27 February 2019

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

ELECTRONIC LODGEMENT

Dear Sir or Madam,

H1 FY19 Financial results

In accordance with the Listing Rules, please find attached an ASX/Press Release and presentation to be delivered by Vocus Group Managing Director and CEO Kevin Russell and Group CFO Mark Wratten this morning.

A webcast for investors will be held at 9.30am today and can be accessed at https://vocusgroup.com.au/investors/company-performance/results/

Yours sincerely,
Vocus Group Limited

Ashe-lee Jegathesan
Company Secretary

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27 February 2019

CLEAR MOMENTUM IN VOCUS STRATEGIC TURNAROUND REITERATES FY19 GUIDANCE

Vocus Group Limited ("Vocus", ASX: VOC), a specialist fibre network services provider operating Australia's second largest inter-capital network, today announced its results for the half year ended 31 December 2018 and progress of its 3-year strategic business turnaround.

Vocus Group Managing Director and CEO, Kevin Russell, stated "Having closed out my first six-month period at Vocus, I have great confidence in the strategic growth opportunity for our Company, with the core of that opportunity being in our Australian infrastructure business, Vocus Networks. This is a 3-year turnaround and our Board and leadership team is very clear on the way forward. The turnaround program is well underway, and momentum and change has clearly been established. I would highlight the following key achievements over the last 6 months:

- Board renewal completed
- Organisation restructured into 3 distinct business units
- Leadership team rebuilt and remuneration aligned to 3 year turnaround
- Australia Singapore Cable ("ASC") launched
- Optus MVNO renegotiated, including path to 5G
- Network consolidation program commenced

"In August last year, I said that my key priority was building the right leadership team. I am delighted and confident with the progress we have made in recent months. We now have a group of experienced and driven leaders in place, who can deliver the execution challenge and maximise our future potential.

"With the new leadership team in place, we will continue to build momentum. I am pleased to reiterate our expectations for FY19 Underlying EBITDA to be between $350m - $370m," concluded Mr Russell.

Business Performance

Revenue increased slightly on the previous corresponding period (pcp) to $974.2 million, supported by growth in Vocus Networks but offset by declining revenues in Vocus Retail. Underlying earnings before interest, tax depreciation and amortisation (excluding share-based payments) decreased 7% on the pcp to $176.4 million. Cash conversion in the period was strong at 98% but is expected to have a sustainable level of between 90% and 95%. Capex decreased 8% on the pcp as the business reviewed spending in the context of strategic opportunities for growth.

Vocus Network Services (Enterprise, Government and Wholesale segment) delivered accelerating new sales, in part due to investment in the sales team. In addition, demand for capacity on the Australian Singapore Cable, which was delivered ahead of schedule and under budget, continues to be strong, with 3.2TB of capacity now sold. Strong sales momentum was, however, offset by higher than normal churn and provisioning cadence, both of which are being addressed as a priority.

Vocus Retail (Business and Consumer) is an important turnaround opportunity, where we have substantial legacy revenue from fixed broadband and voice services. Whilst revenue is declining in the Retail brands, sales and service automation and digitisation has resulted in significant cost reduction, particularly from our Manila-based outsource provider, where headcount has reduced by 25%. The sharp focus on cost reduction resulted EBITDA margin improving to 13%, up from 12%.

The NBN also creates significant challenges. The variable nature of NBN pricing is incompatible with the fixed prices paid by end consumers. The complexity of NBN pricing, together with a lack of pricing stability, add operational complexity and hence cost. For these reasons, NBN broadband is economically unattractive, especially for new customers in our Consumer brands. Consequently, we do not intend to grow NBN share in this market but will focus on optimising the broadband experience for existing customers.

There is real equity in the Dodo, iPrimus and Commander brands and we will grow these brands in the markets where it makes economic sense. The Optus MVNO deal signed in December gives Vocus the ability to participate in the wireless broadband and mobile market, including the coming 5G environment, and to take advantage of the opportunities in the wireless market across all our brands, including applications for business within Commander. Energy is also a focus for our retail business, and multi-product bundling is expected to drive growth across the board.

We are strongly committed to the small business market and the Commander brand. After a period of under-investment in this area, we have, in recent months, taken significant steps to reinvigorate Commander, including customer retention programs, new products and pricing, completely refreshed branding, and a revitalised partner and distribution network.

Outlook

The Company reiterates its FY19 expectations as stated on 22 August 2018, with Underlying EBITDA expected to be between $350m - $370m.

Webcast for Investors

Group Managing Director and CEO Kevin Russell and Group CFO Mark Wratten will hold a webcast for investors at 9.30am on 27 February 2019. To join the webcast, please go to our website:
https://vocusgroup.com.au/investors/company-performance/results/

ENDS

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About Vocus

Vocus Group Limited (ASX: VOC) is a specialist fibre network services provider operating Australia's second largest inter-capital network as well as back haul fibre connecting most regional centres in Australia. Vocus also operates an extensive and modern network in New Zealand, connecting the country's capitals and most regional centres. In total, the Vocus terrestrial network is c.30,000 route-km of high performance, high availability fibre-optic cable supported by 4,600km of submarine cable connecting Singapore, Indonesia and Australia and 2,100km of submarine cable between Port Hedland and Darwin and connecting offshore oil and gas facilities in the Timor Sea. Vocus owns a portfolio of brands catering to enterprise, government, wholesale, small business and residential customers across Australia and New Zealand.

FY19 Interim Results Presentation

27 February 2019

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VOCUS IS A SPECIALIST FIBRE NETWORK SERVICES PROVIDER
OPERATING AUSTRALIA'S SECOND LARGEST INTERCAPITAL NETWORK

Resetting Vocus – Clear momentum on strategic turnaround

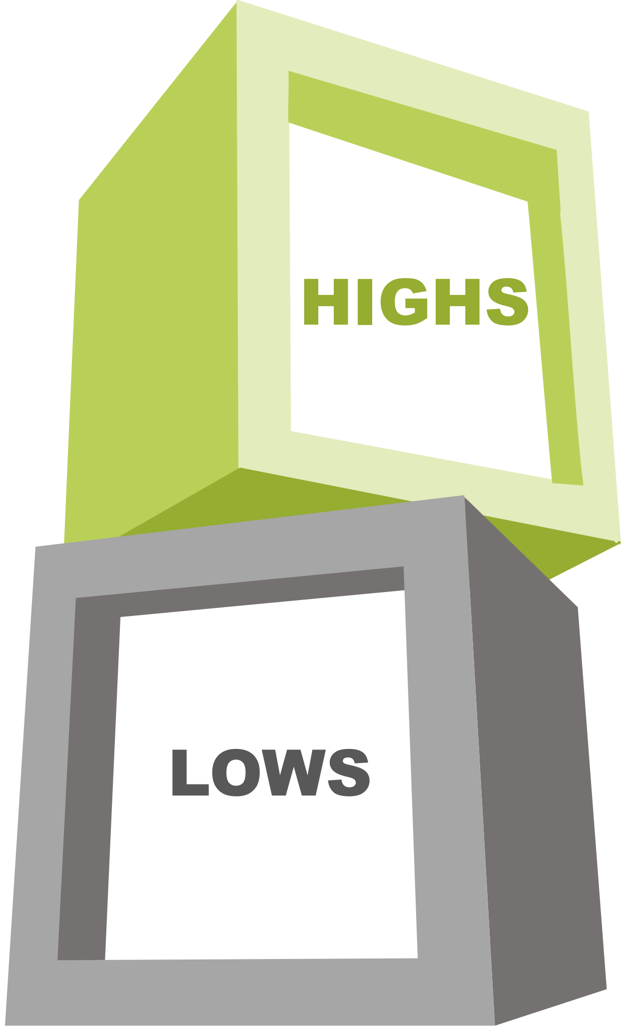
THE RESET Aug '18

- 3 year turnaround - focus is long term value creation
- Growth potential is greater than we have challenged ourselves to realise
- Target to double revenue from Enterprise, Government and Wholesale in 5 years
- Culture and technology must be critically differentiating enablers
- Cost management must be a core part of our DNA

PROGRESS IN H1 FY19

- ✓ Board renewed
- ✓ Organisation restructured into 3 distinct business
- ✓ Leadership team rebuilt and remuneration aligned to 3 year turnaround and value creation
- ✓ Company values launched
- ✓ Australia Singapore Cable launched
- ✓ Optus MVNO renegotiated (path to 5G and economics constructed for scale growth)
- ✓ Strengthening and extending secure network capability
- ✓ Commenced network consolidation

H1 FY19 Results – Highs and Lows



- ✓ **Accelerating new sales momentum in Vocus Networks-Services (EGW)[1]**
- ✓ **Coral Sea Cable project, a sub-sea cable connecting Solomon Islands and Papua New Guinea to Australia, is on track**
- ✓ **Significant cost out of Consumer business – redesign sales and service channel (Manila operations)**
- ✓ **Cash conversion strong at 98%**
  - Sustainable range of 90% - 95% (subject to normal movements either side)
- ✓ **Improving debt profile post significant ASC capex investment**

- ✗ **Vocus Networks-Services (EGW)[1] revenue growth impacted by**
  - Capacity planning and poor provisioning process
  - Higher than normal churn due to industry consolidation and legacy contracts
- ✗ **Vocus Retail (Consumer and Business)[1] margin decline**
  - Customer churn and legacy PSTN erosion in Business
  - NBN impact and energy SIOs in Consumer

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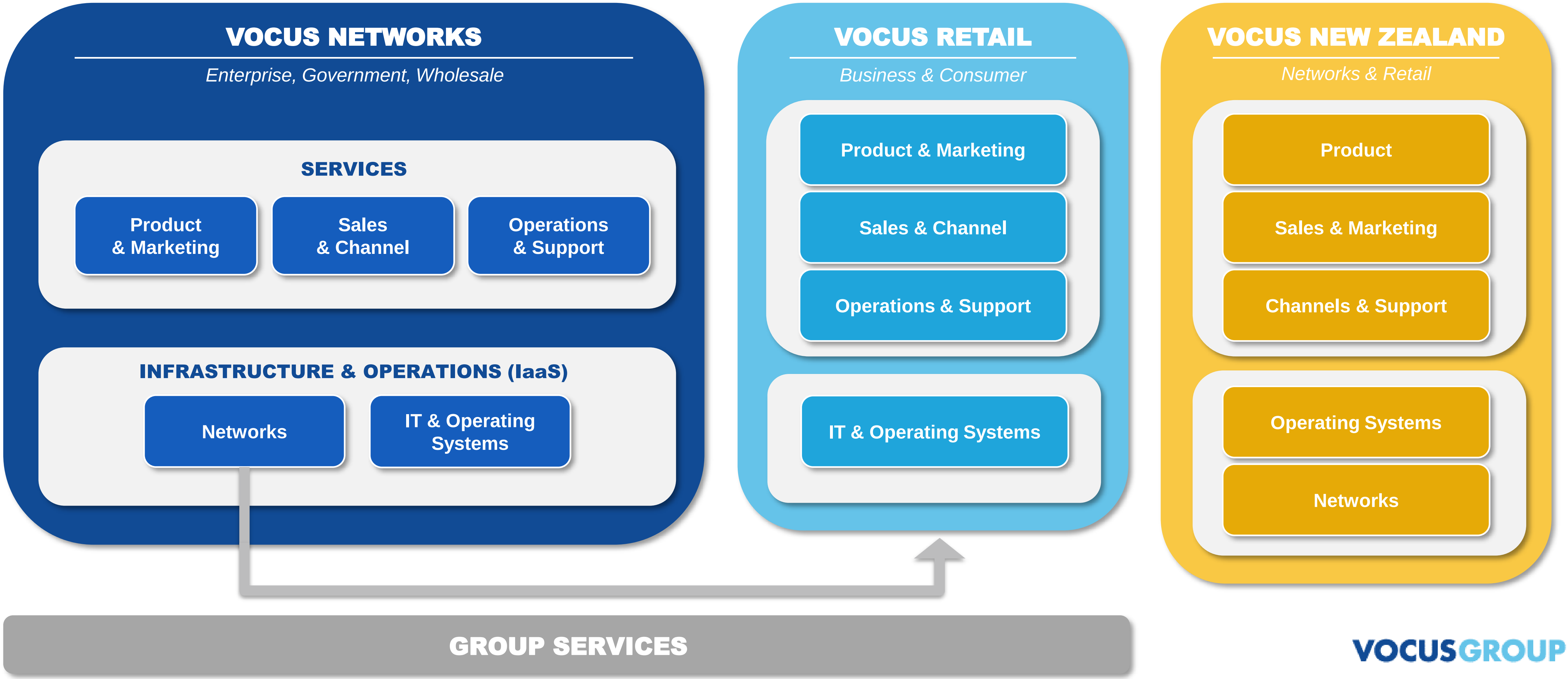
[1]. Operating structure (see slide 5).

Resetting Vocus

Resetting Vocus – Operating structure aligned to three distinct businesses

Leadership incentivised with Vocus Group LTI



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Resetting Vocus – Fibre infrastructure is our core asset and opportunity

1. **Australian inter-capital network – 16,400 km[1]**
   - Australia's second largest national inter-capital fibre network
   - Combined with ASC, provides single operator assured services between Asia and East Coast Australia
2. **Australia Singapore Cable (ASC) – 4,600 km**
   - New high capacity route to Asia (and onto Europe) replacing ageing and unreliable SeaMeWe3 system
   - Strong growth expected as internet traffic swings to the West
3. **North West Cable System (NWCS) – 2,100 km**
   - Connecting offshore oil & gas facilities in the Timor Sea, between Port Hedland and Darwin
   - No other sub sea cable in this region
4. **Australian metro network – 5,500 buildings on net**
   - Good coverage in major CBDs
5. **New Zealand inter-cap network – 4,200 km**
   - Uniquely positioned to maximise further Trans-Tasman opportunities across Enterprise market segment

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[1] Including RBBP fibre.

Resetting Vocus – Prioritising opportunities to further strengthen and differentiate core fibre assets

The strength of the Vocus network is moving high volumes of data around Australia, to and from Asia and the USA

1. **Extending the reach of our secure infrastructure (completion 2019)**
   - Dedicated national secure network, secure NOC, secure provisioning team
   - Safeguarding against ever increasing cyber threats
   - Second only to Telstra in geographic reach and service breadth
2. **Reviewing strategic fibre builds into new geographic markets**
   - Metro & Regional 5G backhaul
   - Connecting ASC / NWCS through oil rich Timor Sea & North West Shelf, and mining focused Pilbara region
   - Connecting Southern Indonesia from NWCS
3. **Broadening International assets and improving diversity**
   - ASC enables strategic international swaps into Asia to build network reach and opportunity
   - Capacity on Indigo enables protected services from Perth to Singapore
   - Connecting ASC and NWCS would "complete the national loop" – secure and enhanced reliability of northern and west coast Australian communications network

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Resetting Vocus – Align target markets with network capability. Fewer. Bigger. Bolder

Fibre infrastructure assets are critical to support a 5G enabled and cloud connected world

	Key verticals	Differentiation / Leadership
1 Enterprise	Financial services Oil & Gas Mining	• Financial services – high reliability fibre optimised for trading, domestic and regional trade flows • Oil & Gas, Mining – reliable network in geographically remote regions
2 Government	Federal and State Government Defence and Defence Industries	• Build Government grade secure networks and product • Security enabled cloud services • Australian owned and operated
3 Wholesale	OTTs Data Centres 5G Networks	• On net carriage from Sydney to Singapore – enable domestic and international carriers / OTTs to operate domestically, AsiaPac and US • Breadth and diversity of inter-city reach • Regional 5G backhaul

Target – double revenue in Vocus Networks - Services (EGW) by 2023

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Resetting Vocus – Reshaping technology capability and economics

In 3 years, Technology must be a competitive differentiator and enabler of growth

	Now	End CY2021	End CY2022
1 BSS Consolidation	8 BSS stacks 12 Billing systems	2 BSS stacks 2 billing systems	--
2 Network consolidation	6 networks	--	1 network
3 Programmable network	Manual provisioning process takes weeks and months	Automated provisioning can take minutes	--

Financial Aspiration 2023

- Double revenue in Vocus Networks by 2023 whilst delivering:

- Net OpEx reduction of c.$30m from Infrastructure & Operations[1]
- Annual capex savings of c.$30m
- Investment funded within existing capex envelope

Investor update on Network and System consolidation - mid May 2019

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1. As defined Slide 5

Resetting Vocus – Legacy business declining but Vocus Retail is a turnaround opportunity

CHALLENGES

- Existing margin mix dominated by Fixed Broadband
- Legacy fixed voice in Business
- NBN is complex and economically unattractive
- Inefficient existing legacy systems

OPPORTUNITIES

- Real brand equity: Commander, Dodo, iPrimus
- Significant customer base, in complementary segments
- New Optus MVNO opportunity, including 5G
- New experienced leadership team
- Valuable energy business
- Significant cost out opportunity
- Cash generative

Resetting Vocus – Vocus Retail – 3 year reset on role, market opportunity and capability

THE RESET

- Focus on growing cash returns
- Operated independently from Vocus Networks

- Small business
- Mobile and 5G / fixed wireless
- NBN where viable
- Cross product bundles

- Digital
- Base management

FIXED WIRELESS & MOBILE vs NBN

- Big mobile market share upside for Commander, Dodo and iPrimus
- 5G path for business applications
- “Fit for purpose” wholesale pricing construct in mobile
- Simpler, enabling lower operating cost
- Commercial and strategic partnership with Optus vs. price taker from government monopoly

Resetting Vocus – Experienced and motivated leadership team established

Building a team for the challenges of today and who can maximise opportunities of the future

CEO – Kevin Russell (28 May 2018)

NETWORKS SERVICES

E & G – *Andrew Wildblood* / W – *Mark Callander*[1]

- Products & Marketing
- Indirect & Partnership
- Government Affairs

INFRASTRUCTURE & OPERATIONS

COO – *Ellie Sweeney*[2]

- CTO
- Application & Program Delivery
- Customer Delivery[1]
- CIO
- Commercial & Business Optimisation

GROUP SERVICES

- **CFO** *Mark Wratten*[3]
- **GC & CoSec** *Ashe-Lee Jegathesan*[3]
- **People & Culture** ***Amber Kristof***
- Commercial
- Regulatory Affairs
- Strategic projects

VOCUS RETAIL

Retail
Antony De Jong

- Chief Customer Officer[4]
- Products & Marketing (Consumer)
- Products & Marketing (Business)
- Sales - Consumer (Direct & Indirect)[4]

- 18 executive appointments / new functions since CEO appointed (shown in green)
  - 19 executive departures
  - Has not increased annualised cost base (Base and STI) for this group
  - Incremental cost is equity based LTI
  - No recruitment fees for these appointments
- Filling significant and critical gaps
  - Product
  - Enterprise capability
  - Future state networks and technology
  - Key professional functions – People & Culture, Commercial, Regulatory, Government Affairs
- Adding experience and market knowledge having immediate positive impact
  - Team engagement +5%

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[1] Appointed pre-CEO, but expanded role. [2] Start date 11 March 2019. [3] Appointed pre CEO. [4] Interim appointees.

H1 FY19 Financial Performance and Guidance

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Group financial summary

A$m	H1 FY19 Reported	H1 FY18 Reported	% change
Revenue	974.2	967.3	+1%
Underlying EBITDA (ex share-based payments)(1)	176.4	189.5	-7%
EBITDA Margin	18.1%	19.6%	-150 bps
Underlying NPAT(2)	48.8	68.6	-29%
Cash Conversion(3)	98%	68%	+34%
Capex (exc. ASC)	73.1	79.5	-8%
Net Leverage Ratio	3.08x	2.87x	n/a

- H1FY19 revenues flat to pcp - Vocus Networks - Services[4] (VN-S) revenue growth offset by declining revenues in Retail (Business[5] and Consumer)
- Underlying EBITDA down 7% on pcp
  - Declining performance in Business and increased Technology costs
  - Lower EBITDA margin from one off projects and increasing Wholesale NBN SIO's
- Underlying NPAT decline due to above EBITDA reduction, higher D&A and increased finance costs
- Cash conversion of 98% assisted by upfront receipt of IRU payments on ASC. Sustainable level in range of 90-95%
- Capex being managed tightly. Focus is on growth opportunities, digital enablement and network capacity
- Closing net debt of $1,089m. Period end NLR 3.1 x EBITDA

1. Underlying EBITDA excludes share-based payment expense of $5.7m in H1 FY19 and $0.7m in H1 FY18.
2. Refer to Appendix and OFR for a reconciliation from Underlying EBITDA to Underlying NPAT.
3. Cash conversion % is calculated by dividing Adjusted Operating Cashflow by Underlying EBITDA. Refer to OFR for detailed cashflow table.
4. Vocus Networks-Services (VN-S) formerly known as Enterprise, Government and Wholesale (EG&W).
5. Business – formerly known as Commander.

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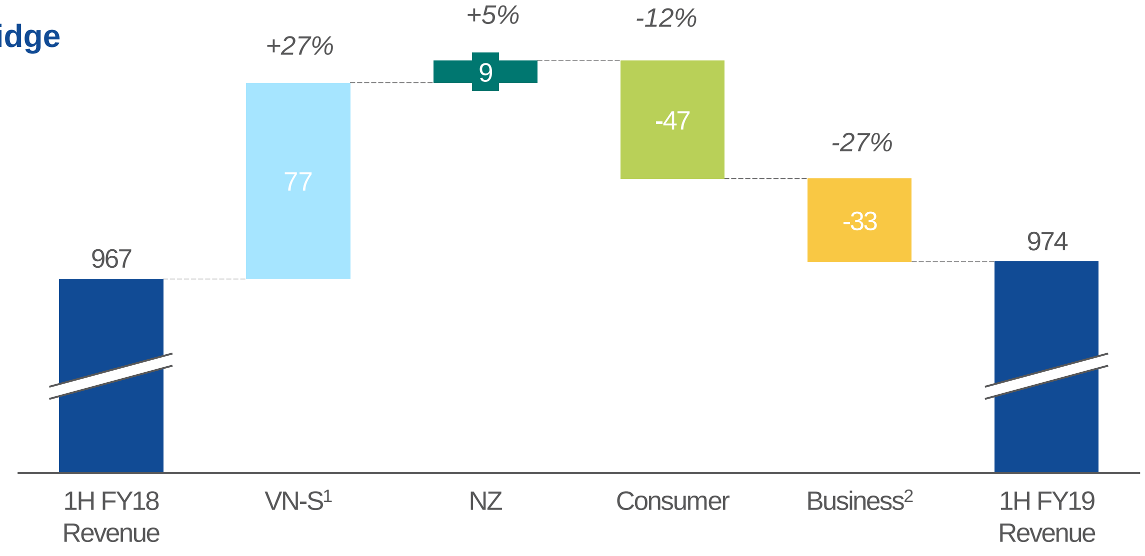
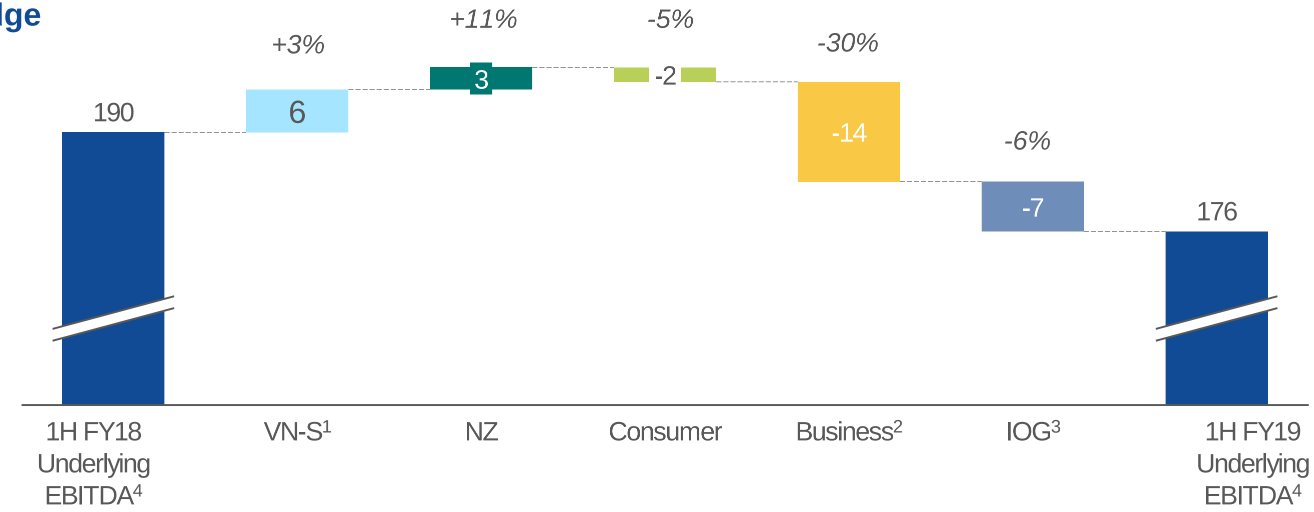
Revenue and EBITDA summary

Revenue bridge
(A$m)



EBITDA bridge
(A$m)



- Group revenues relatively flat against H1 FY18
  - Vocus Networks-Services[1] and NZ growth offset Consumer and Business[2] declines
  - Material revenues from the Coral Sea Cable project included in Vocus Networks-Services
- Group underlying EBITDA (ex share-based payments) declined $13m v H1 FY18
  - Vocus Networks-Services[1] EBITDA growth lagged revenue due to lower margin one-off projects and NBN wholesale growth
  - Consumer EBITDA flat as significant cost out program offset revenue decline
  - Business[2] decline in line with revenue reduction
  - Infrastructure, Operations and Group (IOG)[3] costs higher due to incremental resources and non repeating benefits enjoyed in H1 FY18

1. Vocus Networks-Services (VN-S) formerly known as Enterprise, Government and Wholesale (EG&W).
2. Business - formerly known as Commander.
3. Infrastructure, Operations and Group (IOG) formerly known as Group Services. Includes network and technology costs.
4. Underlying EBITDA excludes share-based payment expense.

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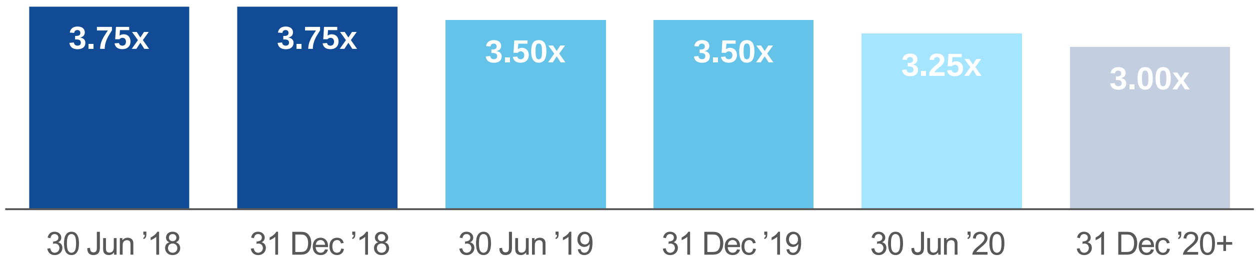
Gearing well within covenants and cash conversion strong

A$m	As at 31 Dec '18	As at 30 Jun '18
Borrowings (per the balance sheet)	1,145.6	1,059.1
Cash	56.4	57.9
Net Debt	1,089.2	1,001.2
Net Leverage Ratio (≤ 3.75x)	3.08x	2.73x
Interest Cover Ratio (≥ 5.00x)	7.7x	8.9x
Maximum Gearing Ratio (≤ 60.0%)	31.7%	30.0%

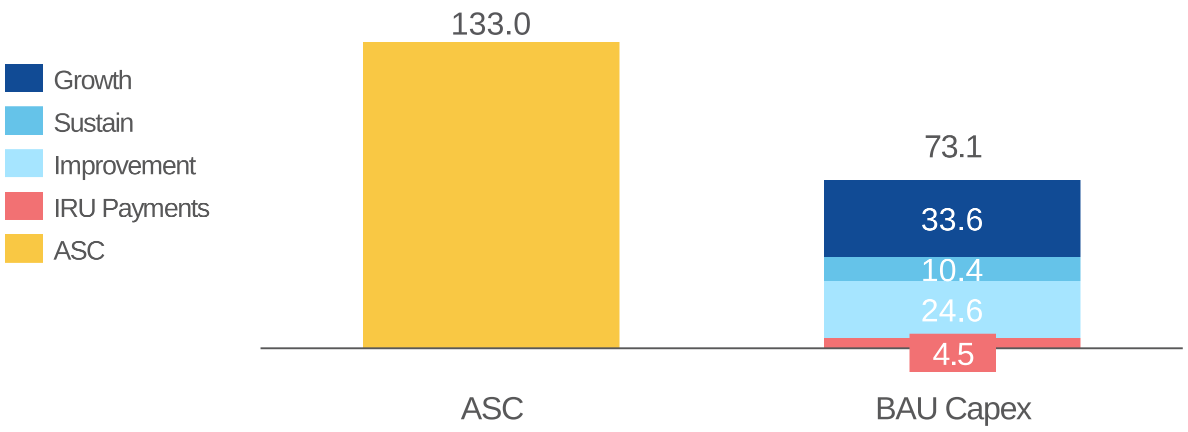
Maximum Net Leverage Ratio



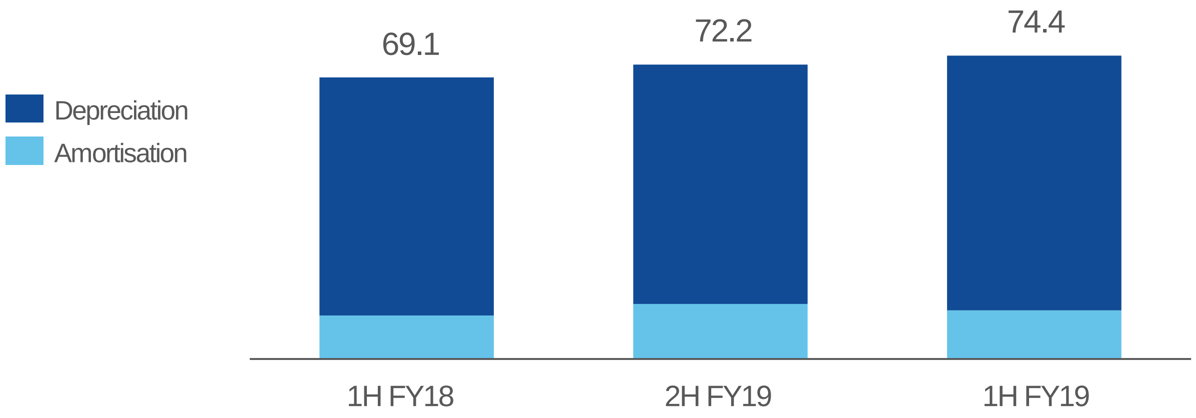
- Net debt increased by $88m, principally due to funding ASC project ($133m)
- Cash conversion strong at 98%
  - Included an up front IRU receipt of $26m relating to long term ASC IRU
  - Sustainable level in range of 90-95%
- NLR peaks at 3.08x against a covenant of 3.75x
- Other covenant ratios are well within range
- Expect to de-leverage from this point forward through continued high cash generation

Capital expenditure and underlying D&A

1H FY19 Capital Expenditure By Asset Type
(A$m)



Depreciation and Amortisation Profile
(A$m)



- ASC project capex of $133m in H1 FY19
  - Final payment of $8m expected in H2
  - Project to come in under budget (and guidance[1]) by c.$10m, due to strong project management and favourable FX hedging
- Capex being managed tightly. Focus is on growth opportunities, digital enablement and network capacity
- H2 capex will be higher, with total for FY19 to be in line with original guidance of $160-170m
- D&A increased mainly due to ASC completion. Will be higher again in H2 for same reason. No change to full year guidance of $160-165m

1. FY19 Guidance of $162m included $10m ASC project completion payment to Ontario Teachers Pension Plan. This payment was made in H1 FY19 upon ASC reaching “Ready for Service” status. The cash outflow is shown separately in the Investing Activities section of our Cash Flow Statement within our Financial Statements.

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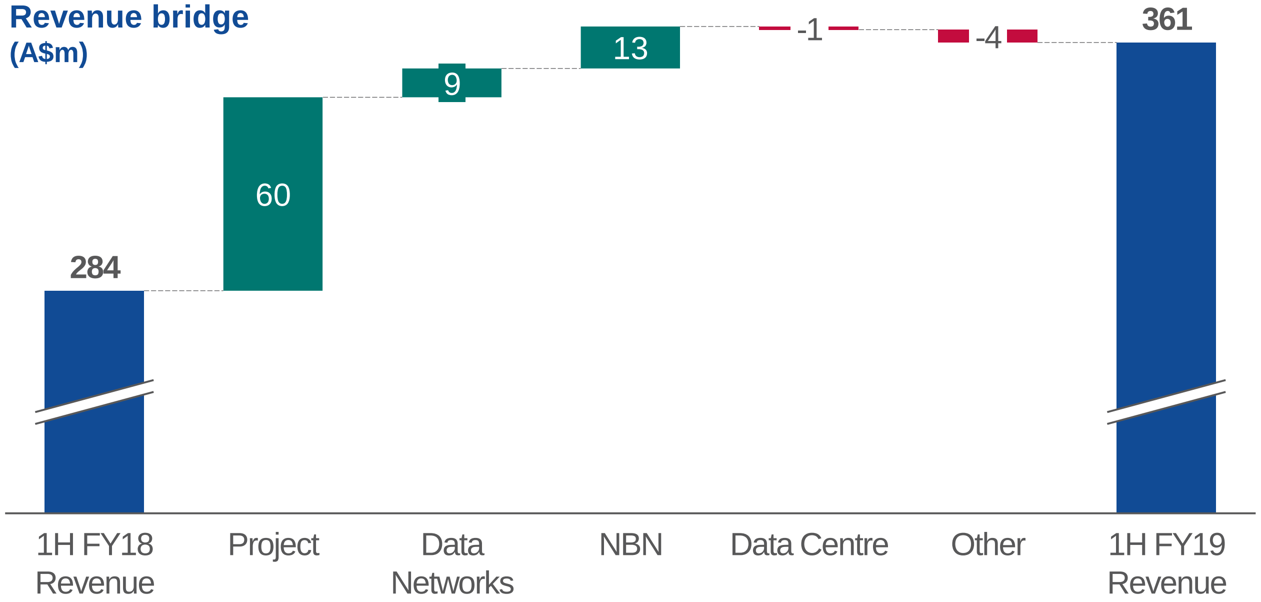
Vocus Networks–Services (EGW) – sales gaining momentum

Revenue bridge
(A$m)



A$m	1H FY19	1H FY18	$ change	% change
Revenue	**360.9**	**283.8**	**+77.1**	**+27%**
Recurring	291.8	274.5	17.3	+6%
Project	69.1	9.3	59.8	n/a
EBITDA	**166.9**	**161.4**	**+5.5**	**+3%**
EBITDA Margin	46.2%	56.8%	n/a	n/a

- Project revenue is predominantly Coral Sea cable system (CS2)
  - Due to be completed by Dec 2019
- Accelerating momentum in new sales - recurring revenues up 6% on pcp
  - Investment in enterprise sales teams
  - Growth in Wholesale NBN SIO's and revenues
  - Successful launch Australia Singapore Cable (ASC) with 3.2TB sold
- Improving sales performance offset by:
  - Higher churn than normal due the end of legacy Nextgen contracts and industry consolidation with TPG / Vodafone merger
    - Account management and commission structures reworked to ensure focus on customer retention and revenue protection
  - Industry price erosion continues to have an impact on re-sign activity
- Service delivery lagging accelerating sales
  - Strong ASC sales pipeline required focused delivery resource in Q2 which impacted activation of other services
  - Manual provisioning processes on multiple networks still a major pain point
  - Resources allocated and projects under way to improve delivery in H2
  - Automated provisioning is a key focus of network and systems consolidation across teams
- Lower EBITDA margins % due to revenue mix
  - CS2 is a construction project with lower margins
  - Lower margin Wholesale NBN growth

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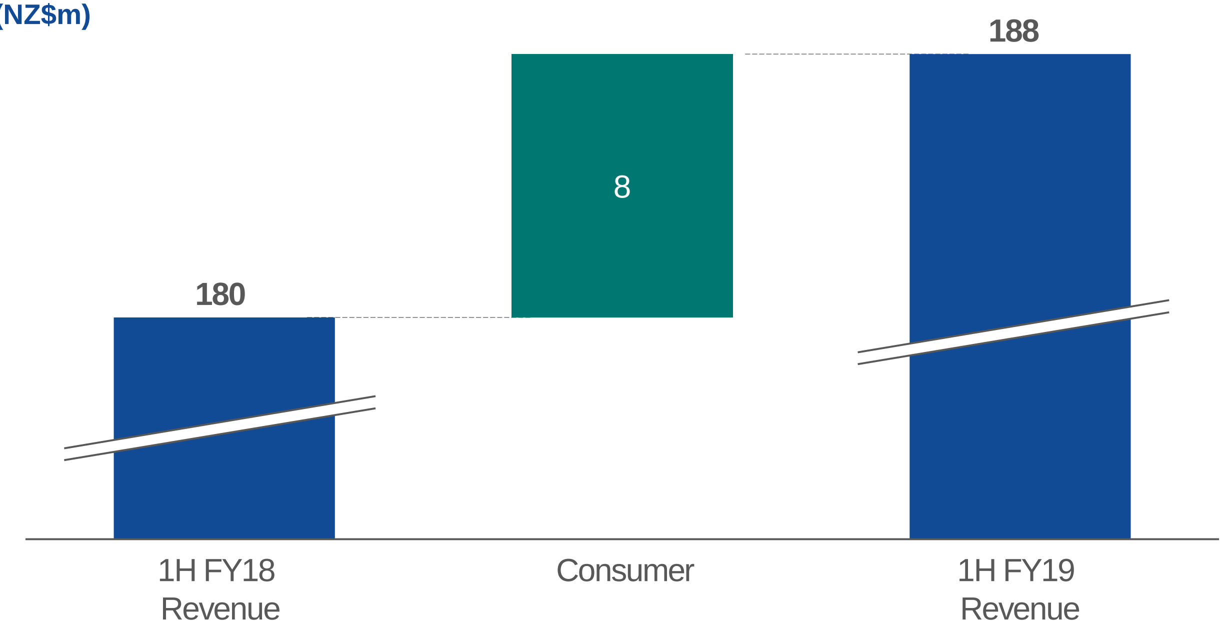
New Zealand[1] – performing strongly

Revenue bridge
(NZ$m)



NZ$m	1H FY19	1H FY18	$ change	% change
Revenue	**188.2**	**180.4**	**+7.8**	**+4.3%**
EBITDA	**30.6**	**27.8**	**+2.8**	**+10.1%**
EBITDA Margin	16.2%	15.4%	n/a	n/a

Revenue growth

- Consumer – up 8% on pcp
  - Bundling energy and mobile services across Slingshot and Orcon brands, plus increased fibre penetration
- Enterprise and Wholesale – flat
  - Growth in medium enterprise off-set by market price erosion across voice and data services

EBITDA growth

- Consumer
  - Fibre and energy product upselling, together with improved customer retention strategies
  - Process automation delivering lower costs to serve through headcount reductions
- Enterprise and Government
  - TaaS product development completed, focus is on increased sales and marketing investment
  - Effective management of overheads in non-sales areas
- Wholesale
  - Targeted growth leveraging core network assets gaining strong momentum

1. All amounts are disclosed in New Zealand dollars.

Consumer – digitisation offsets declining legacy product contribution

Metrics	1H FY18	2H FY18	1H FY19
NBN SIOs (000s)	259	298	324
AMPU$ NBN	18.94	20.84	21.14
Market share Consumer NBN	7.7%	7.4%	6.9%
Mobile SIOs (000’s)	159	155	169
Energy SIOs (000’s)	144	140	129

A$m	1H FY19	1H FY18	$ change	% change
Revenue	**350.4**	**397.0**	**-46.6**	**-12%**
EBITDA	**45.5**	**47.8**	**-2.3**	**-5%**
EBITDA Margin	13.0%	12.0%	n/a	n/a

- Broadband and Voice revenue decline in legacy products offset by growth in NBN and Mobile services
- AMPU increase due to “Focus on 50” campaign – will decline in H2 due to changing pricing construct
- Digitisation and automation a key focus area for sales and service
  - Improved sales ordering funnels in Dodo and iPrimus and now moving to add capability for multi-product shopping basket
  - MyDodo self-service portal launched in Dec 2018
  - ~25% reduction in offshore headcount pcp with further plans in train to drive lower cost of acquisition and cost to serve
- New Optus MVNO agreement with pathway to 5G
- Increased market competition in Energy being addressed with new headline electricity pricing (and less emphasis on discounting)
- Sharper focus on improving profitability across existing customer base rather than “growth at any cost” approach for NBN

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Business – re-committed to Commander

Metrics	1H FY18	2H FY18	1H FY19
Legacy Revenue ($m)	87	73	59
NBN & VOIP Revenue ($m)	18	20	20
Mobile Revenue ($m)	3	2	2
Energy Revenue ($m)	13	11	8
Unit Cost to Serve[1]	n/a	$2.61	$2.64

A$m	1H FY19	1H FY18	$ change	% change
Revenue	**88.6**	**121.2**	**-32.6**	**-27%**
EBITDA	**33.1**	**46.9**	**-13.8**	**-29%**
EBITDA Margin	37.3%	38.7%	n/a	n/a

- NBN roll out reducing legacy revenue (PSTN, ISDN and ADSL), which needs to be offset by growth in NBN product revenue
- 'Base management' – migrate legacy voice customers to NBN
  - Dedicated retention team to reduce churn
  - 24x7 Technical support introduced
  - Instant connectivity gateway to address activation delays and outages in fixed services
- Reinvigorate demand and value proposition
  - Sales momentum increasing particularly through existing accounts
  - Commander brand relaunch in Feb 2019
  - New website and digital sales channel now live
  - Growing indirect channel through new partnerships
  - Refreshed range of new offers including NBN and Mobile promotions
- Now addressing all Retail segment opportunities
  - Newly formed Business and Consumer leadership group
  - Projects underway for single Reporting, new BSS and contact centre technologies

1. Offshore outsourcing costs

Reiterating FY19 underlying EBITDA guidance

We are investing in FY19 to drive revenue and earnings growth in FY20 and beyond

2019 | 2020 | 2020+

2019

- Underlying EBITDA expected to be in the range of $350m – $370m
  - After share based LTI payments
- Capex to be $160 – $170m (excl. ASC)

2020 / 2020+

- Expect H2 to be stronger than H1
  - Leadership team in place
  - Full 6 months contribution from ASC
  - Benefit of MVNO deal
  - Further cost savings across the business
  - Improvements in service delivery cadence

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Key Takeaways

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Key takeaways

1. This is a 3 year turnaround – Board and leadership are very clear on way forward
2. The core growth opportunity lies in Vocus Networks
3. Foundational progress after 6 months is strong – leadership capability is key
4. Big economic prize in network consolidation and system simplification
5. Vocus Retail is being significantly reset and is a valuable opportunity
6. Vocus New Zealand growing strongly
7. Reiterating FY19 EBITDA guidance range of $350m - $370m

Appendix

NBN is unattractive due to economics and complexity

NBN is currently not economic or sustainable in the Consumer market

Key issues

- Variable nature of NBN pricing model (CVC) is incompatible with fixed prices paid by end users
  - Resellers unable to construct products, that customers want, with sustainable profit margins
  - Resellers need fixed price plan constructs that allow for ever increasing data consumption[1] by consumers
- Lack of pricing stability and multiple pricing constructs
  - Significant administrative and operational complexity
  - Increases operating costs and impacts margins
- Inconsistent customer experiences
  - Mixed technology of NBN creates additional pain points
- NBN pricing is simply too high
  - If NBN cannot lower pricing, RSPs will be forced to charge consumers more

1 Consumer

- **No profit margin** after costs to migrate, acquire and serve, together with backhaul and other admin and operational costs
- Cashflow negative after providing modems and backhaul IRU's
- Churn lower for now, but will likely revert to higher levels at end of NBN roll out, further worsening the economics

2 Business

- Economics slightly better than Consumer, at this stage
- Still requires key issues to be addressed
- Need for higher speed products

3 Wholesale

- Slightly better model than Consumer due to lower costs to acquire and no other direct costs such as modems
- The ongoing service costs become the obligation of the downstream retail provider, so minimal costs to serve.
- Margins are low and we take on credit risk of smaller resellers, who can struggle. Some have not survived the NBN market which is a risk

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1. ACMA report covering June 2018 quarter highlighted fixed-line broadband data consumption increased 27.5% over 2017-18.

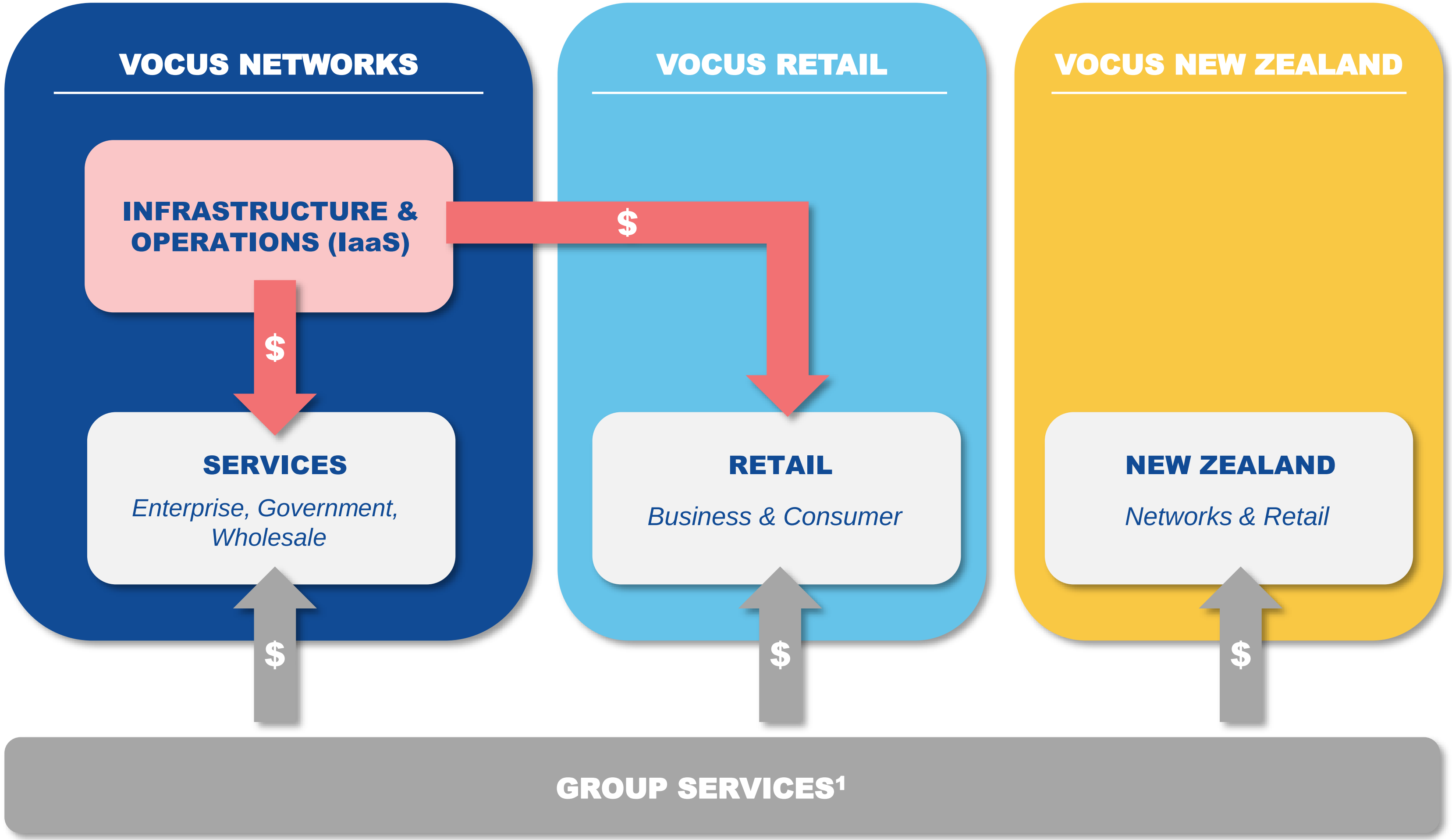
Potential reporting structure and cost allocations

Our operating structure continues to evolve. Customer facing divisions are

1. Vocus Services (previously Enterprise, Government and Wholesale)
2. Vocus Retail (Business and Consumer)
3. Vocus New Zealand

Supported by

4. Infrastructure and Operations (Australia)
   - Costs to be fully allocated to Vocus Services and Retail to enable a stronger look through into profitability and financial return metrics
5. Group Services (Australia)
   - Costs to be allocated (potentially not fully) to operating divisions[1]



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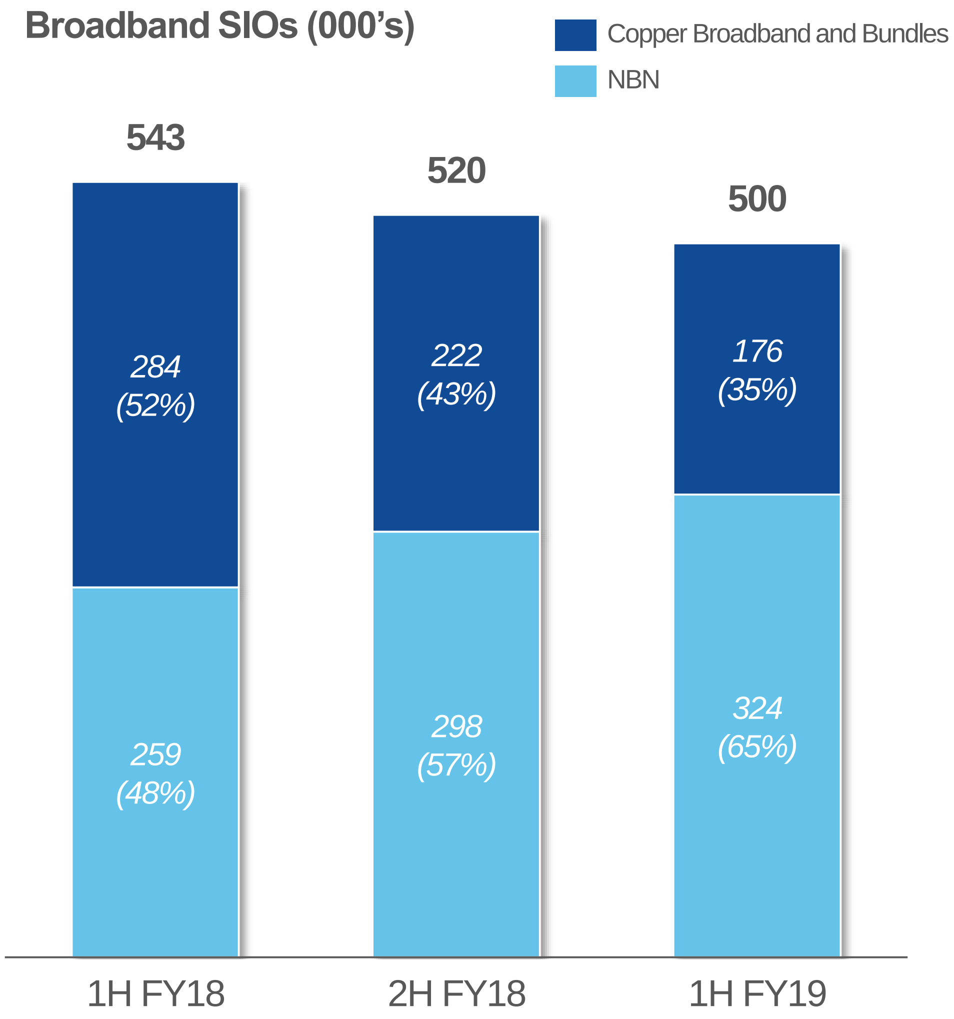
1. Group Services allocation to New Zealand likely to be minimal as that business is currently very stand alone from most Australian support functions.

Australian Consumer – key statistics

Metrics	1H FY18	2H FY18	1H FY19
ARPU$ copper broadband & bundles	59.99	58.85	58.73
AMPU$ copper broadband & bundles	24.64	24.49	25.56
ARPU$ NBN	62.00	63.69	63.97
AMPU$ NBN	18.94	20.84	21.14
Net churn copper broadband & bundles (%)	2.4%	2.3%	2.7%
Net churn NBN (%)	1.5%	1.4%	1.5%
Market share Consumer NBN (excl. satellite)	7.7%	7.4%	6.9%
Energy SIOs (000's)	144	140	129
Mobile SIOs (000's)	159	155	169



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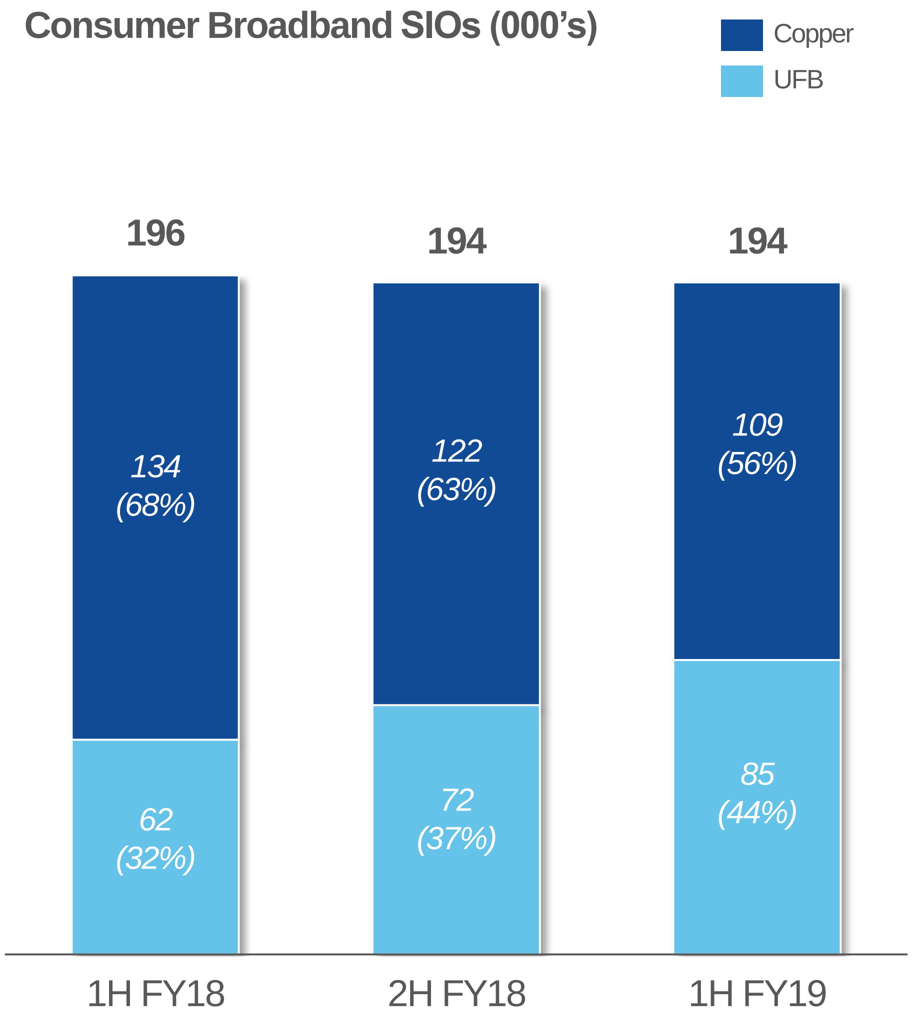
New Zealand – key statistics

Metrics	1H FY18	2H FY18	1H FY19
Broadband ARPU (NZ$)	71.10	70.05	69.80
Broadband AMPU (NZ$)	28.40	27.71	27.20
Net churn rate copper broadband (%)	2.3%	2.6%	2.3%
Net churn rate UFB (%)	1.6%	1.5%	1.7%
Market Share UFB (%)	13%	13%	13%
Energy SIOs (000's)	12	17	22
Mobile SIOs (000's)	24	24	26
SMB SIOs (000's)	22	22	21



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Underlying EBITDA to underlying NPAT

A$m	H1 FY19	H1 FY18	$ Change
Underlying EBITDA	**170.7**	**188.8**	**(18.1)**
Depreciation	(62.6)	(58.4)	(4.2)
Amortisation	(11.8)	(10.7)	(1.1)
Underlying EBIT	**96.3**	**119.7**	**(23.4)**
Net financing costs	(26.2)	(21.2)	(5.0)
Underlying PBT	70.0	98.5	(28.5)
Tax expense	(21.2)	(29.9)	8.7
Underlying NPAT	**48.8**	**68.6**	**(19.8)**
Underlying Effective Tax Rate	30.3%	30.4%	n/a

- Underlying D&A increased mainly due to ASC completion. Again will be higher in H2
- Finance costs higher due to higher net debt associated with funding of ASC
- Underlying ETR% consistent to H1 FY18

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FY18 reported – divisional reallocation

A$m	H1 FY18 (as per OFR)	Commander[1]	Other[2]	H1 FY18 (post reallocations)
Revenue	**967.3**	**-**	**-**	**967.3**
- EG&W	392.1	-108.3	-	283.8
- Commander	-	121.2	-	121.2
- Consumer	409.9	-12.9	-	397.0
- New Zealand	165.2	-	-	165.2
Underlying EBITDA	**188.8**	**-**	**-**	**188.8**
- EG&W	205.2	-45.8	1.9	161.4
- Commander	-	46.9	-	46.9
- Consumer	48.9	-1.2	-	47.8-
- New Zealand	25.2	-	-	25.2
- Group Services and Technology	-90.6	-	-1.9	-92.5

1. In H1 FY18 the Commander business was reported within the EGW division. It is now a separate operating division.
2. Minor inter-divisional cost centre transfers to adjust H1 FY18 to reflect the current business structure.

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