20 February 2018

The Manager
Market Announcements Office
Australian Securities Exchange Limited
20 Bridge St
Sydney NSW 2000

ELECTRONIC LODGEMENT

Dear Sir or Madam,

2018 HALF YEAR RESULTS AND REVISION OF FY18 GUIDANCE

Vocus Group Limited (ASX: VOC) today releases its financial results for the half-year ended 31 December 2017.

In accordance with the Listing Rules please find attached:

- Appendix 4D – Half-year report
- The Directors Report
- Operating and Financial Review which forms part of the Directors Report
- Half-Year Financial Statements

The Operating Financial Review contains a revision to FY18 Guidance in Section 3.

The Company will conduct an investor briefing commencing at 9.30am this morning. The briefing will be webcast and can be accessed through the Company's website at www.vocusgroup.com.au. Registration for the webcast is available now via https://edge.media-server.com/m6/p/kotqk56j. A recording of the briefing will be available on the website later in the day.

Yours sincerely

Ashe-lee Jegathesan
Company Secretary
Vocus Group Limited

HALF YEAR FINANCIAL RESULTS

20 FEBRUARY 2018

For the six months ended 31 December 2017 incorporating the requirements of appendix 4D

VOCUS GROUP

Appendix 4D (ASX Listing Rule 4.2A.3)

Half-Year Report for the half year ended 31 December 2017

Vocus Group Limited

Six months ended 31 December 2017 ($m)	2017	2016	%chg
Statutory Revenue and Other income	967.3	885.9	9
Underlying EBITDA [1 2]	188.8	187.2	1
Statutory EBITDA	188.1	168.3	12
Underlying EBIT [3 4]	119.7	142.8	(16)
Statutory EBIT [3]	74.9	80.1	(6)
Underlying NPAT [5 6] **after minority interests**	68.6	91.8	(25)
Statutory NPAT [6] **after minority interests**	37.3	47.1	(21)
Basic earnings per share - cents	6.00	7.72	(22)
Diluted earnings per share - cents	5.99	7.71	(22)
Fully Diluted Underlying EPS (¢)[5]	10.99	15.01	(27)
Net tangible asset backing per share - cents	28.18	14.60[7]	93
Interim dividend per share –cents	-	6.0	-

1. Pre significant items of $0.7m ($18.9m in prior period)
2. EBITDA refers to earnings before net financing costs, tax, depreciation and amortisation
3. Statutory EBIT refers to earnings before net financing costs, impairment and tax
4. Pre significant items and below the line costs of $44.9m ($62.7m in prior period)
5. Pre significant items and below the line costs of $31.3m ($44.6m in prior period)
6. NPAT refers to net profit after tax
7. Net tangible asset backing per share shown is as at 30 June 2017 for comparative purposes

The Vocus Board has made the decision not to declare an interim dividend for the half year ended 31 December 2017 in light of the opportunities for investment across the business including the ASC project; combined with the focus of the Board on reducing the overall leverage in the business.

The half-year results commentary is unaudited. Notwithstanding this, the Appendix 4D, the OFR and results presentation all include certain financial data which is extracted or derived from the Half Year Financial report for the period ended 31 December 2017 that has been reviewed by the Group's Independent External Auditor.

Contents

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on Vocus (referred to hereafter as the 'Consolidated Entity' or 'Vocus') consisting of Vocus Group Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled for the half-year ended 31 December 2017.

Directors

The following persons were Non-Executive Directors of Vocus Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Vaughan Bowen	Non-Executive Chairman (appointed Non-Executive Chairman 3 October 2017)
Robert Mansfield AO	Non-Executive Deputy Chairman (appointed Deputy Chairman 3 October 2017)
Craig Farrow	
Jon Brett	
Rhoda Phillippo	
David Wiadrowski	(appointed 24 July 2017)
John Ho	(appointed 8 January 2018)
Julie Fahey	(appointed 2 February 2018)
David Spence	(resigned 26 October 2017)
Christine Holman	(appointed 24 August 2017, resigned 13 November 2017)

Principal activities

Vocus Group Limited (ASX: VOC) ('Vocus') is a vertically integrated telecommunications service provider, operating in the Australian and New Zealand markets. The Company owns an extensive national infrastructure network of metro and back haul fibre connecting all capital cities and most regional centres across Australia and New Zealand. Vocus offers both consumer and wholesale NBN services through all 121 permanent NBN points of interconnect and 100% coverage of the UFB network in New Zealand.

Vocus owns a portfolio of brands targeting the enterprise, small business, government and residential market segments across Australia and New Zealand. Vocus also operates in the wholesale market providing high performance, high availability and highly scalable communications solutions which allow service providers to quickly and easily deploy new services for their own customer base.

Review of operations

Please refer to the Operating and Financial Review for further details relating to Vocus operations and results for the half-year ended 31 December 2017. The Operating and Financial Review includes information that Vocus shareholders would reasonably require to make an informed assessment of Vocus' operations, financial position, business strategies and prospects for future financial years.

This Operating and Financial Review is to be read in conjunction with, and forms part of, the Directors' Report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Vocus during the financial half-year.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

Vaughan Bowen
Chairman

20 February 2018
Sydney

OPERATING AND FINANCIAL REVIEW

1. GROUP OPERATING PERFORMANCE

1.1 Overview of Operations

Vocus Group Limited (ASX: VOC) (Vocus) is a vertically integrated telecommunications service provider, operating in the Australian and New Zealand markets. The Company owns an extensive national infrastructure network of metro and back haul fibre connecting all capital cities and most regional centres across Australia and New Zealand. Vocus now offers both consumer and wholesale NBN services through all 121 NBN points of interconnect and 100% coverage of the UFB network in New Zealand.

Vocus owns a portfolio of brands targeting the enterprise, small business, government and residential market segments across Australia and New Zealand. Vocus also operates in the wholesale market providing high performance, high availability and highly scalable communications solutions which allow service providers to quickly and easily deploy new services for their own customer base.

For the six months ended 31 December 2017, Vocus was managed from a financial and operational perspective as three operating segments; Enterprise & Wholesale Australia, Consumer Australia, and New Zealand. It was announced in January 2018 that the existing Enterprise & Wholesale Australia division will in future operate as two separate operating segments: Enterprise & Government and Wholesale & International, resulting in four reportable operating segments.

Enterprise & Wholesale Australia
Provides telecommunications products and services to the enterprise, small business (including the Commander SMB business) and wholesale segments of the Australian market including all levels of Government. The Division markets its services under the Vocus Communications brand. Services include Fibre & Ethernet, IP transit, voice and data centre and cloud services. For further information on the strategy, business risks and financial performance of the division please refer to ***Section 2.1***

Consumer Australia
Consumer Australia focuses predominantly on the value end of the consumer market offering a range of telecommunications products and services including broadband data, fixed voice and mobile services. It's go to market brands are dodo™ and iPrimus™. The division also operates in the consumer power and gas market. For further information on the strategy and financial performance of the division please refer to ***Section 2.2***

New Zealand
This division operates across all key segments of the market in New Zealand including Business, Government, Wholesale and Consumer. In Business, Government and Wholesale the division's key brand is Vocus Communications. The key Consumer brands are Slingshot and Orcon. The New Zealand business is run as a separate business to Australia and includes all New Zealand overhead and network related costs. For further information on the strategy and financial performance of the division please refer to ***Section 2.3***

Group Services
Vocus' Group Services function includes the Australian Network & Technology function that manages the Group's Australian infrastructure and IT assets. The function also includes Australian head office activities such as commercial arrangements with third party carriers and shared services such as finance, legal, secretariat and human resources. The Australian head office function includes the costs associated with being an ASX listed company and the costs associated with the recently established Transformation Office.

1.2 Strategic Objectives

Vocus' strategic objective is to be the leading alternative provider of secure, resilient telecommunications connectivity in the Australian and New Zealand market. During H1 FY17, Vocus began an accelerated transformation program, designed to deliver the company's long term full potential. To deliver the full potential, five key strategic themes for the business have been identified:

- ***Deliver our brand promise*** – outstanding products that meet our customers' needs
- ***Simple & digital*** – clear and simple offers, underpinned by digital interactions
- ***Platform business*** – solid base with repeatable processes to grow our business
- ***Strong stewards of capital*** – sweat our current assets, only invest for high ROI
- ***Ruthless about waste*** – hunt and eliminate waste, spend money like it's our own

1.3 Reported Earnings Overview

Set out below is a comparison of H1 FY18 results against H1 FY17 reported financial results. However, due to acquisitions, divestments, corporate restructuring and cost allocation changes post H1FY17 reporting, certain pro forma and other adjustments are required to restate H1FY17 results, by division and at consolidated level, to allow for a “like for like” comparison to H1FY18 reported divisional results. These adjustments are applied to the H1 FY17 reported results to derive Adjusted Pro forma results for H1 FY17, which the Vocus Board believes is the most appropriate comparable basis on which to assess Vocus performance for these results.

As it is not possible to make these adjustments below the EBITDA line, the table below sets out the reported results principally for the purpose of completeness, rather than as a valid comparison. The adjustments required to derive the Adjusted Pro forma H1 FY17 results are set out Section 1.4.

Discussion regarding the factors driving revenue and EBITDA are contained in Section 1.5 and Section 1.6.

$m	H1FY18 Reported FX	H1FY18 Constant FX	H1FY17 Reported FX	$ Constant FX change	% Constant FX change
Statutory Revenue and Other income	967.3	973.6	885.9	87.7	+9.9%
Underlying EBITDA [1] [2]	188.8	189.8	187.2	2.6	+1.4%
Statutory EBITDA	188.1	189.5	168.3	21.2	+12.6%
Underlying EBIT [3] [4]	119.7	120.3	142.8	(22.5)	(15.8%)
Statutory EBIT[3]	74.9	74.9	80.1	(5.2)	(6.5%)
Underlying NPAT [5] [6] after minority interests	68.6	69.2	91.8	(22.6)	(24.6%)
Statutory NPAT [6] after minority interests	37.3	37.7	47.1	(9.4)	(20.0%)
Basic earnings per share – cents	6.00		7.72	(1.72)	(22.3%)
Diluted earnings per share – cents	5.99		7.71	(1.72)	(22.3%)
Fully Diluted Underlying EPS (¢)[5]	10.99		15.01	(4.02)	(26.8%)
Net tangible asset backing per share – cents[7]	28.18		14.60[7]	13.58	+93.0%
Interim dividend per share –cents	0.00		6.00	(6.00)	n/m

8. Pre significant items of $0.7m ($18.9m in prior period)
9. EBITDA refers to earnings before net financing costs, tax, depreciation and amortisation
10. Statutory EBIT refers to earnings before net financing costs, impairment and tax
11. Pre significant items and below the line costs of $44.9m ($62.7m in prior period)
12. Pre significant items and below the line costs of $31.3m ($44.6m in prior period)
13. NPAT refers to net profit after tax
14. Net tangible asset backing per share shown is as at 30 June 2017 for comparative purposes

1.4 Appropriate prior comparable period - restating reported H1 FY17 to H1 FY17 Adjusted Pro forma

As noted in Section 1.3 above, adjustments are required to H1 FY17 to derive the Adjusted Pro forma H1 FY17, which the Vocus Board believes to be the most appropriate comparable on which to assess the business performance. Included in these adjustments are simple reallocations of costs between divisions due to corporate restructuring or changes to how costs are allocated. There is no net impact at the group level and hence a full P&L can be shown. The effect of these adjustments is set out in the table below in the H1 FY17 Restated column.

$m	H1FY18 Reported	H1FY18 Constant FX	H1FY17 Restated[1]	$ Constant FX change	% Constant FX change
Revenue & Other Income	**967.3**	**973.6**	**885.9**	**87.7**	**+9.9%**
Enterprise & Wholesale Australia	392.1	392.1	331.5	60.6	+18.3%
Consumer Australia	409.9	409.9	396.1	13.8	+3.5%
New Zealand	165.3	171.6	158.3	13.3	+8.4%
Underlying EBITDA	**188.8**	**189.8**	**187.2**	**2.6**	**+1.4%**
Underlying EBITDA Margin (%)	***19.5%***	***19.5%***	***21.1%***	***(1.6)***	
Enterprise & Wholesale Australia	205.2	205.2	157.9	47.4	+30.0%
Consumer Australia	48.9	48.9	74.5	(25.6)	(34.3%)
New Zealand	25.3	26.3	30.1	(3.8)	(12.6%)
Australian/Group Overheads	(90.6)	(90.6)	(75.3)	(15.3)	+20.3%
Underlying Depreciation & Amortisation	**(69.1)**	**(69.5)**	**(44.3)**	**(25.2)**	**+56.9%**
Underlying Depreciation	(58.4)	(58.8)	(35.9)	(22.9)	+63.8%
Underlying Amortisation	(10.7)	(10.7)	(8.4)	(2.3)	+27.4%
Underlying EBIT	**119.7**	**120.3**	**142.8**	**(22.6)**	**(15.8%)**
Net financing costs	(21.2)	(21.4)	(13.1)	(8.3)	+63.4%
Underlying Profit before tax	**98.5**	**98.9**	**129.8**	**(30.9)**	**(23.8%)**
Underlying Tax expense	(29.9)	(29.7)	(38.0)	8.3	(21.7%)
Underlying Net Profit after Tax and min. interest	**68.6**	**69.2**	**91.8**	**(22.6)**	**(24.6%)**
Significant items before tax	(44.9)	(45.5)	(62.7)	17.2	(27.4%)
Significant items after tax	(31.3)	(31.5)	(44.7)	13.2	(29.6%)
Net Profit after Tax	**37.3**	**37.7**	**47.1**	**(9.4)**	**(20.0%)**
Fully Diluted Underlying EPS (¢)	10.99		15.01	(4.02)	(26.8%)
Fully Diluted EPS (¢)	5.99		7.72	(1.73)	(22.4%)
Diluted weighted average number of shares (m)	624		612	12	+2.0%

[1]Adjustments discussed in Section 1.4.1

1.4.1 Pro forma and other adjustments to H1FY17 Reported Earnings

Further to adjustments for internal re-organisations, additional adjustments are required to H1 FY17 that do impact the group results. These include:

- Proforma adjustments to reflect the full period impact of acquisitions and divestments that occurred in either period, for example, the NextGen acquisition; and
- Adjustments to remove large one-off items.

The financial impact of some of these events was described in Table 4.3 in the Appendix to the Operating & Financial Review published in the 2017 Annual Report. This table is extracted below.

Additional adjustments required to arrive at the H1 FY17 Adjusted Pro forma result are summarised in the Subsequent Adjustment column in the table below. These are then further analysed in Table 1.4.2, Revenue – Subsequent Adjustments, and Table 1.4.3, Underlying EBITDA – Subsequent Adjustments.

$m	Extracted from 30 June 2017 OFR							
	H1FY17 Reported[1]	Commander SMB	Reallocations Between Divisions	H1FY17 Restated	Pro forma Adjustments[2]	H1FY17 Pro forma	Subsequent Adjustments[3]	H1FY17 Adjusted Pro forma
Revenue	**885.9**	**-**	**-**	**885.9**	**62.1**	**948.0**	**(11.8)**	**936.2**
Consumer	517.6	(127.0)	5.5	396.1	-	396.1	(8.4)	387.7
Enterprise & Wholesale	204.0	127.0	0.5	331.5	62.1	393.6	(11.2)	382.4
New Zealand	158.3		-	158.3	-	158.3	7.8	166.1
Group Services	6.0		(6.0)	-	-			
Underlying EBITDA	**187.2**	**-**	**-**	**187.2**	**23.1**	**210.3**	**(34.8)**	**175.5**
Consumer	135.0	(53.4)	(7.1)	74.5	-	74.5	(26.0)	48.5
Enterprise & Wholesale	102.5	53.4	2.0	157.9	31.7	189.6	(5.1)	184.5
New Zealand	30.1	-	-	30.1		30.1	(3.5)	26.6
Group Services	(80.4)	-	5.1	(75.3)	(8.6)	(83.9)	(0.2)	(84.1)

[1] H1FY17 Reported included Commander SMB within Consumer rather than Enterprise & Wholesale and CVC charges within Group Services rather than in Consumer and Enterprise & Wholesale
[2] Adjustments relate to additional 4 months of Nextgen
[3] Adjustments made are to account for acquisition/disposals, reclassification of expenses between divisions and impacts of SAC. These adjustments are broken out in the table below.

1.4.2 Revenue – Subsequent Adjustments

Revenue- Subsequent adjustments $m	Switch Utilities	Smart Business Telecom	Discontinued Businesses	Compensation Payment	Total
Consumer	-	10.3	(12.7)	(6.0)	(8.4)
Enterprise & Wholesale	-	(9.0)	(2.2)	-	(11.2)
New Zealand	7.8	-	-	-	7.8
Group Services	-	-		-	-
Total	**7.8**	**1.3**	**(14.9)**	**(6.0)**	**(11.8)**

1.4.3 Underlying EBITDA – Subsequent Adjustments

Underlying EBITDA - Subsequent adjustments $m	Smart Business Telecom	Discontinued Businesses	Purchase Price Adjustments	Compensation Payment	Impact of SAC	Reallocations Between Divisions	Total
Consumer	2.0	(0.9)	(5.3)	(6.0)	(12.5)	(3.3)	(26.0)
Enterprise & Wholesale	(2.3)	(1.5)	-	-	(4.8)	3.5	(5.1)
New Zealand	-	-	-	-	(3.5)	-	(3.5)
Group Services	-	-	-	-		(0.2)	(0.2)
Total	**(0.3)**	**(2.4)**	**(5.3)**	**(6.0)**	**(20.8)**	**-**	**(34.8)**

1.5 Revenue Bridge

$m	
H1FY17 Restated Revenue	**885.9**
Additional 4 months of Nextgen	62.1
H1FY17 Pro forma Revenue	**948.0**
Additional 5 months of Switch Utilities	7.8
Additional 5 months of Smart Business Telecom (net)	1.3
Revenue related to discontinued businesses	(14.9)
Compensation payment received in prior period	(6.0)
H1FY17 Adjusted Pro forma Revenue	**936.2**
Organic growth	38.9
Other	(1.5)
H1FY18 Constant Currency Revenue	**973.6**
Growth	***+4%***
Impact of Foreign Exchange	(6.3)
H1FY18 Reported Revenue	**967.3**

Revenue for the six month period to 31 December 2017 increased 4% to $973.6m on a constant currency basis, when compared to H1 FY17 Adjusted Pro forma Revenue. Organic revenue growth of $38.9m was generated by the business, despite the decline in voice related revenue. Enterprise & Wholesale was +$9.7m on pcp (+2.5%) and the Consumer business was +$22.2m on pcp (+5.7%).

The New Zealand business showed some growth in New Zealand dollars, but was negatively impacted by approximately $6.3m AUD due to FX rate movements.

Deferred revenue brought to account in H1FY18 was $18.1m compared to $2.8m in H1FY17. This is discussed further in Section 1.10.1 when considering cash flow *(The future run-off of deferred revenue through the P&L is contained in the Appendix.)*

Further discussion of the factors driving revenue are contained in the commentary on divisional performance.

1.6 EBITDA Bridge

$m	
H1FY17 Restated Underlying EBITDA	**187.2**
Additional 4 months of Nextgen	23.1
H1FY17 Pro forma Underlying EBITDA	**210.3**
Additional 5 months of Smart Business Telecom (net)	(0.3)
EBITDA related to discontinued businesses	(2.4)
Impact of purchase price accounting adjustments in prior period	(5.3)
Compensation payment received in prior period	(6.0)
Increase in SAC expense	(20.8)
H1FY17 Adjusted Pro forma Underlying EBITDA	**175.5**
Organic growth	21.7
Transformation costs	(4.4)
Other	(3.0)
H1FY18 Constant Currency Underlying EBITDA	**189.8**
Growth	***+8%***
Impact of Foreign Exchange	(1.0)
H1FY18 Reported Underlying EBITDA	**188.8**

The merger of Vocus and M2 in February 2016 led to the reset of deferred subscriber acquisition costs (SAC). This has had the effect of delivering the P&L a net benefit in both FY16 and FY17 relative to cash flow while the level of costs "normalise" in the balance sheet. The net benefit in H1FY17 was $27.9m, whilst the net benefit to H1FY18 was $5.2m. The expense in H1FY17 EBITDA was $18.9m, whilst the expense in H1FY18 EBITDA was $39.7m, meaning a $20.8m accounting benefit in the prior period, which has been adjusted in the H1 FY17 Adjusted Pro forma Underlying EBITDA.

Discussion of the factors driving organic EBITDA growth of $21.7m are contained in the commentary on divisional performance.

1.7 Depreciation, amortisation and financing costs

Depreciation and amortisation increased $25.2m on the pcp (+56.9%) driven by the full half impact of the Nextgen acquisition (~$15m); combined with the increase in depreciation associated with the organic expansion of the Company's fibre network.

Net finance costs increased 63.4% on the pcp to $21.4m, reflecting the incremental four month period of debt relating to the Nextgen acquisition.

1.8 Tax Reconciliation

The effective tax rate was 30% for the six-month period compared to 29% in the pcp.

1.9 Reconciliation of Underlying and Statutory Earnings

The key significant item in H1FY18 relates to the amortisation of acquired customer intangibles, which is a similar amount to H1FY17. However, significant items have reduced in H1FY18 when compared to pcp, due to lower Acquisition and Integration Costs.

H1FY18 $m	EBITDA	EBIT	NPAT
Underlying Result	**188.8**	**119.7**	**68.6**
Significant Items			
Gains/losses associated with foreign exchange & other	(0.0)	(0.0)	(0.0)
Net loss on disposal of assets	(0.5)	(0.5)	(0.5)
Amortisation of acquired customer intangibles arising from purchase price allocation	-	31.0	21.7
Amortisation of acquired software intangibles arising from purchase price allocation	-	13.1	9.3
Acquisition & Integration Costs	1.2	1.2	0.8
Total Significant Items	0.7	44.8	31.3
Statutory Result	**188.1**	**74.9**	**37.3**

H1FY17 $m	EBITDA	EBIT	NPAT
Underlying Result	**187.2**	**142.8**	**91.8**
Significant Items			
Gain on total return swaps	(1.2)	(1.2)	(0.9)
Gains/losses associated with foreign exchange & other	1.6	1.6	1.1
Net loss on disposal of assets	2.6	2.6	2.6
Amortisation of acquired customer intangibles arising from purchase price allocation	-	30.5	21.4
Amortisation of acquired software intangibles arising from purchase price allocation	-	13.2	9.2
Acquisition & Integration Costs	16.0	16.0	11.2
Total Significant Items	18.9	62.7	44.6
Statutory Result	**168.3**	**80.1**	**47.2**

1.10 Cashflow

$m	H1FY18	H1FY17
Net cash from operating activities	**86.4**	**82.1**
Payments for property plant & equipment	(63.0)	(52.3)
Intangibles payments and proceeds[1]	(16.5)	(32.0)
Payments related to undersea cable projects[2]	(30.8)	(25.8)
Business acquisitions[3]	-	(817.8)
Other cash flows from investing activities	-	0.7
Investing cash flows	**(110.3)**	**(927.2)**
Proceeds from issue of shares	-	647.6
Change in borrowings	38.5	243.1
Repayment of leases	(14.9)	(9.0)
Dividends paid	-	(33.7)
Financing cash flows[4]	**23.6**	**848.0**
Net movement in cash	**(0.3)**	**2.9**

1. Includes IRU and other intangibles
2. Relates to payments to Alcatel Submarine Networks (ASN) on the ASC project
3. Includes acquisition of Nextgen Networks in October 2016, Switch Utilities and Smart Business Telecom
4. Financing cash flows include proceeds from pro rata entitlement offer, dividends, change in borrowings and interest expense on borrowings and leases.

Investing cash flows over the period were negative $110.3 m driven by cash capital expenditure (excl ASC) of $79.5m. This is discussed further in Section 1.11.

1.10.1 Cash Conversion

$m	H1FY18	H1FY17
Underlying EBITDA	**188.8**	**187.2**
Net cash from operating activities	86.4	82.1
Interest, finance costs, tax and JV distribution	41.3	37.7
Adjusted Operating Cash flow	**127.7**	**119.8**
Cash conversion (%)[1]	**68%**	**64%[2]**

1. Cash conversion % is calculated by dividing Adjusted Operating Cash Flow by Underlying EBITDA
2. Cash conversion of 64% includes $23m in cash received in advance. Removing this amount results in cash conversion of 52%. There was no cash received in advance in H1FY18.

1.10.2 Adjusted Operating Cash flow to Underlying EBITDA Reconciliation

$m	H1FY18	H1FY17
Adjusted Operating Cash flow	**127.7**	**119.8**
Conversion	*68%*	*64%*
Cash received in advance	**-**	(23.0)
Actual Operating Cash flow	**127.7**	**96.8**
Conversion	*68%*	*52%*
Net benefit from SAC	5.2	27.9
Underlying Net Working Capital Movements	31.6	42.5
Optus bounty unwind	**-**	5.5
Other	-	1.6
Short term cash conversion	**164.5**	**174.3**
Conversion	*87%*	*93%*
Deferred revenue unwind	18.1	2.8
Onerous provision unwind	6.2	8.6
Lease straight line	-	1.5
Underlying EBITDA	**188.8**	**187.2**

Operating cash conversion has improved to 68%, from a comparable base of 52% once adjusted for cash received in advance. The key factors driving the improvement are:

- The net benefit from SAC resulting from normalising the difference between the upfront costs associated with new customer acquisition capitalised in the balance sheet and the level of expenses amortised through the P&L. The net benefit to the P&L in H1FY18 was $5.2m compared to $27.9m in H1FY17 *(refer to Appendices for more detail on SAC on page 29)*
- The impact of deferred revenue bought to account in H1FY18 was $18.1m primarily relating to initial revenues under the North West Cable System project, and the run off of contracts acquired through the Amcom and Nextgen acquisitions *(refer Appendices for information on the profile of deferred revenue over the next 13 years)*
- The impact of the release of onerous provisions primarily relates to the un-wind of property leases and the Metronode contract assumed as part of the Nextgen acquisition ($6.2m in H1FY18 compared to $8.6m in H1FY17).
- The net working capital position declined $31.6m in H1FY18 primarily as a result the unwind of a large payables balance and IRU payments of $7.5m.

1.10.3 Underlying Net Working Capital Movements

$m	H1FY18	H1FY17	$ change
Underlying Net Working Capital Movements			
Trade debtors	6.9	0.6	6.3
Prepayments	(2.5)	2.7	(5.2)
Inventory	0.3	3.9	(3.6)
Trade and other payables	27.2	32.5	(5.3)
Provisions	0.5	0.5	-
Other	(0.8)	2.3	(3.1)
Total	**31.6**	**42.5**	**(10.9)**

1.11 Capital Expenditure

$m	H1FY18	H1FY17
Growth Capital Expenditure	54.7	36.0
Sustaining capital expenditure	14.0	16.0
Improvement capital expenditure	10.8	12.0
IRU Payments	-	29.0
Total Capital Expenditure (excluding ASC)	**79.5**	**93.0**
ASC	30.8	17.1
Total Capital Expenditure	**110.3**	**110.1**

Capital Expenditure over the period was primarily driven by:

- Growth capex in Enterprise & Wholesale and Consumer
- Improvement capex associated with augmenting core network capacity, upgrading network applications, integration of legacy platforms and investments in deploying new transformative operating systems

1.11.1 Update on Australia Singapore Cable

The ASC project remains on track for ready for service in 1QFY19, all cable manufacturing is now complete and ships have been loaded. Upgrades to the terrestrial network have commenced to meet expected customer commitments through to Sydney. Sales are continuing to progress well and we are engaged with all relevant and potential customers for pre ready for service capacity. The Pacific Telecom Conference resulted in the conclusion of some of the advanced sales and five agreements have been executed.

The ASC capex profile is expected to be:

- H2FY18 - $18m USD
- FY19 - $121m USD

1.12 Balance Sheet

1.12.1 Summary Balance Sheet

$m	As at 31 December 2017	As at 30 June 2017	$ change
Cash	49.9	50.2	(0.3)
PP&E	1,642.7	1,543.0	99.7
Intangibles	2,147.7	2,212.0	(64.3)
- Goodwill	1,451.9	1,475.1	(23.2)
- Customer Intangibles	263.0	293.1	(30.1)
- IRU capacity	136.1	143.7	(7.6)
- Brands and other	182.3	182.4	(0.1)
- Software	114.5	117.7	(3.2)
Trade Receivables	179.3	167.1	12.2
Other assets	200.9	199.3	1.6
Total assets	**4,220.5**	**4,171.6**	**48.9**
Loans and borrowings	1,101.0	1,079.5	21.5
Other liabilities	796.4	788.9	7.5
Total Liabilities	**1,897.4**	**1,868.5**	**28.9**
Net Assets	**2,323.1**	**2,303.1**	**20.0**

Key movements in the balance sheet in H1FY18 primarily relate to increased PP&E due to the increased growth capex and ASC capital expenditure.

1.12.2 Net Debt

$m	As at 31 December 2017	As at 30 June 2017
A$1,095m	947.9	891.4
NZ$160m	115.6	140.0
Bank loans	**1,063.5**	**1,031.4**
Backhaul IRU liability	18.7	25.3
Lease liability	18.8	22.8
Borrowings per balance sheet	**1,101.0**	**1,079.5**
Cash	49.9	50.2
Net Debt	**1,051.1**	**1,029.3**

The change in Net Debt was driven by a number of factors including the funding of capital expenditure.

1.12.3 Financial Covenants

Financial Covenant [1]		As at 31 December 2017
Net Leverage Ratio	≤3.0x (Net debt / LTM EBITDA) unless a permitted acquisition in which case ≤3.0x for 18 months	2.87x
Interest Cover Ratio	≥5.0x (LTM EBITDA / LTM Net Interest Expense)	7.52x
Gearing	≤ 60% (Net Debt / (Net Debt + Equity)	32.0%

[1] Bank methodology used to in the calculation of financial covenants

Vocus Group is compliant with its syndicated facility financial covenants. At balance sheet date, the Groups committed facilities had a remaining weighted average tenor of 2.6 years (3.1 years as at 30 June 2017).

2. DIVISIONAL PERFORMANCE

2.1 Enterprise & Wholesale Australia

The completion of the Nextgen acquisition in October 2016 delivered Vocus a competitive network footprint in the Australian market. The Division's brand in market is Vocus Communications. Activities encompass the small to medium business segment (SMB) bringing together the Vocus Communications brand with the Commander branded equipment.

Vocus is well placed to meet the growing requirements of the Enterprise, Wholesale and Government segments of the market for secure high speed reliable connectivity and redundancy both in the domestic market and for connection with international markets.

In January 2018, it was announced that the Enterprise & Wholesale Australia division would be separated into two divisions; Enterprise & Government, and Wholesale & International. This split recognises the different customer bases and growth drivers within the new divisions, and to enable greater executive focus in each segment.

2.1.1 Earnings Summary

$m	H1FY18	H1FY17 Restated	Pro forma & Subsequent Adjustments[1]	H1FY17 Adjusted Pro forma	$ change	% change
Revenue & Other Income	**392.1**	**331.5**	**50.9**	**382.4**	**9.7**	**+2.5%**
Data Networks	243.8	154.3	58.5	212.8	31.0	+14.6%
Voice	113.3	130.8	(4.7)	126.1	(12.8)	(10.2%)
Data Centre	18.8	16.6	-	16.6	2.2	+13.3%
Mobile	3.1	4.9	(0.1)	4.8	(1.7)	(35.4%)
Other	13.1	24.9	(2.8)	22.1	(9.0)	(40.7%)
Underlying EBITDA	**205.2**	**157.9**	**26.6**	**184.5**	**20.7**	**+11.2%**
EBITDA margin (%)	52.3	47.6	n/a	48.2	+4.1	

[1] Adjustments made are to account for acquisition/disposals, reclassification of expenses between divisions and impacts of SAC and are set out in Section 1.4.

2.1.2 Revenue Bridge

$m	
H1FY17 Reported Revenue	**204.0**
Addition of Commander SMB	127.0
Other	0.5
H1FY17 Restated Revenue	**331.5**
Additional 4 months of Nextgen	62.1
H1FY17 Pro forma Revenue	**393.6**
Revenue related to discontinued businesses	(2.2)
Loss of Smart Business Telecom Revenue on acquisition by Consumer division	(9.0)
H1FY17 Adjusted Pro forma Revenue	**382.4**
Organic growth in Enterprise & Wholesale	9.7
H1FY18 Reported Revenue	**392.1**

Revenue for the six month period to 31 December 2017 increased 2.5% on the adjusted pro forma pcp to $392.1m. Factors influencing the comparison include:

- Including a full six months of revenue from the Nextgen business acquired on 26 October 2016 (incremental revenue of $62.1m)
- H1Y17 revenue included $9.0m in revenue from Smart Business Telecom when it was an Enterprise & Wholesale customer prior to its acquisition by Vocus and inclusion in the Consumer business.

Organic growth of $9.7m is a result of:

- Within Data Networks, new contracts of $31.0m (net of contract cancellations), which includes revenue related to bespoke contracts of $9.9m
- Investment in additional sales and provisioning resources has reduced the provisioning backlog to approximately $1.5m
- Decline in voice revenues of $12.8m due to the continuing decline in voice revenues, particularly in the SMB category, as the substitution to mobile and the migration to VOIP continues

2.1.3 EBITDA Bridge

$m	
H1FY17 Reported Underlying EBITDA	**102.5**
Addition of Commander SMB	53.4
Reallocation of NBN CVC Costs from Group Services	(0.9)
Other	2.9
H1FY17 Restated Underlying EBITDA	**157.9**
Additional 4 months of Nextgen	31.7
H1FY17 Pro forma Underlying EBITDA	**189.6**
EBITDA related to discontinued businesses	(1.5)
Loss of Smart Business Telecom EBITDA on acquisition by Consumer	(2.3)
Increase in SAC expense	(4.8)
Reallocation of costs to/from Group Services	3.5
H1FY17 Adjusted Pro forma Underlying EBITDA	**184.5**
Organic growth	20.7
H1FY18 Underlying EBITDA	**205.2**

Underlying EBITDA for the six month period ended 31 December 2017 increased 11.2% on the adjusted pro forma pcp to $205.2m. Factors influencing the comparison include:

- Including a full six months of EBITDA from the Nextgen business acquired on 26 October 2016 (incremental EBITDA contribution for Enterprise & Wholesale was $31.7m)
- HY17 EBITDA included $2.3m in EBITDA from Smart Business Telecom when it was an Enterprise & Wholesale customer prior to its acquisition by Vocus and inclusion in the Consumer business.
- Organic growth in the business of $20.7m, strong in data networks offset to an extent by pressure on pricing and contract cancellations and a decline in voice contribution in line with the decline in voice revenues
- A $4.8m increase in expense from the unwind of SAC.

2.1.4 Key priorities

The key priorities of the Enterprise & Wholesale division include:

- Grow share of market
- Invest in Eastern region to drive market share to be in line with current Western market position
- Focus on opportunities in Victoria, NSW & Federal Government markets
- Increase share of the Carrier & Carriage Service Providers market in wholesale
- Partnering approach in small business
- Implement a national account management regime to improve customer lifetime value
- Standardise and expand products to ensure consistency of offering and seamless delivery
- Improve automation of provisioning processes and customer self-help portals, drive down quote to cash
- Discipline around costs and capital allocation to improve returns to shareholder

These priorities remain, and will be augmented to support the newly created Enterprise & Government and Wholesale & International divisions.

2.2 Consumer – Australia

The Australian Consumer business offers broadband data, voice, and mobile telecommunications products to households as well as Fetch TV. The division also markets gas and electricity services as either standalone or bundled with Broadband as part of the **dodo™** brand.

The Division goes to market under a dual brand strategy: **dodo™** which is a low cost price seeker brand; and **iPrimus™** which is a competitive value seeker brand.

The Consumer business has an estimated market share of the Consumer NBN broadband market of approximately 7.7% at 31 December 2017.

2.2.1 Earnings Summary

$m	H1FY18	H1FY17 Restated	Pro forma & Subsequent Adjustments[1]	H1FY17 Adjusted Pro forma	$ change	% change
Total Revenue Consumer	**409.9**	**396.1**	**(8.4)**	**387.7**	**22.2**	**+5.7%**
Broadband	198.8	190.1	4.2	194.3	4.5	+2.3%
Voice Only	39.0	43.5	5.4	48.9	(9.9)	(20.2%)
Mobile	28.8	26.7	0.1	26.8	2.0	+7.5%
Energy	122.9	102.9	-	102.9	20.0	+19.4%
Other	20.4	20.2	(5.4)	14.8	5.6	+37.8%
Discontinued Businesses	-	12.7	(12.7)		-	-
Underlying EBITDA	**48.9**	**74.5**	**(26.0)**	**48.5**	**0.4**	**+0.8%**
EBITDA margin (%)	11.9	18.8	n/a	12.5	(0.6)	

[1] Adjustments made are to account for acquisition/disposals, reclassification of expenses between divisions and impacts of SAC and are set out in Section 1.4.

KEY STATISTICS	H1FY18	H1FY17 Adjusted[1]	change	% change
Consumer Broadband SIOs (1)	**543**	**540**	**3**	**+0.6%**
- Copper broadband & bundles ('000)	284	427	(143)	(33.5%)
- NBN ('000)	259	113	146	+128.9%
Consumer Mobile SIOs ('000) (1)	**159**	**163**	**(4)**	**(2.5%)**
Consumer Energy SIOs ('000) (1)	**151**	**160**	**(9)**	**(5.6%)**
- **Electricity**	104	112	(8)	(7.1%)
- **Gas**	47	48	(1)	(2.1%)
ARPU copper broadband & bundles ($) (1)	59.99	58.65		
AMPU copper broadband & bundles ($) (1)	24.64	23.16		
ARPU NBN ($) (1)	62.00	62.12		
AMPU NBN ($) (1)	18.94	19.84		
Net churn rate copper broadband & bundles per month	2.40%	2.33%		
Net churn rate NBN per month	1.49%	1.65%		

[1] Adjustments have been made to certain SIO's and to ARPU, AMPU and churn rate due to standardisation of the methodology used in these calculations. Refer to Section 4.1.1 and 4.1.2 for detailed reconciliation.

2.2.2 Revenue Bridge

$m	
H1FY17 Reported Revenue	**517.6**
Removal of Commander SMB	(127.0)
Other	5.5
H1FY17 Restated Revenue	**396.1**
Additional 5 months of Smart Business Telecom	10.3
Revenue related to discontinued businesses	(12.7)
Compensation payment received in prior period	(6.0)
H1FY17 Adjusted Pro forma Revenue	**387.7**
Organic growth	22.2
H1FY18 Reported Revenue	**409.9**

Consumer revenue was up 5.7% on the adjusted pro forma pcp to $409.9m. The comparison was influenced by a number of factors including:

- Including a full six months of revenue from Smart Business Telecom acquired in December 2017 (incremental revenue of $10.3m)
- The loss of $12.7m revenue due to the sale of the Aggregato business
- Organic growth of $22.2m was a result of growth in all products, except voice. Broadband revenue growth was driven by accelerating migration from copper broadband & bundles to NBN, with its associated higher ARPU.
- Market share of NBN SIO's growing to 7.7%, despite flat SIO growth. dodo™ and iPrimus™ generated subscriber growth of 3.65%, which was offset by a decline in discontinued brands. Subscriber growth was also impacted by the decision in Q2 to stop promoting HFC (ahead of the NBN decision to pause rollout), due to customer experience issues.
- Energy revenue increased, principally due to price rises to offset increasing wholesale input costs
- Consistent with sector trend, voice revenue continues to be weak, due to the NBN migration and substitution to mobile

2.2.3 EBITDA Bridge

$m	
H1FY17 Reported Underlying EBITDA	**135.0**
Removal of Commander SMB	(53.4)
Reallocation of NBN CVC Costs from Group Services	(7.1)
H1FY17 Restated Underlying EBITDA	**74.5**
Contribution from Smart Business Telecom	2.0
Purchase price adjustments from prior year	(5.3)
EBITDA related to discontinued businesses	(0.9)
Compensation payment received in prior period	(6.0)
Increase in SAC expense	(12.5)
Reallocation of costs from Group Services	(3.3)
H1FY17 Adjusted Pro forma Underlying EBITDA	**48.5**
Organic growth	0.4
H1FY18 Underlying EBITDA	**48.9**

Underlying EBITDA increased 0.8% to $48.9m compared to adjusted pro forma EBITDA in the pcp. Factors influencing the comparison include:

- Purchase price adjustments of $5.3m taken to account in HY17 led to an uplift in EBITDA in the pcp which did not recur in HY18
- A $12.5m increase in the expense from the unwind of SAC.
- Reallocation of costs previously held in Group Services which negatively impacted EBITDA by $3.3m
- Organic earnings growth was impacted by the accelerating migration of copper broadband & bundles to NBN, with its lower associated AMPU, as well as a declining EBITDA contribution from voice

2.2.4 Key priorities

The Australian Consumer division's key priorities are:

- Increase quantity and quality of sales leads
  - Refine Consumer brands and product proposition
  - Optimise marketing spend across channels
  - Enhance digital marketing through new channels and better targeting

- Transform sales and service channels
  - Enable easy online sign-up and self-service
  - Reduce call centre costs
  - Reduce kiosk costs for Dodo

- Optimise products and brands
  - Increase upsell of broadband to drive higher AMPU
  - Cross-sell products and energy bundles
  - Exit from non-core brands to simplify operations

2.3 New Zealand

2.3.1 Earnings Summary

NZD $m	H1FY18	H1FY17 Restated[1]	Pro forma & Subsequent Adjustments[2]	H1FY17 Adjusted Pro forma	$ change	% change
Revenue	**182.6**	**167.1**	**8.2**	**175.3**	**7.3**	**+4.1%**
• Enterprise & Wholesale	90.8	74.3	8.2	82.5	8.3	+10.1%
• Consumer market	91.8	92.8	-	92.8	(1.0)	(1.1%)
Underlying EBITDA	**29.0**	**31.7**	**(3.3)**	**28.4**	**0.6**	**+2.1%**
EBITDA margin %	15.9	19.0	n/a	16.2	(0.3)	

[1] Note that H1FY17 Restated is the same as H1 FY17 reported results, as no adjustments were required.
[2]Adjustments made are to account for acquisition/disposals, reclassification of expenses between divisions and impacts of SAC and are set out in Section 1.4.

KEY STATISTICS	H1FY18	H1FY17	% change
Broadband Consumer SIOs	**196**	**193**	**+1.5%**
Copper broadband ('000)	134	155	(-13.5%)
UFB ('000)	62	38	+63.2%
SMB SIOs ('000)	22	21	+4.8%
Energy SIOs ('000)	12	2	+500.0%
Mobile SIOs ('000)	24	19	+26.3%
Broadband ARPU (NZ$)	71.1	71.9	(1.1%)
Broadband AMPU (NZ$)	28.4	29.7	(4.3%)
Net churn rate copper broadband (%)	2.3	2.8	(17.9%)
Net churn rate UFB (%)	1.6	1.8	(11.1%)
Market Share UFB (%)	13	12	+8.3%

2.3.2 New Zealand Revenue in New Zealand Dollars

New Zealand revenue increased 4.1% on the adjusted pro forma pcp to $182.6. The result was driven by:

- Ongoing growth in the Switch energy business following the acquisition due to investment in sales and marketing
- Positive revenue growth in Enterprise and Government driven by higher levels of sales activity
- Growth in SMB revenue driven by increase in 2talk customers and lines through key partners
- Revenue decline in Consumer driven by lower ARPU, however, performance is expected to improve in H2FY18 driven by broadband consumer SIO growth of 3.1% since 2HFY17 and price increases.

2.3.3 EBITDA Bridge in New Zealand Dollars

NZD $m	
H1FY17 Underlying EBITDA	**31.7**
Decrease in benefit from SACs	(3.3)
H1FY17 Adjusted Pro forma Underlying EBITDA	**28.4**
Organic growth	0.6
H1FY18 Underlying EBITDA	**29.0**

Underlying EBITDA increased 2.1% to $29.0m compared to adjusted pro forma EBITDA in the pcp primarily reflecting:

- Organic growth in EBITDA in Enterprise & Wholesale was driven by revenue increases in SMB, Energy, but offset by margin pressures in Consumer due to increasingly competitive market and pricing pressure.

The EBITDA was also impacted by a $3.3m NZD increase in the expense from the unwind of SAC.

2.3.4 Earnings in Australian Dollars

Set out below is a comparison of the Australian dollar H1 FY18 reported and constant currency results against H1 FY17 reported financial results. These do not include Proforma and subsequent adjustments that were included in Section 2.3.1 to provide a "like for like" comparison

AUD $m	H1FY18[1] Reported FX	H1FY18[2] Constant FX	H1FY17[1] Reported FX	% change
Revenue & Other Income	**165.3**	**171.6**	**158.3**	**+8.4%**
Enterprise & Wholesale	82.4	85.5	68.9	+24.1%
Consumer	82.9	86.1	89.4	(3.7%)
Underlying EBITDA	**25.3**	**26.3**	**30.1**	**(12.6%)**
EBITDA margin (%)	15.3	15.3	19.0	(3.7)

1. NZ earnings are converted into A$ monthly at the average conversion rate for the month
2. NZ earnings were converted into A$ monthly at the average conversion rate for the month used for HY17

The New Zealand earnings in Australian dollars were impacted negatively due to foreign exchange rates by $6.3m AUD at a revenue level and $1.0m at an EBITDA level.

2.3.5 Key priorities

The key priorities for the New Zealand business in FY18 include:

- Drive top line growth
  - Broadband growth and UFB market share
  - Leverage size and scale to drive growth in all segments
  - Drive product penetration across all market segments

- Reduce cost to serve
  - Automate everything and deliver better customer outcomes
  - Reduced complexity through streamlining brands
  - Ensure investment improves resiliency while reducing costs

- Reduce churn
  - Deliver service and support on our customers terms
  - Bundle more services that complement the core
  - Improve business processes that impact customer experience

It was announced in October 2017 that the Company would pursue a potential divestment of the New Zealand business. Since that time, a formal sale process has commenced and is expected to be concluded by 30 June 2018.

2.4 Group Services

2.4.1 EBITDA Bridge

$m	
H1FY17 Reported Underlying EBITDA	**(80.4)**
Reallocation of NBN CVC Costs to Divisions	8.0
Other	(2.9)
H1FY17 Restated Underlying EBITDA	**(75.3)**
Additional 4 months of Nextgen	(8.6)
H1FY17 Pro forma Underlying EBITDA	**(83.9)**
Other	(0.2)
H1FY17 Adjusted Pro forma Underlying EBITDA	**(84.1)**
Transformation costs	(4.4)
Other	(2.1)
H1FY18 Underlying EBITDA	**(90.6)**

Underlying EBITDA for the six month period ended 31 December 2017 was influenced by:

- Including a full six months of costs from the Nextgen business acquired on 26 October 2016 (incremental costs were $8.6m)
- Costs of $4.4m associated with the Transformation agenda currently being undertaken by the company.

3. GROUP OUTLOOK

FY18 Guidance – Group

	Original Guidance	Revised Guidance
Revenue	$1.9-2bn	$1.9-2.0bn
Underlying EBITDA	$370-390m	$365-380m
D&A	$130-140m	$140-143m
Net Financing Costs	~$50m	~$45m
Underlying NPAT	$140-150m	$125-135m
Below the line amortisation	~$87m	~$87m
Capex (ex ASC)	$190-210m	$180-190m
ASC Capex	US$38m	US$43m
Net Debt 30 June 2018	$1.03-1.06bn	$1.03-$1.06bn
Leverage Ratio 30 June 2018	~2.65x	2.75-2.90x

- Revenue guidance maintained
- Underlying EBITDA impacted by:
  - Change in go to market strategy in Consumer division to focus on higher quality digital channels is expected to result in ~$4m of SAC being expensed which was originally anticipated to be deferred in H2FY18
  - Lower level of energy subscribers than originally anticipated, combined with conservative approach to energy hedging, resulting in an overhedged position which is expected to impact earnings by ~$3m in H2FY18
- NPAT guidance impacted by:
  - Higher D&A expense than previously forecast
  - Impact of lower EBITDA guidance
- Capital expenditure is expected to be in a range of $180-190m excl. ASC
- ASC expenditure is expected to be US$43m (as outlined in Section 1.11.1)
- Net debt is expected to be in the range of $1.03-1.06bn, and the net leverage ratio in the vicinity of 2.75x-2.90x.

3.1 Key Opportunities and Business Risks

Key Opportunities

The rapidly changing telecommunications environment in Australia and New Zealand, driven in part by regulatory changes and in part by technological advancements and innovation, is creating a myriad of growth opportunities for a challenger telco to take share in markets that are still largely dominated by the incumbents. Innovation and technological advancements driving the rapid growth in demand for secure high speed data connectivity, both in the consumer and the enterprise market, are expected to continue to drive the underlying market growth for bandwidth at rates well above GDP growth. These conditions are expected to create opportunities for Vocus to grow its business, gain the benefits of scale and improve its market share.

Specifically some of the broad trends creating opportunities for Vocus include:

1. Shift from Copper to Fibre

The shift from copper to fibre in the "last mile" customer access network in both Australia and New Zealand is driving a significant opportunity to win customers over the next 2-3 years. This shift is being pushed by Federal Governments in both countries keen to deliver the benefits that access to a high speed ubiquitous broadband platform can deliver in areas such as health and education. Consumer demand is driving uptake as the demand for faster more reliable broadband to facilitate activities such as interactive gaming, live streaming and IoT applications is starting to accelerate. Vocus' consumer brands are well positioned to increase market share above existing copper broadband levels as the migration occurs. In this environment Vocus will compete on a level playing field with the other carriers in terms of margin, improving its competitive position and protecting it to an extent from price erosion.

2. The shift from on premise to off premise/cloud computing

The shift by the Enterprise market to cloud computing is driving the increasing demand for secure resilient connectivity creating opportunities for Vocus to leverage its infrastructure platform.

3. Growth in demand for upgraded network security systems

Cyber security threats are becoming an increasing concern in the Wholesale, Enterprise & Government market segments. Requirements for improved security protocols and systems is resulting in an increase in resources and focus directed to this area. The completion of the Nextgen acquisition in October 2016 delivers Vocus a competitive network footprint in the Australian market. Vocus is now well placed to meet the growing requirements for Enterprise, Wholesale and Government organisations for highly secure, reliable connectivity and redundancy both in the domestic market and meeting their needs for connection with international markets.

4. The benefits of scale built through recent acquisitions

The acquisition of Nextgen delivers Vocus the back haul infrastructure to create an end to end telecommunications network in Australia which rivals the incumbents. The network enables the Enterprise & Wholesale division to compete more effectively for contracts in the Large Enterprise, Wholesale and Government sectors opening up significant opportunities to grow market share in these market segments.

5. Technological Advancement

Significant advancements in software and the customers desire to self-serve and problem shoot should drive material improvements in the ability of the Company to lower the cost of customer acquisition and service across all segments of the market. The evolution of wireless technology over the next five years, in particular towards 5G technology, is expected to also drive increased need for fibre to connect base stations. This could open up additional opportunities to increase capacity utilisation on Vocus' fibre network.

Key Risks

The following information sets out the major Group-wide risks. The risks below do not include generic macro related risks that could impact the Australian economy and they do not include specific financial risks which are identified in the commentary around the financial performance of the Company. All of the risks identified below could have a material impact on the value of the Company's brands and its reputation in the market. Vocus seeks to mitigate the potential impact of these risks through the effective management of and engagement with its key stakeholder base; an ongoing focus on its cost base and transformation program; and ensuring that it has effective systems and procedures in place to manage the business on a day-to-day basis and address the strategic issues and challenges that may impact the business over the medium term. The risks below are identified to assist investors in understanding the nature of the risks faced by Vocus and the industry in which it operates. The Company's risk management approach is set out in detail in the Corporate Governance Statement which is available on the Company's website **www.vocusgroup.com.au**.

1. Increased Competition and Exposure to Counterparty risk

- The shift from copper to fibre in the last mile customer access network in both Australia and New Zealand is driving a significant churn event over the next 2-3 years. The rollout of the NBN and UFB may facilitate the entry of new competitors; and an aggressive competitive response from incumbents that could have an adverse impact on the future financial performance of Vocus.
- Vocus is also exposed to risks in relation to the future NBN roll out strategy and the CVC pricing model. NBN have recently announced new pricing for CVC charges which will have an impact on profitability of NBN plans for all RSPs. With relation to the roll out strategy for premises planned to be migrated onto the NBN using the upgraded HFC network, NBN has recently announced a temporary freeze on all new orders of this type, meaning that these homes will not be ready for service and therefore unable to be transitioned to RSP NBN plans.
- Increased competition in the Enterprise & Wholesale segments of the market as incumbents compete to retain share; and new technologies, such as fixed wireless and 5G open up opportunities for new entrants
- The Company is exposed to the financial and operational performance of third party suppliers including companies such as Optus, Telstra and the provider of the Vocus consumer call centre services in the Philippine's, Acquire BPO Pty Ltd

2. Regulatory and Environmental Risks

- Vocus operates in increasingly regulated industries with significant penalties for non-compliance with regulations, including fines and undertakings that may include customer redress and restrictions on future marketing of services. The Company's future growth prospects are heavily reliant on its ability to market its services through its various sales channels. Any regulatory change, event or enforcement action which would restrict those activities could have a material adverse impact on the Company's growth and future financial performance
- The protection of customer, employee and third party data is critical. The regulatory environment surrounding information security and privacy is evolving and increasingly complex and demanding. Failure to comply with regulations in this area could have a material impact on the Company's reputation and its ability to compete and operate effectively in the market
- The Company is currently constructing a new sub-sea cable path between Perth and Singapore (via Indonesia). The sub-sea fibre path will be subject to the risk of fibre cuts, which can give rise to long lead times to identify and repair, particularly if the cut occurs in deep water. The project is also at risk of regulatory risks, for example the granting of necessary permits or the requirements for local partners.
- Changes in the Australian Accounting Standards and the Income Tax Assessment act could have a material impact on the Company's financial statements in future periods
- The Company's approach to environmental risks is outlined in the Sustainability report on the Company's website **www.vocusgroup.com.au**

3. Network and Operational disruption

- The Company's ability to deliver its products and services could be impacted by material disruption or damage to both the Company and third party networks and products. This disruption could arise as a result of events which are to a certain extent beyond the Company's control such as employee negligence or un-authorised physical or electrical access. In addition, the Company's ability to deliver its services could be impacted by remote access attacks, viruses and other forms of cybercrime;
- The Company's infrastructure assets are exposed to the impact of natural disasters across Australia and New Zealand including seismic activity, particularly in New Zealand. Natural disasters do have the potential to impact the delivery of products and services resulting in significant business disruption.

4. Technology

- The telecommunications and IT industries are continually evolving as is consumer behavior and attitudes towards the use of technology. The ability of the Company to keep pace with changes in technology will dictate its ability to maintain and grow its existing market share and margins into the future
- Business integration and especially the integration of the technology platforms acquired through the period of M&A over the last 3 years is a key risk to the Company achieving its stated rationalisation targets. Recognising these risks the Company has recently established a Transformation Office to manage and drive the key projects around integration and the migration of the business. The details of this were outlined at the Company's Strategy Day on 14 June 2017. The presentation can be found on the Company's website.
- In ensuring the Company remains competitive in the face of technology change it also important that it remains disciplined around capital investment to ensure that returns to shareholders are maximised
- As the international transit market competitive landscape continues to evolve; in order for Vocus to attract customers on its international routes, decisions made in designing the Australia-Singapore cable system need to align with the requirements of capacity buyers

5. Financial and Commodity Markets

- The Energy business in both Australia and New Zealand is exposed to an extent to sharp movements in the price of both electricity and gas. The Company seeks to hedge its exposure to adverse fluctuations through the use of over the counter derivatives and contracts via the futures market
- The Company is subject to the risk of rising interest rates associated with borrowing on a floating rate basis
- The Company has some exposure to foreign currency fluctuations primarily on the translation of earnings from the New Zealand business, payments for access to offshore infrastructure and our call centre facilities
- The Company needs to ensure that it has access to a competitive cost of capital to enable it to operate effectively in its target markets. There may be external factors that impact the efficient working of capital markets at any particular point in time that could impact the Company's access to capital markets. There may also be Company specific issues impacting the Company's ability to access capital markets including its delivery on earnings expectations and its financial position.

4. APPENDIX

4.1 Reconciliation between reported and adjusted KPI's for Australian Consumer

4.1.1 Changes to Australian Consumer SIO's

	H1FY17 Reported	H1FY17 Adjusted[1]
Consumer Broadband SIOs[1]	**534**	**540**
- Copper broadband & bundles ('000)	423	427
- NBN ('000)	111	113
Consumer Mobile SIOs[1] ('000)	**160**	**163**
Consumer Energy SIOs[1] ('000)	**153**	**160**
- Electricity	105	112
- Gas	48	48

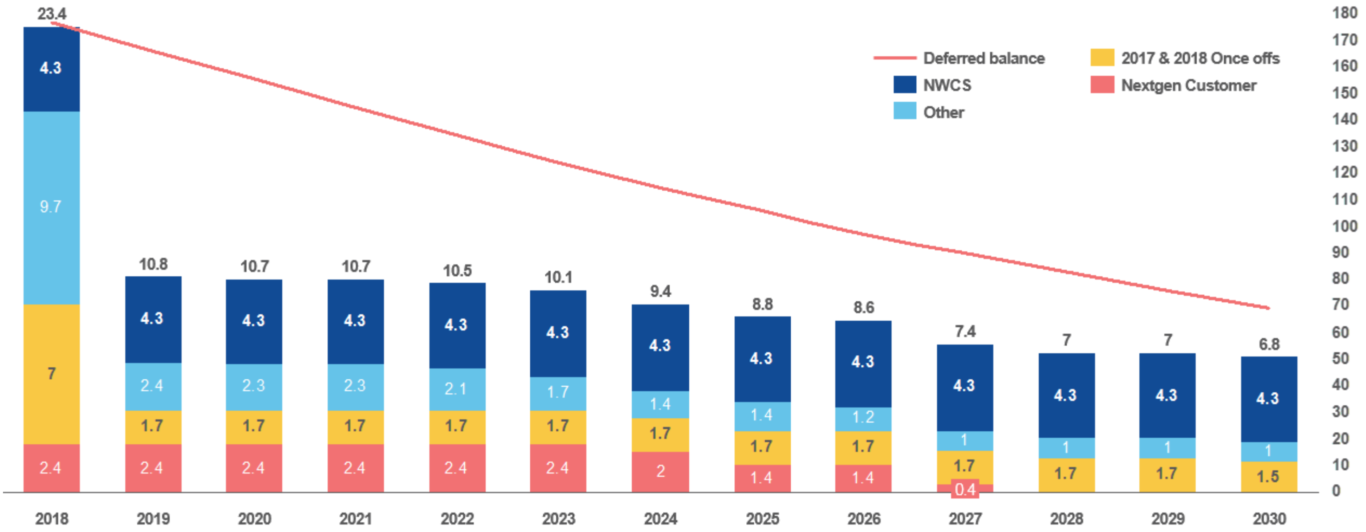
[1] Changes to SIOs are due to the inclusion of the Engin and CPG brands in the calculations, these brands were moved from Commander to Consumer as part of restructuring of the business in H2FY17.

4.1.2 Changes to Australian Consumer AMPU, ARPU and Churn

	Revised KPI's				Previously Disclosed KPI's		
	Jun-16	**Dec-16**	**Jun-17**	**Dec-17**	**Jun-16**	**Dec-16**	**Jun-17**
NBN							
ARPU	$57.63	$62.12	$63.38	$62.00	$64.54	$61.53	$64.23
ACPU	$40.44	$42.28	$45.04	$43.06	$42.47	$38.17	$43.97
AMPU	$17.19	$19.84	$18.34	$18.94	$22.07	$23.36	$20.26
Churn	1.91%	1.65%	1.57%	1.49%	1.50%	1.30%	1.40%
Copper Broadband & Bundles							
ARPU	$58.28	$58.65	$60.11	$59.99	$60.62	$61.56	$61.04
ACPU	$36.21	$35.49	$36.29	$35.35	$35.98	$36.47	$35.78
AMPU	$22.07	$23.16	$23.82	$24.64	$24.64	$25.09	$25.26
Churn	2.22%	2.33%	2.49%	2.40%	2.40%	3.00%	2.40%

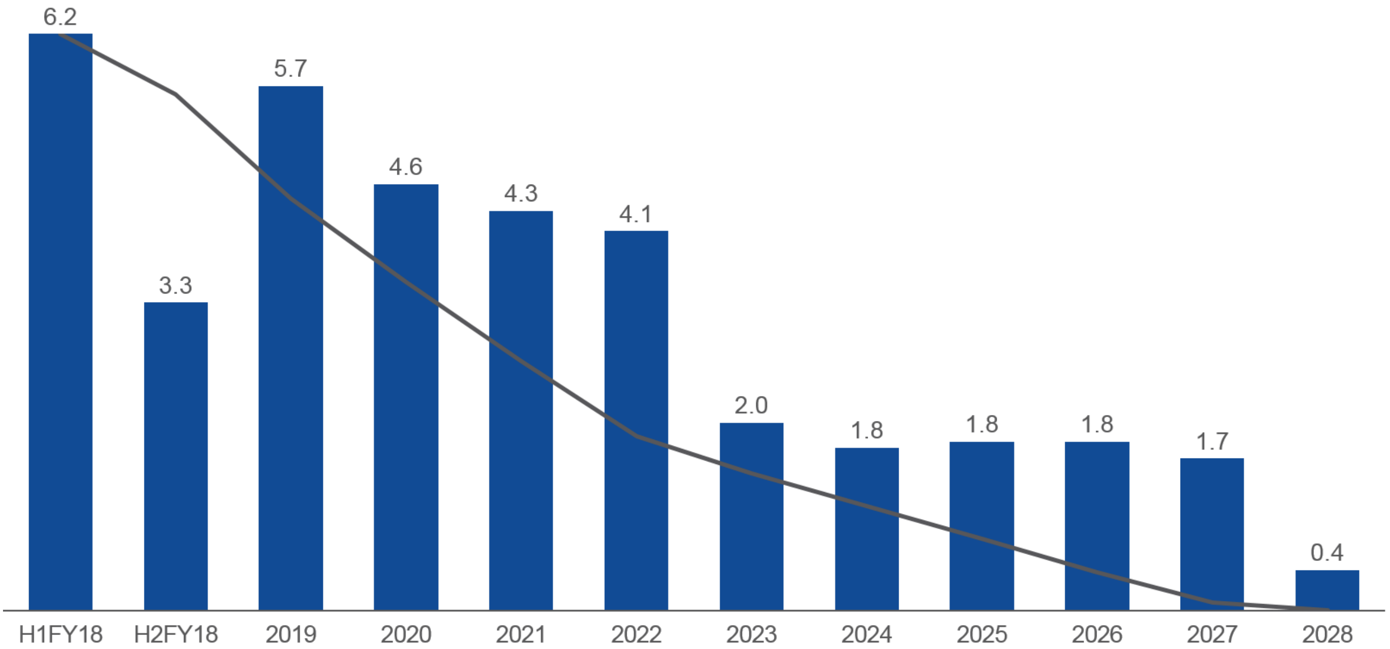
Changes to ARPU, AMPU and churn rate are due to a change in the methodology used to calculate these metrics. These are now standardised to be based on a 6 month rolling average with set definitions on the revenue/costs included in the calculation along with the methodology used for the allocation of any costs.

4.2 Deferred Revenue Profile 2018-2030

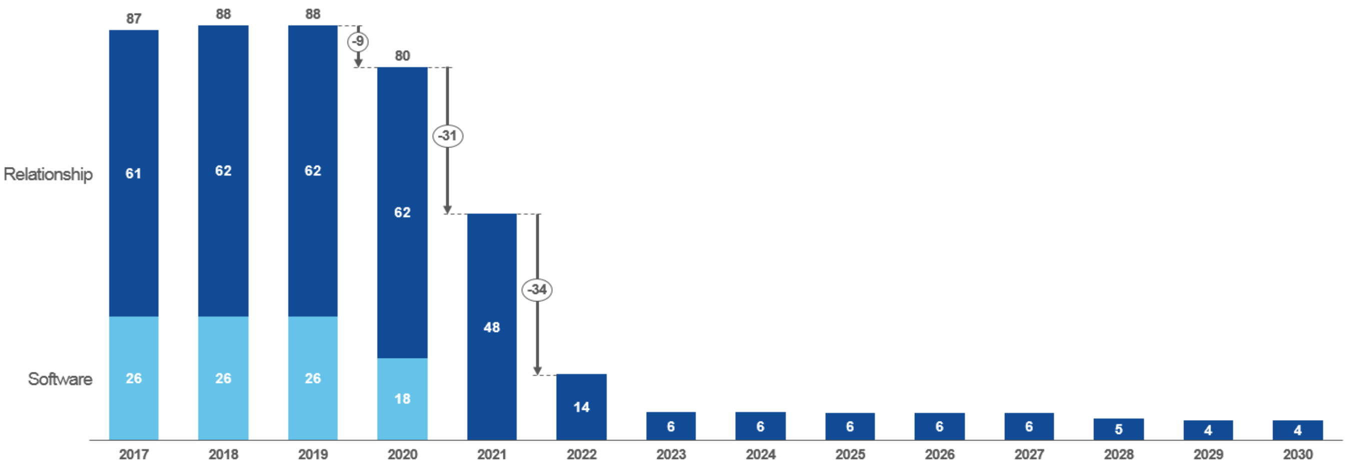


Notes:
1. All long term deferred revenue sits within Enterprise & Wholesale & NZ.
2. Short term (monthly in advance) revenue is excluded from the above
3. NZD to AUD rate forecast at 0.95
4. 2017 & 2018 Once off cash receipted: 2017 - $22.3M / 2018 - $5M

4.3 Onerous Provision Cash Release Profile



4.4 Below the line Amortisation of Acquired Customer Relationships and Software



4.5 Treatment of Subscriber Acquisition Costs

$m	Consumer	EW	NZ	Total
SAC Balances 30/6/2016	**18.0**	**11.5**	**4.3**	**33.8**
Deferred	25.5	10.7	10.6	**46.8**
Expensed	(9.2)	(4.7)	(5.0)	**(18.9)**
SAC Balances 31/12/2016	**34.3**	**17.5**	**9.9**	**61.7**
Net Benefit	*16.3*	*6.0*	*5.6*	***27.9***
SAC Balances 30/6/2017	**43.7**	**21.8**	**9.6**	**75.0**
Deferred	21.1	14.4	9.4	**44.9**
Expensed	(21.7)	(9.5)	(8.5)	**(39.7)**
SAC Balances 31/12/2017	**43.1**	**26.7**	**10.5**	**80.2**
Net Benefit	*(0.6)*	*4.9*	*0.9*	***5.2***
Differential – Net Benefit	**16.9**	**1.1**	**4.7**	**22.7**
Differential - Expense	**12.5**	**4.8**	**3.5**	**20.8**

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
Fax: +61 9322 7001
www.deloitte.com.au

The Board of Directors
Vocus Group Limited
Level 10, 452 Flinders Street
Melbourne VIC 3000

20 February 2018

Dear Board Members

Vocus Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Vocus Group Limited.

As lead audit partner for the review of the financial statements of Vocus Group Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ryan Hansen

Ryan Hansen
Partner
Chartered Accountants

	Note	31 Dec 2017 $'000	Consolidated 31 Dec 2016 $'000
Revenue	4	967,266	885,876
Share of profits of joint ventures accounted for using the equity method		-	61
Other gains and losses	5	(716)	(18,976)
Expenses			
Network and service delivery		(562,220)	(512,463)
Employee benefits expense	6	(99,521)	(89,718)
Depreciation and amortisation expense	6	(113,187)	(88,056)
Administration and other expenses		(116,748)	(96,605)
Net finance costs	6	(21,225)	(13,091)
Profit before income tax expense		53,649	67,028
Income tax expense		(16,335)	(19,943)
Profit after income tax expense for the half-year		37,314	47,085
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Loss on the revaluation of available-for-sale financial assets, net of tax		(850)	-
Foreign currency translation		(13,815)	(2,150)
Net movement on hedging transactions, net of tax		(3,761)	12
Other comprehensive income for the half-year, net of tax		(18,426)	(2,138)
Total comprehensive income for the half-year		18,888	44,947
Profit for the half-year is attributable to:			
Non-controlling interest		-	(96)
Owners of Vocus Group Limited	17	37,314	47,181
		37,314	47,085
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		-	(96)
Owners of Vocus Group Limited		18,888	45,043
		18,888	44,947
		Cents	**Cents**
Basic earnings per share	7	6.00	7.72
Diluted earnings per share	7	5.99	7.71

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	31 Dec 2017 $'000	Consolidated 30 Jun 2017 $'000
Assets			
Current assets			
Cash and cash equivalents	15	49,929	50,194
Trade and other receivables	9	179,336	167,105
Prepayments		28,545	21,635
Deferred subscriber acquisition and hardware costs		61,212	57,454
Current tax asset		5,895	6,278
Derivative financial instruments		2,513	10,364
Other		14,636	14,454
Total current assets		342,066	327,484
Non-current assets			
Plant and equipment	10	1,642,679	1,542,979
Intangibles	11	2,147,735	2,212,110
Accrued revenue		4,771	2,928
Deferred subscriber acquisition and hardware costs		19,019	18,352
Deferred tax		58,542	61,745
Other		5,721	5,997
Total non-current assets		3,878,467	3,844,111
Total assets		4,220,533	4,171,595
Liabilities			
Current liabilities			
Trade and other payables	12	300,309	254,835
Provisions		39,530	56,974
Deferred revenue		52,953	62,337
Borrowings	13	19,525	13,661
Derivative financial instruments		2,287	5,426
Other		1,329	3,517
Total current liabilities		415,933	396,750
Non-current liabilities			
Provisions		38,481	32,030
Deferred revenue		166,437	169,123
Borrowings	14	1,081,467	1,065,816
Deferred tax		182,942	194,534
Derivative financial instruments		1,071	1,545
Other		11,136	8,673
Total non-current liabilities		1,481,534	1,471,721
Total liabilities		1,897,467	1,868,471
Net assets		2,323,066	2,303,124
Equity			
Contributed equity	16	3,775,289	3,774,834
Reserves		4,876	22,703
Accumulated losses	17	(1,457,099)	(1,494,413)
Total equity		2,323,066	2,303,124

The above statement of financial position should be read in conjunction with the accompanying notes

Vocus Group Limited
Statement of changes in equity
For the half-year ended 31 December 2017

Consolidated	Contributed equity $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2016	3,100,738	16,306	57,080	161	3,174,285
Profit/(loss) after income tax expense for the half-year	-	-	47,181	(96)	47,085
Other comprehensive income for the half-year, net of tax	-	(2,138)	-	-	(2,138)
Total comprehensive income for the half-year	-	(2,138)	47,181	(96)	44,947
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	663,275	-	-	-	663,275
Share-based payments	-	366	-	-	366
Dividends paid (note 8)	-	-	(49,402)	-	(49,402)
Balance at 31 December 2016	3,764,013	14,534	54,859	65	3,833,471

Consolidated	Contributed equity $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017	3,774,834	22,703	(1,494,413)	-	2,303,124
Profit after income tax expense for the half-year	-	-	37,314	-	37,314
Other comprehensive income for the half-year, net of tax	-	(18,426)	-	-	(18,426)
Total comprehensive income for the half-year	-	(18,426)	37,314	-	18,888
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 16)	319	-	-	-	319
Share-based payments	-	735	-	-	735
Transfers	136	(136)	-	-	-
Balance at 31 December 2017	3,775,289	4,876	(1,457,099)	-	2,323,066

The above statement of changes in equity should be read in conjunction with the accompanying notes

Vocus Group Limited
Statement of cash flows
For the half-year ended 31 December 2017

	Note	Consolidated 31 Dec 2017 $'000	31 Dec 2016 $'000
Cash flows from operating activities			
Receipts from customers		955,037	981,366
Payments to suppliers and employees		(827,345)	(861,577)
		127,692	119,789
Joint venture partnership distributions received		-	807
Interest received		345	2,365
Other finance costs paid		(25,217)	(14,959)
Income taxes paid		(16,443)	(25,920)
Net cash from operating activities		86,377	82,082
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired, acquisition and integration costs		-	(817,810)
Payments for property, plant and equipment		(62,979)	(52,271)
Payments for intangible assets		(16,470)	(32,034)
Payments for projects under construction		(30,762)	(25,844)
Proceeds from disposal of assets		-	1,574
Proceeds from total return swaps		-	(817)
Net cash used in investing activities		(110,211)	(927,202)
Cash flows from financing activities			
Proceeds from borrowings		38,486	243,118
Repayment of finance leases and IRU liabilities		(14,917)	(8,974)
Proceeds from issue of shares, net of transaction costs		-	647,600
Dividends paid	8	-	(33,727)
Net cash from financing activities		23,569	848,017
Net increase/(decrease) in cash and cash equivalents		(265)	2,897
Cash and cash equivalents at the beginning of the financial half-year		50,194	128,629
Cash and cash equivalents at the end of the financial half-year		49,929	131,526

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Reporting entity

The financial statements cover Vocus Group Limited as a Consolidated Entity consisting of Vocus Group Limited and the entities it controlled at the end of, or during, the half-year (collectively referred to as 'Vocus'). The financial statements are presented in Australian dollars, which is Vocus Group Limited's functional and presentation currency.

Vocus Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 10
452 Flinders Street
Melbourne Victoria 3000

A description of the nature of Vocus' operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 20 February 2018.

Note 2. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Net current asset deficiency
As at 31 December 2017, Vocus' current liabilities exceeded its current assets by $73,867,000 (2017: $69,266,000). Vocus is satisfied that it will be able to meet all its obligations as they fall due given its strong profitability and operating cash flows, existing cash reserves and available finance facilities.

Note 3. Operating segments

Reporting segments
Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations through the eyes of management.

Operating segments represent the information reported to the chief operating decision makers (CODM), being the executive management team, for the purposes of resource allocation and assessment of segment performance focuses on the jurisdiction in which the services are delivered or provided.

Consistent with information presented for internal management reporting purposes, the result of each segment is measured based on its EBITDA contribution.

The directors of Vocus have chosen to organise the Group around the four main divisions in which the Group operates.

Note 3. Operating segments (continued)

Specifically, the Group's reportable segments under AASB 8 are as follows:
- Consumer
- Enterprise & Wholesale
- New Zealand
- Group Services

The Consumer, Enterprise & Wholesale and New Zealand reportable segments represent the group's cash-generating units for impairment testing purposes, the Group Services reportable segment is allocated to the three cash-generating units.

In the prior half-year, Vocus operated and disclosed two operating segments, Australia and New Zealand. The prior year reporting segment information has been restated below in line with current year segments.

Major customers
During the half-year ended 31 December 2017 there were no customers of Vocus which contributed 10% or more of external revenue (31 December 2016: nil).

Segment revenues and results

Consolidated - 31 Dec 2017	Consumer $'000	Enterprise & Wholesale $'000	New Zealand $'000	Group Services $'000	Total $'000
Revenue					
Sales to external customers	406,586	392,130	163,912	-	962,628
Other revenue	3,321	-	1,317	-	4,638
Total revenue	409,907	392,130	165,229	-	967,266
EBITDA	48,937	205,241	25,207	(91,324)	188,061
Depreciation and amortisation					(113,187)
Net finance costs					(21,225)
Profit before income tax expense					53,649
Income tax expense					(16,335)
Profit after income tax expense					37,314

Restated Consolidated - 31 Dec 2016	Consumer $'000	Enterprise & Wholesale $'000	New Zealand $'000	Group Services $'000	Total $'000
Revenue					
Sales to external customers	390,104	331,520	158,261	-	879,885
Other revenue	5,990	-	1	-	5,991
Total revenue	396,094	331,520	158,262	-	885,876
EBITDA	74,515	157,851	26,460	(90,555)	168,271
Depreciation and amortisation					(88,056)
Net finance costs					(13,091)
Non-controlling interest					(96)
Profit before income tax expense					67,028
Income tax expense					(19,943)
Profit after income tax expense					47,085

Note 3. Operating segments (continued)

Geographical information

	Sales to external customers		Geographical non-current assets	
	31 Dec 2017 $'000	31 Dec 2016 $'000	31 Dec 2017 $'000	30 Jun 2017 $'000
Australia	798,716	721,624	3,508,560	3,550,719
New Zealand	163,912	158,261	311,365	231,647
	962,628	879,885	3,819,925	3,782,366

The carrying amount of non-current assets excludes deferred tax assets.

Note 4. Revenue

	Consolidated	
	31 Dec 2017 $'000	31 Dec 2016 $'000
Sales revenue		
Revenue from operations	962,628	879,885
Other revenue		
Other revenue	4,638	5,991
Revenue	967,266	885,876

Sales revenue by product set

	Consolidated	
	31 Dec 2017 $'000	31 Dec 2016 $'000
Fibre and Ethernet	235,888	149,021
Internet	318,813	311,137
Voice	178,534	200,304
Data centre	18,791	16,571
Mobile	37,181	37,043
Energy	138,812	104,158
Discontinued businesses	-	12,680
Other	39,247	54,962
Total sales revenue	967,266	885,876

Note 5. Other gains and losses

	Consolidated 31 Dec 2017 $'000	31 Dec 2016 $'000
Net loss on disposal of business	(37)	(2,613)
Gain on total return swaps	-	1,221
Acquisition and integration costs	(1,193)	(15,972)
Gains/(losses) associated with foreign exchange	14	(1,613)
Other gains/(losses)	500	1
Other gains and losses	(716)	(18,976)

Note 6. Expenses

	Consolidated 31 Dec 2017 $'000	31 Dec 2016 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation (note 10)	58,353	35,898
Amortisation (note 11)	54,834	52,158
Total depreciation and amortisation	113,187	88,056
Net finance costs		
Interest income	(3,037)	(2,441)
Interest expense	24,262	15,532
Net finance costs	21,225	13,091
Rental expense relating to operating leases	10,089	11,006
Employee benefits expense		
Salaries and wages expense	77,246	61,357
Employee on-costs expense	12,115	11,735
Employee leave expense	513	4,447
Share-based payment expense	645	365
Other employee benefits expense	9,002	11,814
Total employee benefits expense	99,521	89,718

Note 7. Earnings per share

	Consolidated 31 Dec 2017 $'000	31 Dec 2016 $'000
Profit after income tax	37,314	47,085
Non-controlling interest	-	96
Profit after income tax attributable to the owners of Vocus Group Limited	37,314	47,181

Note 7. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	622,250,440	611,217,792
Adjustments for calculation of diluted earnings per share:		
Options	-	187,823
Performance rights	1,164,816	501,029
Weighted average number of ordinary shares used in calculating diluted earnings per share	623,415,256	611,906,644

	Cents	Cents
Basic earnings per share	6.00	7.72
Diluted earnings per share	5.99	7.71

Note 8. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2017 $'000	31 Dec 2016 $'000
Final dividend for the year ended 30 June 2017 of nil cents per ordinary share (2016: 8.00 cent per ordinary share)	-	49,402

The Vocus Board has made the decision not to declare an interim dividend for the half year ended 31 December 2017 in light of the opportunities for investment across the business including the ASC project; combined with the focus of the Board on reducing the overall leverage in the business.

Note 9. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2017 $'000	30 Jun 2017 $'000
Trade receivables	166,037	138,817
Less: Fair value adjustment to trade receivable arising on business combination	(5,764)	(21,205)
Less: Provision for impairment of receivables	(33,720)	(7,731)
	126,553	109,881
Other receivables	3,264	4,384
Accrued revenue	49,519	52,840
	179,336	167,105

Note 10. Non-current assets - plant and equipment

	Consolidated 31 Dec 2017 $'000	30 Jun 2017 $'000
Fibre assets - at cost	1,394,520	1,364,454
Less: Accumulated depreciation	(150,137)	(121,413)
	1,244,383	1,243,041
Data centre assets - at cost	67,013	66,874
Less: Accumulated depreciation	(22,033)	(18,447)
	44,980	48,427
Network equipment - at cost	200,293	179,130
Less: Accumulated depreciation	(68,136)	(50,083)
	132,157	129,047
Other plant and equipment - at cost	85,484	81,785
Less: Accumulated depreciation	(19,234)	(13,524)
	66,250	68,261
Projects under construction - at cost	154,909	54,203
	1,642,679	1,542,979

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Fibre assets $'000	Data centre assets $'000	Network equipment $'000	Other plant and equipment $'000	Projects under construction $'000	Total $'000
Balance at 1 July 2017	1,243,041	48,427	129,047	68,261	54,203	1,542,979
Additions	39,429	522	23,864	4,056	103,521	171,392
Exchange differences	(5,777)	(381)	(2,781)	-	(2,649)	(11,588)
Write off of assets	(1,308)	-	-	(357)	(86)	(1,751)
Transfers in/(out)	-	-	80	-	(80)	-
Depreciation expense	(31,002)	(3,588)	(18,053)	(5,710)	-	(58,353)
Balance at 31 December 2017	1,244,383	44,980	132,157	66,250	154,909	1,642,679

No impairment indicators are present relating to the carrying value of fibre assets, data centre assets, network equipment, other plant and equipment and projects under construction.

Note 11. Non-current assets - intangibles

	Consolidated 31 Dec 2017 $'000	30 Jun 2017 $'000
Goodwill	1,451,885	1,475,096
IRU capacity - at cost	182,732	182,732
Less: Accumulated amortisation	(46,622)	(38,992)
	136,110	143,740
Customer intangibles - at cost	381,029	381,059
Less: Accumulated amortisation	(118,071)	(87,918)
	262,958	293,141
Software - at cost	176,494	162,333
Less: Accumulated amortisation	(62,042)	(44,592)
	114,452	117,741
Brands - at cost	180,500	180,500
Other intangibles - at cost	1,957	1,996
Less: Accumulated amortisation	(127)	(104)
	1,830	1,892
	2,147,735	2,212,110

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill $'000	IRU capacity $'000	Customer intangibles $'000	Software $'000	Brands & other intangibles $'000	Total $'000
Balance at 1 July 2017	1,475,096	143,740	293,141	117,741	182,392	2,212,110
Additions	-	-	-	14,846	-	14,846
Additions through business combinations (note 19)	(17,966)	-	-	-	-	(17,966)
Exchange differences	(5,245)	-	(10)	(1,127)	(39)	(6,421)
Amortisation expense	-	(7,630)	(30,173)	(17,008)	(23)	(54,834)
Balance at 31 December 2017	1,451,885	136,110	262,958	114,452	182,330	2,147,735

	Consolidated 31 Dec 2017 $'000	30 Jun 2017 $'000
Allocation of goodwill		
Goodwill has been allocated for impairment testing purposes to the following cash-generating units:		
Consumer	192,538	192,538
Enterprise & Wholesale	935,545	953,592
New Zealand	323,802	328,966
	1,451,885	1,475,096

Note 11. Non-current assets - intangibles (continued)

Impairment testing
In accordance with the Group's accounting policy, impairment testing has been undertaken at 31 December 2017 for all groups of cash generating units (CGUs) with indefinite life intangible assets or where there is an indication of impairment. The Group considered the relationship between its market capitalisation and the book value of its equity, among other factors, when reviewing for indicators of impairment.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversible in subsequent periods.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Key assumptions used in the estimation of the recoverable amount during the testing for impairment of the Consumer, Enterprise & Wholesale and New Zealand CGUs are set out below.

The key assumptions used in the calculation were:

	Consumer	Enterprise & Wholesale	New Zealand
	%	%	%
Discount rate (post tax)	9.5	10.0	10.20
Terminal value growth rate	2.5	2.5	2.5
Cost of disposal	5.0	5.0	5.0

The discount rates reflect the market determined risk adjusted rates for specific risks relating to each CGU and the markets in which they operate.

The terminal value growth rate represents the growth rate applied to extrapolate cash flows beyond the five year period. These growth rates are based on Vocus expectation of long term performance of the CGU's.

Other key assumptions used in both calculations are:
- Forecasts for capital expenditure based on past experience required to maintain current fixed asset levels as well as expand the network to support future growth (including Transformation capital expenditure).
- Five year cash flow forecasts based on market expectations as approved by Senior Management and the Board of Directors, including expected synergistic benefits from recent mergers and market expectations.

The result of those impairment tests was that there was no impairment identified for the Consumer, Enterprise & Wholesale and New Zealand CGUs at 31 December 2017.

Sensitivity analysis

The estimated recoverable amount for the Consumer, Enterprise & Wholesale and New Zealand CGU exceeded its carrying amount. Management has identified that a reasonable possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Consumer	Enterprise & Wholesale	New Zealand
Change required for carrying amount to equal recoverable amount	%	%	%
Discount rate (post tax)	0.8	0.1	0.4
Terminal value growth rate	0.9	0.1	0.5

Note 12. Current liabilities - trade and other payables

	Consolidated 31 Dec 2017 $'000	30 Jun 2017 $'000
Trade payables	62,169	60,413
Revenue received in advance	34,547	37,085
Accruals	162,287	121,914
Goods and services tax payable	13,530	7,195
Other payables	27,776	28,228
	300,309	254,835

Note 13. Current liabilities - borrowings

	Consolidated 31 Dec 2017 $'000	30 Jun 2017 $'000
Backhaul IRU liability	6,766	6,585
Lease liability	12,759	7,076
	19,525	13,661

Refer to note 14 for further information on assets pledged as security and financing arrangements.

Note 14. Non-current liabilities - borrowings

	Consolidated 31 Dec 2017 $'000	30 Jun 2017 $'000
Bank loans	1,063,521	1,031,399
Backhaul IRU liability	11,912	18,678
Lease liability	6,034	15,739
	1,081,467	1,065,816

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated 31 Dec 2017 $'000	30 Jun 2017 $'000
Bank loans	1,063,521	1,031,399
Lease liability	18,793	22,815
	1,082,314	1,054,214

Assets pledged as security
The bank loans are secured via general security deeds over Vocus' assets and undertakings.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Note 14. Non-current liabilities - borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 31 Dec 2017 $'000	30 Jun 2017 $'000
Total facilities		
Bank loans	1,165,362	1,172,406
Bank guarantee / letter of credit facility	75,000	75,000
	1,240,362	1,247,406
Used at the reporting date		
Bank loans	1,063,521	1,031,399
Bank guarantee / letter of credit facility	59,590	67,203
	1,123,111	1,098,602
Unused at the reporting date		
Bank loans	101,841	141,007
Bank guarantee / letter of credit facility	15,410	7,797
	117,251	148,804

The Group's bank facility at 31 December 2017 consists of a $1,240,362,000 senior finance facility (2017: $1,247,406,000), comprising 3 year (A$585,000,000) and 5 year (A$510,000,000, NZ$160,000,000) facilities, including available facilities for bank guarantees / letters of credit and is non-amortising. Interest on the facility is recognised at the aggregate of the reference bank bill rate plus a margin.

Note 15. Current assets - cash and cash equivalents

	Consolidated 31 Dec 2017 $'000	30 Jun 2017 $'000
Cash at bank	49,573	46,703
Cash on deposit	356	3,491
	49,929	50,194

Note 16. Equity - contributed equity

	31 Dec 2017 Shares	30 Jun 2017 Shares	Consolidated 31 Dec 2017 $'000	30 Jun 2017 $'000
Ordinary shares - fully paid	622,184,466	623,310,259	3,786,465	3,792,929
Less: Treasury shares*	(2,138,464)	(3,328,355)	(11,176)	(18,095)
	620,046,002	619,981,904	3,775,289	3,774,834

Note 16. Equity - contributed equity (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2017	623,310,259		3,792,929
Employee share scheme buyback	14 July 2017	(1,178,991)	$0.00	(6,600)
Issue of shares on conversion of performance rights	10 August 2017	33,334	$2.39	80
Issue of shares on conversion of options	10 August 2017	7,500	$1.89	14
Issue of shares on conversion of options	10 August 2017	12,364	$3.45	42
Balance	31 December 2017	622,184,466		3,786,465

*Movements in treasury shares**

Details	Date	Shares	Issue price	$'000
Balance	1 July 2017	(3,328,355)		(18,095)
Employee share scheme buyback	14 July 2017	1,178,991	$0.00	6,600
Shares transferred to beneficiaries**		10,900	$0.00	23
Forfeiture of loan funded share plan		-	$0.00	296
Balance	31 December 2017	(2,138,464)		(11,176)

** Shares held by Vocus Blue Pty Limited*
During the half-year year ended 31 December 2017 no shares (30 June 2017: nil) were issued to Vocus Blue Pty Limited, a wholly–owned subsidiary of Vocus Group Limited as part of its Loan Funded Share Plan remuneration scheme to attract and retain key employees. Vocus Blue Pty Limited's sole purpose is to hold shares as trustee for its beneficiaries (its 'participants'). The participants are granted a loan by Vocus to purchase the beneficial interest in shares. The loans are limited recourse to the participants and any dividends received in respect of the plan shares are used to reduce the loan balance net of tax payable. Participants are required to meet service requirements and performance conditions before being entitled to acquire full title to these shares and are required to repay the loan in order to do so.

The shares held by Vocus Blue Pty Limited have been deducted from equity as treasury shares in line with accounting standards.

** The transfer of shares to beneficiaries during the current and previous year is measured with reference to the loan value attaching to those shares.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 17. Equity - accumulated losses

	Consolidated	
	31 Dec 2017 $'000	30 Jun 2017 $'000
Retained profits/(accumulated losses) at the beginning of the period	(1,494,413)	57,079
Profit/(loss) after income tax expense for the period	37,314	(1,464,869)
Dividends paid and payable (note 8)	-	(86,623)
Accumulated losses	(1,457,099)	(1,494,413)

Note 18. Fair value measurement

Fair value hierarchy
The following tables detail assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for sale financial assets	817	-	-	817
Electricity derivatives	-	2,513	-	2,513
Total assets	817	2,513	-	3,330
Liabilities				
Forward foreign exchange contracts	-	(425)	-	(425)
Interest rate swaps	-	(2,933)	-	(2,933)
Contingent consideration	-	-	(15,703)	(15,703)
Total liabilities	-	(3,358)	(15,703)	(19,061)

Consolidated - 30 Jun 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for sale financial assets	1,667	-	-	1,667
Electricity derivatives	-	10,364	-	10,364
Total assets	1,667	10,364	-	12,031
Liabilities				
Forward foreign exchange contracts	-	(3,025)	-	(3,025)
Interest rate swaps	-	(3,946)	-	(3,946)
Contingent consideration	-	-	(28,932)	(28,932)
Total liabilities	-	(6,971)	(28,932)	(35,903)

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities are estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 18. Fair value measurement (continued)

Valuation techniques for fair value measurements
For further details on how valuation methodologies are applied in determining fair value refer to note 26 in the 2017 Annual Report.

Note 19. Business combinations

2017
Nextgen Networks, North-West Cable System and Australia Singapore Cable
On 26 October 2016, Vocus Group Limited (formerly Vocus Communications Limited) acquired 100% of the ordinary shares of Nextgen Networks ("Nextgen") and two development projects, the North-West Cable System ("NWCS") and the Australia Singapore Cable ("ASC") for the upfront consideration of $793,153,000 and contingent consideration of $10,990,000. The acquisition provides Vocus ownership of critical infrastructure to connect its metropolitan infrastructure to a larger inter-capital fibre optic network, thereby connecting mainland capital cities to regional and remote areas on one owned network. The accounting for the business combination was provisional at 30 June 2017, and it has since been declared as finalised.

Goodwill of $30,180,000 represents the residual value of the purchase price of the acquisition over the fair value of identified tangible and intangible assets, and has been determined on a provisional basis due to the size and complexity of the transaction. Independent valuation of tangible assets along with identifiable intangibles such as customer contracts and relationships is ongoing. Contingent consideration has currently been estimated on managements estimate of whether the acquired entity will meet various set targets.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	22
Trade and other receivables	26,430
Inventories	774
Prepayments	5,297
Fibre assets	909,027
Projects under construction	24,946
Other plant and equipment	14,715
Deferred tax asset	20,264
Trade and other payables	(23,962)
Deferred tax liability	(2,012)
Provisions	(41,306)
Deferred revenue	(160,232)
Net assets acquired	773,963
Goodwill	30,180
Acquisition-date fair value of the total consideration transferred	804,143
Representing:	
Cash paid or payable to vendor	793,153
Contingent consideration	10,990
	804,143
Acquisition costs expensed to profit or loss	7,033

Note 19. Business combinations (continued)

Switch Utilities

On 1 December 2016, Vocus (New Zealand) Holdings Limited acquired Switch Utilities, an energy retailer in New Zealand for upfront consideration of $5,405,000 and a provisional deferred consideration of $4,028,000. The acquisition provides Vocus the ability to bundle energy with its telecommunications products in New Zealand.

Goodwill of $8,841,000 represents the residual value of the purchase price of the company over the fair value of identified tangible and intangible assets. The accounting for the business combination was provisional at 30 June 2017, and it has since been declared as finalised.

Smart Business Telecom

On 10 February 2017, Eftel Pty Limited (100% subsidiary of Vocus) completed the acquisition of the business and certain assets of Smart Business Telecom ("SBT"), a significant wholesale customer of the Vocus Group. Total consideration includes $2,961,000 upfront cash and provisional deferred consideration amounting to $1,418,000. The acquisition provides Vocus the ability to retain proven wholesale customers with track record of building customer lists as an exclusive NBN customer of Vocus.

Goodwill of $1,210,000 represents the residual value of the purchase price of the company over the fair value of identified net assets (including customer contracts of $4,542,000). The accounting for the business combination was provisional at 30 June 2017, and it has since been declared as finalised.

Note 20. Events after the reporting period

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Vocus's operations, the results of those operations, or the Vocus's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Vocus's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Vaughan Bowen
Chairman

20 February 2018
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
Fax: +61 9322 7001
www.deloitte.com.au

Independent Auditor's Review Report to the Members of Vocus Group Limited

We have reviewed the accompanying half-year financial report of Vocus Group Limited, which comprises the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, notes comprising of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 31 to 49.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vocus Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Vocus Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vocus Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ryan Hansen

Ryan Hansen
Partner
Chartered Accountants
Sydney, 20 February 2018