

24 October 2017

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

ELECTRONIC LODGEMENT

Dear Sir / Madam,

2017 AGM Chairman and CEO Speeches and Presentation

Vocus Group Limited (ASX: VOC) (Vocus) is holding its Annual General Meeting today at 10am in the Theatrette, Dexus Place, 385 Bourke St Melbourne.

A live webcast of the meeting will be available on the Company's web site at www.vocusgroup.com.au. Registration for the webcast is available now via <http://edge.media-server.com/m/go/vocus-investor-update>. A recording of the event will be available on the website later in the day. The Chairman and CEO speeches and presentation to be made at the meeting are enclosed.

Yours faithfully



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

Chairman Vaughan Bowen Speech 2017 Vocus AGM

The 2017 financial year was an exceptionally intense and in large part unpleasant period for Vocus, involving the integration of both a large acquisition and a merger from the previous year, completing the acquisition of Nextgen networks, navigating through destabilising boardroom events, making notable management changes, materially downgrading our earnings guidance and writing off some \$1.5 billion in goodwill. So, on balance, FY17 was not a good year.

Whilst the business combinations Vocus has executed over the last couple of years do absolutely serve the company's medium and long term strategic best interests the short term pain Vocus has experienced and in turn, forced our shareholders to experience, is something we apologise for without reservation and state our commitment to restoring shareholder value as our priority, above all else.

In addition to our own challenges, the telco sector overall had a particularly rough year, with valuations of our peers also coming under considerable pressure, given the various changing industry dynamics.

To this end, I, my board colleagues and the executive management team are squarely focused on the things that are within our control, which will improve the performance of the business (both financially and operationally), strengthen our balance sheet and, in turn, restore confidence in Vocus' ability to deliver sustainable, profitable growth, to the benefit of all our shareholders.

As our CEO, Geoff Horth, will speak to in more detail in his presentation and as he and his management team addressed at yesterday's investor day, key steps in the restoration of positive momentum are well underway. Notably, recent bolstering of our executive management talent pool, renewal at Board level, implementation of a business-wide transformation agenda (supported by a global leader in the field), strong Q1 performance indicators, the highly strategic Australia Singapore Cable project tracking ahead of schedule (with improved economics) and the recent disclosure of a clearly defined path toward materially strengthening the Vocus balance sheet, via specified asset sales.

What I intend to focus on for the coming 15 minutes or so, before handing over to Geoff, is the key financial & strategic matters of note, both during the FY17 year and in the first few months of FY18.

Financial Performance

I am sure you have now absorbed our FY17 results, released in August this year. Notwithstanding the disappointments I mentioned at the outset, the year produced a record result with the Company reporting 50% growth in underlying NPAT for the 12 months to 30 June 2017 to \$152.3m 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 following the merger in February 2016 and an 8 month contribution from the Nextgen Networks acquisition, completed in late October 2016.

While the result was clearly not at the level forecast at the beginning of the year by your Board and management team, the growth in most key financial performance measures reflect the benefits of the M&A activity over the last few years, which has created a substantially larger, more diversified earnings base, now with the scale to enable the Company to compete more effectively in the evolving telecommunications landscape.

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 on our balance sheet. As a result of a review of the assumptions made to support the carrying value of goodwill, Vocus recognised a non-cash impairment of \$1.5bn, spread across both the Australian and New Zealand cash generating units.

In reviewing the carrying value of goodwill the Company took into account the detailed five year business plans for each of the core operating Divisions and Group Services, competitive market dynamics and industry structural factors.

The Board and senior leadership team have moved decisively over recent months to address the issues that led to our under-performance in FY17, and in turn the balance sheet write-down, once again, with the overriding objective of restoring value for shareholders.

ASC Project

Turning now to the Australia Singapore Cable project (or "ASC"); During FY17, the Board made the decision to move to contract-in-force on the project, with Alcatel Submarine Networks, the principal contractor for the construction of ASC. To quickly recap, ASC is a 4,600km submarine cable system linking Australia, Indonesia and Singapore, acquired as part of the Nextgen acquisition.

The Board believes that the project has a number of strategic advantages which it will deliver to Vocus, notably the ability to tap into the rapid growth in demand for data capacity on this route, the interconnection of ASC with our Australian national backhaul network and delivering valuable swap capacity on key other international routes.

Geoff will give you an update on the ASC project in his presentation but importantly, I want to reiterate that construction is well underway, the total project cost has been recently reduced and remains on track to be ready for service, ahead of schedule in fact, in 1Q FY19, well in advance of any prospective competitors.

Dividends

In regards to dividends, given current competing demands and opportunities for capital investment across the business, including the ASC project, combined with a focus on reducing the overall leverage in the business, the Board made the decision not to declare a final dividend for the FY17 year. An interim dividend of 6¢ per share fully franked was paid in April 2017. For these reasons, as previously stated, the Board also does not anticipate paying an FY18 interim dividend.

We of course understand that certain shareholders will be disappointed about the Company not paying a final dividend. However the Board believes it is in the best interests of shareholders to invest in projects that are core to our fibre connectivity business which we expect to deliver material benefits to the business over the medium to longer term.

The Board expects to review future dividend payments pragmatically, in line with the performance of the business & taking into account the capital requirements and accretive infrastructure opportunities available at different points in time.

Private Equity Approaches

Another matter I feel is appropriate to address with you today is the approaches received by the Company from two private equity parties late in the 2017 financial year. As we announced at the time, the Company was approached separately by Kohlberg Kravis Roberts & Co. and Affinity Equity Partners around potential transactions to acquire 100% of the shares in Vocus. The Company engaged with both parties and the interactions that followed were constructive on many levels. However, as you would be aware, on 21 August this year the Company notified the ASX that an agreement was not able to be reached with either party on a binding bid for the Company on terms that would be acceptable to the Board. As a result discussions with both parties regarding a possible transaction ceased at that time.

The feedback that has been given to us by KKR and Affinity, post the completion of these discussions, both highlighted the issues we need to address and reinforced that the infrastructure platform we have put together and the markets we are pursuing, puts us in an enviable position to profitably grow the business over time. The Board is unified in its view that over the medium term, by delivering on our core strategy, the intrinsic value of the Vocus business will be reflected in the form of greater & growing returns to shareholders.

Geoff will update you in his presentation on the plans we have been putting in place, following the end of the private equity process, to further simplify the business, refine our focus on what is “core” and drive future growth.

Proposed Divestment of Vocus New Zealand & Australian data centres

It is appropriate to make mention at this point of the significant resolution the Board has reached to mobilise a whole-of-business sale process for Vocus New Zealand, which was first communicated to our shareholders at yesterday’s investor day here in Melbourne.

We committed to our shareholders at the time of our FY17 results release that we would, on or before today, speak very specifically on the matter of asset disposals. Whilst initially our focus was on the review of Australian non-core assets, based on further analysis and several unsolicited approaches from prospective acquirers, the Board unanimously determined that the sale of Vocus New Zealand, is definitively the right decision for the company, notwithstanding it being made with a genuinely heavy heart.

The proposed sale of Vocus New Zealand will deliver major benefits to Vocus Group shareholders on various fronts, notably considerably strengthening the Company’s balance sheet and in turn presenting wide-ranging strategic optionality in terms of our future growth ambitions for our Australian operations and our international connectivity business. The opportunity to redirect capital into markets where we have deep infrastructure yet very modest market penetration is both strategically compelling and exciting.

Furthermore, we enjoy the benefit of Vocus New Zealand being an exceptionally well run, fundamentally stand-alone enterprise, making it attractive for the acquirer universe and minimally distracting for our Australian team, busy implementing a wide-reaching transformation agenda.

We are in the process of finalising the appointment of advisors to support the sale process, which will mobilise this calendar year and are targeting completion of a transaction on or around the end of this financial year. We will update our shareholders of the status of the Vocus New Zealand sale process at our 1H18 results release in February next year.

We also announced at yesterday’s Investor Day that we have appointed advisors to actively seek a prospective acquirer for the Vocus data centres assets, having also fielded recent interest for these assets. Whilst also a well-run business unit and complementary to our core fibre connectivity business, data centres are non-core and we will now, with the support of our appointed advisors, conduct a formal review to agree on the appropriate process and timeline. We will also update shareholders further on this on or before we release our 1H18 results in February.

Board Renewal

Lastly, on the matter of Board Renewal, Vocus has made three new appointments to the Company's Board over the last 10 months, all of whom stand before you today to offer themselves for re-election.

We were exceptionally pleased to announce the appointment of Mr Robert Mansfield AO to the Board in January 2017 and more recently Mr David Wiadrowski and Ms Christine Holman. Bob, David and Christine will all stand up and introduce themselves later in the meeting but I would like to extend my thanks for their preparedness to join the Vocus Board at what has not been an easy time, their contribution to the Board thus far and in anticipation of their continued valuable contributions moving forward.

As I mentioned at the outset David Spence, the founding Chairman of Vocus who has served in the post for the last seven years was up for re-election at this AGM and decided that the time was right for a change in the Chairmanship of the Board. As a result David chose not to stand for re-election and will step down from the Board today.

David has stewarded Vocus from a start-up through to its current position as a large scale, diversified player in the telecommunications sector. David's commitment to stabilising the Company following a significant period of change over the last eighteen months is of particular note and on behalf of the Board, I sincerely thank him for his service over the last seven years and his support in recent weeks through this period of transition.

As announced to the market on 3 October, the Board decided that given the critical stage of the Company with its transformation program, the over-arching priority in terms of appointing a new Chairman was to ensure that the positive momentum the Company is now beginning to again experience, is maintained. With these priorities in mind, my Board colleagues determined that my appointment as Chairman would bring the necessary stability to ensure this momentum can be further built upon, together with bringing an in depth knowledge of the business and established, effective engagement with executive leadership and key stakeholders.

In conjunction with the Chairman role, we announced the appointment of Bob Mansfield as Deputy Chairman and Lead Independent Director. Bob, as I mentioned, will introduce himself to the meeting shortly. However as I am sure most of you know Bob has an extensive business career at the highest levels in corporate Australia, in particular in the telecommunications sector, as founding CEO of Optus and Chairman of Telstra. The Board

believes that the combination of Bob's depth of experience and my industry and Company specific knowledge will ensure that the Vocus Board operates with a strong governance structure and decisive leadership.

I am honoured and excited about taking on this role at a time when I absolutely acknowledge we have a lot of confidence to restore with our shareholders. Despite our recent travails, I'm certain our Company is well placed to build upon an enviable customer base, deep critical infrastructure and established brand portfolio, to be able assume the position as the stand-out challenger in Australian telecommunications.

Finally, I would like to thank sincerely the Vocus team for their hard work and support. I appreciate that the last two years have seen significant change and challenges across the business which has at times placed substantial additional pressure and uncertainty on our people. The Board and senior management team are committed to creating a great place to work that is built on a sustainable platform of outstanding assets managed and governed by strong, strategic leadership with courage of conviction

On that note I will now hand over to our CEO Geoff Horth, before coming back to move to the formal business of the meeting.

CEO Geoff Horth - Speech AGM 2017

Thanks Vaughan, good morning everyone and can I add my welcome to those in the room and those listening on the webcast.

As noted by Vaughan FY17 was a challenging year for the company, the combination of Vocus and M2, and the subsequent acquisition of Nextgen created a vertically integrated fourth fixed telco in Australia ideally positioned to take share from the majors. Clearly, the integration of these businesses has presented some significant challenges and the financial performance has not lived up to our expectations, I would like to unreservedly apologise to shareholders for this disappointing year.

We have however taken significant steps towards restoring value for shareholders including a refresh of the executive talent with the appointment of our new Chief Financial Officer, Chief Technology Officer and Chief Executive Enterprise and Wholesale since January this year. The complexity of the transformation of this business requires seasoned and experienced executives so we have worked hard to ensure that we have the right team in place.

Over the last several months the executive team has been working with the Board to refresh the strategy and develop our five year plan and forecasts. That work has identified some areas of our business that should be divested or discontinued, but has also reinforced our view of the strategic merit of the combination of these assets and the enormous opportunity the combined group has to capture value for Vocus shareholders in the coming years.

Yesterday we had a session with analysts and investors, a recording of the webcast of this event is available on our website and I would encourage those interested, if you haven't already, to listen to the recording and read through the detailed presentation that was lodged with the ASX.

Today I propose to give you an update on the FY18 first quarter trading across our three business divisions, confirm our FY18 guidance and summarise some of the key takeaways from the strategy update presentation yesterday.

Slide - 1QFY18 Update Enterprise & Wholesale Australia

Turning first to an update on 1QFY18 trading across our three business divisions. Our Enterprise & Wholesale business in Australia has started the fiscal 18 year well, extending the momentum in the business in 4Q FY17 into the new financial year.

At our strategy day held in June this year we outlined a number of key areas of focus to improve the performance of this division. I would like to run you through the progress we have made in these seven key areas

Firstly we are focused on lifting our presence and share on the east coast of Australia given it is underrepresented relative to the share we have in west coast markets. During 1QFY18 in pursuit of this target we expanded the sales team by 25 people. We met our monthly recurring revenue (MRR) sales targets for the period and pleasingly, 65% of new MRR in the quarter was generated by the east coast sales team in line with our aspirations to improve market share in this important market. This momentum has continued into the 2QFY18.

Secondly we have refreshed our account management and business partner programs. We launched a new business partner program during the period embracing the Commander channel and signing 35 new partners over the quarter. We have started to introduce the Vocus brand name into the SMB market and we are expanding our product set to better suit the market requirements.

With the combination of the businesses, and the acquisition of Nextgen in particular, we identified that a growth opportunity was available to us in the domestic and international carrier market. Accordingly we expanded our wholesale sales team by 3 people and have bolstered the leadership in this area. We have started to see the benefits of this focus and investment with strong growth in our sales pipeline in this market, these are largely customers who would not have seriously contemplated Vocus as a potential supplier prior to the acquisition of Nextgen.

Slide - 1QFY18 Trading Update Enterprise & Wholesale

Moving to the next slide, we have strengthened our focus on the Government market, both at a State and Federal level increasing our sales team by 3 people. During the period we successfully secured all 4 government opportunities we tendered for and have secured a further 2 tenders post the end of the quarter. We continue to see significant new opportunities in the Government pipeline over the next twelve months.

Next we said that we would work to improve our service delivery reducing our delivery pipeline and driving a much faster conversion from the sales process to actual earned revenue. We have successfully reduced the backlog pipeline by 50% from its peak and while there is more work to be done we have already realised efficiencies in delivery totaling approximately \$1m pa. As one of the key priorities of the transformation program we expect to see further significant improvements in “quote to cash” through process reengineering and automation.

Slide - 1QFY18 Trading Update Enterprise & Wholesale

Moving to the next slide, we have revised our marketing plans, to focus largely on lead generation to drive opportunities for improving on net building penetration. This is in line with our broader priority of improving the focus of our sales effort to reduce the capital intensity of our growth.

Lastly we committed to introducing an increased level of financial discipline to the business focused on the reduction of both capital expenditure and operating expenses. This is reflected in the marketing plan as I mentioned in the previous point but also permeates all areas of the business including importantly the solution design and bid processes. The benefits of this approach are that the average capital expenditure commitment has been reduced significantly through a focus on on-net buildings and by leveraging third party supplier relationships to access off-net locations. We have also introduced a number of

operating expense controls within the business that will gradually improve working capital and earnings margins.

Slide - 1Q FY18 Update Consumer Australia

Moving to our Australian Consumer business, which has continued to focus on the rollout of the NBN. As I am sure most of you are aware the NBN rollout is accelerating in 2017/2018 with more than 5.7m premises already ready for service and a further 3 million households expected to be ready for service by the end of FY18. This creates a tremendous opportunity for Vocus however does not come without its challenges and material costs associated with both migrating our existing customers and leveraging the rollout to grow market share.

Positively, we continue to secure market share in the NBN rollout above our copper broadband share. During the quarter 53,000 new consumer NBN subscribers were signed under the Dodo and iPrimus brand names representing 30% growth of our portfolio in only 3 months. Consumer NBN market share for the quarter (ex-satellite) rose from 7.3% at the end of June to 7.8%. This growth in our key brands has been offset to an extent by a decline in subscribers in our legacy brand portfolio. We are focused on migrating subscribers in this portfolio to our primary brands during the NBN migration.

You may have read in the media some negative commentary surrounding the speed of NBN services. It is our view that the current NBN pricing structure creates a disincentive for service providers such as ourselves to actively promote higher speed plans which will deliver the full benefits of an ultra-fast broadband network to Australia. These issues are not unique to Vocus, they are an industry wide problem, and we continue to work constructively with the government and the NBN to find a long term solution to provide certainty of returns for our shareholders, and to deliver on the benefits of ultra-fast broadband to the Australian economy.

While these industry discussions go on behind the scenes, Vocus is focused on taking advantage of the positive opportunity the rollout presents for the business over the longer term. To ensure that we are insulated against increased NBN input costs we are also very focused on transitioning this business to a digital led organisation, giving our customers world class online sales and service platforms and moving the majority of our sales and customer service interactions into a digital environment.

While competition in the sector combined with the pricing structure mentioned above has resulted in lower average dollar margins per customer per month than we achieve in copper broadband we have been able to maintain materially lower churn rates on NBN services at

1.5% per month which ultimately reduces our cost to serve and improves customer lifetime value. The Consumer Division is also focused on increasing the customer share of wallet, offsetting to an extent margin pressure, through bundling other services such as power and gas, mobile and Fetch TV. This strategy is starting to pay dividends with 13% of new Dodo subscribers in the quarter taking our Fetch TV product, more than double the attachment rate that we achieved in the same quarter last year.

We have recently re-launched the iPrimus brand, carefully positioned so as not to compete with Dodo but instead to capture market share in a complementary customer demographic. Based on the initial response we believe iPrimus will assist the Company to achieve its ultimate goal of 10% share of NBN, importantly the inclusion of iPrimus in our marketing mix should increase our average revenue and margin per customer and mitigate some of the earnings headwinds presented by higher NBN input costs.

Slide - Trading Update New Zealand

Moving to the New Zealand Division, it has also had a positive start to the new financial year. The Consumer business is seeking to take advantage of the Government sponsored fibre to the home rollout known in New Zealand as UFB (Ultra-Fast Broadband). While the Consumer broadband market in New Zealand has been extremely competitive the business has managed to grow its broadband portfolio in the quarter securing approximately 16% share of all UFB connections in the period. Importantly 55% of all subscribers signed in 1QFY18 were digital only sign ups.

The pricing structure of the UFB encourages service providers to promote higher speed products, as a result the vast majority of UFB customers are connecting at speeds of 100Mb/s or more and our UFB margins are largely in line with our copper broadband margins.

In FY17 the Division acquired a small energy retailer Switch. An energy offer was launched under the Slingshot brand in Q4FY17 and we have also recently launched an Orcon branded offer as part of the refresh of this brand. Momentum in energy subscribers has been strong with 4,704 subscribers connected in 1QFY18. Further, 14.5% of new broadband customers are electing to bundle their energy at time of sign up and 13.3% are bundling a mobile service.

The Business and Government team in NZ has been restructured and a new leadership line up implemented in this quarter. We have rebranded our go to market under the Vocus Communications brand and see strong opportunities for growth in the corporate and

government markets - market segments that were largely not addressable to Vocus prior to the merger.

Slide - Australia Singapore Cable

As Vaughan mentioned, in December 2016, Vocus announced that it was moving to contract in force on the Australia Singapore Cable project. The project sees Vocus constructing a 4,600km submarine cable system linking Australia with Singapore, Indonesia and Christmas Island. The construction of this system is well advanced with cable and repeater manufacture nearing completion, cable laying vessels reserved for Q3 FY18 and the project on track to be ready for service by the first quarter of FY19.

Pleasingly the project is not only on track but is expected to be delivered under budget largely due to renegotiation of the completion payment payable to the Nextgen Vendors from US\$20M to US\$8M

Slide – ASC Commercial Status

Turning to the next slide, I want to expand a little on the ASC project to provide some context as to why we have such strong conviction around this project and the long term value creation opportunity for our shareholders. This route is of significant strategic importance for a number of reasons:

- The vast majority of Australia's connectivity to the internet lands in Sydney today, however an increasing amount of the content Australian's are accessing is hosted in Asia not the US
- The current west coast system SeaMeWe3 is nearing end of life, is at capacity and particularly prone to cable cuts
- As a result, a significant amount of connectivity to Asia currently traverses the higher latency east coast systems
- Whilst there is sufficient demand for ASC to connect Australia to Asia there is also genuine interest in transiting Australia as an alternate path between the US and Asia. This route is a genuine strategic consideration due to the geological and geopolitical risks associated with the current cable systems connecting Asia to the US that largely traverse the South China Sea

The first mover advantage available to Vocus shareholders cannot be overstated with significant pent up demand for connectivity on this route. We have made good progress with presales with:

- Circa 20 parties engaged in discussions at various levels in the sales cycle, these customers include international OTT's as well as domestic and international carriers
- We have more than 3Tb/s of capacity currently in the pipeline

- Eight of these opportunities are at an advanced stage, some nearing formal documentation phase

We also envisage strong interest from a further cohort of customers looking to procure sub 10Gb/s services at RFS, these customers are either currently connected via the unreliable SeMeWe3 system or are connecting via higher latency routes off the east coast of Australia. Our wholesale sales team has many years' experience in selling into this market and is well positioned to win this business.

Lastly, to provide some context of the strategic value of this project to the group, we currently estimate that ASC will allow the group to avoid the vast majority of our international transit capex via strategic swap arrangements, our current estimates are for circa \$110M of CAPEX avoided between now and the end of FY22.

Slide - Extending Transformation

Moving to my next slide which provides a high level overview of the Transformation program we are currently implementing and our thinking around the positive financial impact it will have on our earnings in the medium term. As you know Vocus has been through a number of years of growth through acquisitions, likewise M2 had a strong track record of acquisitions prior to the Vocus merger. Whilst the initial functional consolidation of these acquisitions is complete, including the Nextgen Day 100 milestones, there is still significant technical complexity and inefficiency within the business which can only be eliminated through a comprehensive and disciplined program of work.

In June we announced our technology transformation program which initially is made up of ten key projects across the business. A number of these projects are in progress and the benefits should start to flow to earnings in FY18 and future periods. Yesterday we announced that we have extended this transformation into a whole of business program that is expected to deliver full potential to Vocus by FY20. The immediate focus of this program will be to drive the release of cash from the business and lower our cost base to ensure that we are well positioned to compete in the market and drive market share.

Slide - Cumulative EBITDA Benefits

This next slide is designed to give shareholders a sense of the benefits we believe can be delivered from the broader transformation program. We are currently of the view that we will be able to drive expected EBITDA benefits of approximately \$90m on a full year run rate basis by the end of FY20. We also believe that there will be an additional benefit of c\$50m to our cash flow that will assist with lowering our leverage over time.

Slide - FY18 Guidance

Now turning to the guidance slides. Based on the results for the 1QFY18 and the outlook for the remainder of the year the Company reconfirms its FY18 guidance released at the time of the FY17 results in August, targeting EBITDA of between \$370M and \$390M. This guidance does not take into account the impact or benefits associated with the asset sales we have foreshadowed today.

Our forecast Net Debt position at 30 June 2018 may change over the course of the year depending on the outcome of the asset sale process, and any upfront payments received or capex avoided as a result of the ASC project.

Earnings guidance for the three Divisions is consistent with the details released with the FY17 results in August.

Slide - Summary

So to summarise what I have outlined this morning:

Following an unsatisfactory year in FY17 we have moved quickly to refresh the management team and implement a transformation plan, the Company's first quarter trading is in line with our forecasts and we are comfortable that we can achieve our FY18 guidance.

During the year we announced that the Company was committed to the Australian-Singapore cable project acquired with the Nextgen acquisition. This project represents a strategic long term investment for your Company that will deliver a sustainable competitive advantage and support the group by avoiding a growing capex burden in international data transit.

We have extended our transformation program to a whole of business approach. This program has been designed around an agile framework that will allow us to deliver early cost reductions and cash release as well as progressively removing complexity and technical debt from our business to deliver improved customer experience and material additional earnings for our shareholders by the end of FY20.

The business has significant opportunities to expand our margin pool by growing our fractional market share, executing on transformation to reduce our cost base, and improve

our capital efficiency to improve cash generation. I would like to assure you that we are entirely focused on delivering on those opportunities and restoring value to shareholders.

Thank you and I would now like to hand you back to our Chairman Vaughan Bowen for question time and the formal business of the meeting.

END

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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.

VOCUS GROUP

Chairman's Speech

Vaughan Bowen



VOCUS GROUP

CEO's Speech

Geoff Horth



1QFY18 Trading Update - Enterprise & Wholesale

1. Increase East Coast Penetration /Expand and Refresh Direct Sales Teams

- All Direct teams achieved 1QFY18 targets.
- East coast market focus paying off with direct east team now accounting for 65% of all new orders
- Expansion of sales teams continues 25 new starters in 1QFY18,12 open roles

2. Account Management (AM) & Business Partner (BP) programs refreshed

- Implementation of AM program completed and customer base segmented & allocated.
- BP program relaunched with 35 new partners secured in 1QFY18 onboarding commenced
- Vocus Communication brand and products being transitioned into Commander channel

3. Increase penetration of Wholesale carrier market

- Expanded pipeline to domestic & international carriers
- Improved leadership and expanded team by 3 headcount

1QFY18 Trading Update - Enterprise & Wholesale

4. Leverage network to grow share of Government Market

- Successfully secured 4 out of 4 Federal business tenders in 1QFY18. A further two tenders secured in 2QFY18
- Strong pipeline across both State and Federal agencies
- Government team expanded to accommodate increased activity. Early voice business wins

5. Focus on service delivery to improve efficiency and customer experience

- Backlog orders reduced by 50% (excl SMB & Nextgen) to \$1.8m from 3QFY17 peak of \$3.8m
- Nextgen & SMB delivery integrated to E&W. Total delivery pipeline \$2.9m
- Efficiencies in delivery continuing, the Division has realised \$1m p.a. in personnel savings in 1QFY18

1QFY18 Trading Update - Enterprise & Wholesale

6. Focus marketing to drive on-net building penetration

- Revised marketing plan, lead generation and data analytic strategies launched
- On net campaign continues. 1QFY18 141 buildings targeted, 791 prospects, 30 opportunities secured

7. Strengthen internal controls – Capex & Opex

- Average Capex committed on customer builds in Q1 < \$1m/month. In line with cash controls
- Opex tracking under budget in aggregate
- FY17 bespoke projects on track to close FY18. Associated capex incorporated in FY18 guidance

1QFY18 Trading Update - Consumer

NBN momentum continuing

- 53k new NBN services in 1QFY18 taking total consumer NBN subscribers to 230k representing 29% growth in 1QFY18
- Consumer NBN share rose from 7.3% (ex-sat) to 7.8% (ex-sat) at the end of 1QFY18
- Consumer brands (dodo and iPrimus) have taken 9.25% share of all NBN (ex-sat) orders in 1QFY18
- NBN AMPU steady at \$19.95 per SIO
- Dodo and iPrimus net growth of 9,100 subscribers in 1QFY18, offset to an extent by a decline in subscribers in our legacy brand portfolio¹

Dodo

- NBN product mix improving due to focus on higher ARPU plans. In October mtd sales of 25/5 are 40% of total sales compared to 11% in July
- Entertainment (fetch) attachment rate to NBN of 13% in 1QFY18 vs 6% in the pcp
- NBN churn steady for the quarter at 1.5% per month
- Energy subscribers reduced by 2,750 in 1QFY18 impacted by price rises implemented to maintain margins

iPrimus

- New iPrimus launched October 15th to drive incremental NBN growth at higher ARPU & AMPU
- Implemented salesforce service cloud in iPrimus operations – achieved 10% agent headcount reduction in 1QFY18

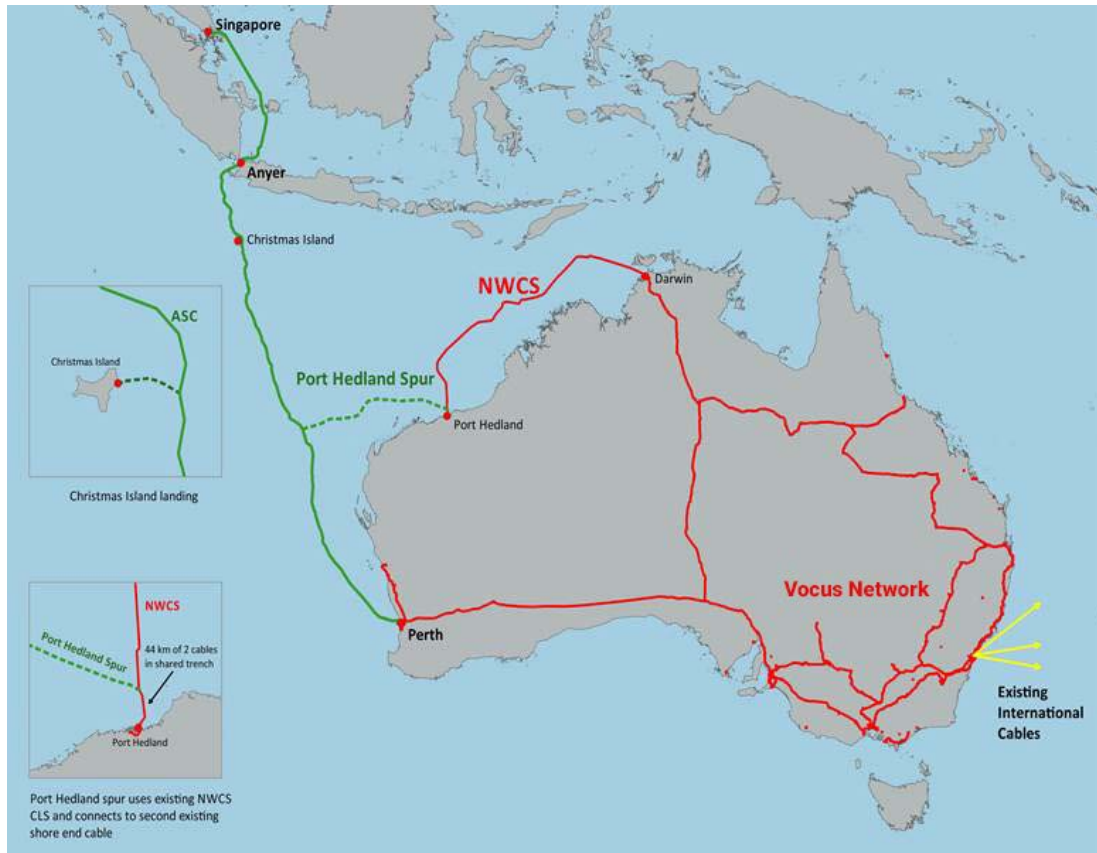
1. Legacy brands include Eftel, Amnet, Club Telco, engin and SBT

1QFY18 Trading Update - New Zealand

- Net broadband subscriber growth in Consumer of 3,365 in 1QFY18
- Taking unfair share in UFB – 16% share of all UFB connections in 1QFY18
- More than 50,000 UFB customers with a reduced churn rate of 1.4% in 1QFY18 (FY17 1.9%)
- 4,704 active energy customers and fastest growing energy retailer in Auckland
- Bundling opportunity growing - energy attachment rate for new broadband customers 14.5% and mobile 13.3%
- 55% of all subscribers signed in 1QFY18 were digital only sign ups
- Business & Government sector activities restructured under Vocus Communications branding
- GM for business segments appointed recently
- Vocus Communications energy services launched, targeting the SMB segment

Australia - Singapore Cable (ASC)

Strategic long term investment to deliver Vocus sustainable competitive advantage and capex avoidance in international data transit



- 4,600km submarine cable system linking Australia to Singapore, Indonesia and Christmas Island
- On track to be ready for service 1QFY19
- An agreement has been reached with the Nextgen vendors to reduce the deferred consideration payable on the project from US\$20m to US\$8m¹
- The investment profile associated with the contract is now expected to be:
 - 1HFY18 US\$32m
 - 2HFY18 US\$10m²
 - 1HFY19 US\$110m

¹ Payable on the occurrence of certain payment triggers, and by no later than 30 September 2018

² Additional \$4m associated with augmenting Vocus national network

ASC – Commercial status

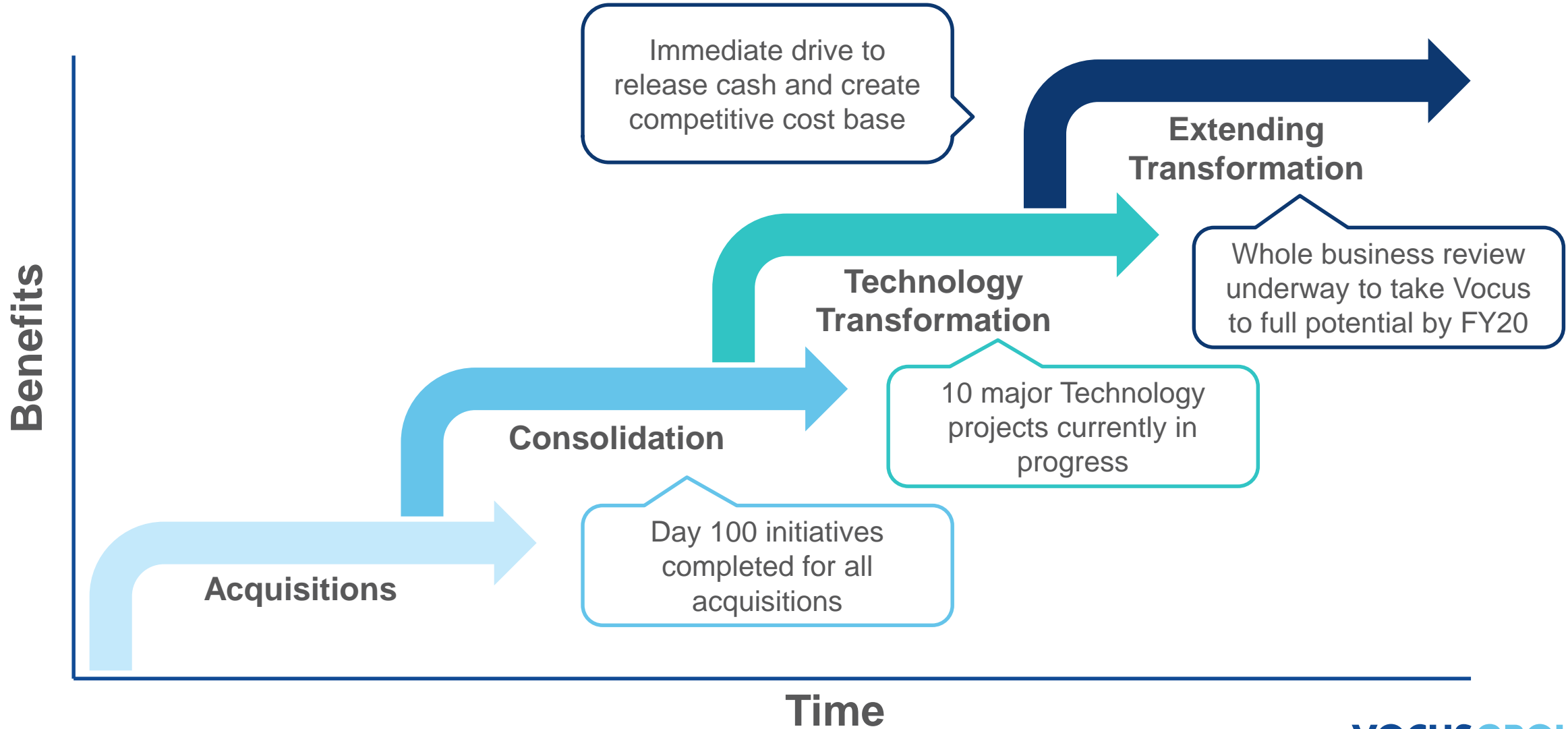
Massive market potential

- **Exponential growth in demand** for bandwidth between Australia & Asia forecast to exceed 50Tb/s by 2029¹
- **Underserved route** – provides Australia with best route to Asia and Europe and completes the US/Asia alternative redundancy path
- **Effectively replaces aging unreliable existing systems**
- **First mover advantage** – at least 9 months ahead of the competing project in a capacity constrained market

Primary focus on cornerstone customers

- **Dedicated Head of ASC sales** in place
- **20+ key live prospects** with major carriers and global OTTs
- 8 opportunities in advanced stage representing in excess of 3Tb/s capacity
- Potential to avoid estimated **\$110m cumulative international IRU spend to FY22** through strategic swap arrangements

Vocus is going through a staged transformation journey



~\$90m of net run rate EBITDA benefit expected by end of FY20



1 Assumptions on the impact of consumer margin loss based on forecast NBN subscriber growth. Assumes no change to current CVC pricing structure

FY18 Guidance Confirmed

1QFY18 trading in line with budget to achieve FY18 guidance²

	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\$42m
Net Debt 30 June 2018	\$1.03-1.06bn

1. Above the line D&A

2. Guidance does not assume the impact or benefits associated with foreshadowed asset sales

Summary