ASX/MEDIA RELEASE

20 February 2018

VOCUS REPORTS H1 FY18 REVENUE AND EARNINGS GROWTH
REVISES FULL YEAR EARNINGS GUIDANCE

Vocus Group Limited (ASX: VOC, "Vocus") today announced its results for the six months to 31 December 2017[1].

Highlights

- ✓ Revenue growth of 4% on the previous corresponding period (PCP), with organic growth in all operating divisions
- ✓ Underlying EBITDA growth of 8%, driven by a particularly strong result in the Enterprise & Wholesale division
- ✓ Continued growth in NBN market share, 8.8% at 31 Dec 2017, up from 7.4% at 31 Dec 2016
- ✓ NZ UFB market share 13%, up from 12% at 31 Dec 2016
- ✓ Vocus Australia Singapore Cable on track for "Ready For Service" in Q1 FY19
- ✓ Improving cash conversion profile
- ✓ Sale of Vocus New Zealand business progressing to planned timeline

Guidance

The Vocus Board has chosen to modestly revise earnings guidance for the full year with Underlying EBITDA now expected to be in the range of $365-380 million (previously $370 - $390 million) on revenue in the range of $1.9-2 billion (unchanged). This revision primarily relates to the Australian Consumer division facing headwinds in H2FY18 due to over hedging of its energy portfolio and a change in its go to market strategy, resulting in a reduction in the amount of subscriber acquisition costs that can be deferred. For further detail refer to Slide 26 of the investor presentation.

Group CEO, Geoff Horth, stated "Today, we deliver results that demonstrate progress in improving performance for our shareholders. We have recorded strong growth in our Enterprise & Wholesale businesses in both Australia and New Zealand, we continue to take share in NBN and UFB and our transformation program is gaining traction across the business.

[1] 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 the Adjusted Pro forma H1 FY17, which the Vocus Board believes is the most appropriate comparable basis on which to assess Vocus performance for these results. All adjustments are set out in the Operating and Financial Review for the H1 FY18 Financial Results.

“The Vocus Australia Singapore Cable project is on track to be ready-for-service in Q1 FY19 and is attracting strong customer interest, and has executed several customer capacity agreements. Similarly, the divestment of our New Zealand business is progressing in accordance with the planned timeline. Whilst facing some short term earnings headwinds in the Australian Consumer division, the Vocus business has significant growth opportunities available to it and a clear strategy in place to take share in the most attractive market segments; combined with our focus on efficiency and customer experience, the business is well positioned to deliver shareholder returns into the long term”, concluded Mr Horth.

Divisional Update

The Enterprise & Wholesale division delivered a solid performance in the period. Revenue growth of +2.5% was driven by strong growth in Data Networks (+14.6%), offset by declining revenues in Voice, predominantly in the small business market. Increased sales focus in our core markets is paying dividends, with the East Coast Enterprise sales team now out-performing the West Coast, and our government sales teams enjoying some early success. The margin expansion associated with this growth, coupled with strong cost control, has driven EBITDA growth of 11.2% over the PCP.

The Consumer division recorded revenue growth of 5.7% in the face of challenging market conditions. Broadband revenue growth was driven by an accelerating migration from copper to NBN and higher NBN ARPU, but was offset by declining voice revenues. Consumer NBN market share increased to 7.7%, up from 7.3% on the PCP, with gains slowing in Q2 FY18 as a result of the decision to stop promoting HFC (prior to the NBN decision to pause roll out) due to customer experience issues. The divisional focus on cost control has served to mitigate the margin headwinds associated with the migration to NBN, delivering flat earnings on the PCP.

The New Zealand business continued to perform well, with revenue growth in both the Enterprise and Consumer markets. The focus on UFB has resulted in market share growth to 13%, from 12% in the PCP. The launch of consumer energy offerings has attracted strong interest, creating a new growth platform for the consumer business. Effective management of network costs and shared services are driving SG&A savings across the business and contributing to earnings growth.

Dividend

The Vocus Board has made the decision not to declare an interim dividend for FY18 in light of the competing demands and opportunities for capital investment across the business, including the ASC project, combined with the focus of the Board on reducing the overall leverage in the business.

The Board of Vocus expects to review future dividend payments in line with the growth of the business, taking into account the capital requirements and accretive infrastructure opportunities available at any point in time.

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Webcast for Investors

Group CEO Geoff Horth and Group CFO Mark Wratten will hold a results briefing for investors this morning at 9.30am. To register and listen to the webcast, please go to www.vocusgroup.com.au/interimwebcast.

ENDS

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About Vocus (ASX: VOC): Vocus Group is an ASX listed, vertically integrated telecommunications 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 cities across Australia and New Zealand. Vocus owns a portfolio of brands catering to corporate, small business, government and residential customers 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.

FY18 Interim Result Presentation

20 February 2018

Contents

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Result Highlights

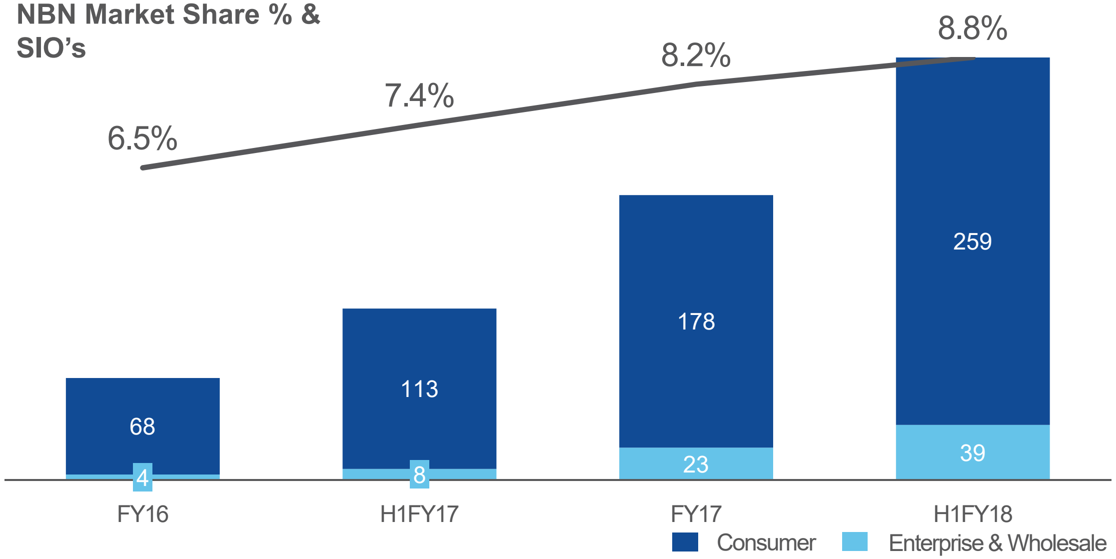
CEO Geoff Horth

Group Highlights

$m	H1 FY18 Reported	H1 FY18 Constant FX	H1 FY17 Adjusted Pro forma [1]	$ change constant FX	% change constant FX
Revenue	967.3	973.6	936.2	37.4	+4.0%
Underlying EBITDA	188.8	189.8	175.5	14.3	+8.1%
EBITDA Margin (%)	19.5%	19.5%	18.7%		+0.8ppts

1 Refer to Appendix and OFR for a reconciliation from H1FY17 Reported to H1FY17 Adjusted Pro forma revenue and EBITDA. Adjustments principally relate to acquisitions/disposals, internal re-organization and deferred subscriber acquisition costs (SAC).

NBN Market Share % & SIO's



- H1FY18 earnings in line with expectations
- Organic revenue growth reported in all operating divisions
- Strong EBITDA growth particularly in Enterprise & Wholesale in H1FY18
- Softer H2FY18 EBITDA expectations impacting FY18 guidance, refer to Slide 26 for further information
- Transformation gaining momentum with focus on "fixing the basics"
- Executive appointments bringing new skills to the business
- ASC remains on track for RFS Q1 FY19, terrestrial network upgrades underway, customer negotiations progressing well, long term attractiveness maintained
- Sale process of NZ business on track
- Board renewal continues with appointment of John Ho and Julie Fahey

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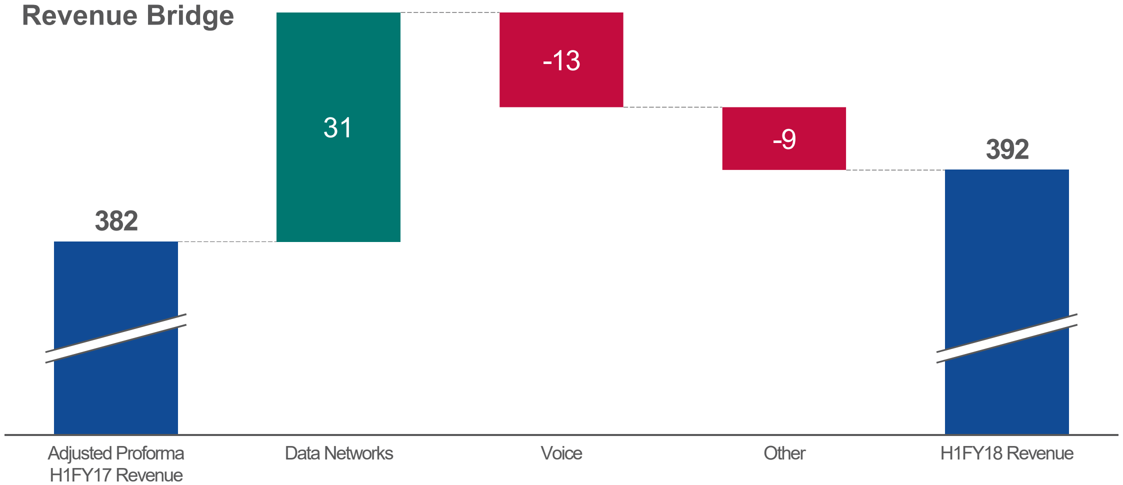
Enterprise & Wholesale

$m	H1FY18 Reported	H1FY17 Adjusted Pro forma [1]	$ change	% change
Revenue	392.1	382.4	+9.7	+2.5%
EBITDA	205.2	184.5	+20.7	+11.2%
EBITDA Margin (%)	52.3%	48.2%		+4.1 ppts

1 Refer to Appendix and OFR for a reconciliation from H1FY17 Reported to H1FY17 Adjusted Pro forma revenue and EBITDA. Adjustments principally relate to acquisitions/disposals, internal re-organization and SAC.

Revenue Bridge



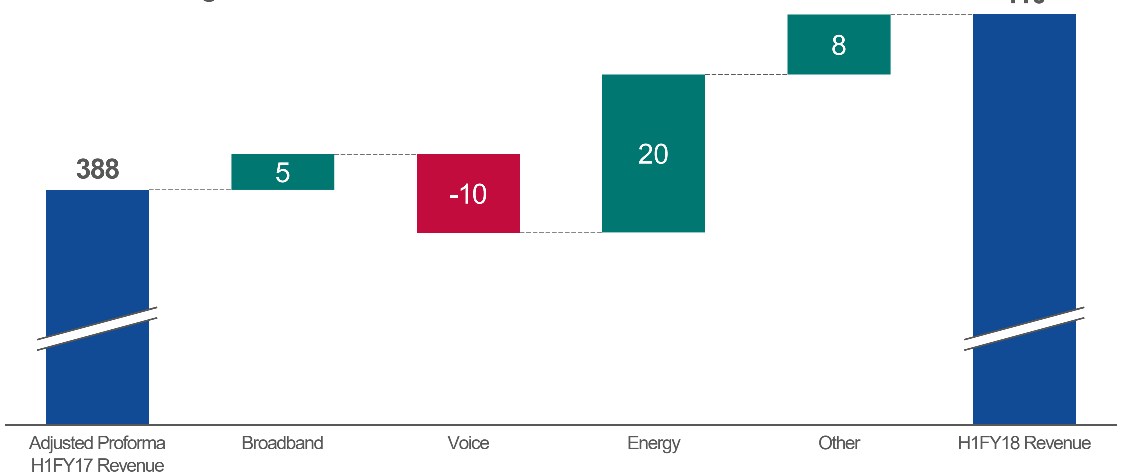
- Revenue driven by strong growth in Data Networks (including pro forma adjustment for Nextgen), offsetting declining voice
  - 14.6% growth in core Data Networks revenue, including $9.9m in bespoke contracts
  - Voice decline most pronounced in SMB segment
- Significant improvement in provisioning backlog - at sustainable level of approx. $1.5m
- Increased sales capability in core markets paying dividends
  - Early success in Federal Government
  - Strong engagement in carrier and large MSP/RSP markets
  - East Coast Enterprise sales team now outperforming West Coast
- Earnings uplift driven by margin expansion and strong cost control

Consumer

$m	H1FY18 Reported	H1FY17 Adjusted Pro forma [1]	$ change	% change
Revenue	409.9	387.7	22.2	+5.7%
EBITDA	48.9	48.5	0.4	+0.8%
EBITDA Margin (%)	11.9%	12.5%		(0.6ppts)

1 Refer to Appendix and OFR for a reconciliation from H1FY17 Reported to H1FY17 Adjusted Pro forma revenue and EBITDA. Adjustments principally relate to acquisitions/disposals, internal re-organization and SAC.

Revenue Bridge



- Revenue growth in Broadband and Energy offset by declines in voice
- Broadband revenue growth driven by accelerating migration from copper to NBN and higher NBN ARPU
- Increasing NBN consumer market share – up from 7.3% to 7.7%
- Broadband SIOs flat growth due to
  - Dodo/iPrimus subscriber growth of 3.65% in H1 FY18 offset by decline in discontinued brands
  - Decision in early Q2 FY18 to stop promoting HFC (prior to NBN decision to pause rollout) due to customer experience issues
- Increasing energy revenue due to price increases. Lower than forecast growth in SIO's in H1, resulting in short term over-hedged position leading to margin shortfall in H2
- Change in go to market strategy to focus on higher quality digital channels, resulting in higher expenses and less deferrals in H2FY18. Refer slide 26.

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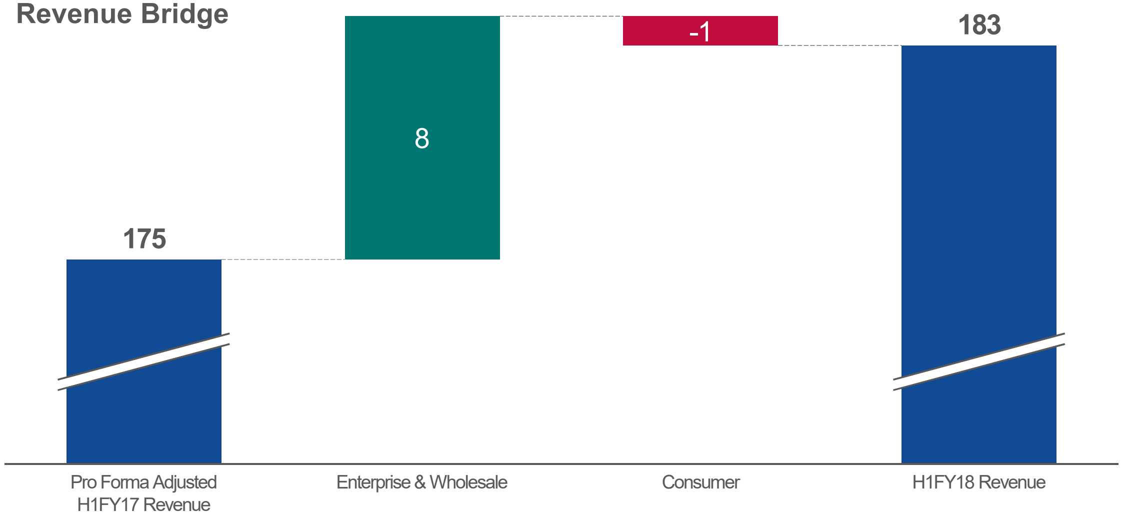
New Zealand

NZD $m	H1FY18 Reported	H1FY17 Adjusted Pro forma [1]	$ change	% change
Revenue	182.6	175.3	7.3	+4.1%
EBITDA	29.0	28.4	0.6	+2.1%
EBITDA Margin (%)	15.9%	16.2%		(0.3ppts)

1 Refer to Appendix and OFR for a reconciliation from H1FY17 Reported to H1FY17 Adjusted Pro forma revenue and EBITDA. Adjustments principally relate to acquisitions/disposals, internal re-organization and SAC.

Revenue Bridge



- Positive revenue growth in Enterprise and Government driven by leveraging the merged company's capability
- Growth in SMB revenue driven by increase in 2talk customers and lines through key partners
- Ongoing growth in the Switch energy business following the acquisition due to investment in sales and marketing
- Growth in Consumer broadband subscribers in H1FY18 (3.1% from H2FY17), including Orcon, off-set by competitive market pricing
- Improved market share in UFB subscribers from 12% to 13% compared to pcp delivering a higher value customer
- Significant uptake of bundled energy services in Consumer driving revenue improvements and life time value of customer
- Effective management of network costs and shared services driving further SG&A savings across the NZ business

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Australia Singapore Cable Update

- Ready For Service (RFS) remains on track for 1Q FY19, well ahead of competing cable systems. All cable manufacturing is now complete and ships have been loaded
- An upgrade to the terrestrial network has commenced to meet expected customer commitments through to Sydney
- Comprehensive promotional program and sales campaign attracting increased interest as RFS date approaches.
- Successful ASC launch event held in Jakarta with Indonesian partner XL Axiata. Pacific Telecom Conference a successful stage to conclude some advanced sales. Four agreements have been executed
- Planning has commenced to leverage ASC capability to optimise network OPEX/CAPEX costs within the business

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Financial Overview

CFO Mark Wratten

Financial Summary

$m	H1FY18 Reported FX	H1FY18 Constant FX	H1FY17 Reported FX	Comment
Revenue	967.3	973.6	885.9	Revenue bridge on slide 12
Underlying EBITDA[1]	188.8	189.8	187.2	Underlying EBITDA bridge on slide 13
Statutory EBITDA	188.1	189.5	168.3	Statutory EBITDA up 12.6% due to significantly lower significant items incurred in H1 FY18. See appendix for reconciliation
Underlying NPAT[1]	68.6	69.2	91.8	Underlying NPAT down 24.6%. Refer to slide 14 for reconciliation
Statutory NPAT	37.3	36.9	47.2	
Underlying Diluted EPS	10.99	n/a	15.01	
Cash Conversion %	68%	n/a	64%	Improved cashflow conversion. Refer to slide 16 for reconciliation
Dividend per share	-	-	6.00	No dividend declared in H1FY18

1. Underlying EBITDA and Underlying NPAT exclude significant items. A reconciliation between statutory and Underlying numbers can be found in the Appendix

Reconciliation from Pro forma to Pro forma Adjusted

$m	H1FY17 Pro forma[1]	Subsequent Pro forma[2]	Subsequent Reallocation[3]	Subsequent Adjustment[4] (excluding SAC)	Subsequent Adjustments - SAC[4]	H1FY17 Adjusted Pro forma
Revenue	**948.0**	**(5.8)**	**-**	**(6.0)**	**-**	**936.2**
Consumer	396.1	(2.4)	-	(6.0)	-	387.7
Enterprise & Wholesale	393.6	(11.2)	-	-	-	382.4
New Zealand	158.3	7.8	-	-	-	166.1
Group Services	-	-	-	-	-	-
Underlying EBITDA	**210.3**	**(2.7)**	**-**	**(11.3)**	**(20.8)**	**175.5**
Consumer	74.5	1.1	(3.3)	(11.3)	(12.5)	48.5
Enterprise & Wholesale	189.6	(3.8)	3.5	-	(4.8)	184.5
New Zealand	30.1	-	-	-	(3.5)	26.6
Group Services	(83.9)	-	(0.2)	-	-	(84.1)

1. Refer to appendix for an extract of the reconciliation from H1FY17 Reported to H1FY17 Pro forma. H1FY17 Pro forma was previously disclosed in the 30 June 2017 OFR.
2. Subsequent pro forma adjustments relate to Smart Business Telecom, Switch Utilities and discontinued businesses
3. Subsequent reallocations are as a result of restructuring and include divisional finance team costs and fibre operations costs
4. Subsequent adjustments relate to the impact of SAC, compensation payment received in prior period and PPA adjustments in prior periods.

Adjustments to H1 FY17 Pro forma

Due to acquisitions, divestments, corporate restructuring and cost allocation changes post H1FY17 reporting, certain pro forma and other adjustments are required to restate pro forma H1FY17 results, by division and at consolidated level, to allow for a closer "like for like" comparison to H1FY18 reported divisional results.

Adjustments include

- Pro forma adjustments to reflect the full period impact of acquisitions and divestments that occurred in either period
- Those that simply reallocate costs between divisions due to corporate restructuring or changes to cost allocations. No net impact.
- Those that adjust H1FY17 revenue/costs to remove large one off items, and include:
    - SAC – $20.8 increase in expense in H1FY18 compared to H1FY17 ($22.7m net benefit in H1FY17 compared to H1 FY18)
    - Compensation payment received in H1FY17 (one-off)
    - Certain PPA adjustments reported in H1FY17 (not repeated in H1FY18)

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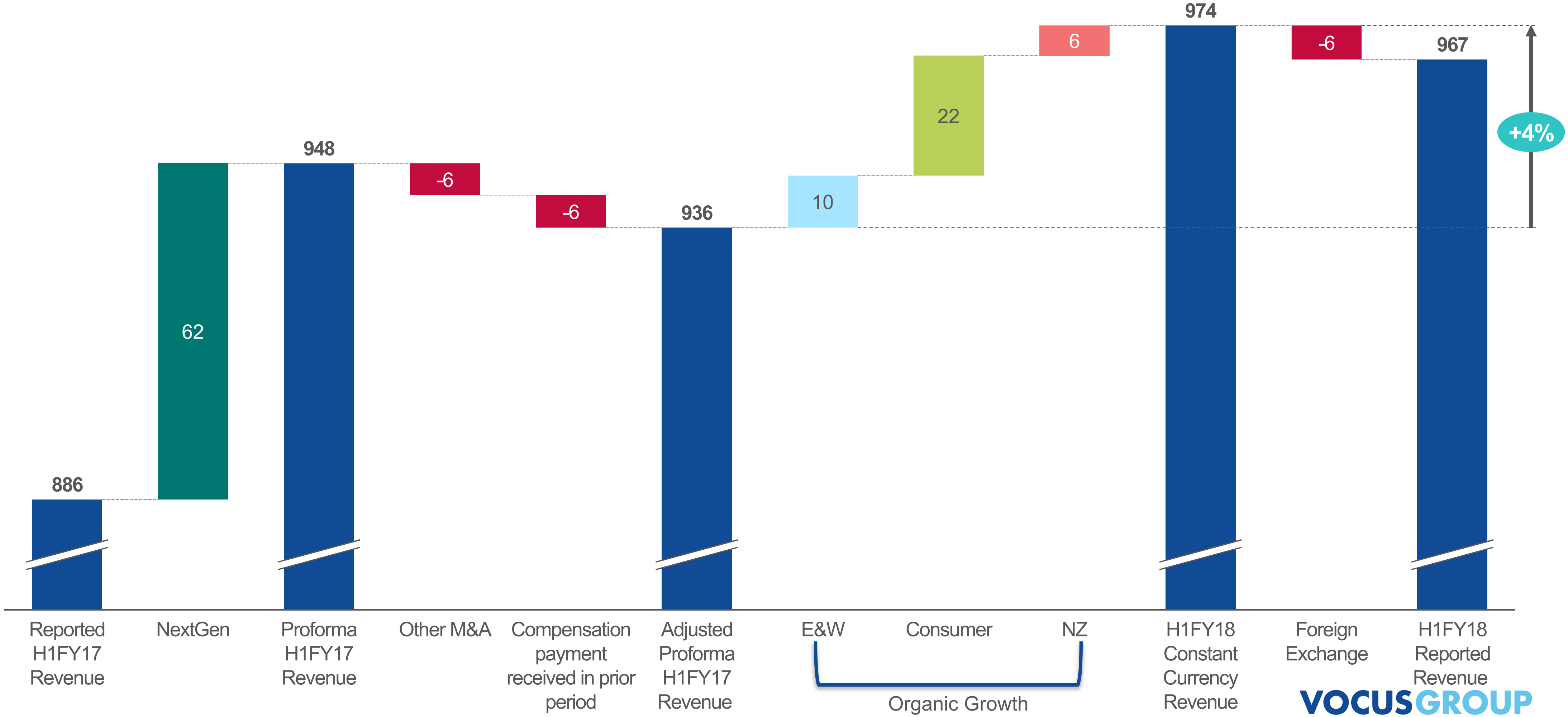
Revenue Bridge ($m)



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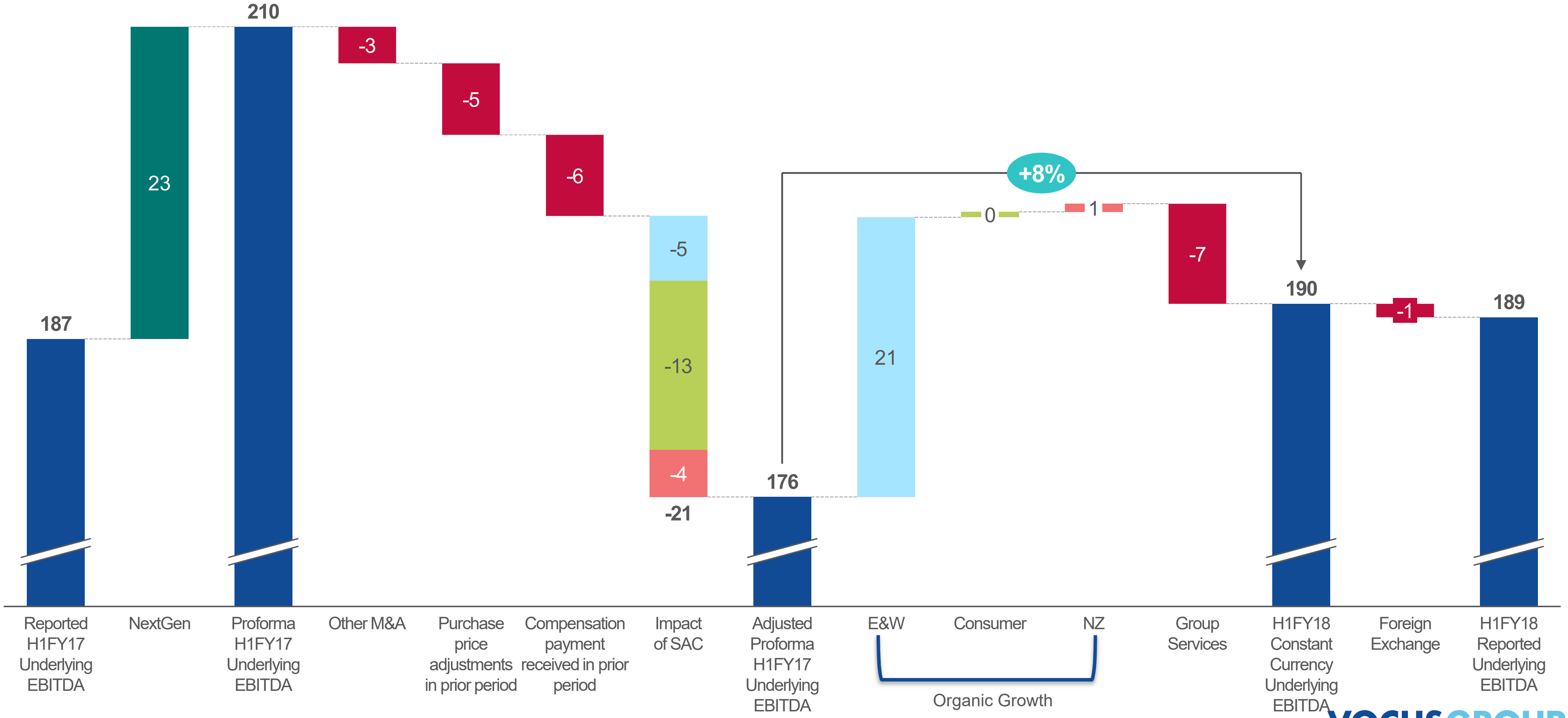
Underlying EBITDA Bridge ($m)



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Underlying EBITDA to NPAT

$m	H1FY18	H1FY17	$ change
Underlying EBITDA	**188.8**	**187.2**	**1.6**
Depreciation	(58.4)	(35.9)	(22.5)
- Amortisation	(10.7)	(8.4)	(2.3)
Underlying EBIT	**119.7**	**142.8**	**(23.2)**
Net financing costs	(21.2)	(13.1)	(8.1)
Underlying PBT	**98.5**	**129.8**	**(31.3)**
Tax expense	(29.9)	(38.0)	8.1
Underlying NPAT	**68.6**	**91.8**	**(23.2)**
ETR %	30.4%	29.3%	n/a

- Whilst Underlying EBITDA is +0.9% above prior period, Underlying NPAT is down 25.3% due to:
  - Significantly higher D&A expense in H1 FY18 (refer slide 15)
  - Higher net financing costs in H1 FY18 due to average net debt for period being materially higher than H1 FY17 as a result of the debt drawn down for the Nextgen acquisition in October 2016
- Revised NPAT guidance is between $125-135m
  - Higher D&A expense than previously forecast
  - Impact of lower EBITDA guidance

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Depreciation & Amortisation Profile

$m	H1FY18	H2FY17	H1FY17
Underlying D&A			
- Depreciation	(58.4)	(51.7)	(35.9)
- Amortisation	(10.7)	(10.2)	(8.4)
Total D&A	**(69.1)**	**(61.9)**	**(44.3)**
Below the line D&A			
- Amort of customer intangibles	(31.0)	(30.5)	(30.5)
- Amort of acquired software	(13.1)	(13.2)	(13.2)
Total D&A	**(44.1)**	**(43.7)**	**(43.7)**

- Increased D&A in H1 FY18 due to:
  - Additional 4 months of Nextgen (~$15m)
  - Flow through of incremental D&A from capex spend in FY17 and 1HFY18
  - Implementing a new fixed asset register in H2 FY18 (as part of new single ERP system)
- Will improve asset management and forecasting
- Revised underlying D&A guidance is between $140-143m, no changes to below the line D&A guidance

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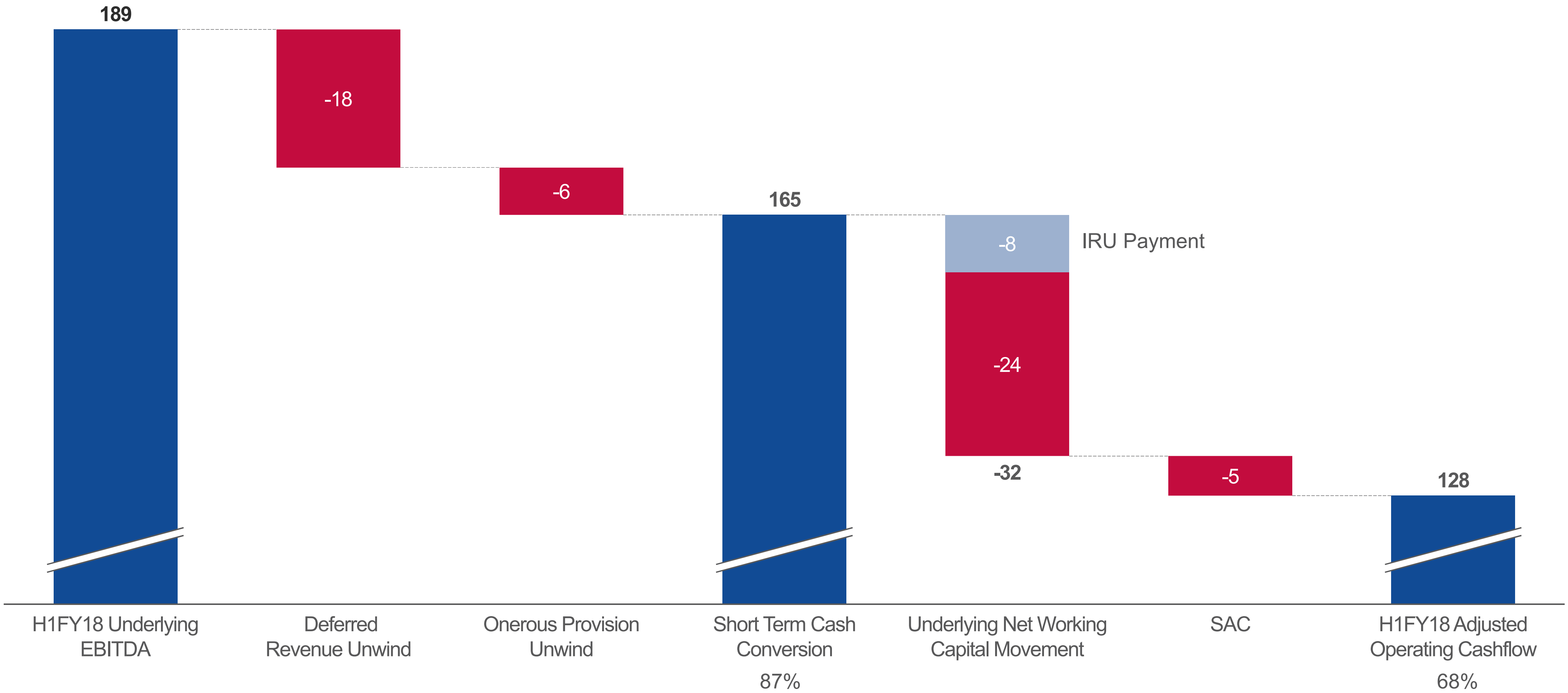
Operating Cashflow to Underlying EBITDA Bridge ($m)



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Cashflow to Net Debt Bridge ($m)

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Asset Disposals Update

New Zealand business divestment

- The sale process is progressing to planned timeline
- Advisors appointed (Goldman Sachs & Credit Suisse)
- Indicative bids received at end of phase 1
- A short-list of parties have now been invited into phase 2 of the process
- Data room open, due diligence commenced, management presentations pending
- Target completion pre June 2018 subject to regulatory approvals (if required)

Data Centres

- We have not launched a formal sale process, New Zealand sale process taking priority
- Assets remain under review for best means to extract maximum value

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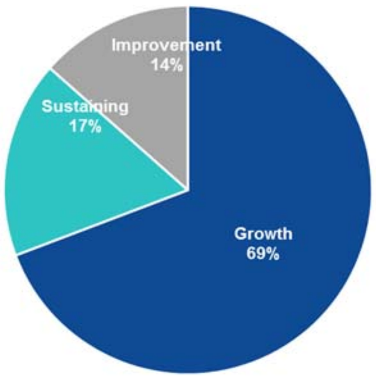
Capital Expenditure

Capex over the half of $79.5m (excl ASC project) was primarily associated with

- Growth capital expenditure in Enterprise & Wholesale and Consumer
- Transformation projects
- Beginning to see improvements as a result of new Capex disciplines and controls



Forecast FY18 Capex is $180-$190m (excl ASC)

ASC Capex in H1FY18 was $24m USD

- The ASC capex profile is now expected to be:
  - H2FY18 - $19m USD
  - FY19 - $121m USD
- Changes to the profile compared to previous guidance relates to capacity upgrades (Terrestrial and Wet) to meet expected customer requirements

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Net Debt and Syndicated Bank Facility

$m	As at 31 Dec 16	As at 30 Jun 17	As at 31 Dec 17
Bank loans	1,071.1	1,031.4	1,063.5
Backhaul IRU liability	25.3	25.3	18.7
Lease liability	26.1	22.8	18.8
Borrowings per balance sheet	1,122.5	1,079.5	1,101.0
Cash	131.5	50.2	49.9
Net Debt	**991.0**	**1,029.3**	**1,051.1**

Covenants	Threshold	Surge[1]	Actual	Result
Net Leverage Ratio	≤3.0x	≤3.5x	2.87x	✓
Interest Cover Ratio	≥ 5.0x	n/a	7.52x	✓
Maximum Gearing Ratio	≤ 60.0%	n/a	32.0%	✓

1. Surge limit applies to Net Leverage Ratio for 18 months after permitted acquisition e.g. Nextgen. The next time covenants will be tested at 3.0x is 30 June 2018.

- All covenant tests passed at December 2017
- At 30 June 2018, 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.
- Does not take account of potential NZ sale proceeds, which will be used to reduce the Group net debt and fund ASC capex required in Q1 of FY19
- Facility A $510m revolving facility and Facility D $75m working capital facility will mature in May 2019
- Well progressed on facility refinance plans and expect that to be completed by the end of the financial year

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Strategy and Outlook

CEO Geoff Horth

Vocus Strategy

TRANSFORMATION THEMES

OPTIMISE SPEND	RADICALLY SIMPLIFY	DRIVE PROFITABLE AND SUSTAINABLE GROWTH

STRATEGIC THEMES

Deliver our brand promise	***Simple & Digital***	***Platform business***	***Strong stewards of capital***	***Ruthless about waste***
Outstanding products that meet our customers' needs	*Clear and simple offers, underpinned by digital interactions*	*Solid base with repeatable processes to grow our business*	*Sweat our current assets, only invest for high ROI*	*Hunt and eliminate waste, spend money like its our own*

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New Divisional Structure – Separate Enterprise & Wholesale

Enterprise & Government	• Modular product approach and focused direct sales efforts on medium enterprise market • Build on government market momentum through investments in capability and sovereign grade products • Simple digital proposition for small business, supported by partner ecosystem
Wholesale & International	• Dedicated division to focus on significant growth opportunities from combined group asset base and ASC investment • Focus on core target markets including domestic and international carriers, OTT's, large MSP's and RSP's • Drive volume onto Data Networks, Voice and NBN platforms
Consumer	• Dual brand strategy to focus on budget and value markets • Transform sales and service environment to digital led • Marketing excellence program to improve CTA and customer quality
New Zealand	• Continue strong momentum in consumer underpinned by category leading customer experience • Nimble approach for enterprise customers paying dividends • Emerging government opportunity on the back of TAAS panel inclusion

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Transformation Orchestration and Sequencing

FY17 | FY18 | FY19 | FY20

Technology integration and transformation
Drive simplification and standardization of our assets

Whole of Business Portfolio Strategy and Full Potential
Set the strategic direction, areas of focus and portfolio end-state

Operating model
Aligning our structure with strategy and setting a new efficiency standard

Rebalance and release cash
Driving internal and external spend efficiency target state

Accelerate consumer growth
Drive a step change improvement in our NBN business through enhanced digital marketing

Drive SB growth
Drive efficient growth in small business leveraging digital capability

Service excellence and *Product Simplification*
Create leading customer experiences through digitizing consumer, simplifying our products and investing in our service in E&G; drive to a lean profit maximizing W&I division

Drive E&G growth
Drive commercial excellence through improved sales capabilities, account planning and management, and front-end digitisation

Accelerated delivery
Embed an agile and line led delivery mechanism for all of business transformation

Legend

Diligence | Design | Deliver

OPTIMISE SPEND | RADICALLY SIMPLIFY | DRIVE PROFITABLE AND SUSTAINABLE GROWTH

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Expected Transformation Benefits Underpinned by Tangible Initiatives

OPTIMISE SPEND
(~$50M FY20 EBITDA benefit)

Rebalance and release cash

- Revamp processes to accelerate cash collections
- Increase overdue payment recovery with better procedures
- Optimise external spend

RADICALLY SIMPLIFY
(~$30M FY20 EBITDA benefit)

Service excellence

- Radically streamline service delivery processes
- Improve billing accuracy and timing

Product / Portfolio simplification

- Exit Pendo and Insurance business in Consumer
- Simplify Enterprise product portfolio, and retire / grandfather legacy products

DRIVE PROFITABLE AND SUSTAINABLE GROWTH
(~$40M FY20 EBITDA benefit)

Marketing effectiveness

- Targeting to increase lead quality and customers acquired
- Reduce acquisition cost through more effective channels

Sales Force Excellence

- Improve account planning and Customer Relationship Management
- Develop sales capabilities
- Digitise front end

NBN MIGRATION
(~($30M) by FY20 EBITDA impact)

- ~$6 lower AMPU per SIO (per month) associated with NBN customers.
- Assumes total SIO base of ~ 543,000 migrates to the NBN
- Adjusted for those customers who are already NBN subscribers at 31 December 2017.

Technology transformation to shift to an automated and software defined future

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FY18 Guidance

	Original Guidance	Revised Guidance
Revenue	$1.9-2.0bn	$1.9-2.0bn
Underlying EBITDA	$370-390m	$365-380m
D&A[1]	$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

1. Above the line D&A

- 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

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Summary

- H1FY18 earnings in line with expectations, FY18 guidance revised reflective of short term headwinds in the Consumer division.
- Strong growth in core Data Networks revenue in both Australia and New Zealand
- Continuing to gain market share in NBN and UFB
- ASC on track for Q1FY19 ready for service
- Improvement in operating cashflow and cash conversion expected to continue in H2 FY18
- Divestment of New Zealand business on track
- Board and management renewal continues
- Transformation program well progressed, on track to deliver FY20 run rate benefits
- Executing clear go to market strategy, with focus on priority high value market segments

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Questions

Appendices

Earnings Reconciliation - H1FY18

Reconciliation between the Underlying and Statutory Result

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 gain/loss on disposal of assets	(0.5)	(0.5)	(0.5)
Amortisation of acquired customer intangibles	-	31.0	21.7
Amortisation of acquired software intangibles	-	13.2	9.2
Acquisition Costs[1]	1.2	1.2	0.8
Total Significant Items	**0.7**	**44.9**	**31.3**
Statutory Result	**188.1**	**74.9**	**37.3**

1. Acquisition costs relate to external costs incurred due the KKR/Affinity approach and proposed divestment of Vocus New Zealand

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Earnings Reconciliation – H1FY17

Reconciliation between the Underlying and Statutory Result

H1FY17 $m	EBITDA	EBIT	NPAT
Underlying Result	**187.2**	**142.8**	**91.8**
Significant Items:			
Gains on total return swaps	1.2	1.2	0.9
Gains/losses associated with foreign exchange	(1.6)	(1.6)	(1.1)
Loss on sale of share in Connect 8 JV	(2.6)	(2.6)	(2.6)
Acquired Customer Amortisation	-	(30.5)	(21.4)
Amortisation of Acquired Software Intangible	-	(13.2)	(9.2)
Acquisition & Integration Costs	(16.0)	(16.0)	(11.2)
Total Significant Items	**(19.0)**	**(62.7)**	**(44.7)**
Statutory Result	**168.3**	**80.1**	**47.2**

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Reconciliation - H1FY17 Reported to H1FY17 Adjusted Pro forma

Extract from Table 4.3 in the appendix of 30 June 2017 OFR:
Reconciliation from 1HFY17 Reported to 1HFY17 Restated & Pro forma

Discussed on Slide 11

($m)	H1FY17 Reported	H1FY17 Commander	CVC	Other	H1FY17 Restated	Nextgen 4 months	H1FY17 Pro forma	Subsequent Pro forma	Subsequent Reallocations	Subsequent Adjustments (excluding SAC)	Subsequent Adjustments - SAC	H1FY17 Adjusted Proforma
Revenue	**885.9**	**-**		**-**	**885.9**	**62.1**	**948.0**	**(5.8)**	**-**	**(6.0)**		**936.2**
Consumer[1]	517.6	(127.0)		5.5	396.1		396.1	(2.4)	-	(6.0)		387.7
Enterprise & Wholesale[2]	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**	**(2.7)**	**-**	**(11.3)**	**(20.8)**	**175.5**
Consumer[1]	135.0	(53.4)	(7.1)		74.5		74.5	1.1	(3.3)	(11.3)	(14.5)	48.5
Enterprise & Wholesale[2]	102.5	53.4	(0.9)	2.9	157.9	31.7	189.6	(3.8)	3.5	-	(4.8)	184.5
New Zealand	30.1	-	-	-	30.1		30.1	-	-	-	(3.5)	26.6
Group Services	(80.4)	-	8.0	(2.9)	(75.3)	(8.6)	(83.9)	-	(0.2)	(0.0)	(0.0)	(84.1)

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Australian Consumer KPI’s - Standardisation

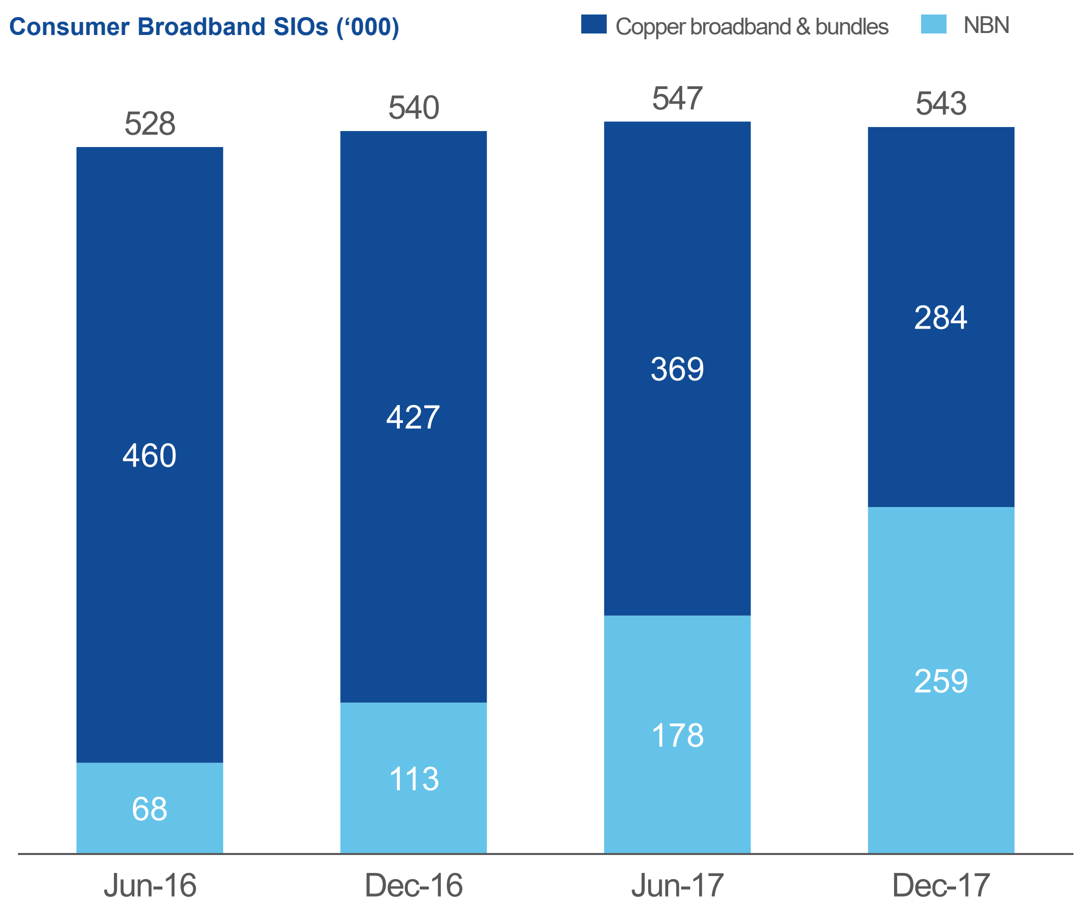
The definition, calculation and collation process for Consumer Broadband KPI’s have been reviewed and standardised as follows

- Calculations undertaken monthly, and then averaged over the 6 month reporting period
- ARPU (NBN and Copper)
  - Includes all recurring Fibre (NBN) or ADSL (Copper) revenues
  - Includes VoIP and broadband bundles revenues, plan discounts, payment processing fees, non direct debit and paper bill fees
  - Excludes hardware revenue, Fetch TV or Energy bundle revenues, termination fees, late payment fees
- ACPU (NBN and Copper)
  - Includes CVC and AVC (NBN), and third party data (ADSL) access fees, and third party VoIP costs for both NBN and ADSL
  - Includes allocation for backhaul and IP transit, both of which are minor costs overall
- Churn – calculated using dodo™ and iPrimus™ and is the percentage of all cancellations and services lost to competitors
- Refer to the appendix for a comparison of the revised and original KPI’s for the past 3 reporting periods

Australian Consumer - Key Statistics

	Dec-16[1]	Jun-17[1]	Dec-17[1]
ARPU$ copper broadband & bundles	58.65	60.11	59.99
AMPU$ copper broadband & bundles	23.16	23.82	24.64
ARPU$ NBN	62.12	63.38	62.00
AMPU$ NBN	19.84	18.34	18.94
Net churn copper broadband & bundles (%)	2.33%	2.49%	2.40%
Net churn NBN (%)	1.65%	1.57%	1.49%
Market share Consumer NBN (excl satellite)	7.3	7.3	7.7
Energy SIOs ('000)	160	161	151
Mobile SIOs ('000)	163	163	159

[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 Slide 33 and 35 for further information.



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Australian Consumer KPI’s - Standardisation

The definition, calculation and collation process for Consumer Broadband KPI’s have been reviewed and standardised. The table below shows a comparison of the originally disclosed KPI’s to the revised KPI’s

	Revised KPI's				Originally Disclosed			Variance		
	Jun-16	Dec-16	Jun-17	Dec-17	Jun-16	Dec-16	Jun-17	Jun-16	Dec-16	Jun-17
NBN										
ARPU	$57.63	$62.12	$63.38	$62.00	$64.54	$61.53	$64.23	($6.91)	$0.59	($0.85)
ACPU	$40.44	$42.28	$45.04	$43.06	$42.47	$38.17	$43.97	($2.03)	$4.11	$1.07
AMPU	$17.19	$19.84	$18.34	$18.94	$22.07	$23.36	$20.26	($4.88)	($3.52)	($1.92)
Churn	1.91%	1.65%	1.57%	1.49%	1.50%	1.30%	1.40%	(0.41%)	(0.35%)	(0.17%)
Copper broadband & bundles										
ARPU	$58.28	$58.65	$60.11	$59.99	$60.62	$61.56	$61.04	($2.34)	($2.91)	($0.93)
ACPU	$36.21	$35.49	$36.29	$35.35	$35.98	$36.47	$35.78	$0.23	($0.98)	$0.51
AMPU	$22.07	$23.16	$23.82	$24.64	$24.64	$25.09	$25.26	($2.57)	($1.93)	($1.44)
Churn	2.22%	2.33%	2.49%	2.40%	2.40%	3.00%	2.40%	0.18%	0.67%	(0.09%)

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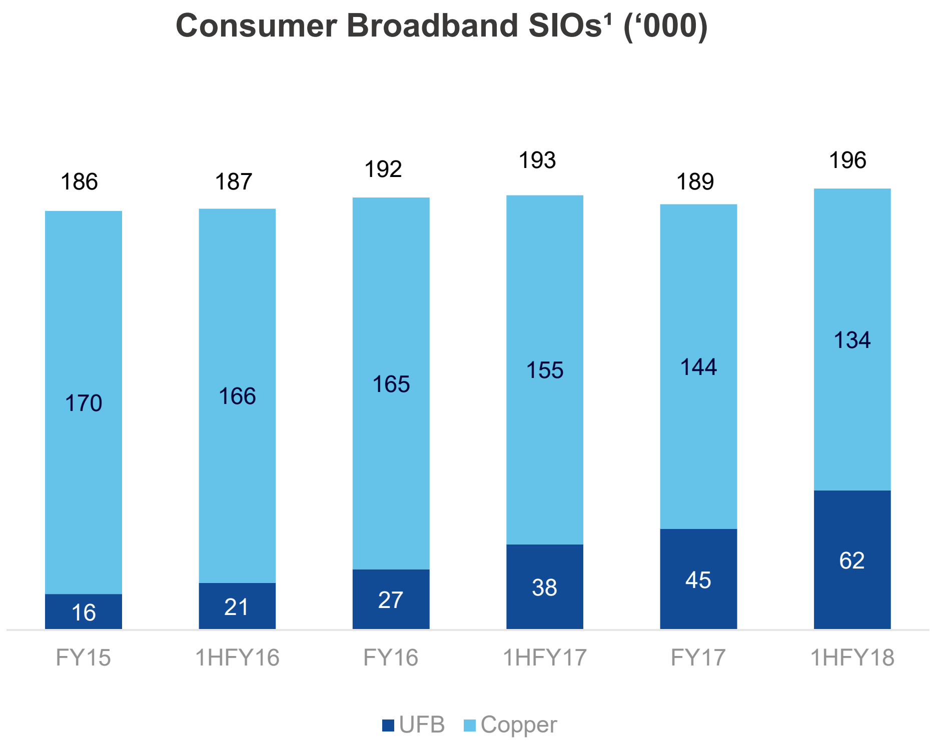
New Zealand- Key Statistics



	Jun-16	Dec-16	Jun-17	Dec-17
Broadband ARPU (NZ$)	71.37	71.88	71.21	71.10
Broadband AMPU (NZ$)	29.61	29.72	28.87	28.44
Net churn rate copper broadband (%)	2.80%	2.80%	3.00%	2.30%
Net churn rate UFB (%)	2.00%	1.80%	1.90%	1.60%
Market Share UFB (%)	11%	12%	13%	13%
Energy SIOs ('000)	-	2	5	12
Mobile SIOs ('000)	17	19	21	24
SMB SIOs ('000)	20	21	21	22

1. SIOs and other key consumer statistics prior to Dec 16 represent the M2 New Zealand consumer businesses
2. Market share UFB estimated based on April and May actuals and an estimate for June 2017 based on order volumes. Industry data not released for June 2017 yet.
3. ARPU and AMPUs per subscriber per month

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Subscriber Acquisition Costs (SAC)

$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**

- ✓ SAC balances for M2 were reset post merger in February 2016 as required by PPA
- ✓ Customer contract / relationships intangibles independently valued at that time, amortisation commenced and recorded "below the line"
- ✓ SACs in FY18/19 will be dependent on the rate at which SIOs are signed in the face of copper to fibre migration
- ✓ In FY19 a change in accounting standards will reduce the type and amount of SACs we can defer, analysis is ongoing

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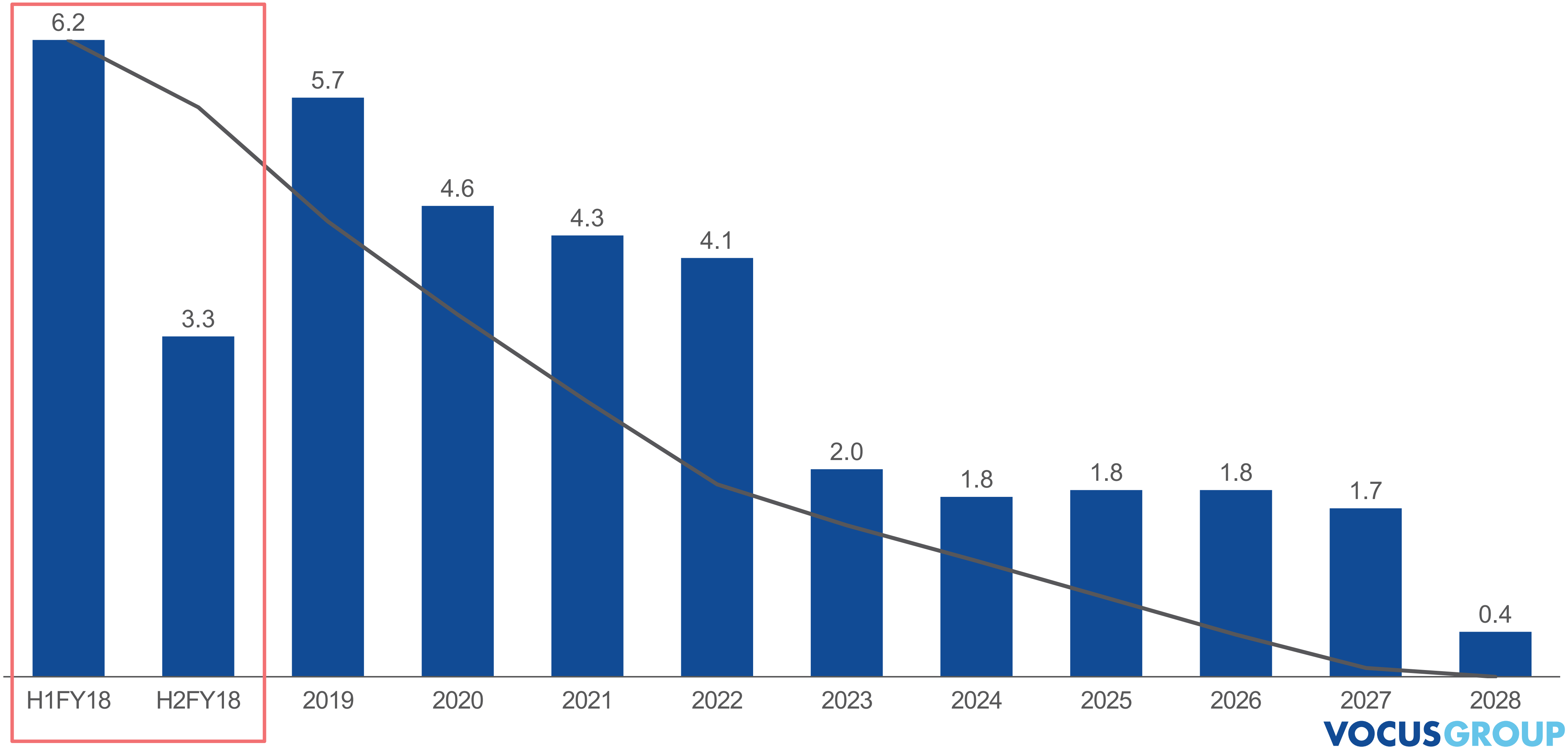
Onerous Provision Release



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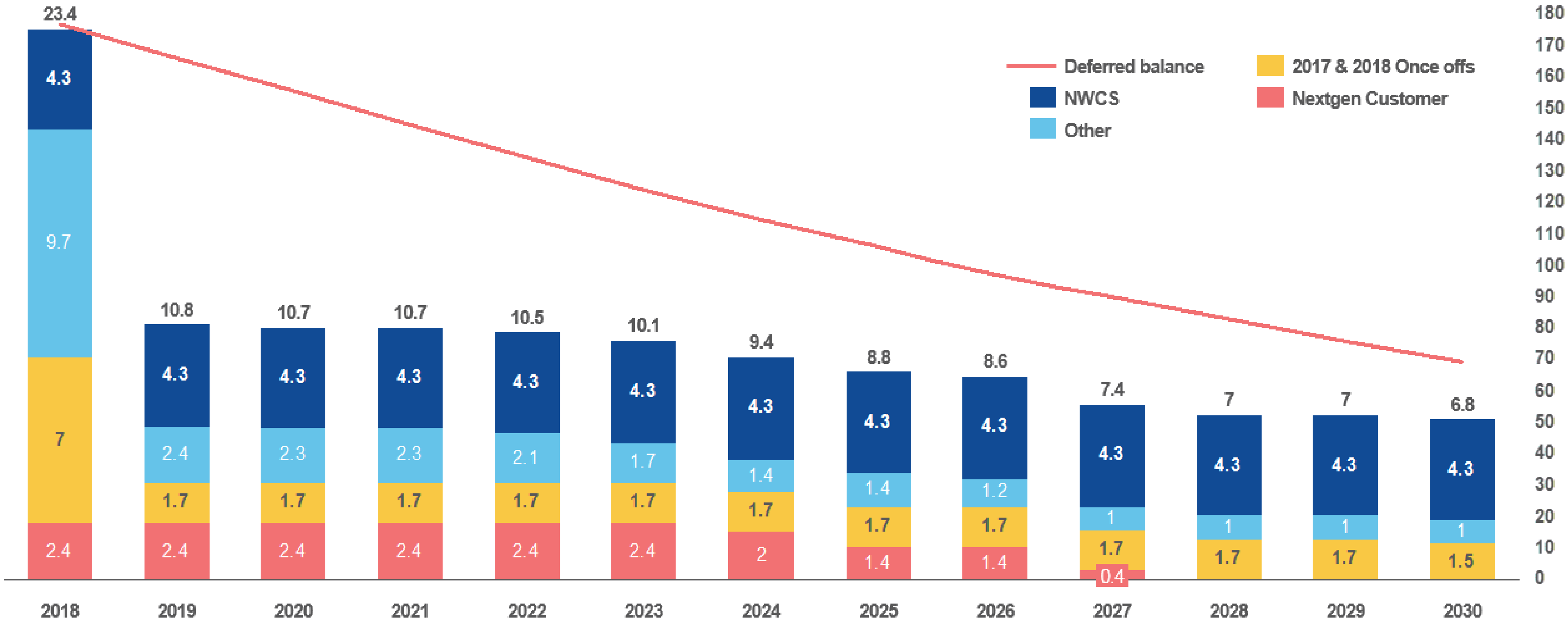
Deferred Revenue Profile



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

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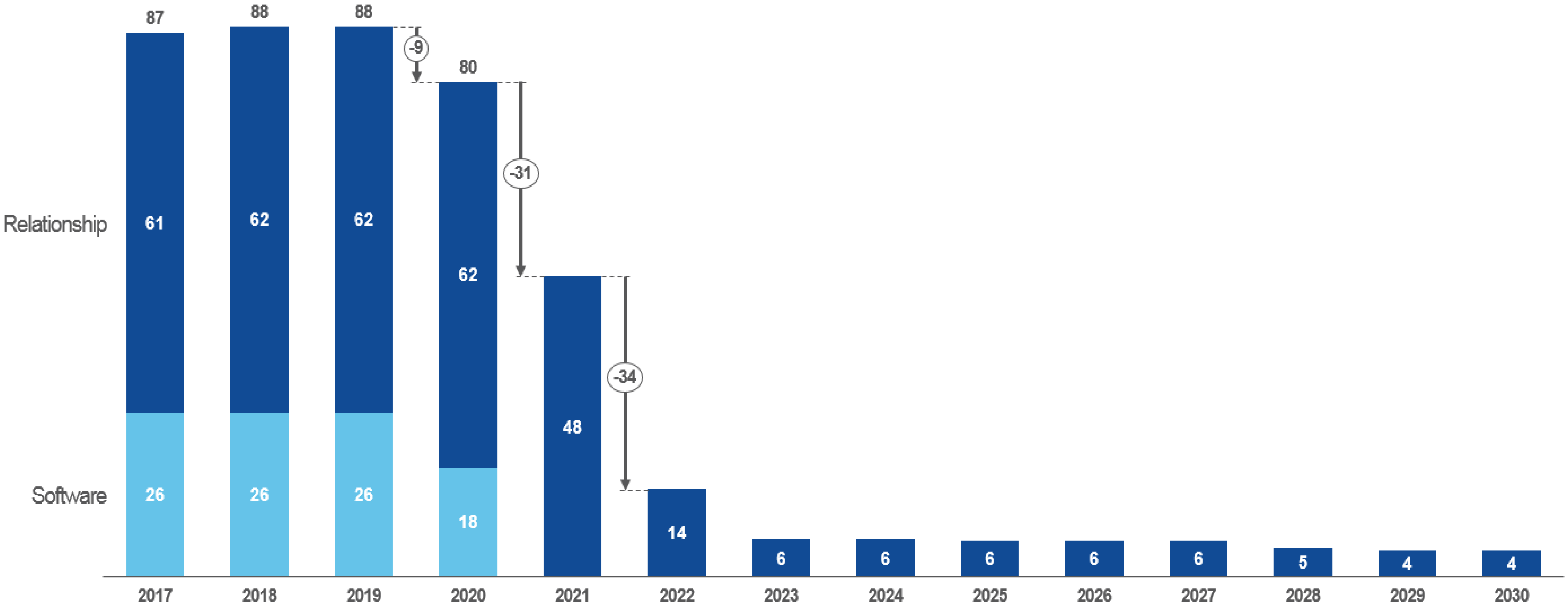
Below the Line Amortisation Profile



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Glossary of Terms

$	Australian dollars unless otherwise stated	**kms**	Kilometres
ACCC	Australian Competition and Consumer Commission	**MRR**	Monthly recurring revenue
AMPU	Average margin per user	**MSP**	Managed service provider
ARPU	Average revenue per user	**Naked DSL**	DSL broadband Internet connection that does not require a landline phone service
ASC	Australia Singapore Cable	**NBN**	National Broadband Network
AVC	Access Virtual Circuit – the bandwidth acquired by RSPs which can be allocated to end-user premises. The AVC is a virtual point to point connection from NBN's network boundary associated with end-user premises back to the POI	**NZ$**	New Zealand dollars
CAGR	Cumulative Average Growth Rate	**NPAT**	Net Profit After Tax
CSA	Connectivity Servicing Area. A logical collection of end users defined by nbn. Each CSA has approximately the same number of end-user premises	**NPS**	Net promoter score
CVC	Connectivity Virtual Circuit – Determines the capacity of an RSP to be able to serve each CSA. The CVC in virtual Ethernet broadband capacity acquired by an RSP that can be allocated by them to their aggregated AVCs at a CSA	**NWCS**	North West Cable System
Capex	Capital expenditure	**OCF**	Operating Cash Flow
cps	Cents per share	**OTT**	Over The Top Media Provider e.g. Netflix
D&A	Depreciation & amortisation	**PCP**	Previous corresponding period
DSL	Digital subscriber line	**PPA**	Purchase price accounting
DRP	Dividend reinvestment plan	**PPE**	Property plant & equipment
EBITDA	Earnings before interest, tax, depreciation and amortisation	**RBBP**	Regional Backbone Blackspots Program
EPS	Earnings per share	**RSP**	Retail service provider
FY	Financial year ending 30 June	**SIO**	Services in operation
IDA	Infocomm Development Authority of Singapore	**SX**	Southern Cross Cable
IRU	Indefeasible right of use	**UFB**	Ultra Fast Broadband

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