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PRESENTATION

Operator

Good morning everybody. Welcome to Vector Limited's conference call and webcast to discuss the Company's financial and operational results for the six months to December 31, 2016 (Operator Instructions).

I would now like to hand you over to Vector's Chairman, Mr Michael Stiassny, who will take you through the call. Please go ahead.

Michael Stiassny - *Vector Limited - Chairman*

Good morning everyone and welcome to our results briefing for the six months ended December 31. As you know, I'm Michael Stiassny. I'm Chairman of Vector and joining me on the call today is Simon Mackenzie, our Group Chief Executive and Dan Molloy, our Chief Financial Officer.

I'll begin today's presentation with the interim dividend and then hand over to Simon to review the highlights for the period. Dan will then review the financial results, before Simon concludes with an operational review and a discussion of the outlook for the year ahead. As always, we will be happy to take your questions.

The Vector Board today is signaling its continuing commitment to progressive increases in dividends. We have declared an interim dividend of NZD0.08 per share, a NZD0.025 per share increase on the prior year. The uplift extends our record of lifting dividends by at least this amount since the Company's shares were floated in 2005.

We are one of the few companies on the NZX that has delivered such a consistent rise in payments to shareholders and we hope that will continue. We have a strong balance sheet and we are excited about the Company's prospects.

Advances in new technologies such as batteries, solar panels, electric vehicles and energy control technologies are driving significant disruption in the sector. For a considerable period of time we have embraced this disruption and led change because we understand the new technology provides Vector opportunities to give our customers greater choice and control over their energy use. By leading change, we can ensure the ongoing relevance of our networks, our business.

Auckland is growing strongly. The regulator's weighting of cash flows from network investments towards the end of the asset lives, delays the benefits we receive from this growth.

However, we recognize a new maturity is emerging in the regulation of our energy networks and this is enabling the significant investment needed to meet this growth.

We remain committed to progressive increases in dividends, contingent on maintaining a BBB credit rating and our continuing investment requirements. It is logical that we review this approach in 2020, once the parameters for the next electricity reset have been finalized.

Our ability to maintain a progressive dividend beyond that point will be impacted by a range of factors including the interest rates prevailing at the time of the next reset and our success in reinvesting the proceeds from the sale of gas transmission assets and the gas distribution assets outside Auckland.

I now would like to hand you over to Simon who will take you through the highlights of the latest half year.

Simon Mackenzie - *Vector Limited - Group Chief Executive*

Thanks Michael and good morning everyone, as we've stated before Vector's vision is to create a new energy future. So I want to touch briefly on the key achievements we have made toward that goal over this period.

As Michael mentioned, growth in our Auckland networks and our metering fleet continues to support our financial performance. Over the six-month period, we added 6,490 new electricity and gas connections, a 19% increase over the same period a year ago.

Just out of interest, to put that in context, the electricity connections alone are approximately equivalent to 1.5 times the suburb of Ponsonby in a six-month period. This is a continuation of a trend that sees Vector every approximately five years adding infrastructure sufficient to support a population of a city as large as Hamilton.

Our smart metering fleet continues to grow and reached 1.2 million smart meters at the end of December. We installed our first meters in Australia over the period, after gaining accreditation last year.

Meanwhile, our bottle swap business continues to expand. Over the period nearly 323,000 bottles were swapped at more than our 800 swap locations across the country, a 6% improvement on the same period a year ago.

We are largely pleased with the Commerce Commission's review of input methodologies. New Zealand is in the fortunate position of having a regulator that recognizes it is in the long-term interest of consumers for businesses, particularly distribution businesses, to be incentivized to invest in innovation and new technology.

Our commissioning of the first utilities scale battery at our Glen Innes sub-station is proof of the benefits of this new technology, particularly in the ways it introduces agility, options and flexibility into our network investment programs.

We are continually enhancing our ability to deliver our customers, many of whom are also our owners, the energy solutions they want.

We invest heavily in data analytics to ensure that we build smart networks and invest efficiently. Our aim is to ensure we do not add unnecessary costs to consumers.

We also want to make sure that network investment is anticipating the fast rate of change in technology and customer demands for greater choice and control over their energy use.

Our home battery fleet continues to grow and now stands at approximately 445 and with the support of our majority shareholder, Entrust, we have now continued to roll out our fleet of electric vehicle chargers. We now have 21 charging stations across Auckland with some more to come.

New partnerships with like-minded organizations are delivering innovative options and opportunities for the Company. We are working closely with specialists to enable peer-to-peer electricity trading in New Zealand.

In Vector and Entrust have also formed a significant partnership with Auckland Council to meet our shared aspirations for the city, particularly in relation to sustainable and renewable energy use and delivering new energy solutions to customers. This is an extension of the already strong relationship we enjoy with the council.

Finally, we continue to work hard to provide a safe and great place to work that values diversity and inclusion and develops skilled people who can lead our company into the future.

Our industry-leading stance of requiring network repair and maintenance work to be undertaken with our assets de-energized wherever possible, is gaining acceptance around New Zealand and we maintain a strong safety record.

We recognize the impact of these changes on customers, however we hope that people understand that the safety of our people is paramount and it is the right thing to do.

We are working to deploy new technologies and processes to minimize the impact of this change and other challenges we face resolving service disruptions, with particular emphasis on the impact of traffic congestion across Auckland.

I will now hand over to Dan who will take you through the key financials.

Dan Molloy - *Vector Limited - CFO*

Thanks Simon. Key financial metrics for the half year are summarized on slide 9. Revenue from continuing operations has improved on the back of continued growth in the technology business and a high level of capital contributions and regulated networks.

Adjusted EBITDA and net profit were up 1.4% and 64.5% respectively and I will cover off the reasons why shortly. The increase in CapEx reflects Auckland growth as well as expenditure on smart meters and our new bottle swap plants.

Operating cash flows fell due to the sale of Vector Gas and this was partly offset by reduced interest costs as we applied the sale proceeds to debt reduction. As Michael has mentioned already, the dividend is up NZD0.0025.

On a continuing operations basis, adjusted EBITDA was up marginally. We benefitted from growth at the technology division and an improved corporate result, largely due to fees associated with the transitioning of Vector Gas to its new owners. These gains were offset by a decline in electricity volumes and ongoing weakness in gas trading.

Net profit from continuing operations rose almost 65% to just over NZD107 million. The result was impacted by three factors. Firstly, an increase in capital contributions on the back of Auckland growth. This drove a NZD6.8 million improvement in net profit. Secondly, lower interest costs due to the sale of Vector Gas, which contributed NZD15 million of the profit increase. Finally, our result was boosted by a one-off NZD15 million tax gain following our win against the Revenue in the Court of Appeal. The case related to the sale of rights to the use of our Penrose to Hobson Street tunnel.

CapEx has risen 23%, again largely driven by strong connection growth in Auckland. This growth has also seen the Auckland energy networks attract a greater relative share of our capital spend. The increased CapEx in gas trading reflects our investment in the bottle swap plant in South Auckland and this is due to open this calendar year.

As we noted at the full year, debt levels have reduced following the sale of Vector Gas. Gearing as at December 31, 2016 was 43.9% compared with 53.4% a year earlier. Additionally, and as you can see from the chart on the right side of slide 13, we've got plenty of headroom to finance new investment and growth.

I will now hand you back to Simon.

Simon Mackenzie - *Vector Limited - Group Chief Executive*

Thanks Dan, turning to our technology division, our technology division adjusted EBITDA rose 6% to NZD60.4 million. Gains from the smart meter rollout were deleted by expense associated with new energy technologies and the establishment of the Australian metering operation.

The mass rollout of smart meters in New Zealand is drawing to a close, but new smart meters will still be deployed for new and replacement sites across New Zealand.

We continue to target the deployment of 140,000 to 160,000 smart meters in New Zealand for the full year. Our total meter fleet stands in excess of NZD1.5 million, up from about NZD1.4 million a year ago, with the expansion in the gas meter fleet also contributing to the increase.

We installed 77,224 smart meters during the period. Meanwhile, as of today, we installed more than 10,000 smart meters in Australia, where we expect regulatory changes and other developments such as the inter-solar subsidies in Australia to pick up installations in the coming years.

In addition, Vector Communications continues to perform well in a very competitive market and has gained a number of significant customers over the period and we still see strong growth in Vector Communications.

Gas trading, the gas trading segment continues to face tough trading conditions. Pressure on margins continues particularly with lower international hydro carbon prices, lower LPG exports and lower Kapuni production.

Adjusted EBITDA fell 6% to NZD23.7 million, from NZD25.2 million. The result was lifted by a NZD5.3 million one-off insurance settlement in respect of damaged caused to the liquid gas facilities in Lyttelton in the 2011 earthquake.

However, Vector's LPG operations occupy a strong market position and have delivered an improved contribution during the period. Swap volumes of nine kilogram bottles rose 5.8% to just under 320,000.

In addition, our investment in a new bottle filling facility in South Auckland, which will be world leading in terms of process and health and safety, is proceeding well and it will support continued growth of the swap business into the future.

LPG tolling volumes fell, mainly due to a fall in exports. Domestic tolling volumes were also lower but were bolstered after the Kaikoura earthquake disrupted LPG rail transport in the South Island. As a result more shippers turned to Liquigas' South Island facilities to meet demand.

Auckland growth; so Auckland continues to be a key driver of growth. New connections to our network grew 19% and we see no letup in this growth. We are very excited with the opportunities emerging with the advent of new technologies and [their] integration with our network, delivering solutions that customers want and managing the costs over the long term. Batteries, solar panels, electric vehicles and charging infrastructure, our new energy management and control solutions are augmenting our ability to give customers choice and control.

Our view this week around the future of energy and why we need to create a new energy future was further reinforced by Dr Fatih Birol, Executive Director of the International Energy Agency. In a major review of the New Zealand electricity sector, he said that electricity distribution networks in retail markets are at the heart of the energy system transformation.

As I mentioned earlier, the Commerce Commission's review of the input methodology recognizes this and it is in the long-term interests of consumers for businesses to be incentivized to invest in innovation and new technology. These input methodologies also give us relative certainty, at least until the next review in 2025.

The key features of this are a revenue cap, which gives us greater certainty in how we set our prices, an allowance for accelerated depreciation, recognizing the impact of new technology and a confirmation of our ability to invest in new energy technologies for the long-term benefit of consumers.

The moves are a welcome recognition of the disruption new energy technology is driving in the sector and the value, choice and control these new technologies can deliver to customers and Vector's role in delivering these.

However challenges still arise. We still face some significant challenges. One in particular is that Vector is not immediately benefitting from the growth in Auckland.

This is largely due to cash flows from investments being weighted disproportionately towards the end of asset lives. As such, we still run the risk of assets becoming redundant as they are superseded by new technologies or changing patterns of energy consumption.

The decline in consumption per residential connection is offsetting connection growth in Auckland. Indeed, the average household on our network is using around 11% less electricity per year than it did in 2005.

This trend has resulted in flat electricity volumes overall. The regulatory regime's continuing reliance on the forecasts for inflation and volume growth, rather than actual outcomes have cost Vector substantial sums since the last regulatory reset. The revenue cap in electricity will reduce the volume risk from 2020 reset.

Finally, rampant house price inflation and the challenges that come with growing population density in Auckland including traffic congestion, are making it harder to attract and retain skilled workers, not only within the business but with also friends and colleagues out in the field.

This is especially the case when these workers consider the opportunities available to them in smaller centers. These are very real challenges that push up the costs of maintaining and growing our electricity and gas networks and our ability to meet customer expectations on resolving service disruptions.

We continue to review our processes and new technologies to resolve or minimize the impacts of these challenges and we are looking in-depth at the issues with regards to the cost of living in Auckland and potential solutions to ensure that we have the staff and ability for those staff to work in Auckland in a viable way.

Moving to the outlook for the business, the growing maturity of regulation provides Vector with certainty through to 2025, enabling us to invest to meet the challenges that will come with Auckland's strong growth, albeit we don't see the immediate benefits of that growth.

Again, it is worth reiterating that this investment is not without risk given the delays imposed by the cash flow benefits as mentioned earlier.

Our strong balance sheet following the sale of Vector Gas and diverse portfolios ensures we are well-positioned to capitalize on the emerging opportunities from significant disruption we are seeing in energy markets, not only globally but also emerging in New Zealand.

Our metering business has opened up a new frontier of growth in Australia and we remain confident of our prospects in this new market. We have long been at the forefront of recognizing the significant disruption taking place in the industry.

We have also led the way with investments in new energy technologies and the development of partners with like-minded companies around the world to drive innovation and the provision of energy services in New Zealand. We will continue to do that.

In contrast to those in the industry who see customers as a tool to manage volatility in energy prices, this approach has given customer greater choice and control. Our approach is also ensuring the ongoing relevance of our energy networks and importantly creating new growth opportunities for us.

Finally, we are on track to deliver adjusted EBITDA broadly in line with last year's result and towards the upper end of previous guidance. I'd like to now hand you over to the moderator for any questions.

QUESTIONS AND ANSWERS

Operator

Thank you (Operator Instructions) Your first question comes from Grant Swanepoel with Craigs Investment Partners. Please go ahead.

Grant Swanepoel - *Craigs Investment Partners - Analyst*

Morning team, can you give some color on the regulated profitability split between electricity and gas?

Could you also please talk to how severe the wholesale gas margin squeeze is for the future, particularly after you strip out the once-off benefit from the insurance gain? That's it from me, thanks.

Dan Molloy - *Vector Limited - CFO*

Grant, thanks for the question. Look we haven't broken down the regulated split between the electricity and gas networks. We've combined them in one segment.

Grant Swanepoel - *Craigs Investment Partners - Analyst*

Can I ask why--

Dan Molloy - *Vector Limited - CFO*

EBIT - sorry Grant, EBITDA for gas is circa NZD30 million. Obviously with the reset coming up in October we're expecting prices to go down about 19%. So, that will change in the next year.

Grant Swanepoel - *Craigs Investment Partners - Analyst*

Thanks Dan, can I just ask why you won't split out the two in that these are regulated businesses. You obviously are doing the split yourselves and it just makes it very difficult for us to manage our models otherwise.

Dan Molloy - *Vector Limited - CFO*

Grant, look that's a fair question. Can I take that away and see what --

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Grant Swanepoel - *Craigs Investment Partners - Analyst*

Thank you.

Dan Molloy - *Vector Limited - CFO*

From an accounting perspective we have decided that the characteristics of these businesses and the way we manage them are sufficiently similar that they qualify as one segment.

But look, I hear you that that could make things difficult from an analyst's perspective, so why don't I see what I can do?

Grant Swanepoel - *Craigs Investment Partners - Analyst*

Thanks.

Dan Molloy - *Vector Limited - CFO*

Can you remind me what your other questions were Grant?

Grant Swanepoel - *Craigs Investment Partners - Analyst*

The other one was just around the gas trading. It's down quite substantially once you strip out the insurance gain. Is this now the start of the end of that business, or is this just an aberration in the market right now and actually what you're earning after that insurance is a more normalized number?

Dan Molloy - *Vector Limited - CFO*

Look, Grant I think we've been highlighting for a number of reporting periods now that the gas business is trending downwards and I think the analysts have been -- their expectations I think out there in the market seem to be relatively in line with how we are seeing that business eventuate.

We are very comfortable with the position of our LPG business. It's a great business. Bottle swap plants will see the revenue and earnings of that business continue to grow once that's operational come June/July/August this year.

The gas trading business, obviously the biggest issue there is around Kapuni and what's happening at Kapuni, decline in production. I think this year is going to be quite an interesting year in terms of changes in ownership in this sector; quite a few coming up.

We see a lot of value in Kapuni. There's a lot of contingent reserves there and I guess we're very much looking forward to seeing investment going into Kapuni to increase the production and underpin the longer term value of our gas trading business.

Operator

Thank you. Your next question comes from Andrew Green (sic) with Forsyth Barr. Please go ahead.

Andrew Harvey-Green - *Forsyth Barr - Analyst*

Hi team. A couple of questions from me, I think one of which you've already eluded to just around the impact of the gas decision and how you're seeing it, it is that 19%. But secondly, the ACAM from the decision, input methodology decision before Christmas. Have you come to a landing point on what sort of impact that might have?

Dan Molloy - *Vector Limited - CFO*

Andrew, thanks for the question. Sorry, I've got that in front of me somewhere. It's a relatively minor impact we think for ACAM. So probably NZD1 million to NZD2 million at the most.

Andrew Harvey-Green - *Forsyth Barr - Analyst*

Okay. So that's quite small. This next question was just around capital contribution guidance for the rest of the year. Are you able to give some sort of feel -- obviously, it was a big increase in this half, we -- (multiple speakers).

Dan Molloy - *Vector Limited - CFO*

I think, Andrew, I think we're up about 15% for the half. I think, looking at the full year, we don't expect that run rate to continue at quite that rate given that there seemed to be quite a lot of relocations happening in the first half of the year that maybe won't continue in the second half.

So I think if you're [thinking] about a number for the full year, maybe up about 10%, you'd be in the right ball park.

Andrew Harvey-Green - *Forsyth Barr - Analyst*

Okay, and just the last question I guess was just are you able to give a little bit more color I guess around the bottle swap plant? You mentioned it's going to be increasing revenue and earnings.

I presume it's going to be some sort of cost out, in from a margin perspective, which will help earnings as well the ability to grow the business further. Is that broadly what we should be expecting and are you able to give us some sort of vague quantum about what we might be able to put in?

Dan Molloy - *Vector Limited - CFO*

Look, I can't provide you with a quantum, Andrew. I haven't actually got that number in my head.

But in terms of what's happening in that sector, you know, there's been a continuing change in the way bottles are filled, from being filled in petrol station forecourts, to being swapped into bottle swap operations like ours. We've invested in this plant on the expectation that certain customers want to exit their forecourt filling operations and that will transfer once we have got the plant online.

Simon Mackenzie - *Vector Limited - Group Chief Executive*

Just to add to that, Andrew, I think one of the other important components is with the health and safety legislation. Obviously -- dealing with a dangerous good and we have to ensure that the operations are safe as we increase the volume of bottle swaps, the existing facilities are pretty stretched now.

So we'll have a world leading bottle swap facility that has a lot of capacity to meet the demand, as Dan said, around the switch from filling on forecourts to much more swap cages. I think that also gives rise to an a per unit basis. We do expect to see the cost per unit bases drop.

Andrew Harvey-Green - *Forsyth Barr - Analyst*

Okay, yes. Thanks for that.

Operator

Thank you. Your next question comes from Greg Main with First New Zealand Capital. Please go ahead.

Greg Main - *First NZ Capital - Analyst*

Morning guys. I guess I'd just firstly like to reiterate Grant's point about the splitting out of gas would be very useful from the analysts' point of view. Just a couple of questions from me.

I guess just again, on that gas wholesaling side of the business. I mean how much visibility do you actually have around the actual gas sales at the moment? And can you just run through around what sort of committed gas you actually have available to you over the next few years?

Dan Molloy - *Vector Limited - CFO*

Greg, generally we're contracting between 12 and 24 months out. So that's the limit, you know, sometimes out to 36. But that's the limit. I mean we don't comment on our gas book for really, commercial sensitivity reasons.

Greg Main - *First NZ Capital - Analyst*

Obviously that higher cost of gas in this first half, I mean is that reflective of what you expect to be sort of paying going forward then? I mean do we expect to see that continue? I know that you sort of said around the earnings decline but that obviously looked a bit of a step up over what you paid in the second half of 2016 for instance.

Dan Molloy - *Vector Limited - CFO*

Yeah, look, I think in medium term our expectations are for that to change going forward as the supply demand balance changes. But the margins have, over the last three or four years, reduced significantly in the business as we've moved from a legacy gas world to a competitive gas world.

Greg Main - *First NZ Capital - Analyst*

Okay. Then just secondly, on Australia, and the roll out there, obviously you've flagged that the Australian retailers pick up the can going forward.

Initially discussions with those sort of players, can you give us some sort of feel for how they're looking at the world and what sort of possible CapEx ranges or something you could be thinking about there?

Dan Molloy - *Vector Limited - CFO*

Greg, that's a very difficult question to answer. What we're focused on at the moment is getting as many meters out there as quickly as possible to satisfy the current arrangements that we have.

I think we're a little bit disappointed that we haven't been able to do it more quickly. There's a lot of challenges around competing resources in Australia.

But we're happy to have 10,000 on the wall and we'll be upping the pace for the next six months. Retailers will obviously be very motivated by the requirement to take over the responsibility of providing meters for new houses and replacement meters from the end of the year.

So you can be sure that they're increasingly interested and focused on it. Look, just how it evolves for us, it's hard to predict at the moment. But I think we're reasonably well placed.

Simon Mackenzie - *Vector Limited - Group Chief Executive*

Just to add to that, Dan was -- I'd reiterate what Dan said but also add that obviously, we're in discussion with all the key players over there, whether it's the larger retailers or some of the second tier. There's a lot of positive opportunities, not only in New South Wales but in other states in Australia.

I think it would be fair to say that there have been some of the larger retailers that have looked at developing their own business, and as a number of us are finding over there, that it's a challenge and there's a lot of complexity in dealing with the smart metering business. But I think off the strength of what we've achieved in New Zealand in the competitive roll out, there's a lot of confidence from a lot of the market in Australia that we can deliver over there as well.

I think over the next year, we'll certainly see the market evolve quicker than what we have over the last 18 months given, as Dan mentioned, what's known as the power of choice. Then much more of a move into new and replacement meters as well as other retailers looking to put new products and services into the market as the energy sector actually changes over there as well.

Greg Main - *First NZ Capital - Analyst*

Okay. Well, we'll wait and see. Thank you.

Operator

Thank you. (Operator instructions). Your next question comes from Felicity Wolfe with Energy News. Please go ahead.

Felicity Wolfe - *Energy News - Media*

Hi there. This is also just on what you were saying about some of the challenges and Australia. I think Dan mentioned that there's been some resource issues there. Can you expand on that a bit?

Is there sort of an issue of actually getting meters or is it getting a trained workforce or what?

Simon Mackenzie - *Vector Limited - Group Chief Executive*

Yeah, sure. Look, I'm happy to elaborate on that. I think all parties operating in Australia have found the key challenge being accessing field resource to deploy meters.

So we've had those challenges, we've had to diversify the market, for want of a better word, to actually have more potential suppliers. A lot of the market subcontractors and not only headline contractors, but subcontractors, we have had no problems with accessing meters or any of the resources we need internally to deliver the solutions.

We're utilizing a lot of the skills from our New Zealand operation to supplement the team in Australia. So probably the biggest challenge has just been actually not only the field resource, but in many cases, a lot of the types of meters that we're deploying are for the solar, what's called a net metering solution.

And some of the technical challenges there have been things such as what's known as: unable to install, because the person may not have been home despite having made an appointment. Quite a lot of remote locations across New South Wales. And in addition to that, some of the quality of the metering boards that the meters are having to be swapped out on contain, in some cases, asbestos or they have to be rewired.

So just by virtue of those challenges, that's part of the learning process. But it would be fair to say the initial deployment in New Zealand also went through some learning around the different dynamics here and we're confident we've got a great team that can actually meet the challenge.

Felicity Wolfe - *Energy News - Media*

Great, thank you.

Operator

Thank you. Your next question comes from [Peter Hudson] with [Macquarie]. Please go ahead.

Unidentified Participant

Morning guys. Just a couple of quick questions from me just on CapEx. I just wondered if you can give us an idea about how stay-in business and growth CapEx on the electricity network may behave out to the next reset given the comments that you've made on Auckland growth and the regulatory settings?

So I think at the moment, stay-in business is averaging about 140. I'd be particularly interested in how you see that behaving in the next three or four years.

Then maybe just one for Dan on the accelerated depreciation that the Commerce Commission have tabled. I think you've been talking about allowable revenue relief from 2020 of about NZD20 million per annum. I just wondered if that was still the rough magnitude of the relief available to you?

Dan Molloy - *Vector Limited - CFO*

Thanks Pete. Look, in terms of our view on sustained business CapEx, probably the best place to look is in the electricity asset management plan which we will be releasing to the market in the next month or so. But I would expect that to be up due to a range of factors that are driving additional costs into the network, and also due to growth in Auckland obviously.

But I think CapEx for the full year in the regulated business, we're looking at an excess of NZD200 million with the majority of that obviously being in electricity. For the remainder of the competitive markets businesses, probably another NZD140 million, NZD150 million.

So we've got some significant investment happening at the moment. In terms of your question about asset lives, what the Commission has indicated is that it will allow effectively accelerated depreciation on up to 15% of our asset base.

But we clearly have to make the case for that. We think that that will have an annual revenue impact of up to about NZD5 million.

Simon Mackenzie - *Vector Limited - Group Chief Executive*

(Multiple speakers) I just thought I'd add to that with regards to the question you raised. Just to split those on the electricity business between growth and replacement, we're looking at probably in the vicinity of about -- replacements sitting at about NZD93 million this year and growth related CapEx about NZD96 million. That's approximately the split.

So as you can see, it's a significant growth component. When we look forward through to the next reset, we'd imagine that replacement will probably sit or grow slightly, obviously as we add more assets, but at the same time, some of the assets reach the end of their life or in some cases, we have to replace them potentially because of condition or age. But as Dan mentioned, we still see the growth slightly slowing a little bit the rest of this year but over the long term, there's still very strong growth obviously predicted for Auckland.

I think one of the other key objectives from our perspective is: how does new technology solutions interplay with regards to those capital amounts by being able to deploy smarter solutions then what would be historically the traditional network investments? That's why we're in particular very much focused on not only hardware solutions, whether those are batteries or other forms of technology, but control environments supplemented with data analytics to actually look to utilize the assets at a higher level than historically has been the case.

Which is essentially saying that these control environments can unlock some of the latent installation by managing the loads through smart algorithms.

Unidentified Participant

Okay, that's useful. Sorry, Dan, just to go back onto the accelerated depreciation. Has the NZD20 million estimate come down, by the sounds of things, to NZD5 million? Is that what I'm taking from your comment?

Dan Molloy - *Vector Limited - CFO*

Yeah, NZD20 million I think would have been on the basis that we got accelerated depreciation on the entire 15% of the asset base. So I think if you make some more conservative assumptions.

And at this stage, look, we haven't done the detailed analysis, but we're assuming that will only be granted -- we won't necessarily be granted relief on 15% of our asset base. So at this stage, we just have to make a bit of a guess really about where that will come out. We'll be doing that work over the next 12 months.

Unidentified Participant

Okay. That's great. Thanks guys.

Operator

Thank you. (Operator instructions). We are showing no further questions at this time. I'll now hand back to Mr. Simon McKenzie for closing remarks.

Simon Mackenzie - *Vector Limited - Group Chief Executive*

Thanks very much and given there's no further questions -- we appreciate you for joining us this morning for the half year.

I look forward to updating you all at the end of year. If analysts and investors have any further questions, please contact Dan with respect to any questions from analysts, and Melanie Tuala with respect to any media questions.

So thank you once again, and we look forward to updating you later in the year.
