

23 August 2017

**The Manager
Company Announcements Office
Australian Securities Exchange
4th Floor
20 Bridge Street
SYDNEY NSW 2000**

ELECTRONIC LODGEMENT

Dear Sir / Madam,

FY17 Full Year Results

Vocus Group Limited (ASX: VOC) today releases its financial results for the full year ended 30 June 2017.

Please find attached:

- FY17 Financial Results ASX announcement
- FY17 Financial Results investor presentation.

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/njd2pxk7>. A recording of the briefing will be available on the website later in the day. The investor briefing pack is attached to this announcement.

Yours faithfully



**Ashe-lee Jegathesan
General Counsel & Company Secretary**

ASX/Media Release

Date: 23 August 2017

Year of Transition as M&A activity absorbed

Highlights

- ✓ Revenue ↑ 119% over the pcp includes initial 8 month contribution from Nextgen of \$127.1m and a full 12 month contribution from the M2 merger
- ✓ Underlying EBITDA ↑ 70% over the pcp includes initial contribution from Nextgen of \$62.5m (post synergies) and a full 12 month contribution from the M2 merger
- ✓ Underlying NPAT ↑ 50% on pcp; impacted by effective tax rate of 33.4%
- ✓ Market share of active NBN SIOs 8.02% up from 6.32% in the pcp
- ✓ UFB market share 13% compared to 11% in pcp; 18% in Q4FY17
- ✓ FY17 capital expenditure inclusive of ASC \$219.1m; ASC \$29.5m
- ✓ Net debt at the end of the period was \$1.0bn; leverage 2.6x, interest cover 9.1x
- ✓ Significant items, below the line cost of \$1,650.4m pre-tax; \$1,532m non-cash items reflecting impairment of goodwill and amortisation of acquired intangibles
- ✓ FY18 Guidance Underlying EBITDA range of \$370m-\$390m on \$1.9-2.0bn revenue

| Twelve months ended 30 June(\$'m) | 2016 | 2017 | %chg |
|--|--------|-----------|------|
| Revenue | 829.9 | 1,820.6 | 119 |
| Underlying EBITDA ^{1 2} | 215.6 | 366.4 | 70 |
| Underlying EBIT ^{3 4} | 170.2 | 260.2 | 53 |
| Underlying PBT ⁵ | 92.2 | 219.3 | 138 |
| Underlying NPAT ^{6 7} | 101.7 | 152.3 | 50 |
| Significant items after tax | (37.6) | (1,617.2) | n/m |
| Statutory NPAT after minority interests | 64.1 | (1,464.9) | n/m |
| Fully diluted underlying EPS ⁸ after minority interests (¢) | 29.5 | 24.7 | (17) |
| Fully diluted EPS after minority interests (¢) | 18.6 | (237.65) | n/m |
| DPS (¢) ⁹ | 15.6 | 6.0 | (62) |

1. Pre significant costs \$30.9m (\$20.7m costs in FY16)
2. EBITDA refers to earnings before net financing costs, tax and depreciation and amortisation
3. EBIT refers to earnings before net financing costs and tax
4. Pre significant items below the line costs of \$118.3m (costs of \$53.8m in FY16)
5. PBT refers to profit before tax
6. NPAT refers to net profit after tax
7. Pre significant items below the line costs of \$1,617.2m (pre significant costs of \$37.6m in FY16)
8. Pre significant items below the line costs of \$1,617.2m (pre significant costs of \$37.6m in FY16)
9. FY16 does not include the special dividend of 1.9cps paid in April 2016
10. N/M not meaningful

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Vocus Group Limited (ASX: VOC, 'Vocus') today announced its results for the twelve months ended 30 June 2017. The Company reported 50% growth in underlying NPAT compared to the prior corresponding period on a 119% increase in revenue to \$1.8bn. The result reflects a full 12 month contribution from the M2 business activities following the merger in February 2016 (an additional \$112m EBITDA compared to pcp) and an 8 month contribution from the Nextgen Networks acquisition, completed on 26 October 2016 (\$62.5m EBITDA contribution post synergies for the 8 months of ownership).

Vocus CEO Geoff Horth said, "The underlying result reflects another strong year of growth for Vocus, however it was not at the level we anticipated at the beginning of the financial year and we are working through a number of projects to address this. The FY17 year and in particular 2HFY17, has been a period of transition as the business has focused on the completion and integration of Nextgen; and the implementation of business plans that will maximise returns and leverage the infrastructure platform and operational scale that has been created through recent acquisitions."

As part of the Company's FY17 full year audit process Vocus undertook a review of the carrying value of its assets and in particular goodwill. As a result of a review of the assumptions made to support the carrying value of goodwill, Vocus recognised a non-cash impairment of \$1,532m post tax spread across both the Australian, \$1,333m and New Zealand, \$199m cash generating units (CGUs).

In reviewing the carrying value of goodwill the Company took into account the detailed five year business plans for each of the three operating Divisions and Group Services. These plans were developed over the last few months taking into account the current competitive market environment, in particular in the Consumer broadband sector in both Australia and New Zealand.

Mr Horth said "We recognise that this write off does not reflect well on the prices paid in M&A transactions in recent years and is a reflection in part of the significantly higher earnings multiples the sector has traded on in the relatively recent past. The write down also reflects the more competitive business environment, in particular in the Australian and New Zealand consumer markets that has had the impact of lowering our expectations for future growth rates in the sector. Once again the Board and senior leadership team have moved rapidly over the last six months to address these issues, improve the performance of the business and restore returns to shareholders."

Operational Update

The Australian and New Zealand Consumer businesses have both focused on the opportunity created by Government sponsored fibre rollouts, to secure additional market share in the provision of broadband services to the consumer market. Despite intense competition in both markets, Dodo and iPrimus ended the year with 7.3% market share in NBN (ex-satellite) compared to 6.4% at the beginning of the period; and our New Zealand business ended the year with ~13% market share of UFB with strong momentum in the business which has seen it sign ~18% of new UFB customers in Q4FY17. While the intense competition has created a challenging business environment and the migration activity has added additional costs to the business, churn levels remain materially lower than copper broadband and AMPUs¹ have remained similar.

The Consumer businesses in both Australia and New Zealand are focused on lowering costs and improving the customer experience through automating the customer interface and backend platforms in turn driving lower churn rates. Both businesses are also focused on brand positioning in the face of intense competition

¹ AMPU – average margin per user

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to ensure that we have clearly defined target markets and the return from the Group's marketing spend is maximised. This focus will result in the relaunch of iPrimus in Australia in 1QFY18 and a consolidation of the Consumer brands in New Zealand with a reinvigoration of the Orcon brand and business model.

The Enterprise & Wholesale business in Australia has been restructured over 2HFY17 to create one unified business platform reflecting the strongest attributes of the Vocus, Amcom, M2 and Nextgen businesses. The focus of the Division is to leverage the momentum created by the increased scale of the business to grow market share with particular focus on: opportunities in the Government sector as a trusted provider of secure connectivity and redundancy; the Wholesale sector, in particular with other carriers and carriage service providers; and the Corporate market on the East Coast of Australia where the business is under indexing.

The New Zealand Enterprise & Wholesale business is also focused on leveraging its infrastructure platform to grow and rationalising its brand portfolio to leverage the equity in the Vocus Communications brand in New Zealand. The Division believes there are significant growth opportunities in this market, in particular in the Government market and the Wholesale sector as a number of new resellers enter the UFB market.

The New Zealand Division has continued to shape its business portfolio with the sale of its 50% share in the Connect 8 joint venture; and the acquisition of a small energy retailer, Switch which has already created significant momentum in bundling opportunities in the Consumer business albeit from a low base.

Mr Horth said "During 2HFY17 we announced the restructure of our Technology business and the establishment of a Transformation Office to identify and implement a clear set of enterprise wide priority projects, ensuring that the projects are well resourced and funded and that progress is monitored and measured in a consistent way. I was pleased to announce the appointment of a new CTO, Simon Smith and a Head of Transformation, Justin Haddrick who both commenced with Vocus on 3 July 2017. Both Simon and Justin have moved quickly to continue the restructure of business activities and drive the programs that have been established.

"During FY17 the Company made the decision to move to contract in force on the Australia Singapore Cable (ASC) project. The project is a 4,600km submarine cable system linking Australia, Indonesia and Singapore, acquired as part of the Nextgen acquisition. The Company believes that the project has a number of strategic advantages over its competitors and will deliver Vocus the ability to tap into the rapid growth in demand for data capacity on these routes. The Company has recently signed a contract variation to the supply agreement which included the expansion of the project to incorporate the construction of a spur to Christmas Island following significant interest from a range of Government agencies. The project remains on track to be ready for service in 1Q FY19.

"During the year as we restructured and integrated the businesses we made a number of changes to the senior management team to ensure that we have the skill sets in place to manage the expanded platform and the transformation program ahead. To this end as well as the previously mentioned appointments in Technology and Transformation we were pleased to welcome a new CFO, Mark Wratten and new Chief Executive Enterprise & Wholesale, Michael Simmons to our executive ranks. Both Mark and Mick have made significant contributions to the restructuring of the business over 2HFY17."

Board Renewal

Vocus has made three new appointments to the Company's Board over the last eight months replacing the two Directors that stepped down in October 2016. The Company was pleased to announce the appointment

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of Mr Robert Mansfield AO to the Board in January 2017 and more recently Mr David Wiadrowski and Ms Christine Holman.

Robert has brought significant experience in telecommunications as a former CEO of Optus and Chairman of Telstra as well as his wide experience in business and working with the Federal Government.

David joined the Board in July 2017, he has been a partner at PwC for the last 25 years and has significant board level exposure across the public, commercial and not for profit sectors with particular experience in the Technology, Telco, Entertainment, Media and FMCG industries. David's experience has already been invaluable to Vocus in particular in his capacity as Chair of the Audit Committee.

Christine will join the Board effective 24 August 2017 and has worked for both media and telecommunications organisations and private equity firms and brings deep experience in M&A and post-acquisition integration. Christine has a strong understanding of technology and operational experience managing fast growing businesses through the change process.

The Company is today announcing that its Chairman Mr David Spence will not be standing for re-election at the AGM, and will therefore be retiring from the Board following the AGM to be held on 24 October 2017, after 7 years in the role. A search process for a new Chairman has commenced.

Vocus remains committed to further Board renewal over time.

Dividends

The Vocus Board has made the decision not to declare a final dividend for the FY17 year in light of the current 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. An interim dividend of 6¢ per share fully franked was paid in April 2017.

The Board also does not anticipate paying an FY18 interim dividend.

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.

Update on Strategic Approaches from External Parties

The Company notified the ASX on 21 August 2017 that discussions with both Kohlberg Kravis Roberts & Co L.P. and Affinity Equity Partners (S) Pte Ltd around a potential transaction to acquire 100% of the shares in Vocus have now ceased.

Throughout the due diligence process the Company continued to pursue its standalone business plans including the firming up the business plans around the transformation program. The Vocus Board and management believe these programs will deliver substantial returns for shareholders into the medium and long-term future and will update shareholders at the Company's AGM on the expected benefits from these programs.

Asset Sales

During the course of the aforementioned due diligence process with KKR and Affinity, the Company received numerous proactive approaches from parties expressing interest in acquiring assets within the Vocus portfolio. Arising from these approaches the Board has identified a number of Australian assets, of material value, that may be considered non-core. The Board will undertake a strategic review and consider options

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for divestment of these non-core assets to strengthen the Company's balance sheet position to fund the core activities of the Group.

The Company will update the market on the outcome of this review and the specifics of any proposed asset sale process, at or before the AGM on 24 October 2017

Outlook and Guidance

Vocus' currently expects to report underlying EBITDA in FY18 in the range of \$370-390m generated on revenue in the range \$1.9-2bn. Underlying NPAT is expected to be in the range \$140-150m².

Mr Horth concluded "The FY17 year has been a period of significant change and transition and I would like to thank the Vocus' team for their hard work and dedication through what has at times been a difficult business environment. I would also like to thank our customers across the business platforms and other external stakeholders for continuing to support the business, I recognize that at times we have not lived up to our goal of being 'Most loved Telco' however we continue to strive to achieve this.

"The Board and senior management team believe that we have made significant progress on establishing a program to transform the business and leverage the platform we have created. Our suite of well-recognised brands, targeting clear market segments, combined with our best of breed infrastructure and product platforms provides a strong foundation for growth. We have an experienced management team in place, galvanising our engaged and motivated team around Australia and New Zealand to drive our success. We are seeing pleasing results from these programs but recognise that there is a lot of work yet to be completed and we are focused on delivering on our strategy and creating improved returns for shareholders."

Webcast

CEO Geoff Horth and CFO Mark Wratten will host a webcast presentation covering the details of the results this morning at 9.30am. To register to listen to the webcast, please go to www.vocusgroup.com.au.

– ENDS –

For further information please contact:

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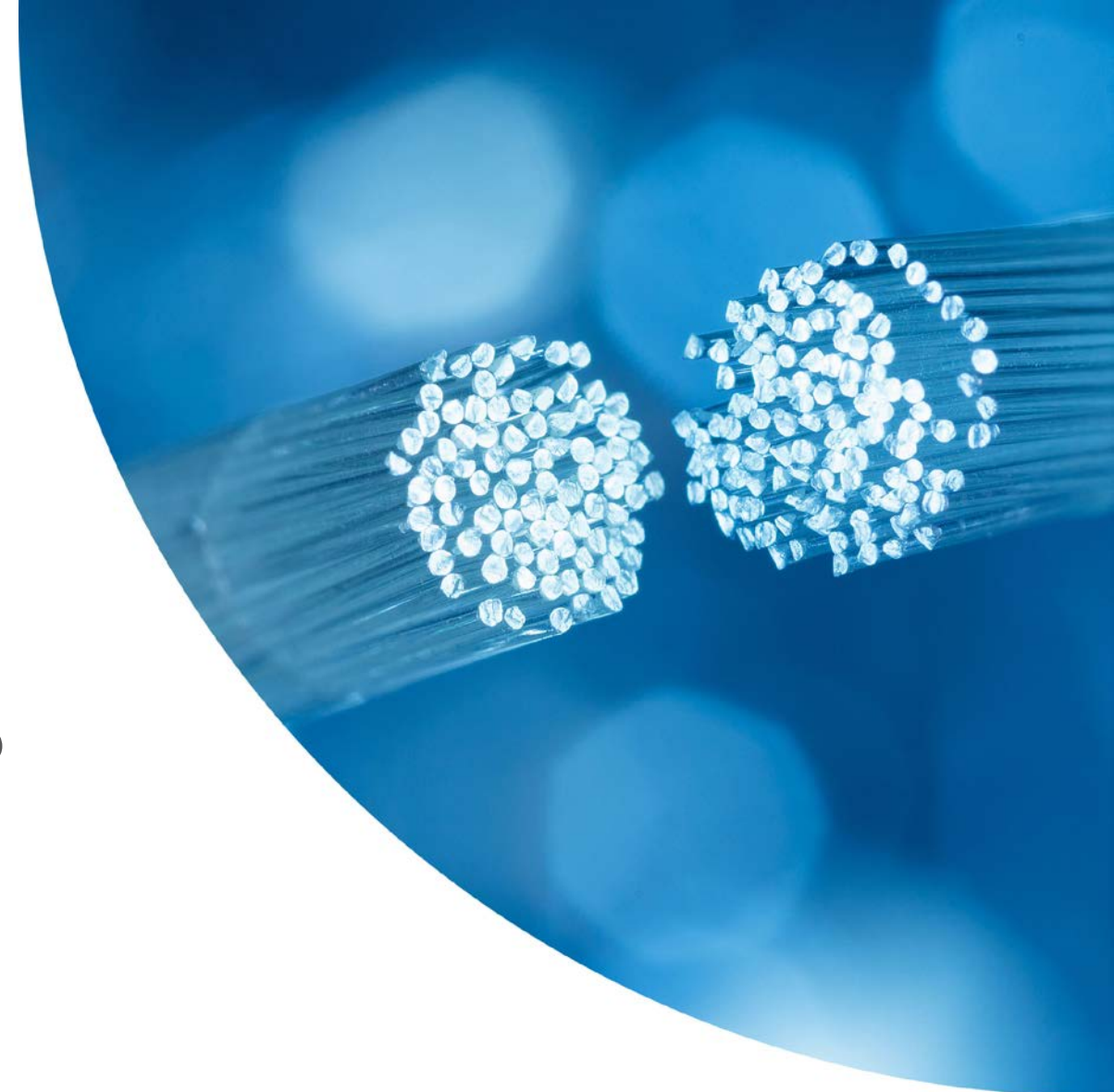
About Vocus (ASX: VOC): Vocus Group is an ASX listed, vertically integrated telecommunications provider, operating in the Australian and New Zealand markets. The Company owns an extensive national infrastructure network of metro and back haul fibre connecting all capital cities and most regional cities across Australia and New Zealand and directly connects more than 5,000 buildings. 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.

² For further information on guidance please refer to the FY17 Operating and Financial Review and FY17 Final Results presentation



FY17 Final Results Presentation

23 August 2017



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| | TOPIC | SPEAKER |
|----|--------------------|--------------------------|
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| 2. | Financial Overview | CFO- Mark Wratten |
| 3. | Business Outlook | CEO – Geoff Horth |
| 4. | Appendices | |



Result Highlights

CEO Geoff Horth

Group Highlights

Key Financial Highlights

- Revenue ↑ 119% on pcp to \$1.8bn¹
- Underlying EBITDA ↑70% on pcp to \$366.4m¹; Guidance \$365-375m
- Underlying NPAT ↑ 50% to \$152.3m
- Underlying EPS ↓ 17% impacted by the capital raising to fund the Nextgen acquisition
- Net Debt \$1.029bn, leverage 2.6x, interest cover 9.1x, gearing 30.9%

Strategic Initiatives

- Acquisition of Nextgen delivers national infrastructure platform opening new markets
- Key senior appointments bring new skill sets to manage size and complexity
- Restructured Technology Division and established Transformation office; key programs accelerated
- Brand Portfolio re-positioned to leverage market opportunities
- ASC project progressed targeting Q1FY19 ready for service
- Northwest Cable System cornerstone customers connecting Q1FY18
- Board renewal commenced three new Non Executive Directors appointed

1. Nextgen overall group contribution \$127.1m in revenue and \$62.5m EBITDA for the ~8 months of ownership in FY17

Highlights - Enterprise & Wholesale Australia

Financial Highlights

- Revenue ↑ 77% on pcp to \$703m, Underlying EBITDA contribution ↑ 86% on the pcp to \$346m¹
- Nextgen² contributed \$127.1m in revenue & \$85.5m in EBITDA post synergies²; Business performing ahead of expectations
- Full year of M2³ delivers additional ~\$185m revenue & ~\$81m EBITDA compared to pcp

Operational Highlights

- On time delivery performance improved by ~80% over 2H17 further improvements forecast in 1HFY18
- Completed integration of sales teams to enable a national approach across all markets/segments
- Implemented national account management approach & aligned incentives.
- Completed integration of Amcom delivery & billing functions, unified data services into Vocus billing platform
- Strategic plan in place to deliver increased market share, profitability and improved customer service
- Strong sales momentum trend in MRR, June 17 a record month

1. FY16 and FY17 now include Commander and CVC charges

2. The Nextgen acquisition was completed on 26 October 2016. A proforma full year contribution is outlined in the appendix of the Operating & Financial Review page 35. Proforma FY17 includes a full year of Nextgen. This figure is pre operating costs that are included in Group Overheads Group EBITDA contribution \$62.5m

3. The merger with M2 was completed on 22 February 2016. An FY16 proforma full year contribution from M2 Wholesale & Commander is outlined in the Appendix of the Operating & Financial Review. A Divisional revenue and EBITDA bridge in the OFR

Highlights - Consumer Australia

Financial Highlights

- Revenue ↑ 176% on the pcp to \$795m; EBITDA contribution ↑ 109% on the pcp to \$125m¹
- Full year of M2 delivers additional \$465m revenue & \$81m EBITDA compared to pcp

Operational Highlights

- Broadband growth in SIOs 4% on pcp; growth impacted by migration to NBN and 1H provisioning platform issues
- 10% growth in energy SIOs on pcp
- NBN ARPU³ \$64.23; NBN AMPU³ \$20.26 per subscriber per month
- Consumer NBN market share excl satellite 7.3%, up from 6.4% in the pcp
- NBN churn³ 1.4% per month compared to copper churn at 2.4% per month
- Fetch subscribers more than doubled over the period to 30,568; significantly improves AMPU per subscriber
- Operational transformation milestone achieved with Salesforce service cloud delivered for iPrimus in July 2017 on time and budget

1. The Consumer result now includes CVC costs. The result no longer includes the Commander SMB earnings the Commander business is now incorporated into Enterprise & Wholesale
2. Reconciliations between reported earnings and Proforma 16 and Proforma 17 are contained in the OFR on page 31
3. Only includes Consumer broadband SIOs

Highlights - New Zealand

Financial Highlights

- Revenue ↑ 123% on pcp to \$323m; E&W ↑ 79% and Consumer ↑ 186% on the pcp
- EBITDA contribution ↑ 101% to \$57.5m on the pcp; in NZD EBITDA ↑ 103%
- Full year of M2 delivers additional ~\$163.6m revenue & ~\$29.1m EBITDA compared to pcp

Operational Highlights

- Broadband ARPU of NZ\$71; Broadband AMPU of NZ\$29 per subscriber per month
- 18,664 UFB SIOs connected in FY17; share of new UFB orders 18% in Q4FY17
- Lower churn on UFB at ~1.9% versus copper churn of ~3.0%
- Acquired Switch Energy and launched offer under Slingshot brand in Q4
- Network integration completed and synergies program delivered
- Consolidate to single brand in the business segment under Vocus Communications to leverage awareness

1. The merger with M2 was completed on 22 February 2016. An FY16 pro-forma full year contribution from M2 is outlined in the appendix of the Operating & Financial Review



Financial Overview

CFO Mark Wratten

Financial Highlights

Financial Performance driven by acquisitions & organic growth

| Twelve Months Ended 30 June | 2016 | 2017 | %chg |
|-------------------------------------|----------|--------------|-------|
| Revenue | \$829.9m | \$1,820.6m | 119% |
| Underlying EBITDA ¹ | \$215.6m | \$366.4m | 70% |
| Statutory EBITDA | \$194.1m | \$335.5m | 73% |
| Underlying NPAT ¹ | \$101.7m | \$152.3m | 50% |
| Statutory NPAT | \$64.1m | (\$1,464.9)m | n/m |
| Underlying Diluted EPS ² | 29.5cps | 24.7cps | (17%) |
| Full Year Dividend ³ | 15.6cps | 6.0cps | (62%) |

n/m not meaningful

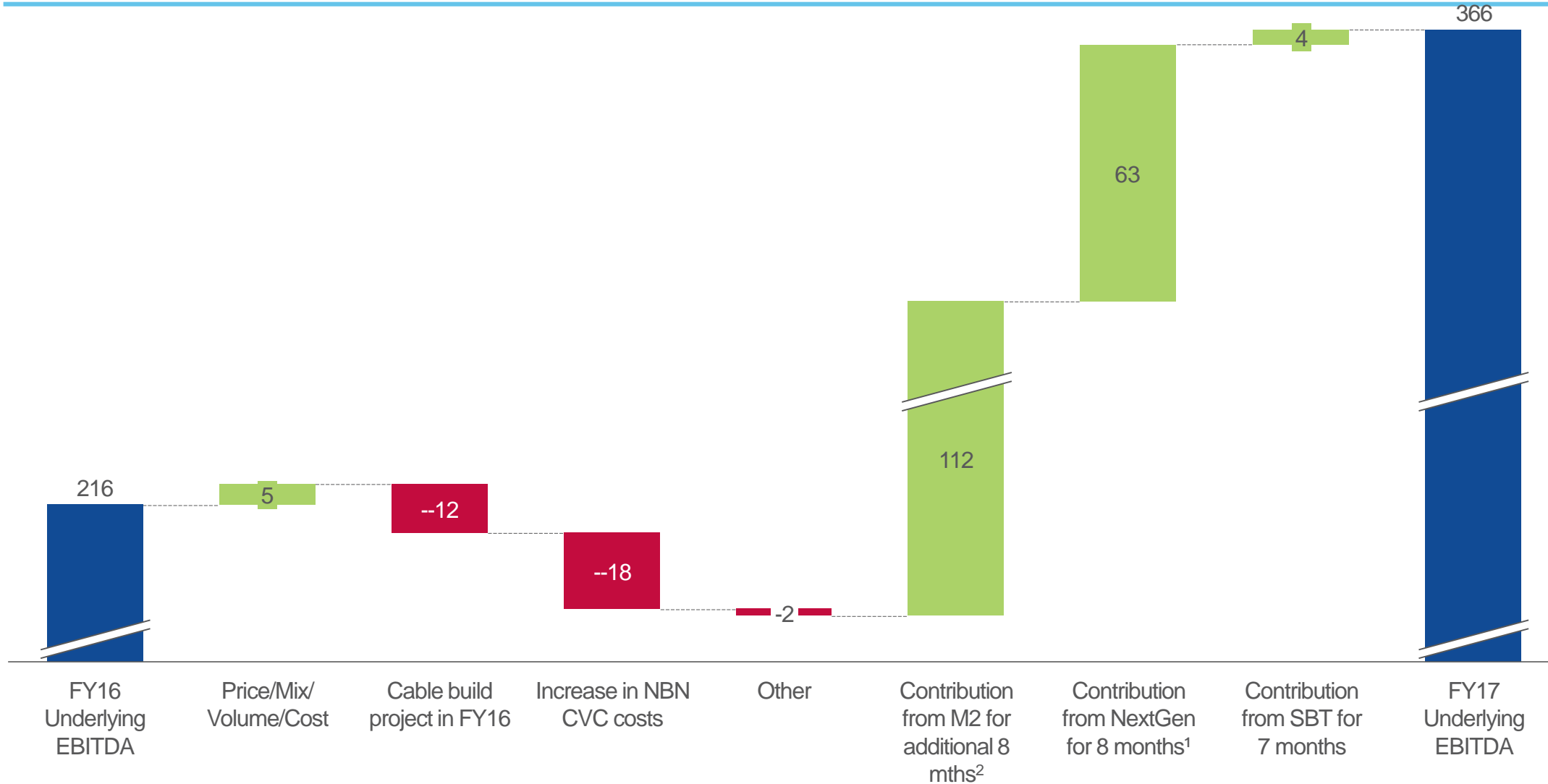
1. Underlying EBITDA and Underlying NPAT exclude significant items. A reconciliation between statutory and Underlying numbers can be found on slide 10
2. Underlying diluted earnings per share is calculated with reference to Underlying NPAT, which excludes the after tax effect of significant items.
3. The Board elected not to declare an FY17 final dividend. FY16 excludes special dividend of 1.9cps paid in April 2016 in connection with its merger with M2

Earnings Reconciliation

Reconciliation between the Underlying and Statutory Result

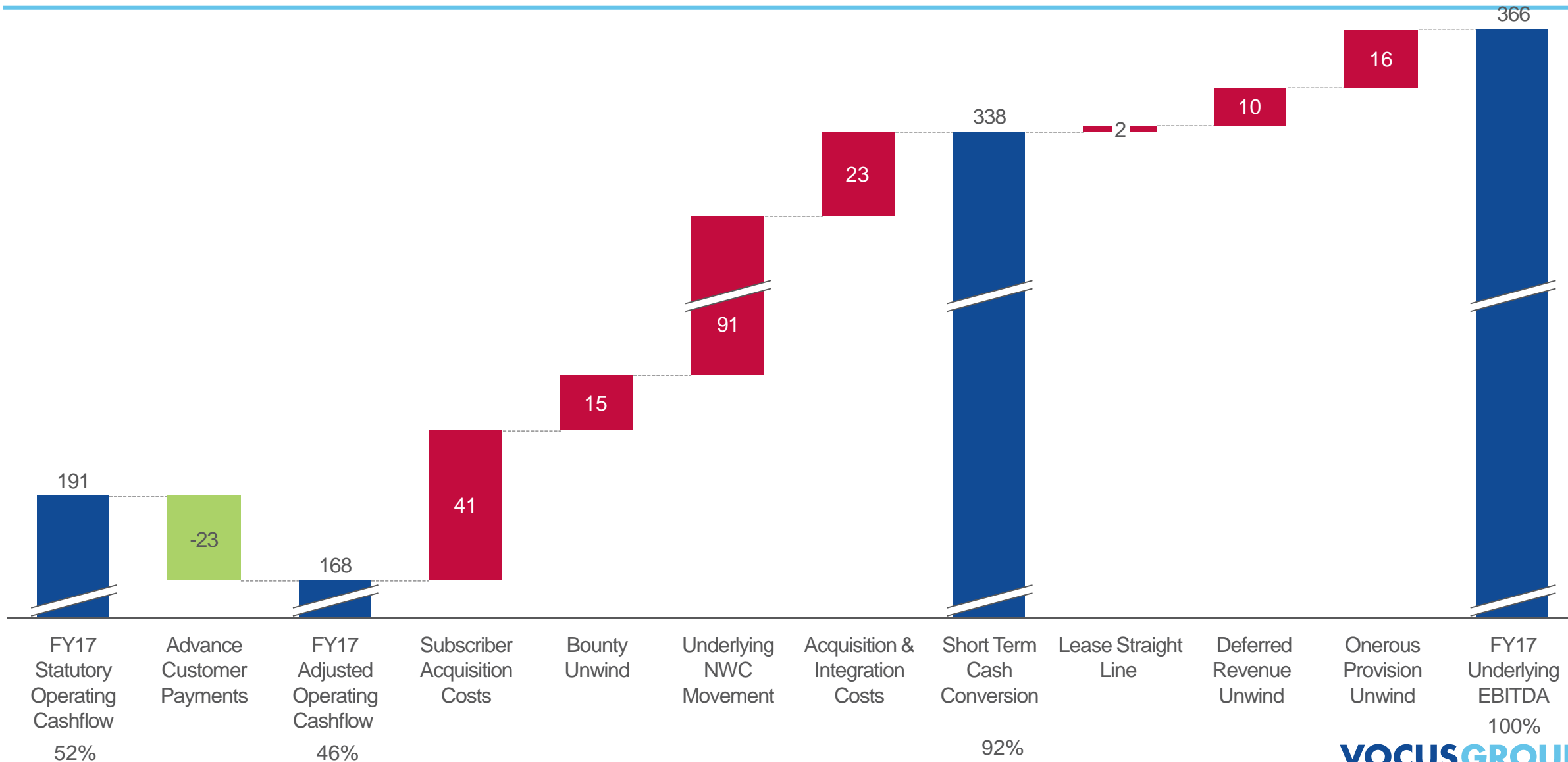
| Twelve Months Ended 30 June 2017 (\$'m) | EBITDA | EBIT | NPAT |
|---|---------------|----------------|------------------|
| Underlying Result | 366.4 | 260.2 | 152.3 |
| Significant Items: | | | |
| Gains on total return swaps | 0.1 | 0.1 | 0.1 |
| Gains/losses associated with foreign exchange & other | (0.6) | (0.6) | (1.3) |
| Net gain/loss on disposal of investments | (4.7) | (4.7) | (4.1) |
| Amortisation of acquired customer intangibles | - | (61.0) | (42.7) |
| Amortisation of acquired software intangibles | - | (26.4) | (18.5) |
| Acquisition & Integration Costs | (25.7) | (25.7) | (18.6) |
| Goodwill Impairment | - | - | (1,532.1) |
| Total Significant Items | (30.9) | (118.3) | (1,617.2) |
| Statutory Result | 335.5 | 141.9 | (1,464.9) |

Underlying EBITDA Bridge

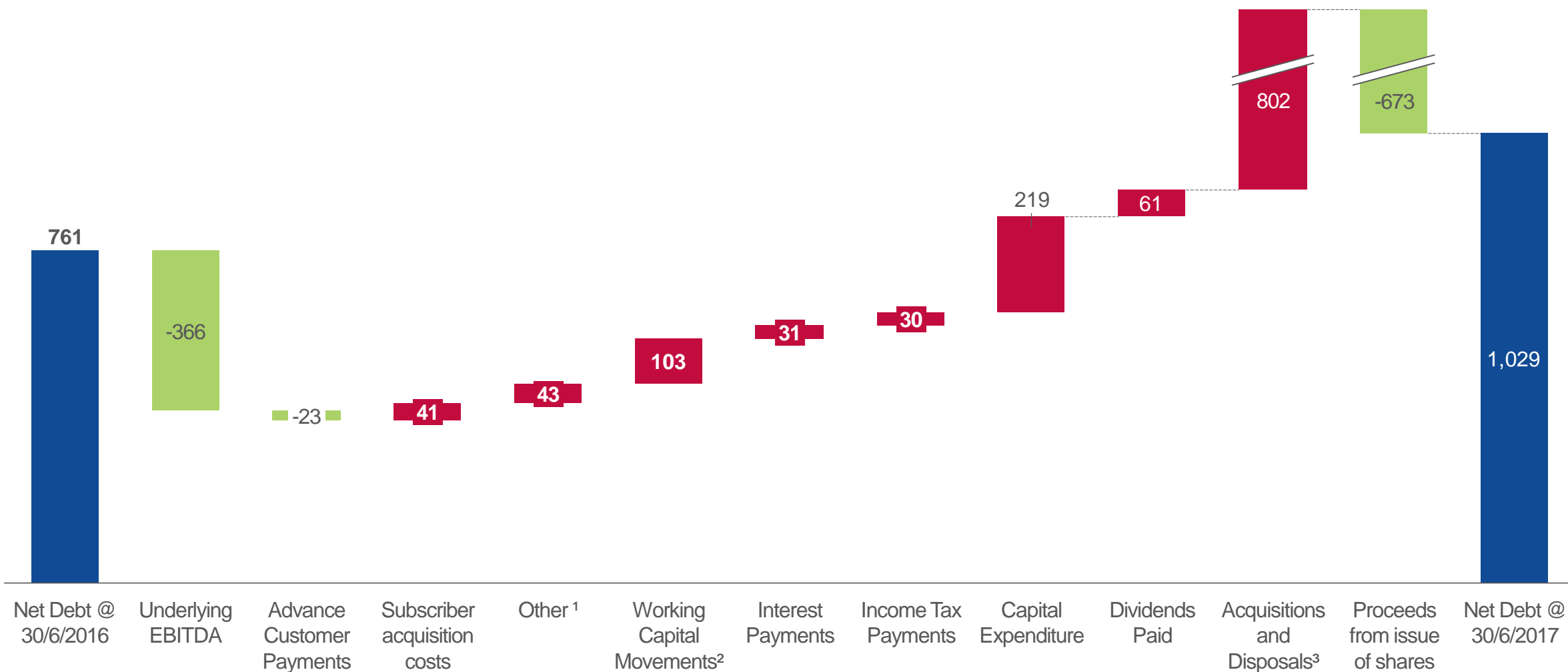


1. Nextgen acquisition was completed on 26 October 2016. This represents the contribution for the period of ownership inclusive of synergies
2. The M2 merger was completed on 22 February 2016, FY16 result had ~4 mths contribution from the M2 Consumer business
3. Other includes a compensation payment and electricity volatility impact

Operating Cash flow to Underlying EBITDA Bridge



Cash flow to Net Debt Bridge



1. Other included onerous provisions (\$16m), bounty unwind (\$15m), deferred revenue unwind (\$10m) and lease straight lining (\$2m)

2. Working capital movements include underlying NWC movements (\$91m) and tax/interest movements (\$12m)

3. Includes the acquisition of Nextgen, Switch, Smart Business Telecom and the sale of Connect 8, Macquarie Telecom stake and the Cisco Equipment business. Also includes integration costs

Subscriber acquisition costs (SAC)

| Deferred SAC (\$'m) | Consumer | NZ | EW | Total |
|---------------------------------------|-------------|------------|-------------|---------------|
| Deferred SAC balances 30/6/16 | 18.0 | 4.3 | 11.5 | 33.8 |
| Deferred | 25.5 | 10.6 | 10.7 | 46.8 |
| Expensed | (9.2) | (5.0) | (4.7) | (18.9) |
| Deferred SAC balances 31/12/16 | 34.3 | 9.9 | 17.5 | 61.7 |
| Deferred | 25.0 | 7.6 | 11.1 | 43.7 |
| Expensed | (15.6) | (7.9) | (6.8) | (30.3) |
| Deferred SAC balances 30/6/17 | 43.7 | 9.6 | 21.8 | 75.1 |
| Current Deferred SAC | 33.5 | 8.4 | 14.5 | 56.3 |
| Non Current Deferred SAC | 10.2 | 1.3 | 7.3 | 18.8 |
| Deferred SAC balances 30/6/17 | 43.7 | 9.7 | 21.8 | 75.1 |

| FY17 Movements | Consumer | NZ | EW | Total |
|----------------|----------|--------|--------|---------------|
| Deferred | 50.5 | 18.2 | 21.8 | 90.5 |
| Expensed | (24.8) | (12.9) | (11.5) | (49.2) |
| Delta | 25.7 | 5.3 | 10.3 | 41.3 |

- ✓ Deferred 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”
- ✓ The difference between deferred and expensed SACs
 - in H2 FY16 was ~\$27m
 - in H1 FY17 was ~\$28m
 - in H2 FY17 was ~\$13m
 - In 1H FY18 ~\$3m
- ✓ Normalisation of SAC balances expected around the end of Q2 FY18.
- ✓ Deferred 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

Capital Expenditure Update

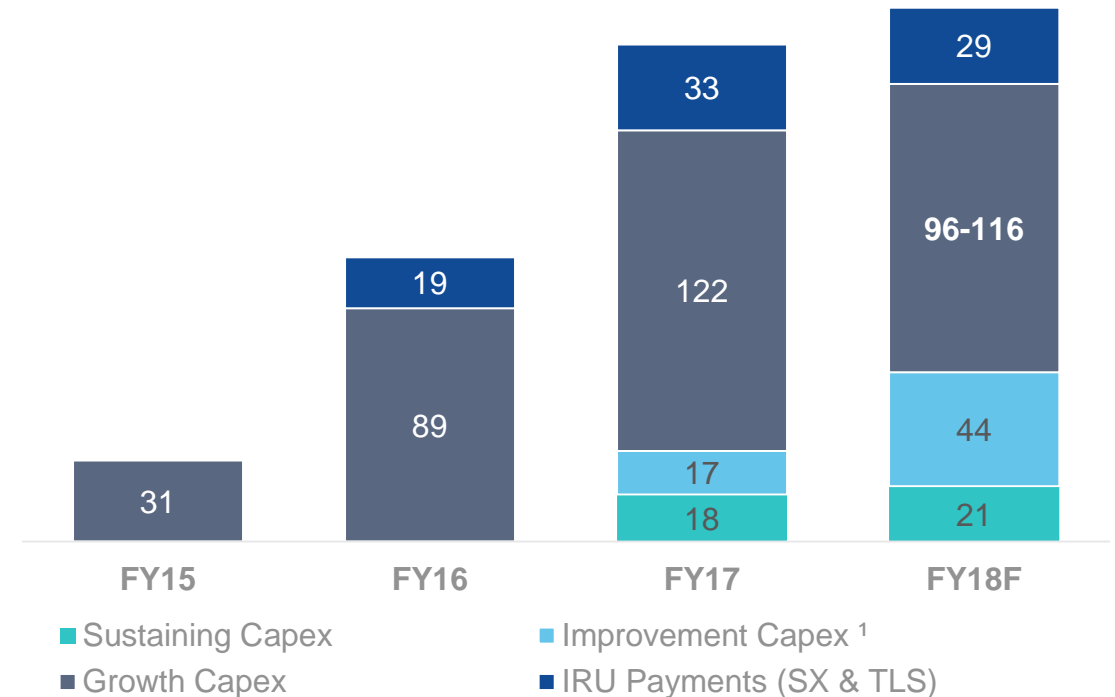
Capital expenditure in FY17 of \$189.6m (excl ASC project) was primarily associated with:

- IRU payments on SX and Telstra backhaul
- Growth capital expenditure in the Enterprise & Wholesale Division
- Costs associated with Technology & Network projects

In FY18 capital expenditure is expected to be in the range \$190-210m (excl ASC):

- SX IRU payments combined with Telstra IRU payments are expected to be ~A\$29.3m
- E&W capex is forecast to decline but will be dependent on bespoke project opportunities
- Capex associated with Transformation projects ~\$29.5m

Forecast FY18 Capital Expenditure (A\$m)



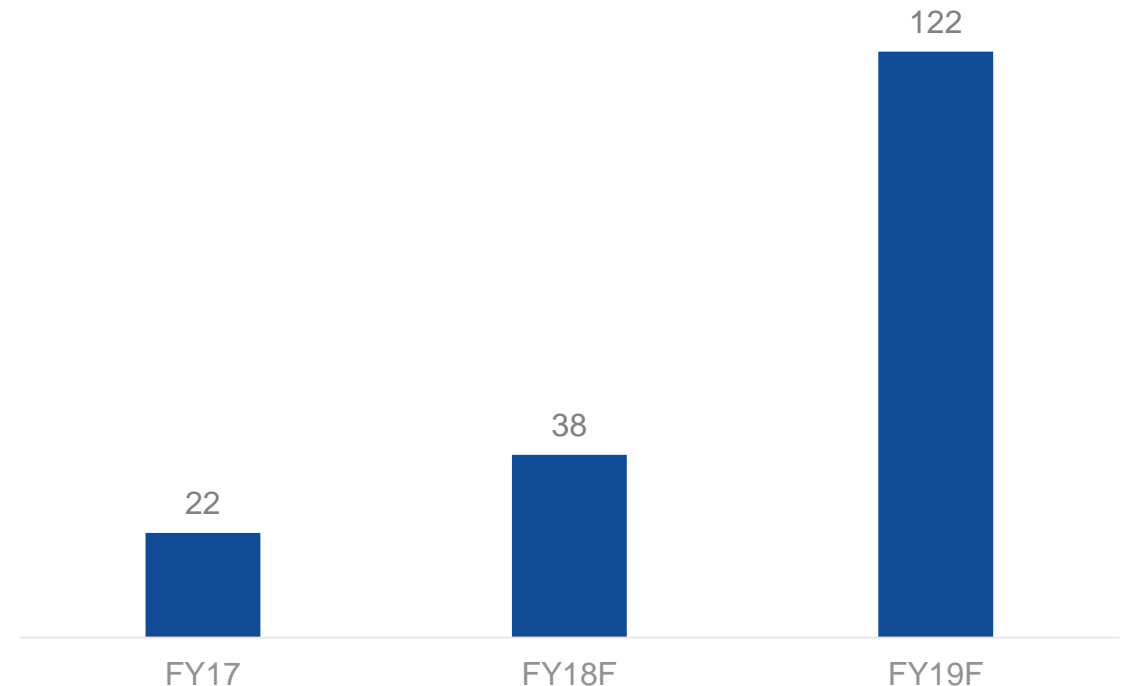
1. Improvement Capex includes augmenting core network capacity, upgrading network applications, integration of legacy platforms and investments in deploying new transformative operating systems

Update on Australia Singapore Cable (ASC) Project

- ✓ Vocus has recently signed a contract variation which included the expansion of the project to incorporate the construction of a spur to Christmas Island following significant interest from a range of Government agencies. The cash flow profile associated with capex as per the contract variation, including the new spur, is now expected to be:
 - 1HFY18 US\$32m
 - 2HFY18 US\$6m
 - 1HFY19 US\$122m¹
- ✓ The project continues to track ahead of schedule and is expected to be ready for service Q1FY19
- ✓ Engagement with prospective cornerstone customers continues with strong and growing demand for capacity on the route

1. Includes payment to Nextgen vendors and additional spend for Christmas Island spur

ASC – Investment Profile (US\$m)



Balance Sheet Movements

| Period ended (\$'m) | 30 Jun 16 | 31 Dec 16 | 30 Jun 17 |
|--------------------------|-----------------|----------------|----------------|
| Cash | 128.6 | 131.5 | 50.2 |
| PP&E | 522.4 | 1,531.0 | 1,543.0 |
| Intangibles | 3,757.1 | 3,793.0 | 3,744.1 |
| - Goodwill | 2,960.3 | 3,007.5 | 1,475.1 |
| - Customer Intangibles | 350.2 | 322.0 | 293.1 |
| - IRU capacity | 126.7 | 149.6 | 143.7 |
| - Brands and other | 192.6 | 191.6 | 182.4 |
| - Software | 127.3 | 122.3 | 117.7 |
| Trade Receivables | 144.4 | 178.1 | 167.1 |
| Other assets | 144.6 | 199.2 | 199.3 |
| Total assets | 4,697.10 | 5,832.8 | 4,171.6 |
| Loans and borrowings | 889.2 | 1,122.5 | 1,079.5 |
| Other liabilities | 633.6 | 876.8 | 789.0 |
| Total Liabilities | 1,522.8 | 1,999.3 | 1,868.5 |
| Net Assets | 3,174.3 | 3,833.5 | 2,303.1 |

Key movements in the balance sheet from 30 June 2016 relate primarily to the acquisition of Nextgen on 26 October 2016:

- Increase in \$949m of PPE at business combination date including projects under construction;
- \$160m increase in deferred revenue shown in other liabilities representing primarily the contracts that underpin the North West Cable project (\$109m) and Corporate and Wholesale contracts (\$51m);
- \$41m in provisions arising on acquisition shown in other liabilities;
- \$48m increase in Goodwill as a result of transaction.

The other key movement is the decline in the value of goodwill resulting from the \$1,532m impairment recognised following a review of the key assumptions that underpin the valuation.

Net Debt Position

| Period Ending (\$'m) | 30 Jun 16 | 31 Dec 16 | 30 Jun 17 |
|------------------------------|--------------|--------------|----------------|
| Bank loans | 828.8 | 1,071.1 | 1,031.4 |
| Backhaul IRU liability | 31.3 | 25.3 | 25.3 |
| Lease liability | 29.1 | 26.1 | 22.8 |
| Borrowings per balance sheet | 889.2 | 1,122.5 | 1,079.5 |
| Cash | 128.6 | 131.5 | 50.2 |
| Net Debt | 760.6 | 991.0 | 1,029.3 |

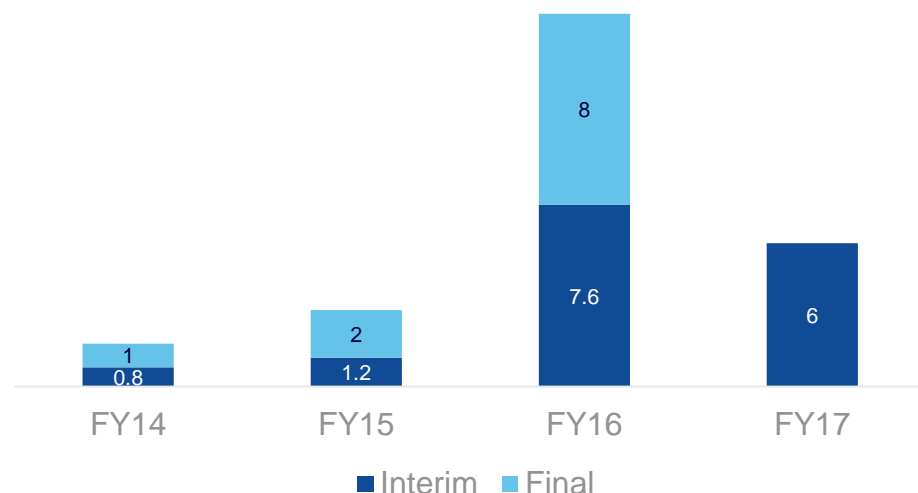
| Covenants | Threshold | Surge ¹ | Actual | Result |
|-----------------------|-----------|--------------------|--------|--------|
| Leverage ratio | <3.0x | <3.5x | 2.6x | ✓ |
| Interest Cover ratio | >5.0x | n/a | 9.1x | ✓ |
| Maximum Gearing ratio | 60% | n/a | 30.9% | ✓ |

1. Surge limit applied for 18 months after permitted acquisition eg Nextgen. The next time covenants will be test at 3.0x is 30 June 2018

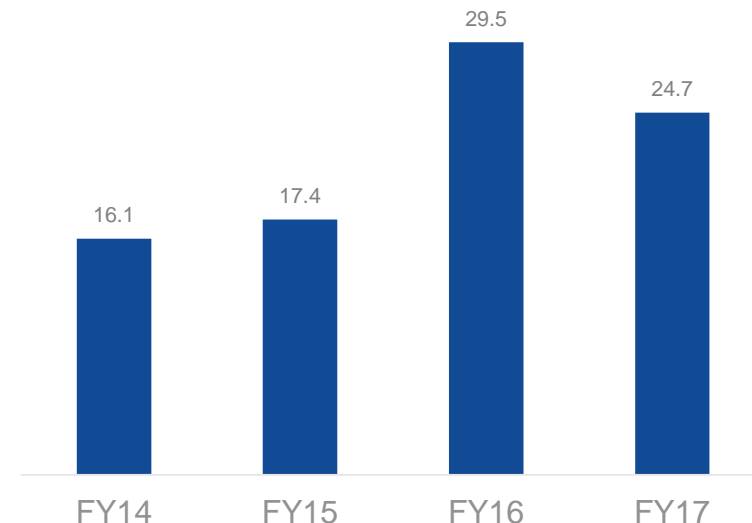
- Based on current forecasts for capital expenditure Net Debt is expected to be in the range of \$1.03-1.06bn at 30 June 2018
- The Company's leverage covenant is expected to be ~2.65x at 30 June 2018
- The Company will continue to assess opportunities to sell non-core Australian assets to reduce leverage

Shareholder Returns

Dividends declared (ex special dividends¹)
(cps)



Underlying Diluted EPS (cps)



- Diluted EPS impacted by the capital raising completed in July 2016 to fund the acquisition of Nextgen, which completed on 26 October 2016
- The Vocus Board has made the decision not to declare a final dividend for the FY17 year in light of the current 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.
- An interim dividend of 6¢ per share fully franked was paid in April 2017
- The Board also does not anticipate paying an FY18 interim dividend



Business Outlook

CEO Geoff Horth



Enterprise & Wholesale – Strategic Priorities

Drive Top Line Growth

- Invest in sales team growth to take advantage of market share opportunity in Eastern States
 - Focus on segments where Vocus is currently under represented including Government & Carrier markets
 - Relaunch partner program to maximise opportunities presented by NBN disruption in the SMB market
-

Reduce Cost to Serve

- Transformation program to drive further consolidation of legacy systems, improve automation and customer experience
 - Unify the product portfolio across all segments to deliver a consistent customer experience and reduce operational complexity
-

Improve Returns

- Implement consistent national customer account management approach
- Focus on churn reduction and driving product penetration
- Focus on capital allocation and returns

Consumer – Strategic Priorities

Drive Top Line Growth

- Relaunch iPrimus, leverage awareness and target new customers
 - Focus on bundling energy, mobile and entertainment to drive value from existing customer base
 - Leverage dodo retail kiosk network and extend to new NBN areas
-

Reduce Cost to Serve

- Complete transformation of operations (Salesforce & Genesys) increasing customer satisfaction and delivering cost to serve improvements
 - Deliver new web and online capabilities to drive increased on line transactions
 - Leverage transformation team to improve automation and simplify the business
-

Improve Returns

- Focus data analytics to pre-empt churn
- Increase share of wallet through bundling
- Deliver a quality in home media streaming experience

New Zealand – Strategic Priorities

Drive Top Line Growth

- Broadband growth and UFB market share through Orcon refresh
 - Leverage size and relevance to drive growth in all segments
 - Drive product penetration across all market segments
-

Reduce Cost to Serve

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

Improve Returns

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

FY18 Guidance

Top line growth offset to an extent at the EBITDA line by \$38m deferred SAC head wind

| | FY18 Guidance |
|-----------------------------|---------------|
| Revenue | \$1.9-2.0bn |
| Underlying EBITDA | \$370-390m |
| D&A ¹ | \$130-140m |
| Net Financing Costs | ~\$50m |
| Underlying NPAT | \$140-150m |
| Below the line amortisation | ~\$87m |
| Capex (ex ASC) | \$190-210m |
| ASC Capex | US\$38m |
| Net Debt 30 June 2018 | \$1.03-1.06bn |

1. Above the line D&A

FY18 Earnings Guidance - Divisions

| | FY17 Proforma (\$'m) | | FY18 Forecast % chg | |
|--------------------------------|----------------------|---------|--------------------------|--------------------------|
| | Revenue | EBITDA | Revenue | EBITDA |
| Aust. – Enterprise & Wholesale | 764.6 | 378.1 | Mid single digit growth | High single digit growth |
| - Consumer | 795.1 | 124.9 | Mid single digit growth | 15-20% decline |
| New Zealand ¹ | 323 | 57.5 | High single digit growth | Low single digit growth |
| Group Services | - | (171.0) | | ~\$(175)m |

- ✓ Top line growth forecast across all divisions driven by leveraging expanded platform, increasing penetration of key markets and growing share of wallet through expanded product set
- ✓ Enterprise & Wholesale FY18 result will include a full 12 month contribution from Nextgen (compared to 8 months in the pcp) and a \$13m EBITDA contribution from various bespoke contracts signed in FY17/18
- ✓ The FY18 results will be impacted by the headwinds resulting from the deferred SACs benefit in FY17 of \$41.3m; \$13.3m in 2HFY17
 - Most significant impact in the Australian Consumer business (P&L benefit of \$25.7m in FY17)
- ✓ Increased competition in all segments driving ongoing focus on improving customer service and reducing cost to serve through automation

1. New Zealand guidance based on constant currency earnings
There is more information on the outlook for each Division in the Operating and Financial Review

Group Strategic Priorities

1

Invest in
infrastructure
platform

- Leverage Nextgen acquisition and expanded platform to the insatiable demand for connectivity
- Continue to invest in core strategic infrastructure projects; ASC, NWCS spurs

2

Take Share

- Relaunch iPrimus to expand addressable market and support Dodo's aim to take 10% NBN share
- Relaunch Orcon to take advantage of UFB and connect 1 in 4 kiwi homes
- Leverage increased scale and relevance to drive growth in new business segments

3

Most Loved
Telco

- Invest in customer journey management in all segments to maximise product penetration and customer lifetime value
- Leverage data analytics to improve insight and to be more intuitive about our customers needs
- Consolidate business brands in Australia and New Zealand under Vocus Communications to leverage strong equity in this brand

4

Transform the
Business

- Remove network, technical and operational complexity and duplication
- Automate everything and put the customer in control
- Initial review of non core Australian assets completed; a number of assets identified for divestment

5

Improve
Returns

- Rigorous approach to capital allocation to improve returns
- Focus on costs to drive earning efficiency
- Refining our brand portfolio and go to market strategy to optimise marketing spend



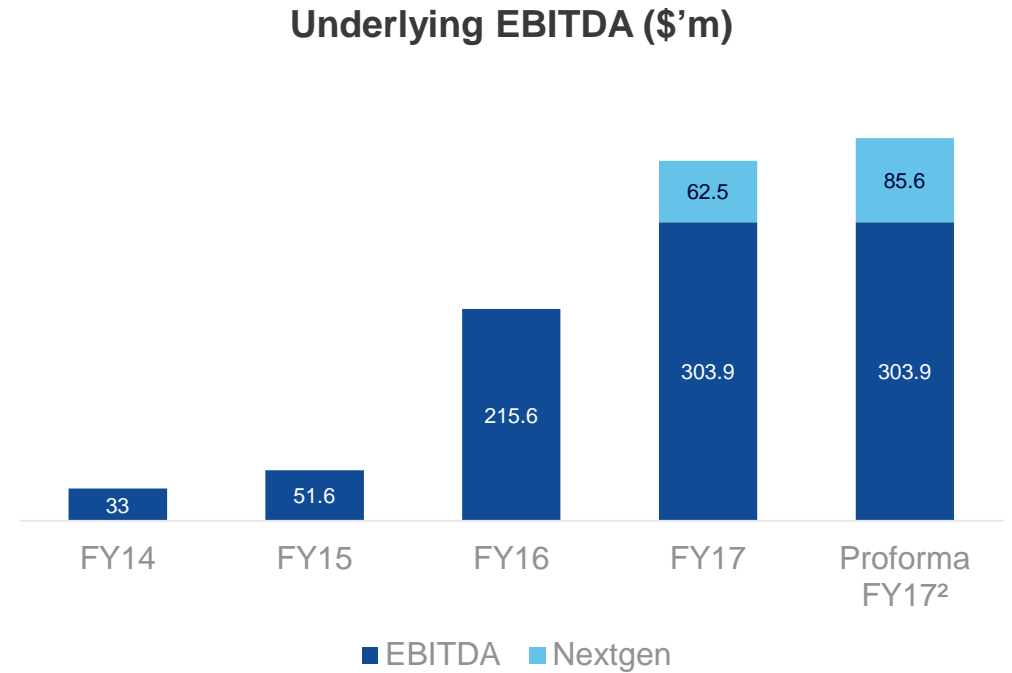
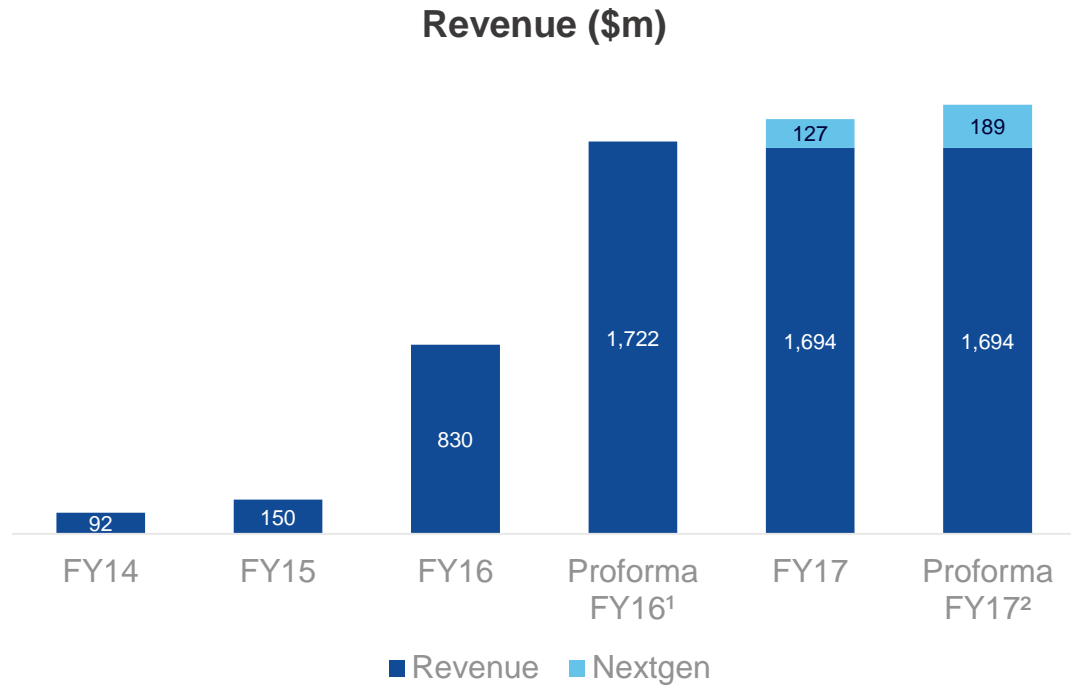
Questions



Appendices



Earnings Overview

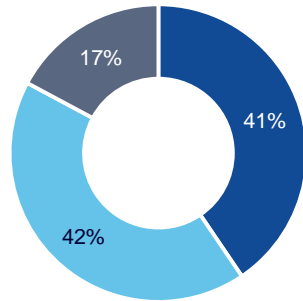


1. Proforma FY16 includes a full year contribution from M2

2. Proforma FY17 includes a full year contribution from Nextgen

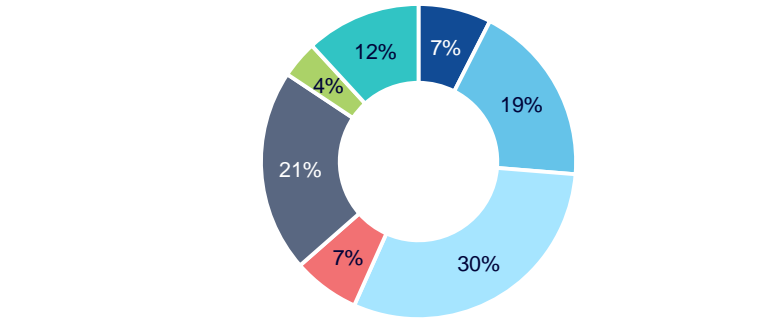
Group Earnings Breakdown

FY17 Proforma¹ Revenue Split by Division



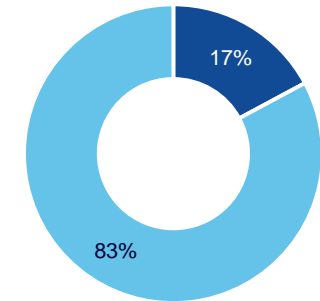
- Enterprise & Wholesale Aust
- Consumer Australia
- New Zealand

Proforma¹ FY17 Revenue Split by Product



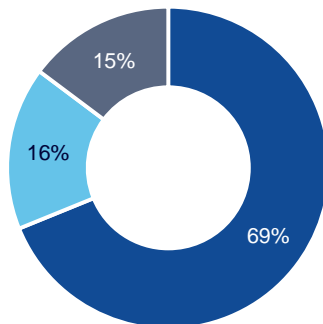
- Internet
- Fibre & Ethernet
- Broadband
- Data Centres & Other
- Energy
- Voice
- Mobile

Proforma¹ FY17 Revenue Geographic Split



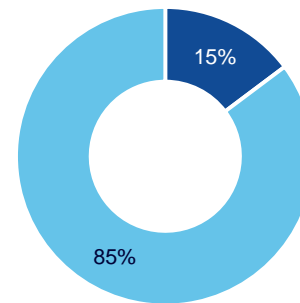
- New Zealand
- Australia

FY17 Proforma¹ Underlying EBITDA Split by Division



- Enterprise & Wholesale Aust
- Consumer Australia
- New Zealand

FY17 Proforma¹ Underlying EBITDA by Geography

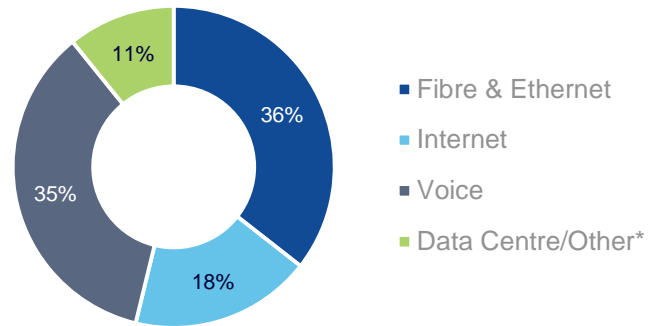


- New Zealand
- Australia

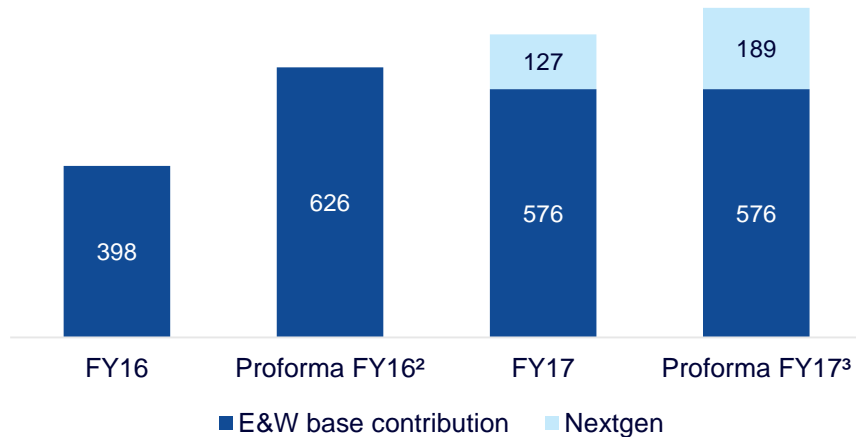
1. Proforma assumes a full 12 month contribution from Nextgen and Commander SMB business is in E&W revenue. Groups Services have been allocated on a proportional basis

Enterprise & Wholesale - Earnings Overview

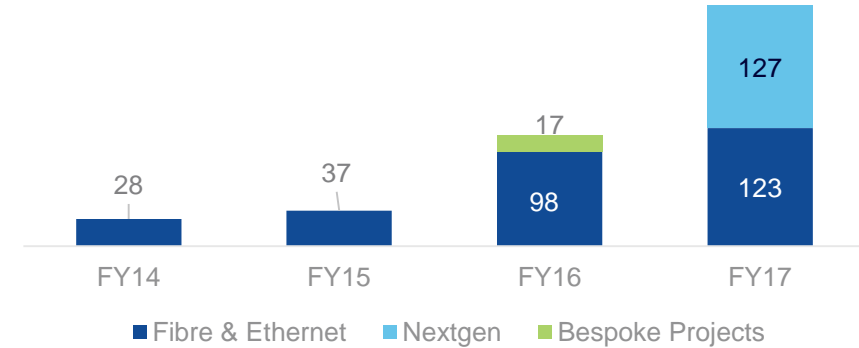
FY17 Revenue by Product



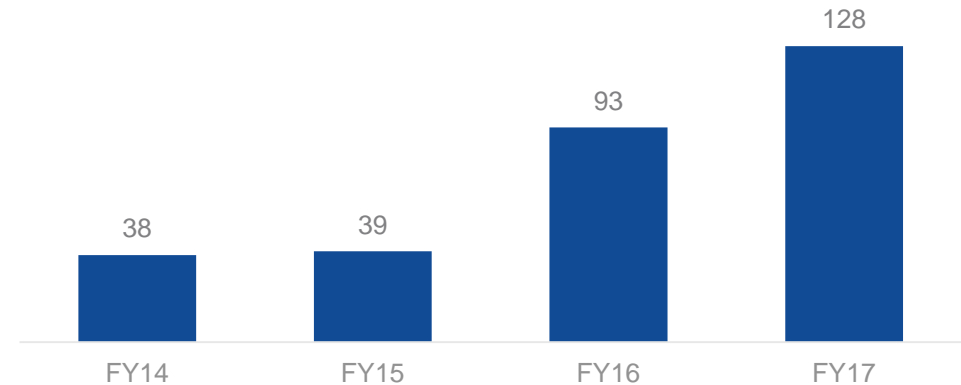
Enterprise & Wholesale Revenue (\$'m)



Fibre & Ethernet Revenue (\$'m)



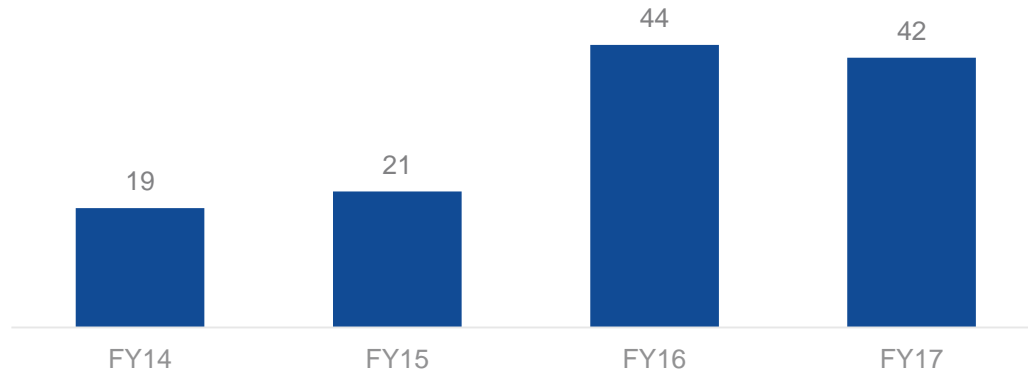
Internet Revenue (\$'m)



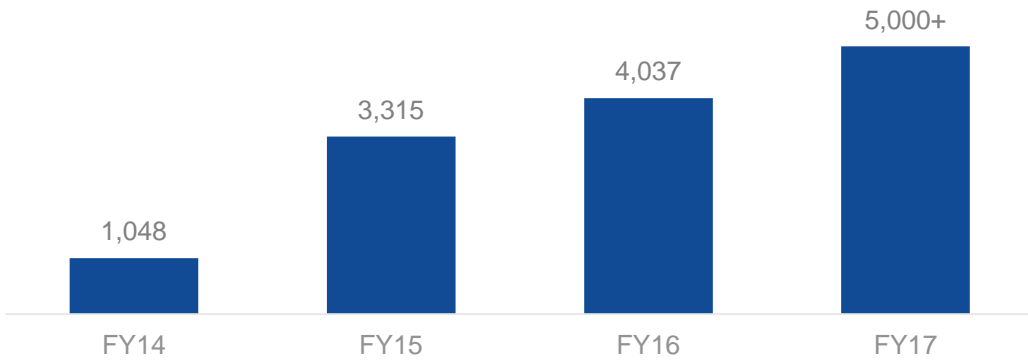
1. FY15 -FY17 excludes intracompany revenues
 2. Proforma FY16 includes a 12 month contribution from M2 Wholesale and Commander
 3. Proforma FY17 includes a 12 month contribution from Nextgen
 * Includes Commander mobile and hardware sales

Enterprise & Wholesale - Earnings Overview

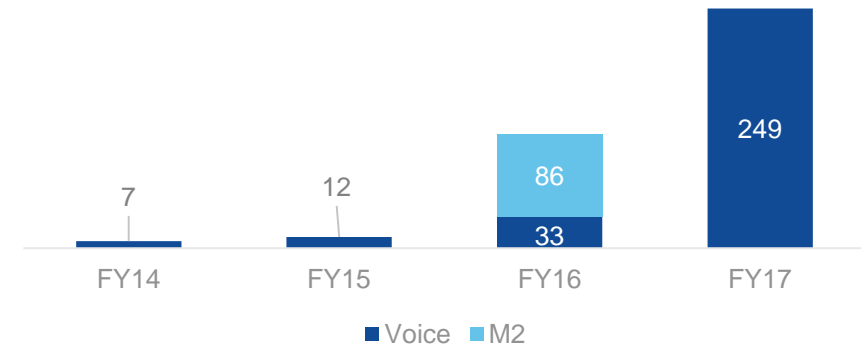
Data Centre Revenue¹ \$'m



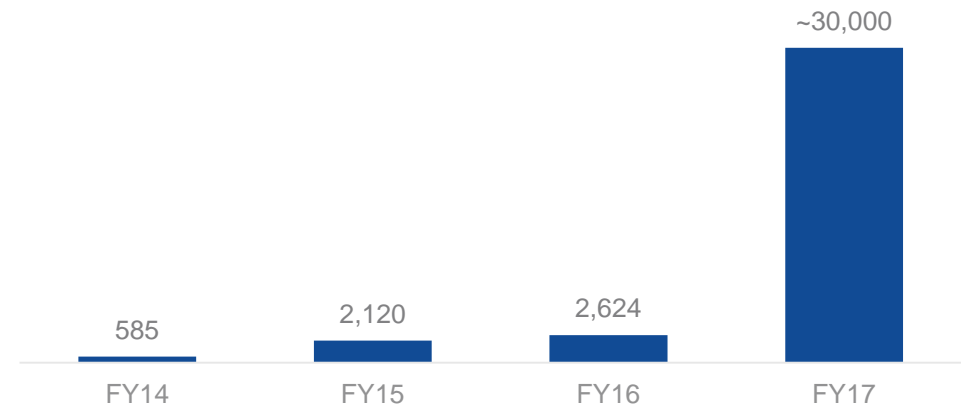
On-net buildings



Voice Revenue² (\$'m)



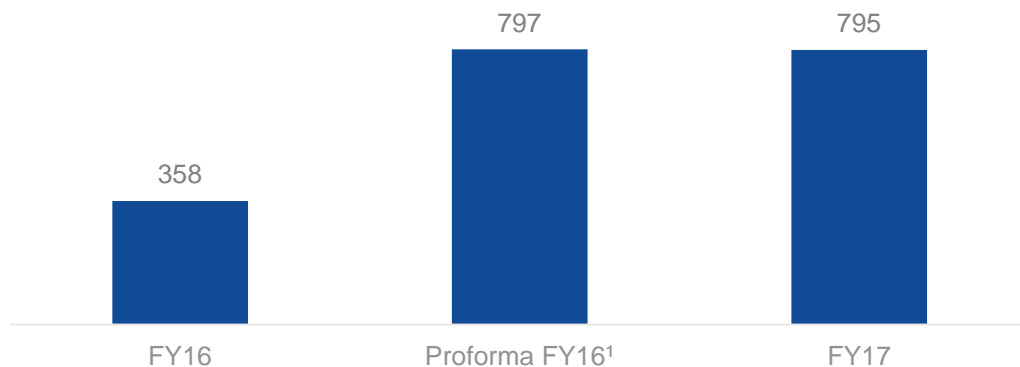
Metro Fibre km's



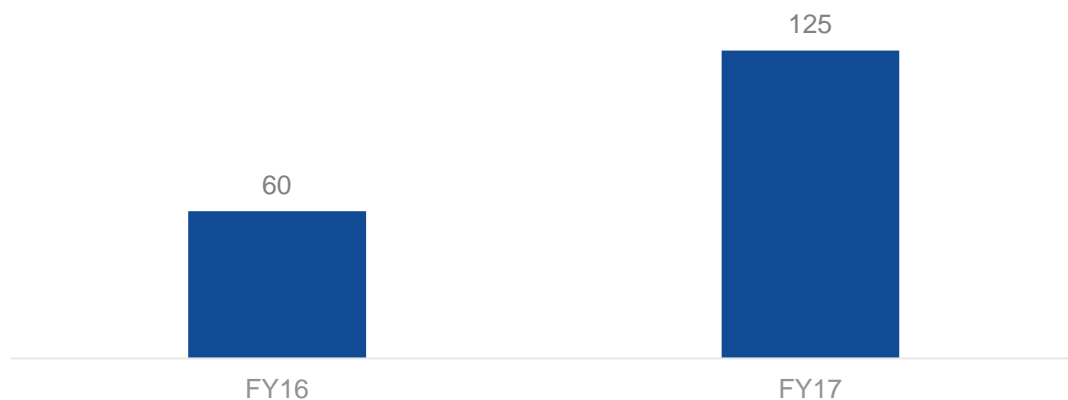
1. FY15 -FY17 excludes intracompany revenues
2. Includes SMB voice revenues

Consumer Australia – Earnings Overview

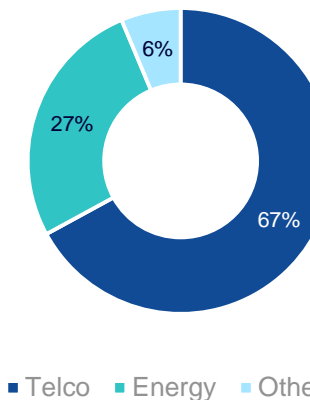
Consumer Australia Revenue \$(m)



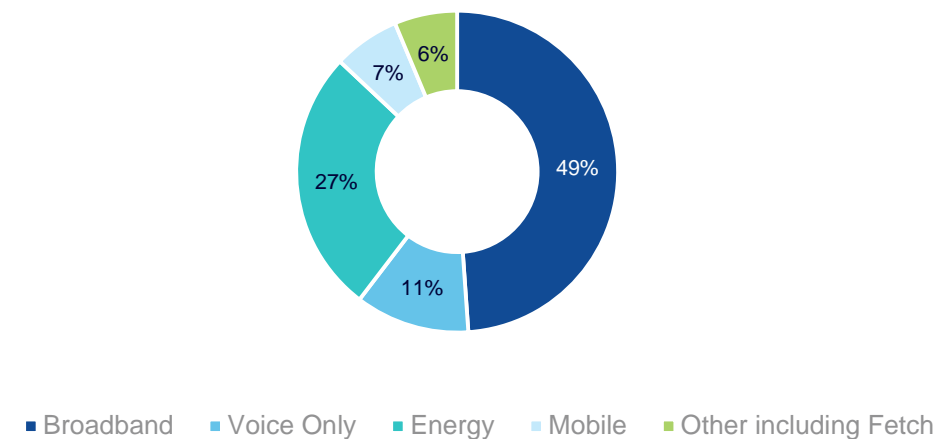
Consumer Australia EBITDA Growth on pcp \$(m)



FY17 Consumer Revenue Breakdown by Sector



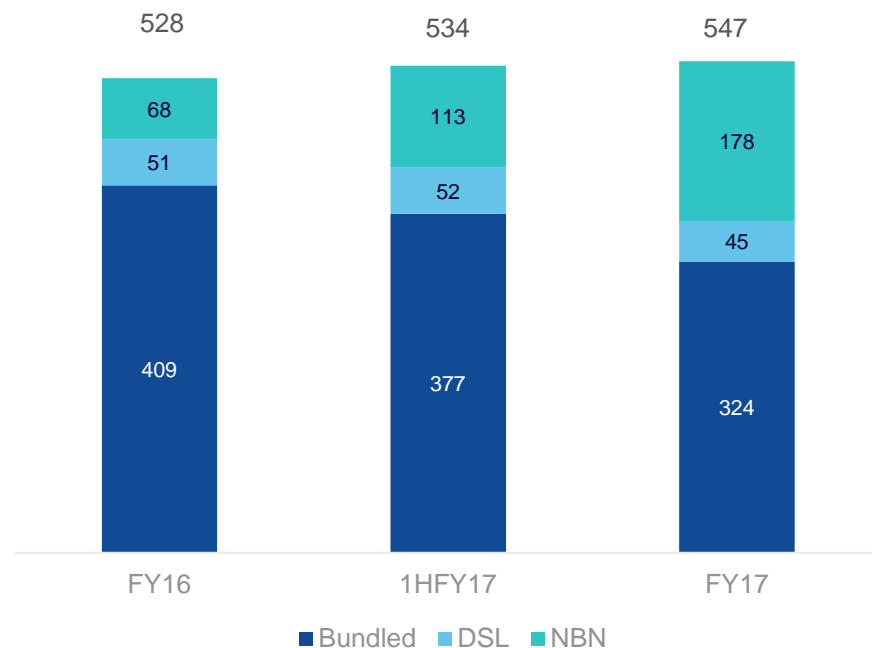
FY17 Consumer Revenue Breakdown by Product



1. Proforma FY16 represents a full 12 month contribution from M2 Consumer businesses

Consumer Broadband Trends

Consumer Broadband SIOs ('000)¹

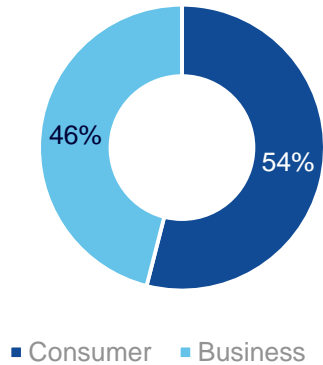


| | FY16 | FY17 |
|--|-------|-------|
| ARPU\$ copper | 60.62 | 61.04 |
| AMPU\$ copper | 24.64 | 25.26 |
| ARPU\$ NBN | 64.54 | 64.23 |
| AMPU\$ NBN | 22.07 | 20.26 |
| Net churn copper (%) | 2.4% | 2.4% |
| Net churn NBN (%) | 1.5% | 1.4% |
| Market share Consumer NBN excl satellite | 6.4 | 7.3 |
| Energy SIOs ('000) | 147 | 161 |
| Mobile SIOs ('000) | 169 | 163 |

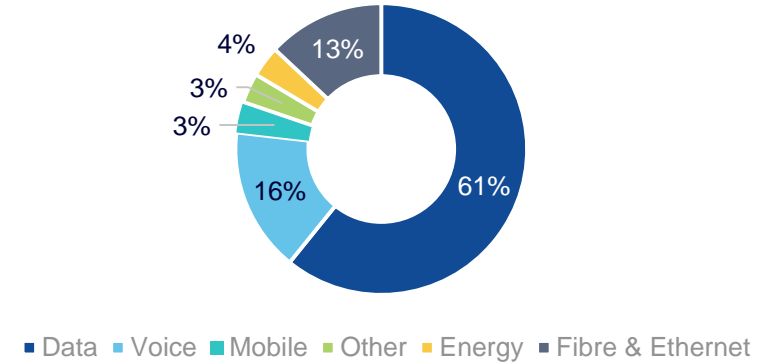
1. Data includes Amnet does not include Commander SIOs
2. ARPU and AMPUs based on per subscriber per month

New Zealand Earnings Overview - Update

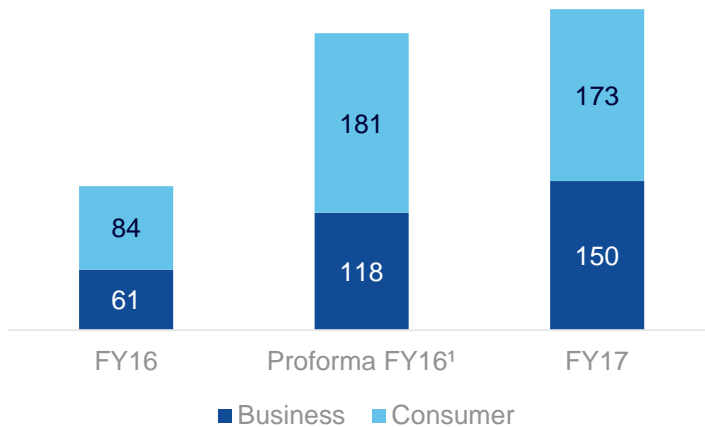
FY17 Revenue by Segment



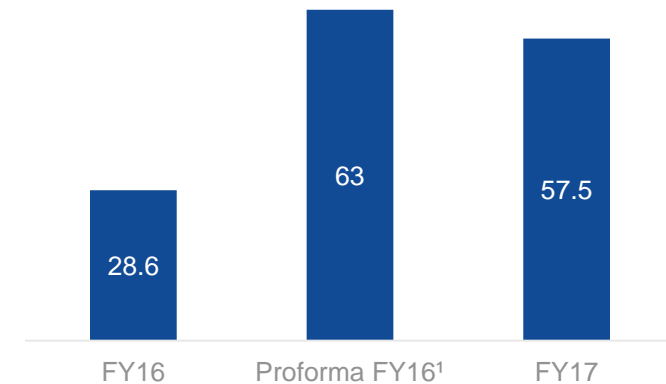
FY17 Revenue Split by Product



Revenue Growth (A\$m)



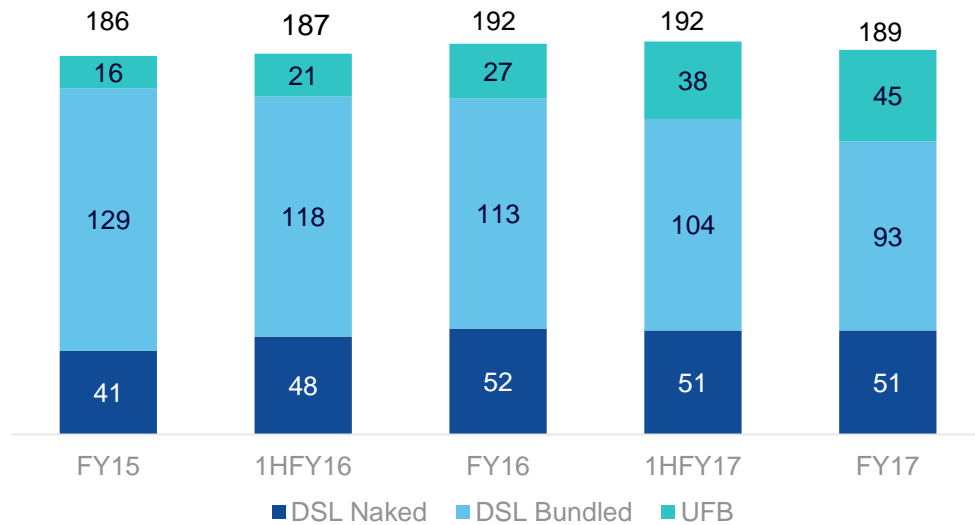
EBITDA (A\$m)



1. Proforma FY16 includes a full 12 month contribution from the M2 New Zealand Call Plus businesses. Proforma FY16 includes a ~NZ\$4.2m restructuring write back associated with the Call Plus acquisition

New Zealand Consumer Broadband Trends

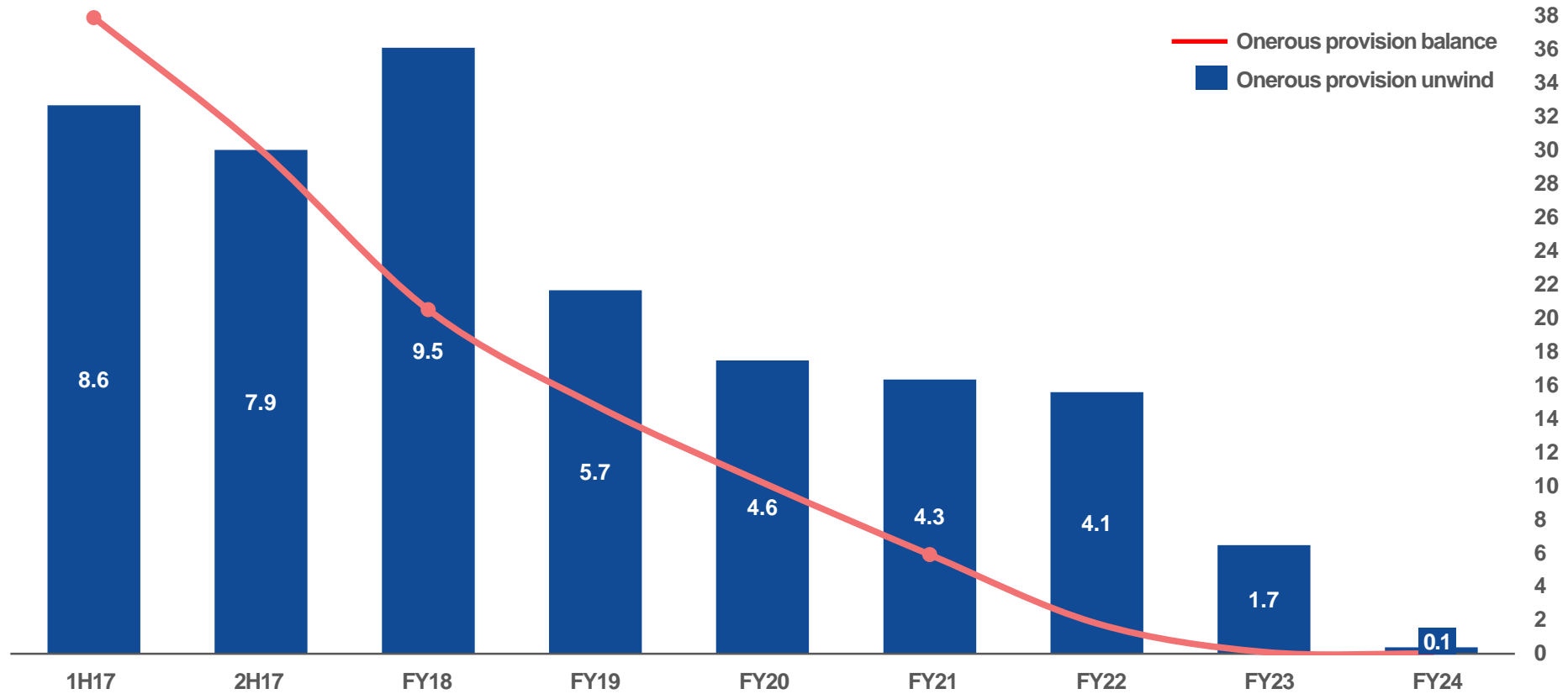
Consumer Broadband SIOs¹ ('000)



| Period ended (\$'m) | Jun 16 | Dec 16 | Jun 17 |
|-----------------------------------|--------|--------|--------|
| ARPU NZ\$ broadband | 71.37 | 71.88 | 71.21 |
| AMPU NZ\$ broadband | 29.61 | 29.72 | 28.87 |
| Net churn copper (%) | 2.8% | 2.8% | 3.0% |
| Net churn UFB (%) | 2.0% | 1.8% | 1.9% |
| Market share UFB ² (%) | 11% | 12% | 13% |
| Energy SIOs ('000) | - | 2 | 5 |
| Mobile SIOs ('000) | 17 | 19 | 21 |
| SMB SIOs ('000) | 20 | 21 | 21 |

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

Onerous provisions cash release profile

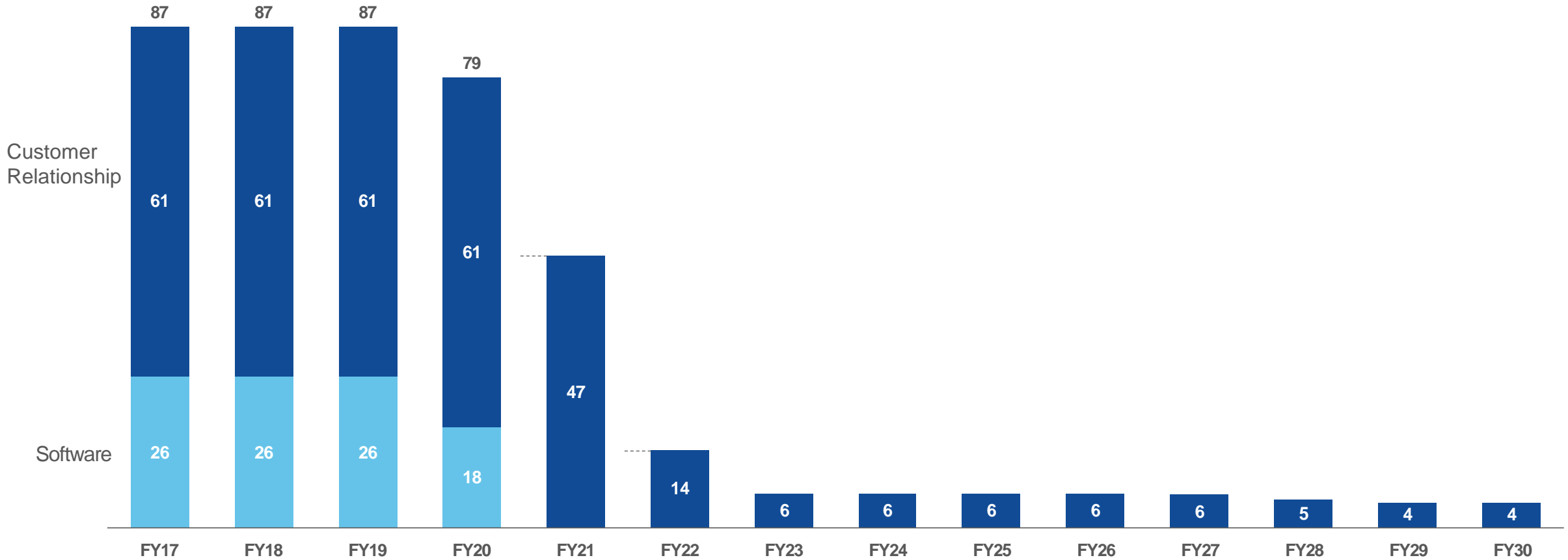


Notes:

1. Onerous contract provisions created on acquisitions
2. Include property leases and Metronode contract

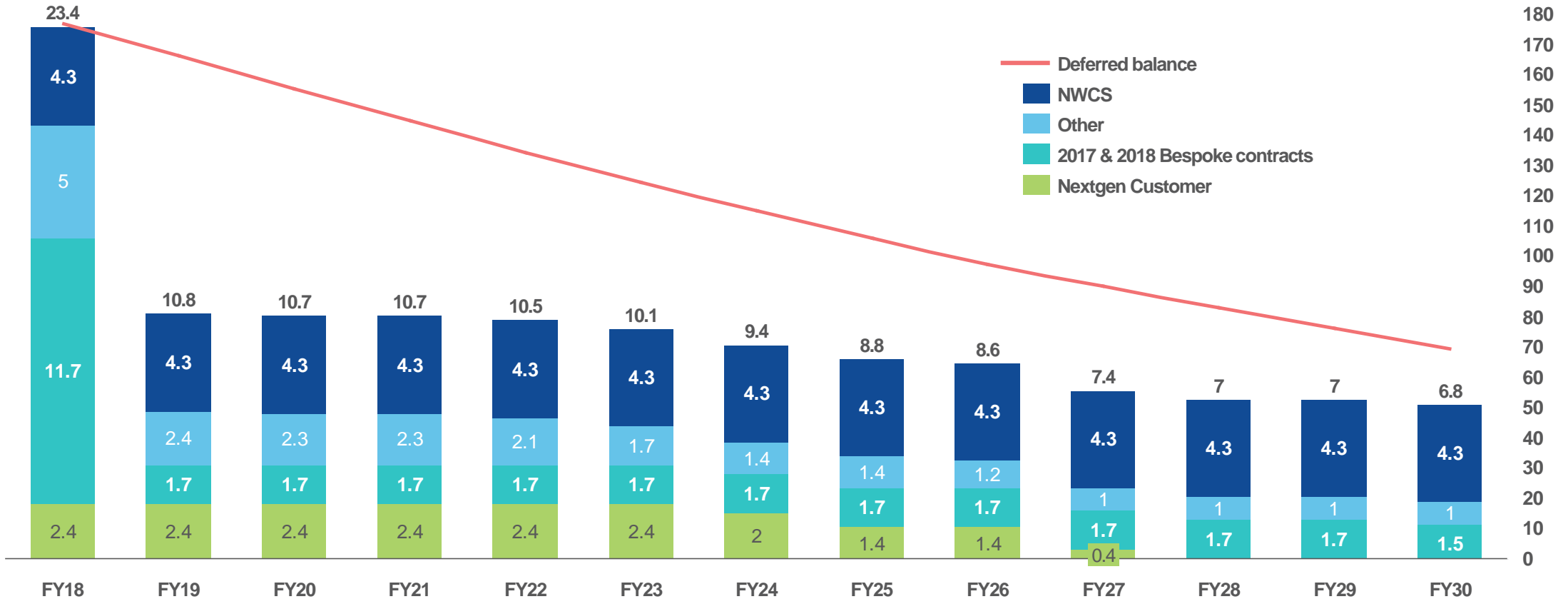
Below the line amortisation - intangibles

Acquired Customer Relationship & Software (\$M)



Deferred Revenue Profile 2018 - 2030

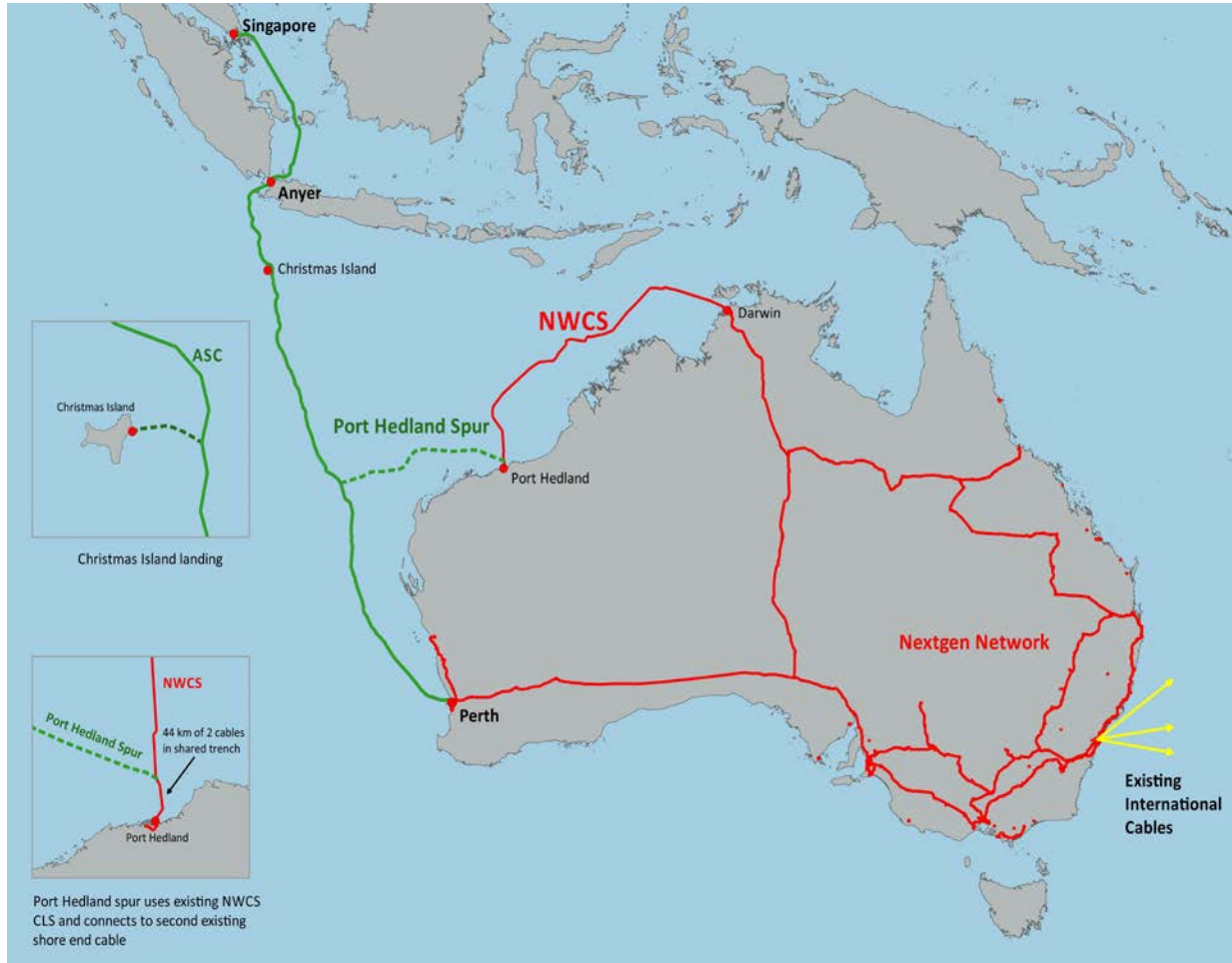
Deferred Revenue (\$M)



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 specific bespoke projects cash received: 2017 - \$22.3M / 2018 - \$5M

Australia - Singapore Cable



- ✓ **4,600km submarine cable system linking Australia to Singapore and Indonesia**
 - Project expanded to include a spur to Christmas Island
- ✓ **Project remains on budget and on track to be ready for Q1FY19**
- ✓ **Marine route survey and full system design completed**
- ✓ **Construction works now underway at the cable landing sites in Singapore, Indonesia (Anyer) and Perth**
- ✓ **Marine transmission system manufacturing in full swing:**
 - Marine cable – 50%
 - Land based electronics and power systems – 80%
 - Sub-sea electronic systems – 40%
- ✓ **Engagement with prospective cornerstone customers continues with strong and growing demand for capacity on the route**

ASC - Strategic Rationale

Strategic Rationale

- Access to burgeoning market for a diverse western path for Australian international traffic to and from Asia
- Creates an alternative path for International transit traffic from Asia to North America which may be subject to geopolitical and geographical risks
- Ability to leverage ownership economics on ASC to acquire equivalent commercials on other targeted international routes via swaps and peering relationships

Competitive Advantages

- First to Market: Ability to deliver the ASC system well ahead of the competing cable project
- Complementary Terrestrial Offering: Leverage the Vocus terrestrial assets to deliver customers access to all Australian mainland capital cities
- Diversity: Potential to offer diversity from both East and West coast of Australia which competitors may not be able to match

North West Cable System Update

- 1
 - North West Cable System (“**NWCS**”) is a **~2,000km submarine cable connecting Darwin and Port Hedland** with various branch connections providing high speed, fibre-based data services to offshore platforms
- 2
 - **State of the art two fibre pair cable with a design capacity of 12 Tbps** constructed by Alcatel Submarine Networks for a total construction cost of ~US\$130 million and which commenced services in October 2016
- 3
 - **Supported by foundation customers (Shell and INPEX) under long-term IRUs** for minimal base level of capacity that is expected to increase significantly once projects become operational with significant future use agreements with Woodside and Shell (Crux)
- 4
 - **Leveraged to significant demand** for high-capacity and reliable data connectivity services from offshore Oil & Gas platforms which are currently underserved by expensive, low-capacity and weather dependent satellite services
- 5
 - **NWCS was connected to INPEX’s Icthys platform on 30 July 2017** and is operational with testing underway. Connection to Shell’s Prelude due at the end of the month
- 6
 - **Opportunity** to connect the NWCS to Vocus’ Australian Singapore Cable (“**ASC**”) to provide **terrestrial connectivity services to offshore energy sector in Carnarvon Basin**

Glossary of Terms

| | | | |
|----------------|---|------------------|--|
| \$ | Australian dollars unless otherwise stated | IRU | Indefeasible right of use |
| ACCC | Australian Competition and Consumer Commission | kms | Kilometres |
| AMPU | Average margin per user | MRR | Monthly recurring revenue |
| 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 | PCP | Previous corresponding period |
| D&A | Depreciation & amortisation | PPA | Purchase price accounting |
| DSL | Digital subscriber line | PPE | Property plant & equipment |
| DRP | Dividend reinvestment plan | RBBP | Regional Backbone Blackspots Program |
| EBITDA | Earnings before interest, tax, depreciation and amortisation | SIO | Services in operation |
| EPS | Earnings per share | SX | Southern Cross Cable |
| FY | Financial year ending 30 June | UFB | Ultra Fast Broadband |
| IDA | Infocomm Development Authority of Singapore | | |

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