

**Chairman and CEO's addresses to special shareholder meeting to vote on sale of Wellington electricity network**

**[Slide Michael Stiasny - Chairman]**

Ladies and gentlemen.

Good morning. I'm Michael Stiasny, Chairman of the Vector Board of Directors.

The advertised time has arrived and, as a quorum is present, I am pleased to declare open this Vector Limited Special Meeting of shareholders. The agenda before this meeting is set out on the notice of special meeting sent to you on 26 May 2008.

On behalf of the board, a very warm welcome.

We have over 41,000 shareholders and, in addition to those attending today, 4053 shareholders, holding a total of 810,614,495 shares, have appointed proxies.

They are represented by 22 proxy holders, and I can advise that, in my capacity as chairman of the meeting and in my own name I hold proxies for 3,992 shareholders, representing a total of 57,744,154 shares.

Before moving on to the business of the day, I would ask anyone who has a cellphone or pager to ensure it is switched off so it doesn't disturb the meeting.

Thank you. Let me now introduce your directors:

**[Slide – Directors]**

Seated across to my far left is Bob Thomson, an independent director and a member of the Board Audit, and Risk and Assurance Committees.

Beside him is Hugh Fletcher, also an independent director. Hugh is a member of the Board Audit Committee and Nominations Committee.

Across to my far right is Shale Chambers, who chairs the Board Remuneration Committee, and is a member of the Audit Committee. Shale is also a Trustee of the AECT.

Next to him is Karen Sherry who is also an AECT Trustee. Karen Chairs the Risk Committee.

Absent today are Alison Paterson, Peter Bird and Tony Carter who wish to record their apologies.

Also at this table today are the Group Chief Executive Officer, Simon Mackenzie and Kerry Nickels, company secretary.

In addition, we also have here representatives of our auditors, KPMG, and our legal advisers on the transaction, Buddle Findlay

**[Slide: Today's Programme]**

Turning to today's agenda, the purpose of today's meeting is to consider and vote on the resolution regarding the sale of the Wellington Electricity Network for \$785 million to Cheung Kong Infrastructure Limited, known as "CKI".

NZX requirements state that any transaction involving a sum worth more than 50 percent of the current market capitalisation of a company must have the approval of its shareholders.

Vector's constitution is more rigorous, lowering that threshold of the value of any transaction to more than 15 percent of our current market capitalisation needing your approval.

The transaction value of \$785 million represents 37% of Vector's market capitalisation as at the date of the notice of meeting and hence the requirement for the approval of our shareholders.

This is a significant transaction and the Board believes that it is important to consult you as shareholders.

In this context, shareholders should note that the Wellington network contributes less than 15% of Vector's group EBITDA and the book value of the network is less than 15% of the total book value of all of our assets.

The AECT, Vector's majority shareholder, has indicated it will vote in favour of the resolution before you today.

In addition, after voting in this meeting has been completed, I will conclude the meeting and the results of the voting will subsequently be announced to the NZX.

I will now hand over to Simon to provide background to the resolution, including the sale process.

If you have any questions about the sale process you are welcome to ask them later on in the meeting, during the allocated question time.

**[Slide – Simon Mackenzie]**

Thank you Michael.

I would like to take you through the background to the proposed transaction and our rationale for recommending it for your approval.

**[Slide – network sale]**

In August last year, we informed you that Vector had received a number of approaches expressing an interest in the Wellington Electricity Network.

At that point the board engaged Goldman Sachs JBWere to conduct a comprehensive review of all of our ownership options.

This review considered several ownership options including an outright sale, retaining a management contract, a partial sale, or retaining the asset. Prior to commencing the review process the Company and its directors had made no pre-determined decisions as to the preferred ownership options.

**[Slide – network sale criteria 1]**

The key value drivers in owning infrastructure assets like the Wellington electricity network are the network's age, requirements for maintenance and capital expenditure, potential for growth, the regulated nature of the asset and its degree of overlap with the other assets in Vector's portfolio.

**[Slide – network sale criteria 2]**

Turning to the first of the key value drivers considered by Vector, the average age of the Wellington electricity assets is 32 years.

This is significantly higher than the average age of Vector's Auckland electricity networks of 24 years.

The average age of a network is one of the variables that influence the capital expenditure and maintenance required on the network. Vector believes that the potential capital expenditure for the Wellington network differed from the type and profile of capital expenditure required for the Auckland electricity networks.

Another important value driver that Vector considered in detail was the network growth in the Wellington region.

Over the past five years the Wellington electricity network has averaged demand growth of approximately 1.2% per annum.

This growth has largely comprised of connections from new commercial buildings rather than residential customer and population growth. By way of comparison, Vector's Auckland electricity networks have averaged more than 4.1% demand growth over the past five years.

The Wellington network, as are all electricity networks, is regulated via the Commerce Commission's price and quality threshold regime.

The revenue rebalancing programme we have been implementing over the last four years has now been finalised.

Compared to the Auckland and North Shore electricity networks, the Wellington network does not overlap with any of our other electricity or gas networks.

Consistent with our strategic interests in broadband infrastructure, Vector has retained our interests in the fibre-optic telecommunications network in Wellington.

**[Slide – Network sale Summary 1]**

These key value drivers were included in our own valuation of the Wellington network which we then assessed against the various proposals submitted to us.

Following our review and analysis we determined that a sale of the Wellington electricity network to CKI at a price of \$785 million provided the best outcome to Vector and its shareholders.

**[Slide – Network sale Summary 2]**

I will discuss the financial implications of the transaction in more detail shortly but it is worth noting that at a value of \$785 million the Wellington network implies a normalised EBITDA multiple of 9.8 times which is higher than Vector's current market multiple of 7.9 times.

Also, Vector will record approximately a \$195 million gain on sale following the completion of the transaction.

**[Slide – Vector strategy]**

Vector remains focussed on being a multi-utility infrastructure owner and/or operator. We are not just an electricity lines company.

Our interests span electricity distribution, gas processing, transmission and sales, LPG, fibre-optic communications plus interests in smart metering and renewable electricity generation.

**[Slide – Vector key areas of focus]**

We have four key areas of focus that underpin our infrastructure business – operational excellence, regulatory and customer outcomes, cost efficiency and disciplined growth.

Vector has a unique opportunity to continue building and integrating its mix of assets and services and to offer an enhanced range of new infrastructure solutions to customers.

Customer demand and government policy focus is continually developing around energy sustainability and the concern for the environment. Vector continues to evolve its business to meet these opportunities.

### **[Slide – Sale conditions]**

There are a number of conditions to the proposed transaction that I would now like to take you through.

The transaction is conditional on three key elements.

Firstly CKI shareholder approval, which has now been obtained. Secondly, the approval by a majority of Vector shareholders, which is the purpose of this meeting today, and finally on obtaining the approval of the Overseas Investment Office.

We understand that the approval process being undertaken by the Overseas Investment Office is continuing and is not expected to be completed until at least late June.

Some commentators have questioned whether or not the Wellington network is a strategic asset.

The board have received independent advice that the Wellington network is not a strategic asset in that it is not sited on sensitive land, or subject to any other unusual claims.

The transaction has a deadline for satisfaction of the three conditions of 1 October 2008.

If all approvals are not received by this time then both Vector and CKI may agree to extend the date.

It is worth noting that until the completion date the Wellington network will continue to be operated by Vector with all earnings and cash flow accruing to Vector.

Vector will provide transitional services to CKI for an agreed monthly fee for up to a year after the completion date to ensure a pragmatic and effective transition of the business from Vector to CKI.

### **[Slide – Financial benefits of sale]**

The sale of the Wellington electricity network to CKI for \$785m is expected to be earnings and cash flow accretive to Vector from the first day following completion.

Prior to the transaction being announced, various market analysts estimated that the value of the Wellington electricity network ranged from \$600 million to \$700 million.

Vector's Board and management believe that the price offered by CKI of \$785 million is attractive. This sale price represents an ODV multiple of 1.9 times, and as previously mentioned, a normalised EBITDA multiple of 9.8 times.

The net proceeds from the transaction will be applied to repaying debt.

**[Slide – Sale not motivated by debt refinancing]**

It is worth noting that debt reduction was not a key motivating factor for the sale of the Wellington network.

Prior to the transaction, Vector's gearing, as measured by debt to total book value of assets was 62% which is entirely consistent with infrastructure companies of our size and nature.

By way of background, again prior to the announcement of the CKI transaction, Vector's issue of European medium term notes in London was very positively received by the top tier of international investors.

Vector continues to be rated as investment grade credit quality by both of our international rating agencies, rated at BBB+ by Standard and Poor's.

After debt retirement, our financial metrics will be considerably strengthened; our gearing will reduce to approximately 50 percent.

There has been a degree of market speculation regarding what Vector intends to do with the sale proceeds. I can confirm that Vector currently has no acquisition plans but it will continue to pursue current business projects that have previously been announced to the market.

The board believes that as a result of current market conditions there may be opportunities that would not have previously been expected to become available. With our robust balance sheet and strong credit rating, we believe that Vector will be ideally positioned to consider any such opportunities should they eventuate.

After thorough consideration of the ownership review process and the proposals provided to Vector the Board and management of the Company have concluded that a sale of the Wellington electricity network to CKI on the agreed terms is the best outcome for all shareholders.

I'm now pleased to hand back to Michael to talk to you on behalf of the Vector Board.

As a result of the process that Simon has outlined, the board has determined that selling the Wellington Electricity Network to CKI represents a very good outcome for shareholders, and we unanimously endorse the decision to proceed with the sale.

We now move into the formal business of the day, and I'd like to explain the procedure for the remainder of the meeting.

As detailed in the Notice of Meeting dated the 26<sup>th</sup> May 2008, the agenda item for consideration is as an ordinary resolution, and therefore requiring a majority of 50 percent or more of votes cast.

As provided for in the constitution, I have decided to require the resolution to be voted upon by poll to ensure the most accurate reflection of shareholders' wishes, including all of those represented by proxies.

The procedure will therefore be that the resolution will be moved and discussed in turn.

When the resolution has been moved and discussed, I will invite you to vote 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 period for proxies closed at 9.30am on Saturday 14 June.

As has been our practice at previous shareholder meetings, in the interests of transparency, I think it is appropriate that you are aware of the proxy voting position for the resolution to be voted upon.

Accordingly, before opening the resolution to discussion, the proxy position will be shown on the screen behind me.

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

During discussion of the agenda item, I ask that you confine your questions and any comments directly to the particular matter before 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 those shareholders registered as at 5.00pm on the 22 May 2008, or their proxies or representatives are entitled to vote on the resolutions.

If you have become a shareholder since that date, I regret that you are not entitled to vote at this meeting. However, 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.

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 and I ask shareholders and proxy holders to indicate your wish to speak by raising your hand, and to await the arrival of the microphone before doing so. 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.

**[Slide: Resolution]**

There is one resolution before the meeting today.

I will now read the resolution:

*To approve the sale by Vector Metering Data Services Limited of the shares in Vector Wellington Electricity Network Limited to Wellington Electricity Distribution Network Limited pursuant to an Agreement for the Sale and Purchase of all of the shares in Vector Wellington Electricity Network Limited dated 25 April 2008 between Wellington Electricity Distribution Network Limited, Cheung Kong Infrastructure Holdings Limited, Vector Metering Data Services Limited and Vector Limited.*

The proxy voting position will now be shown on the screen.

**[Slide – Proxy voting position]**

*(When all who wish to speak have done so...)*

There being no further discussion on this matter, we will now vote on the resolution before the meeting.

**[Slide: Michael Stiasny, Chairman]**

If you are a shareholder, you will have with you the Proxy Form/Voting Paper that was sent to you with the Notice of Meeting, and which you will have retained upon entering this meeting.

When you cast your vote, please tick one box, "for", "against" or "abstain", alongside the resolution in the section marked "Part B: Voting Instructions/Voting Paper" if you wish to vote all of your shares in the same way.

If you are a shareholder, but did not bring your Proxy Form/Voting Paper with you, you will have been given an alternative voting form when you arrived.

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 on arrival 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.

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

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

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.

**[Slide: Special Meeting]**

Are all voting forms completed?

Would you please place them in the boxes now being circulated among you.

**Chairman**

Ladies and gentlemen.

The final results of the voting will be announced to NZX but our auditors have confirmed that our major shareholder that holds 75.1% of all of the shares in the Company has voted in favour of the resolution, and as such I can declare the resolution passed.

That concludes the business to be conducted at this Special Meeting. On behalf of the Directors, I thank you for your attendance and for your contribution to the proceedings.

I now declare this Special Meeting of Vector Limited closed.

ENDS