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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 ended 31 December 2018. All participants are in listen only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key followed by the number one on your telephone keypad. I must advise you that this conference call is being recorded today. I would like to hand you over to Vector's Chair, Dame Alison Paterson, who will take you through the call. Please go ahead, Alison.

Dame Alison Paterson: Thank you, and good morning. I won't repeat the welcome to our results briefing, which has already been done. Joining me on the call today is Group Chief Executive, Simon Mackenzie, and the Chief Financial Officer, Dan Molloy. We remind you that as in recent briefings, we're not intending to go through a detailed page by page recital of the investor material. Rather, we want to provide insights into what we see as the key aspects of the results and allow more time for Q&A with you all.

I will begin today's presentation with a review of the dividend for the full-year and then hand over to Simon to provide an overview of the key [assets] of the results. Dan will comment a little more on the numbers before Simon will close by giving you some more flavour on how we see the rest of the year playing out. We will then be happy to take questions.

So, on to dividends. The interim dividend is \$0.0825 per share fully imputed and this will be paid on 11 April. Vector will increase dividend by at least \$0.25 per share annually provided the company has the financial capacity to do so. We will review this policy once the parameters for the 2020 electricity reset are established. This reset will determine the revenues available to our electricity network for the 5 years to 31 March 2025. These parameters will be known by the end of November when the Commerce Commission is due to announce its final decision.

We therefore expect to update the market regarding our approach to dividend in the next reset period by this time next year. I will now hand you over to Simon to give you more insight into the things.

Simon Mackenzie: Thanks Alison, and welcome to everyone. Operationally, strong Auckland populate and growth remains a constant and has underpinned the growth we

have seen over the first half. We have had 6800 new electricity and gas connections over the 6 months. This is down a little on the same time last year but remains around 50% higher than 5 years ago. An interesting factoid is that over the last year we connected 205 subdivisions, to put that into context.

A reasonably cold winter and a hot summer has also contributed to volume growth with electricity volumes up 0.9%. The high growth characteristics of Auckland has also driven up our regulated CapEx by 4.5% to \$125 million. Capital contributions are also up strongly for the same reasons.

However, net of contributions regulated CapEx es essentially flat on the prior corresponding period but remains completely in line with regards to the regulatory allowance for CapEx over the period. Metering growth continued in both New Zealand and Australia with nearly 30,000 additional meters deployed in New Zealand and 45,000 in Australia.

Our acquisition of Vircom in September last year nicely compliments our New Zealand metering business augmenting our nationwide service capability, not only in meters but in other areas.

We had a strong half in gas trading albeit it given challenges with [unclear] supply later in the year, sorry, with Kapuni production up 15%, gas liquid sales up 8% and our South Auckland Bottle Swap plant continuing to drive efficiencies. In fact, the Bottle Swap plant won Deloitte's Energy Excellence Health & Safety Award for 2018 which we're very proud of.

In terms of the rest of our technology business segment, we still have a strong pipeline of large commercial solar and battery projects in the South Pacific and New Zealand and we now have two additional grid scale batteries operational in Snells Beach and Walkworth. These batteries give us the ability to manage peaks and give us more flexibility in terms of asset deployment plus gives us more insight into how these new technologies can help avoid future costs particularly around resilience.

In terms of other business and operational achievements, I wanted to highlight the following. We will continue to lead solutions for customers in building efficient infrastructure. Our long-term position on this is reflected most recently in the Electricity Price Review Statement, one that our views in solutions aren't always comfortable for others in the sector with.

However, to quote, it is vital the industry makes full use of the opportunities presented by emerging technologies which have the potential to limit prices. It is also vital that those opportunities are fully supported by the regulatory framework, something that we believe we have set the running on.

Hence the huge storm in April last year and the problems we experienced, we have fundamentally overhauled our outage management and outage communication processes from the ground up. Just a few weeks ago, we hit another milestone in this ongoing work with a new online customer outage centre launched, supported by a new security operations centre. Towards the end of last year, we became the first New Zealand corporate to receive the accessibility tick, continuing our leadership on diversity and inclusion initiatives.

Vector Lights continues to become a feature of Auckland's nightlife and culture. New Year's Eve saw a coordinated show with the Sky Tower which received global coverage of the first major city in the world to welcome in 2019.

Last but definitely not least, I wanted to highlight continued improvement in our safety KPIs with both TRIFR and LITFR decreasing significantly, all be it off a low base. At this point, I'd like to hand over to Dan, our CFO, to go through the numbers.

Dan Molloy: Thanks, Simon. Morning. Morning, everyone. Look, the Group financial results for the period, they're probably a bit ahead of where we expected them to be. Pleasingly, all segments have turned in an improved result on the same period last year. Although, it is fair to say we have also been helped by adopting the new accounting standards for revenue and lease accounting during the period.

Adjusted EBITDA for the half-year was up nearly \$14 million or 6%, so almost \$265 million. Look, if we strip out the accounting changes I just mentioned, adjusted EBITDA would have been up more like \$10 million, or 4%. Capital expenditure was up as well; 10.1% to \$201 million. Again, this was on the back of relentless Auckland growth, also increased meter deployment in Australia.

Net profit was up 5.4% to \$83.3 million. This was driven by higher earnings and also by higher capital contributions. Operating cashflow was down 7.2% to \$219 million. This movement was largely down to the fact that we changed the treatment of lost rentals during the period.

Moving to the next slide, I'll now give you just a little bit more detail about the result at a

segment level. Stripping out accounting changes, the network's underlying earnings were up more than 2% and this was driven really by higher residential volumes. The higher volumes are a result of three factors. Firstly, there's connection growth. Secondly, we had a cold winter. Thirdly, and probably most interestingly, average household consumption across our network now appears to have stabilised after more than a decade of consistent decline before that.

In the gas trading segment, underlying earnings were up around 8% and this was largely because of higher Kapuni production, higher gas liquid sales and some cost efficiencies from our new Bottle Swap plant in South Auckland.

In the technology segment, and once again, stripping out the impact of the IFRS changes, underlying earnings are up more than 2%. This was largely on the back of continued metering growth in Australia and New Zealand; and Simon is going to touch on some of the other aspects of the technology segment shortly.

Corporate expenditure increased over the prior period and the prior period had benefited from some one off items. We also increased our spend in digital in particular during the period. We know how important the customer experience is and we've been putting more into that.

I will now hand you back to Simon to go through the segments in a bit more detail, cover the outlook and I look forward to answering your questions later on.

Simon Mackenzie: Thanks Dan. As Dan said, with respect to electricity, increased volumes have helped drive an earnings uplift. This volume growth is largely from residential consumption. We see that average household consumption seems to have stabilised after many years of consistent decline and will watch this closely with regards to what happens going forward.

That said, growth in new connections, while still strong had dipped on the prior year basis given the first half of the 2018 financial year saw exceptional growth. Regardless, the longer term demographic trends point to Auckland remaining a high growth area for the foreseeable future.

As network volumes were relatively flat and revenue remains impacted by the price reset in October 2017. In terms of costs, we increased our maintenance costs even more to help improve network reliability and quality measures. Another initiative that I'd like to mention, was in September we launched our Urban Forest program. This program is

designed to improve network resilience, given the challenges we have experienced in the past from tree damage to the network, caused by trees not owned by us. We continue to await the long overdue review of tree regulations to be undertaken by [unclear]. The Urban Forest program is a win win situation for us and for Auckland's environment. Every time we have to remove trees from around the lines on our network, we will replace it with two native trees planted in safe areas away from our network.

Turning to gas, we're happy with the gas trading performance considering some of the challenges that we have faced in that market. We have seen a drop in natural gas volumes, down 9.4% and there has been reduced supply from a range of planned and unplanned gas field outages, pushing up costs for us, as we have sought to minimise the impact on our customers.

Some of the issues around [unclear] have been well canvassed by industry and media but we're proud to say we still delivered to our customers.

From our perspective, the issues in the gas market highlighted some problems that need to be looked at closely. In particular, around transparency and the impact in the wholesale electricity market. A strong performance in liquids and LPG has helped to offset that with gas liquid sales up 8%. That said, we're not expecting the first half growth to continue into the full year due to the loss of a large commercial customer and to rising natural gas costs.

With respect to technology, a positive result in our technology segment, predominantly due to metering growth. Our owned and/or smart meter fleet is now \$1.48 million and counting. This includes more than 100,000 meters in Australia. Outside of metering, PowerSmart are performing well with a strong pipeline of projects across New Zealand and the Pacific. It's hard to give you too much detail on these projects for now but we're pleased with how they are tracking.

As mentioned last year, E-Co has had its challenges and is still tracking below where we would like to see it. To provide a bit more insight into that, last year there were margin pressures in heat pumps. There was the closure of retrofit windows business. There was the upfront investment in launching HRV Solar and there was also the teething issues as we made the transition to being part of the wider diversified group.

However, we have now a new CEO and management team in place and while the turnaround is not yet coming through in the numbers to the extent we wish, we are optimistic E-Co is well position to meet growing demand for the energy efficient solutions

we can offer into the market.

Looking ahead, we expect Auckland growth to continue and we are still targeting around 11,000 new electricity connections in FY19. We expect CapEx to remain elevated to meet the demands of this connection growth, resilient investments and associated infrastructure and maintenance. In metering we are still targeting a full year of 70,000 additional meters for New Zealand and between 90,000 and 100,000 additional meters in Australia.

In terms of guidance, we are comfortable with the adjusted EBITDA guidance given in August of between \$470 million and \$480 million. Adjusted for the impact of the IFRS accounting changes, this becomes \$480 million to \$490 million.

The first half benefited from strong electricity volumes, partly attributable to a colder winter, a strong volume continuance over the second half, we would expect our full year result to be the top end of our guidance range.

Looking further ahead, the electricity reset on 1 April 2020, is a crucial event for Vector because it sets our electricity network revenues for the next 5 years to 31 March 2025. We call this Default Price Period 3. We will continue to lead the solutions and the debate on challenges in the current systems and Auckland growth.

Most of the parameters for this reset are already set. However, we are awaiting the Commission's decision on our network expenditure allowance and quality targets for this period and the Commission is due to publish a draft decision in May and a final position at the end of November. We would just like to reiterate, it is critical that we get the necessarily CapEx and OpEx to enable us to continue to invest in growth and resilience for the Auckland region to meet the significant challenges we face whilst also ensuring that we have an appropriate cashflow.

Equally importantly is the regulated weighted average cost of capital that will apply for the 5 year period. This will be set based off the 5 year government bond rate between 1 June and 31 August this year. We note that interest rates have fallen significantly since our last results announcement in August. At this time, we're anticipating a regulatory weighted average cost of capital of around 5.8%. At that time, we were anticipating one of around 5.8% and we're now expecting that rate to be around 5.3%.

So, to put this in context, the change in forecast where it correlates to lower network revenues of around \$18 million per annum over the 5 years of the DPP period. We note also though, that we will now be on a revenue path not a price path, so the price and

volume volatility is actually removed from the equation.

Finally, as Alison indicated, we expect to be in a position to update the market as to our approach to dividends in the next reset period at this time next year.

I will now hand over to questions from the floor.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you are on a speaker phone, please pick up the handset to ask your question. Your first question comes from Grant Swanepoel from Craigs Investment Partners. Please go ahead.

Grant Swanepoel: (Craigs Investment Partners, Head of Institutional Research) Good morning, Vector team. Just two quick questions. The one on E-Co. I see on the waterfall chart on Slide 17, there doesn't seem to be a year-on-year net impact from those negatives you were talking about. Can you please just give an idea of the quantum of negative impact that E-Co is currently contributing to that segment. Then, the second question, on your potential reset and dividend policy, am I correct that you're currently earning about a 5.5% IRR? So, at 5.3% you'd expect a bit of a price cut; and what would the price cut need to be to have you impact your current incremental dividend policy? Would it be a negative 5%, negative 1%, what are we looking for? Thank you.

Dan Molloy: Grant, thanks for the question. With regard to your E-Co question, look, last period I think E-Co made a small positive contribution. This year it also made a small positive contribution, so you're not seeing a big change period-on-period. With respect to the reset and dividend question, the regulated work we've got for the current period is 7.19%, that's a pre-tax vanilla WACC. The equivalent WACC that we're anticipating for the next period is 5.3% on the same basis.

Now, the 50 or 60 basis point move in WACC that we've seen since we talked to you back in August, as Simon mentioned, that's equivalent to about \$18 million of network revenue or EBITDA a year over the 5 years. Look, in terms of...

Grant Swanepoel: (Craigs Investment Partners, Head of Institutional Research) Are you still here, Simmy?

Dan Molloy: Sorry. Simon was just pointing out Grant, that we actually haven't been earning the 7.19% in the current period due to effectively, forecast errors and not meeting the forecasts on CPI and the volume growth. Look, in terms of looking forward to the next

period, forecasting what prices may or may not be is pretty difficult because there's still a lot of moving parts and the network OpEx and CapEx allowances and the quality targets can make a big difference; but sitting here with everything we know, we are, and on the basis of our best guess, we're anticipating p-naught at the reset of about 3% positive. Just to clarify what that means, that 3% is the difference between what prices would be after the reset versus what they would be in the same period if there wasn't a reset.

So, from a modelling perspective, what you need to do is you also need to factor in CPI and you also need to factor into some other things that are going to be unwinding at the end of the regulatory period. Probably most significant, is the unwind of the settlement we've made around low fixed user which will also give us a bit of an uplift.

Look, overall we're still expecting that revenues will go up slightly at the reset but in terms of the impact of all that on cashflow, we're simply not in a position to say at this point.

Grant Swanepoel: (Craigs Investment Partners, Head of Institutional Research) Can I just clarify my question slightly more Dan? Can you still hear me?

Dan Molloy: I can still hear you, Grant.

Grant Swanepoel: (Craigs Investment Partners, Head of Institutional Research) Thank you. Just in terms of the E-Co question, so what are the once off negatives that are currently sitting in that segment? For example, those related to the HRV solar relaunch and all the rest, and then just on the reset. Yes, as Simon was correcting you, in terms of where you're currently sitting, you guys indicated that you're making an IRR of around about 5.4% currently with all the other once offs that have impacted it relative to 7.19% allowable. That looks like it's ticked up a little bit. Am I correct, that that's sitting at about 5.5% at the moment? Thank you.

Dan Molloy: Look, Grant, it's definitely picked up because CPI's tracked upwards and also, we have seen volume growth in the period which we haven't seen for the three prior years. We are in the process of calculating the ROI that we are required to disclose for the period ending 31 March. Look, I can't tell you what our expectation is at this stage. I simply don't know, but you are correct in that it will be higher than the result we mentioned last year.

Look, we'll be in a position to update the market on that number in August and I think it is due to be published at the end of August. Back to E-Co, I guess the net contribution to the overall result in both periods was about the same. Different challenges in each period

and I guess what's weighed on the result over the current period is largely issues with stock, or slow moving stock.

Grant Swanepoel: (Craigs Investment Partners, Head of Institutional Research) Thanks, Dan.

Operator: Thank you. Your next question comes from Aaron Ibbotson from UBS. Please go ahead.

Aaron Ibbotson: (UBS, Analyst) Hi there. Good morning, Vector team. I'm afraid I have very similar questions to Grant. My first one, from a slightly different angle on the technology division. Is there any chance you could share, which I believe you used to at some stage, the adjusted EBITDA excluding meters for the technology segment, so the total number? We appreciate that it hasn't moved much but if you could just give the EBITDA, if any, that you are getting from the whole technology division excluding meters, that would be greatly appreciated.

Then, apologies, but if I could probe just, what I believe Grant was trying to get an answer to, this 5.3% with current interest rate environments, and you did say that most of the parameters were known or already set, do you have an estimate for roughly what that equivalent number is today, not the regulated WACC, but your actual WACC. Grant got to 5.5% and maybe I got to a tad, tad higher than that, so I just wanted to know if 5.5% to 5.7% is a reasonable estimate of where you currently are.

Then, I had one more question but maybe I'll save that one for after you've answered these two. Thank you.

Dan Molloy: Thanks, Aaron. Thanks for the question and nice to have you on the call, for the first time, I think. In the technology segment there's a bunch of businesses in that segment. There is Vector Communications, there's metering in Australia and New Zealand, there's E-Co, there's PowerSmart and maybe a couple of other smaller things as well. We have made the decision to keep, report on that business as a segment and we haven't provided earnings information at a lower level.

Look, that may change in the future but that's the position today. Your question on the return on the network, I think the question you're asking is really, what is the ROI that we have earned on the network over the first three or four years of the regulatory period vis-à-vis [of the regulated] WACC of 7.19%.

Aaron Ibbotson: (UBS, Analyst) Sorry, but just to be precise, yeah, I'm curious to know

what you think it is this year.

Dan Molloy: Sorry. I can't answer that question off the top of my head. You can go back and look at our disclosure statements and it will give you those, information on a year-by-year basis for the first three years and I can definitely, if you give us a day or two, we can get our guys to have a look at what that number comes to cumulatively over the period so far. It will definitely be higher than last year but it will be lower than 7.19%. I think it would be about 100 basis points, 100, 150 basis points lower, 100 basis points probably.

Aaron Ibbotson: (UBS, Analyst) Okay. Thank you. My last question relates to the electricity price review which at least to me have, sort of, the pricing [in many] comments around the distribution. There was, particularly in the draft report and followed up a bit in the final, there was a discussion of competition between regulated businesses and unrelated businesses. On page 77 they specifically say that the concern is that distributors will exploit information advantages. For instance, household energy consumption, and use monopoly services to subsidise competitive service, and they specifically called out battery services to households, for instance.

So, they clearly raised this as a concern and I'm just curious to know if you've given any response to this or if you're worried that the regulator will look at some of your adjacencies, unregulated, particularly in the technology division obviously, businesses, and consider they being outside of your scope and that you're effectively using information advantages, which they specifically call out.

Dan Molloy: Yeah, look, I think my first comment on that is at a high level that there are some in the industry who like to feed those kind of conspiracy theories around using information. We've put in place protocols basically based off the feedback of the Electricity Authority with respect to any of the information we get on our distribution network and particularly around any customer consumption, which means that that's completely contained within the network side of the business and that information in no way, shape or form goes across into other parts of the business for their use to go and approach customers directly or anything of the such.

I think it's important to put in context that both the Commerce Commission and the EA has looked at the issue with regards to activities which we are investing in and others across the country, and EDBs are investing in, whether that's batteries or the likes, and looked at those and said, you know, it's something they may keep an eye on but they're not

currently having any major problems with it. I think that the fundamental issue here is actually more around that if you look at our business, we have our regulated business and then we have the other sides of our business, which is the metering, which operates in a competitive market.

We have HRV that operates stand-alone. We have PowerSmart that's stand-alone and the reality is, is that those businesses are bringing new solutions and technology into the market for the benefit of customers and that makes life uncomfortable for some that don't want to see competition in the space.

Aaron Ibbotson: (UBS, Analyst) Sorry. If I just ask one final question on this. If you are not able or allowed or willing to use any of your information advantage or a scale that you get from your regulated activities, what do you see as your competitive advantage in these adjacencies?

Dan Molloy: Well, I'm not too sure what you mean by information advantage. A lot of the debate has been on the, or with respect to the use of data that we have or data that is derived from customer consumption and customer information and we do not use the information that we get from customers with respect to their consumption in any part of the business other than in our network business to plan and manage an efficient network investment.

With respect to the skills and attributes that we have, we've got significant depth of engineering and technical expertise across our business and particularly in those non-regulated areas, if we looked at the metering team or we looked at the technology team, and I don't see that that's any different than any other business that has a pool of expertise that can actually design and develop solutions and put those to customers in the market.

The issue that I think you refer to is primarily around use of data that is derived from smart metering. That is, we've long held the view that we absolutely need that. We're contracted to have that provided to us by the retailers to enable us to understand what is going on with customers, what's going on with volume trends, what's going on with demand trends and therefore, design a much smarter and efficient network than taking very macro views of what's going on across the Auckland region, that only leads to inefficient investment.

Aaron Ibbotson: (UBS, Analyst) Perfect. Thank you.

Operator: Thank you. Your next question comes from Andrew Harvey-Green from Forsyth Barr. Please go ahead.

Andrew Harvey-Greet: (Forsyth Barr, Senior Equity Analyst) Morning, everyone. Just a quick question from me. It relates, I guess, to the guidance and in essence, you've left the guidance unchanged notwithstanding a quite strong first-half result. I understand that you're talking about the trading business not being so good but is there anything else that's looking at probably going a little bit backwards in the second-half? It just seemed, the guidance seemed a little bit soft, I guess, given the quite strong first-half performance?

Dan Molloy: Andrew, thanks for the question. Look, nothing significant. I guess it will be, we will think our ability to get to the top end of that will be linked to what network volumes are doing. Yes, it's been a good first-half. Does that have any implications for what network volumes will be in second-half? Not really. So, we probably won't be in a position to really know that until June really. Look, if it's such that it changes the result, obviously we would let the market know; but no, no other specific large factors.

Andrew Harvey-Greet: (Forsyth Barr, Senior Equity Analyst) There's no increase in costs or something similar that is expected to come through in the second-half?

Dan Molloy: Look, a bit more maintenance in electricity. Yeah, the increased prices in gas due to a change in the processing arrangements at Kapuni.

Simon Mackenzie: Dan, just one other thing which we always have to be mindful of is coming up to this time of year and going into June, July, is also the impact of potential weather events and how that may actually impact on network costs for repairs. As we saw last year in April, we had a significant event which obviously yielded quite a significant cost to us as an unexpected at the half-year back in February last year.

Andrew Harvey-Greet: (Forsyth Barr, Senior Equity Analyst) Yeah. Okay. Hopefully, that won't be repeated this year.

Simon Mackenzie: Absolutely.

Operator: Thank you. Your next question comes from Rachel Brader from First NZ Capital. Please go ahead.

Rachel Brader: (First NZ Capital, Vice President, Equity Research) Hi, guys. I've got a couple of questions. The first one following on from Andrew's, on the guidance. The gas wholesale first-half obviously was up and you've said that that's unlikely to continue into

the second-half. So, are you still forecasting a flat FY19 EBITDA for gas wholesale? My second question is in regard...

Dan Molloy: Sorry.

Rachel Brader: (First NZ Capital, Vice President, Equity Research) My second question is in regard...

Dan Molloy: I just...

Rachel Brader: (First NZ Capital, Vice President, Equity Research) Okay. Go ahead. Sorry.

Dan Molloy: Basically, with regards to that, you're correct. That's what we're forecasting with regards to gas wholesale.

Rachel Brader: (First NZ Capital, Vice President, Equity Research) Okay. That's great. Second question, in regards to the Australian metering installation program, are you able to give guidance beyond FY19 and do you think it's achievable to continue at the levels that you've got at the moment?

Dan Molloy: Rachel, nice to have a new analyst on the call. Thanks for the question. Look, Australian metering in terms of the volumes, it's a little bit hard to predict and I would say probably without a doubt, there is a lot of volume demand in the market. Meters need to be installed. Every new meter out there needs to be a smart meter and a lot of the existing meter fleet is now in a position where it needs to start to be changed out and those can only be changed out to smart meters.

Look, the share of that market that Vector wins I guess will depend to some extent on our performance and how well we do servicing our customers over there. The key thing that our business in Australia is focused on at the moment is getting meters on the wall within the very stringent new meter installation timelines that have been enshrined in law, in a new law, quite recently. So, that is our complete focus at this time and if we manage to do well then we'll get more volume, I'm confident of that.

Rachel Brader: (First NZ Capital, Vice President, Equity Research) So, just so that I understand that point, there's nothing really structurally stopping you from continuing gaining your market share, it's just whether or not your performance in terms of the timeframes that are required continues?

Dan Molloy: Yes.

Simon Mackenzie: Correct, Rachel. As Dan pointed out, there's a significant volume of

meters to be deployed over there. There's nothing structurally. Obviously, I think there is a different market dynamic as we've spoken about before, whereas in New Zealand there is a long-term contract with an ongoing plan to replace a whole lot of legacy meters. It's structurally a little bit different over there with regards to new and replacement and solar but that said, there's still a significant amount of volume of meters and so our focus is on basically delivering to the customers the best service to meet their requirements under the rules over there which we in turn have to deploy the meters for them and hence, off the back of that service, pick up more installations.

Rachel Brader: (First NZ Capital, Vice President, Equity Research) Just, my last question is in regards to the debt book going forward. Obviously, there's been some fairly low priced bonds out in the market if you're looking at context green notes and those sorts of things. Can you just provide some colour on whether you have any plans to capitalise on that and the low interest rates?

Dan Molloy: Thanks, Rachel. One of the things that has happened post the result is we've repaid our Sterling Bonds, which were taken out in the height of the GST. So, the interest savings on those alone is going to save us more than \$2 million a year. So, I'm very happy about that. We've obviously got a listed subordinated bond in the market and Vector has previously had listed senior notes in the New Zealand market as well, and I think it's fair to say that we would like to get back into that market and we're hoping to do so at the right time.

Rachel Brader: (First NZ Capital, Vice President, Equity Research) Okay. Cool. That's all mine. Thanks.

Operator: Thank you. Once again, if you wish to ask a question please press star one on your telephone and wait for your name to be announced. Your next question comes from Stephen Hudson from Macquarie Securities. Please go ahead.

Stephen Hudson: (Macquarie Securities, Analyst) Good morning, all. Just a couple of quick questions from me. Just, back on the 2020 EDB research, I just wondered if you can boil that all down into a revenue impact, Dan, I guess taking into account the forecast error, the unwind of the settlement and it sounds like you're going to have a bit of relief on your regulatory interest rate versus your actual interest by the sounds of the last question. I think you were previously talking about a \$30 million uplift. I'm guess now it's going to be closer to half that, but if you can confirm that, that would be useful.

Secondly, the slide that references an S&P reassessment of Triple B Guidelines for

infrastructure firms. I think in the past, you took to add an FFO to debt ratio of 9% to 15%, if you can give us an update on where that lies - sorry, where that range is and where you lie in that range. Just lastly, just a thanks to you, Dan, for the last five years of your patient assistance and good luck with the future.

Simon Mackenzie: Thanks, Stephen. With respect to your first question, if I heard you correctly, I think Dan mentioned earlier that taking everything into account, we expect the price change would be about 3% up plus CPI. Yeah. So, that gives you some indication. I'll hand over to Dan with regards to the S&P ratings query.

Dan Molloy: Thanks, Stephen, and thank you for your nice sentiments. It's also nice to have old analysts on the call as well as new ones. Look, the comment about the Standard & Poors reassessments. What they've really done is they've looked at the maturity, emerging maturity that they see in the regulatory regime and as a result, they have effectively made it easier, if you like, for us to attain Triple B Plus. So, whereas previously, to get there we would have had to be, had FFO to debt of 15%; now that, the trigger has been lowered to 13%.

So, that has really, I guess, just shifted our position upwards in the Triple B band, which is helpful. FFO, so to retain Triple B, all other things being equal, that the S&P is targeting FFO to debt to us, between 9% and 13%. Currently, we're at around 12% and we see that trending down, probably bottoming out at towards the end of the next reset and obviously we're going to closely monitor that number over the next 12 months as the reset parameters become clearer.

Stephen Hudson: (Macquarie Securities, Analyst) Thanks, guys.

Operator: Thank you. There are no further questions at this time. I'll now hand back for closing remarks.

Simon Mackenzie: Thanks very much for everyone joining and particularly thanks to the new analysts on the call. Always appreciate the questions. If there are no further queries or any questions going forward then please feel free to contact Dan and/or our media contact, Richard Llewellyn. Personally, from my perspective, I'd like to also thank Dan for his time here at Vector and all the interface he's had with the analysts and the investment community.

We wish Dan all the best for his travels. I think there's a lot of people jealous about his next excursion overseas, but we certainly wish him all the best and again, just thank you



all for joining us and we look forward to updating you in August.

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