

# Question and Answer

## Operator

[Operator Instructions] Our first question comes from the line of Grant Swanepoel with Craigs.

### **Grant Swanepoel**

*Craigs Investment Partners Limited, Research Division*

Just 2 questions. Can I assume that your guidance is indicating that you'll be at about 640 which is the current Bloomberg estimate for EBITDA for the full year? And the second question is, can you give us some sort of idea what the release provision on the revenue side on the gas transportation, the quantum of that is?

### **Simon MacKenzie**

*Group Chief Executive Officer*

With regards to your first question, yes, as we note, slightly above that current expectations. And with regards to the provision, I'll let Shane just explain that quickly.

### **Shane Sampson**

*Former Acting Chief Financial Officer*

Grant, I don't think we have given that number out precisely. But it's, in broad terms, it's roughly about 1/3 of it, that year-on-year movement.

## Operator

Our next question will come from the line of Andrew Harvey-Green with Forsyth Barr.

### **Andrew Rupert Pelham Harvey-Green**

*Forsyth Barr Group Ltd., Research Division*

Just a couple of questions, I guess, around the technology space. One of the key drivers of the better performance there appear to be, I guess, a drop in costs, so its margins were [indiscernible] quite a bit in the year, how about just talk about that, in the technology division?

### **Shane Sampson**

*Former Acting Chief Financial Officer*

Andrew, absolutely, we're obviously focused in that area where we're in competitive markets and making sure we manage our cost base. So cost has contributed. And then we have done some work within those businesses to ensure we've got the right cost structure. But obviously, the revenue growth line is the bigger impact.

### **Andrew Rupert Pelham Harvey-Green**

*Forsyth Barr Group Ltd., Research Division*

And going forward, I mean what sort of margin levels can we, I guess, expect to see from that business? I mean it was, I think, around 70-odd percent this time around?

### **Shane Sampson**

*Former Acting Chief Financial Officer*

I don't think we've given that out, Andrew.

### **Andrew Rupert Pelham Harvey-Green**

*Forsyth Barr Group Ltd., Research Division*

Okay. And I guess the second question is just around the Contact meter rollout, that contract. When do you expect to complete those 150,000 meters?

**Simon MacKenzie**

*Group Chief Executive Officer*

It's around about 2 years, Andrew.

**Andrew Rupert Pelham Harvey-Green**

*Forsyth Barr Group Ltd., Research Division*

About 2 years?

**Simon MacKenzie**

*Group Chief Executive Officer*

Yes.

**Operator**

Our next question comes from the line of Greg Main with First NZ Capital.

**Gregory Main**

*Jarden Limited, Research Division*

A couple of questions from me. Firstly, you noticed in your [indiscernible] in your gas transportation area, you're going to have a higher maintenance expense until the end of 2012. Does that mean you'd expect to see much of a step down in 2013?

**Simon MacKenzie**

*Group Chief Executive Officer*

I'll answer the first part of the question in the sense that, that additional maintenance is really symptomatic of what goes on in gas transmission. In particular, we're -- from periodically under the standards required, we have to undertake these intelligent device checks, which is essentially known as pegging. So that's kind of like a once every 5 year type of exercise where we put these devices down the pipeline and incurs those kind of one-off costs. And then next year, we expect that to drop down, and Shane can give you a rough kind of guidance around that.

**Shane Sampson**

*Former Acting Chief Financial Officer*

So we do expect some drop next year. I guess I'll put it in the -- it's in the low single-digits rather than a big steep change because we obviously do still have a extensive program. It's just that little bit of a peg this year.

**Gregory Main**

*Jarden Limited, Research Division*

Okay. And can you give us a feel for what impact the Maui pipeline outage had on your numbers?

**Simon MacKenzie**

*Group Chief Executive Officer*

As we said, it's a very small impact, say, very low single-digit.

**Gregory Main**

*Jarden Limited, Research Division*

Okay. And then just on the technology in there, again. The D&A line, given that you're doing your accelerated depreciation of the legacy meters, I was maybe a little bit surprised that the D&A line was as low as it was this time. Can we take that as indicative of where that line should be sitting over the next couple of interim results or was it going to bounce around or go down a bit more?

**Shane Sampson**

*Former Acting Chief Financial Officer*

I think when we talked about it back in August, we talked about the fact that you'll -- both in last year and this year, you're seeing that, I guess, the impact of that acceleration of the legacy meters, if you like. We're already starting the downward trajectory level. So we would expect next year to see the depreciation line going down on that segment even though we'll be continuing to add smart meters.

**Gregory Main**

*Jarden Limited, Research Division*

Right. So the D&A profile is for decrease from here?

**Operator**

Our next question comes from the line of Wade Gardiner with UBS.

**Wade Gardiner**

*UBS Investment Bank, Research Division*

Couple of quick questions here. Just on -- you're talking about extending the gas book. Have you had any preliminary negotiations around Papakura or for the Maui gas? The first question. And on the communications business, have you had discussions at all with telecom as far as the UFB rollout goes and use of the ethernet and assets that you've got -- and also around your current communications business?

**Simon MacKenzie**

*Group Chief Executive Officer*

Taking the first instance, the wider perspective is that, as you note there, we've done an interim new contract with TAG Sidewinder. We are actively engaged with most of the upstream players in the gas market looking for those gas contracts that we've then matched with sell side contracts into the space, so we don't go into particular points on negotiation with different parties. And obviously, as we noted there, we're also working through the renegotiation of the prices for the 50% entitlement above 1,010 that we have at Kapuni and the 7.2 petajoules arbitration matter. With regards to telecommunications, we are engaged with Chorus primarily around their rollout into the Auckland area, and that's very much from the impact on our network with respect to their construction program mainly on electricity and gas networks and the wider communications issues, that's commercial options that we pursue.

**Operator**

[Operator Instructions] Our next question comes from the line of Gavin Evans with Energy News.

**Gavin Evans**

Simon, just a question following on from the gas outlook. I mean, do you see all this exploration activity, is this really going to let you play that gas aggregator role that you talked about?

**Simon MacKenzie**

*Group Chief Executive Officer*

Well, I think the gas exploration activity is obviously important and encouraging. As it sits at the moment, if you look at kind of contract cycles, the kind of 2 to 3 years. So what we're seeing in the market is a lot more product, for one of a better word, from the different fields. There's more choice of fields, so there's probably more upstream competition, and therefore a greater diversity of -- greater flexibility about how we can construct the buy side of our book and then how we match that with the downstream contracts. I think as we previously said also, an important feature with a lot of customers is the management of the ETS position that they have and how either they want to relinquish their own carbon credits or -- for us to manage those kind of positions for them. So we see -- we do provide an important role, and I think as some of the upstream field operators undertake more exploration activity, then they would be looking to parties such as ourselves to facilitate those -- their product getting to market through repackaging, and we provide that aggregator position, given their customer relationships will.

**Gavin Evans**

And in terms of your deal with TAG, do you have any [indiscernible] any other discoveries that they might bring to market?

**Shane Sampson**

*Former Acting Chief Financial Officer*

Look, we're not going into any of those specific commercial details. But we've got a good relationship with TAG, and so that was a good contract to structure with them as one of the many contracts we have in the buy side for us.

**Gavin Evans**

And just a couple of quick follow-ons. Do you have a sense of what your gas transmission volumes would have been if it hadn't been for the Maui outage?

**Simon MacKenzie**

*Group Chief Executive Officer*

Well with respect to ours, that's obviously slightly different to what Maui's would have been given the connection up at road to Wairau. But -- sorry, at the top of my head, I don't have that. It was really a weak production, gas-restricted. But the throughput for our network was still high because we were taking most of the gas through our network.

**Gavin Evans**

All right. And just -- obviously, you're seeing some sort of mixed growth in connections on both gas and electricity. But how are connections tracking so far for January and February?

**Simon MacKenzie**

*Group Chief Executive Officer*

Well, it's still, as we said, reasonably fickle conditions out there. I think the impacts that we see are in -- what we see, the capital contribution lines as being down, that's primarily due to some larger projects being what I would classify as delayed rather than scrapped. But in addition to that, if you're looking at the connections, as we mentioned, in the small medium, that continues to be roughly about half of what we've seen, and we haven't seen any spike upwards or downwards with regards to new connections in January. So it's pretty much fickle and static.

**Operator**

There seem to be no further questions at this time.

**Simon MacKenzie**

*Group Chief Executive Officer*

So if there's no further questions, we'll end the teleconference. And thank you for joining us. If you have any questions, may I ask media to contact Sandy Hodge, our media contact, and for investors to contact Anna Hirst, our Investor Relations Manager. Thanks very much and have a pleasant day. Cheers.

**Operator**

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may all disconnect.