customer panel guides our understanding of what customers think, and what they want.

And lastly we are making increasing use of Twitter to keep our customers up to date with outage information.

Vector has had another solid year. At an operational level the business is performing well, and that is reflected in our financial results.

We are looking forward to 2012 and driving a better regulatory outcome.

We have good growth options before us and of course we will continue to focus on driving efficiencies in the business.

With the recent increase in global uncertainty it is important to remember that Vector is dependent upon a vibrant economy to do really well.

Looking forward to next year, we expect EBITDA to be slightly above the current market consensus which is currently around \$610 million.

I'll now hand you back to Michael. Thank you Simon.

We now move to the formal business of the day, and the procedure for this part of the meeting.

The Notice of Meeting lists the agenda items to be considered as ordinary resolutions. Each of the resolutions requires a majority of 50 percent or more of votes validly cast.

As provided for in Vector's constitution, and as in previous years, all resolutions will be voted upon by poll to ensure the most accurate reflection of shareholders' wishes, including all of those represented by proxies.

Each resolution will be moved and discussed in turn.

When all resolutions have been moved and discussed, I will invite you to vote on all of them using the voting form sent to you with the Notice of Meeting, or provided to you when you entered this meeting.

I will explain the voting procedure to you in more detail at that time.

The closing date for the receipt of proxies was 2.00pm on Wednesday, 26 October 2011.

In the interests of transparency, it is appropriate that you are aware of the proxy voting position for each of the resolutions to be voted upon, so we will show this on the screen for each resolution.

Also for transparency, you will be shown the number of discretionary proxies held by me as chairman of the meeting or in my own name.

I declare that it is my intention to vote the discretionary proxies I hold in favour of the resolutions.

During discussion of the agenda items, I ask that you confine your questions and any comments directly to the particular matter before the meeting.

The General Business session provides you with the opportunity to broaden discussion into other relevant matters.

It is quite likely that some of you here today are also Vector's customers.

We are of course happy to hear your views on how we operate our utility services generally, and to answer questions about our operational policies and practices.

If you have a personal matter relating to Vector's services, we have customer services representatives available after the meeting.

I remind everyone here that this is a meeting of and for our shareholders. Only shareholders or corporate representatives or proxy holders for shareholders are entitled to speak and vote here today.

As stated in the Notice of Meeting, only shareholders registered at 5.00pm Tuesday, 25 October 2011, or their proxies or representatives are entitled to vote on the resolutions.

If you have become a shareholder since that date, you are not entitled to vote at this meeting, but your attendance is appreciated.

I am aware that members of the news media are present. Simon and I will be happy to talk to you after the meeting if you wish. Please see our communications team with your requests.

In the interests of allowing everyone who wishes to speak to do so, I would ask you to limit yourselves to a reasonable speaking time.

Remote microphones are available throughout the room. If you wish to speak please raise your hand, and wait for the arrival of the microphone. This will ensure that everyone present will hear the questions asked, and the comments made.

To assist in keeping an accurate record of proceedings, I ask speakers to clearly give your name and, where applicable, the organisation or shareholder you represent.

The first item of business is to invite discussion on Vector's financial and operational results for the year ended 30 June 2011.

The annual report was available online from 21 September, and hard copy reports have been sent to all shareholders who requested a copy.

Questions on this topic may be put directly to our external auditors, KPMG. However, these should be relevant to their auditing role.

Is there any discussion in respect of the annual report, the financial statements and audit report for the year ended 30 June 2011?



If there are no further questions or discussion on this matter, I shall now move to the second item of business, the re-election of directors.

The NZX Listing Rules, which are incorporated into our Constitution by reference, require that at least one third of directors – or the number closest to a third – to retire from office at each annual meeting. The retiring directors are those who have been longest in office since their last re-election.

Accordingly, three Directors must retire by rotation at this meeting. Those directors are James Carmichael, Hugh Fletcher and Karen Sherry.

Being eligible, James Carmichael, Hugh Fletcher and Karen Sherry are available for re-election.

As required by the NZX listing rules, on 26 August 2011 Vector issued a notice advising a closing date of 13 September 2011 for director nominations. No nomination to elect an additional director was received.

Biographies of each director seeking re-election are contained in the explanatory notes to the notice of meeting.

The meeting is now asked to consider ordinary resolutions to re-elect James Carmichael, Hugh Fletcher and Karen Sherry as directors.

Non-independent director James Carmichael is a trustee of the Auckland Energy Consumer Trust and an executive of Energy Trusts of New Zealand Inc. His significant international energy sector experience includes responsibility for multi-billion dollar energy assets and acquisition strategy for PowerGen International Limited and thermal and hydro power generation investment decisions for Ranhill Power Berhad. James has been a Vector board member for three years.

The board fully supports the re-election of Mr Carmichael.

I now move, as an ordinary resolution, that James Carmichael be re-elected as a director.

The proxy voting position is shown on the screen. Is there any discussion on this resolution?



Independent director Hugh Fletcher is a former CEO of Fletcher Challenge Limited and is currently a nonexecutive director and deputy chair of the Reserve Bank of New Zealand, and a director of Fletcher Building Limited, Insurance Australia Group Limited and Rubicon Limited. He is also non-executive chairman of IAG New Zealand Limited and a member of L.E.K. Consulting Pty Ltd's Australasian Advisory Board. Hugh has been a Vector *board member for four years*.

The board also fully supports the re-election of Mr Fletcher.

I now move, as an ordinary resolution, that Hugh Fletcher be re-elected as a director.

The proxy voting position is shown on the screen. Is there any discussion on this resolution?

Non-independent director Karen Sherry has been a trustee since 1994 and is a former chair of the Auckland Energy Consumer Trust. She is also the chair of the Energy Trusts of New Zealand Inc, a trustee of Auckland Healthy Houses Trust, a former trustee of Challenge Trust and a former director of Mercury Energy. Karen is a principal of the firm Bell-Booth Sherry where she specialises in commercial and trust law. Karen has been a Vector *board member for five years*. The board also fully supports the re-election of Ms Sherry.

I move now as an ordinary resolution, that Karen Sherry be re-elected as a director.

The proxy voting position is shown on the screen. Is there any discussion on this resolution?

Just a reminder that voting will be by poll conducted later in the meeting when all resolutions have been moved and discussed.

Before I move to the next agenda item I would like to advise shareholders that Mr Carter has indicated that he will be retiring from the board during the next year due to a number of other board commitments. We are sorry to see Mr Carter go, and we wish him well in his endeavours.

This resolution is to record the reappointment of KPMG as auditor of the company, to hold office from the conclusion of this meeting until the conclusion of the next annual meeting pursuant to section 200 of the Companies Act 1993.

I move by way of an ordinary resolution, that the directors are authorised to fix the auditor's remuneration for the ensuing year.

I move this resolution accordingly.

The proxy voting position is shown on the screen. Is there any discussion on this resolution?

If you wish to vote, you should have to hand either the Proxy Form/Voting Paper that was sent to you with the Notice of Meeting or an alternative voting form given to you by Computershare when you entered the meeting.

When you cast your vote, please tick one box, either "for", "against" or "abstain", alongside each resolution in the section marked "Part B: Voting Instructions/Voting Paper".

If you hold a proxy on behalf of a shareholder you will need to cast that shareholder's votes in order for them to be counted.

The proxy voting form given to proxy holders, sets out the number of proxy votes held and records directed votes.

If there are no "undirected" votes the proxy holder need only sign the voting form.

Where there are undirected votes, proxy holders may vote these as they see fit by ticking the appropriate box "for", "against" or "abstain", alongside each resolution.

Finally, in all cases, please ensure the voting form is signed before you pass it in for counting.

I remind you that you are voting on each separate resolution as detailed in the Notice of Meeting and as listed on your voting form.

Once you have completed voting, your voting form will be collected and the votes counted under the scrutiny of the auditor.

While that is occurring, I shall invite discussion under General Business.

If anyone is unsure what to do, or if there is anyone here who is entitled to vote, but has not got a voting form, please make your way to the registration desk at the entrance to this room. There are people there to help you.

Thank you. I now ask that you cast your votes.

Ladies and gentlemen. The voting forms will now be counted. I will now move into the General Business session, at the conclusion of which, I will close the meeting. The results of the vote will subsequently be announced to the NZX.

MARKET RELEASE

28 October 2011



This session provides an opportunity for shareholders to ask questions or to comment on other matters relevant to Vector's activities and management. Ladies and gentlemen, that concludes the business to be conducted at this Annual Meeting. On behalf of the Directors, thank you for your attendance and for your contribution to the proceedings.

I'd also like to take this opportunity, on behalf of the directors and shareholders, to thank Vector's management and staff for their efforts during the year, and for their continuing commitment to managing current, and no doubt new challenges as we go forward. I now declare the 2011 Annual Meeting of Vector Limited closed.

ENDS