22 FEBRUARY 2017

THE MANAGER
COMPANY ANNOUNCEMENTS OFFICE
AUSTRALIAN SECURITIES EXCHANGE
4TH FLOOR, 20 BRIDGE ST
SYDNEY NSW 2000

ELECTRONIC LODGEMENT

DEAR SIR/MADAM,

FY17 HALF YEAR RESULTS

Vocus Group (ASX: VOC) today releases its financial results for the half year ended 31 December 2016. Please find attached an Appendix 4D half year report.

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. The investor briefing pack is attached to this announcement.

YOURS FAITHFULLY,

ASHE-LEE JEGATHESAN
GROUP GENERAL COUNSEL & COMPANY SECRETARY

Vocus Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Vocus Group Limited
ABN:	96 084 115 499
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

---

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	403.9%	to	888,241
Underlying EBITDA *	up	200.8%	to	187,248
Profit from ordinary activities after tax attributable to the owners of Vocus Group Limited	up	94.9%	to	47,181
Profit for the half-year attributable to the owners of Vocus Group Limited	up	94.9%	to	47,181
Underlying net profit after tax **	up	235.6%	to	91,854

	31 Dec 2016 Cents	31 Dec 2015 Cents
Basic earnings per share	7.72	10.58
Diluted earnings per share	7.71	10.56
Underlying diluted earnings per share ***	15.01	11.94

Basic and diluted earnings per share for the half-year ended 31 December 2016 includes the impact of significant items after tax of $44,673,000 (31 December 2015: $3,163,000).

Earnings per share for the half year ended 31 December 2015 has been restated for the effect of the 1-for-8.9 rights issue completed in July 2016, in line with AASB 133 'Earnings per share'.

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ending 30 June 2016 paid on 4 October 2016	8.0	8.0
Interim dividend for the year ended 30 June 2017 to be paid on 21 April 2017	6.0	6.0

Comments
The profit for Vocus after providing for income tax amounted to $47,181,000 (31 December 2015: $24,211,000). The underlying net profit after tax for Vocus amounted to $91,854,000 (31 December 2015: $27,374,000).

Further details of the results for the half-year can be found in the 'Review of operations' section of the Directors' report in the attached Half-Year Financial Report and the operating and financial review report released on the ASX.

*, **, *** - Definitions and calculations are on the next page

* Underlying earnings before interest expense, tax, depreciation and amortisation (Underlying EBITDA)

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Profit for the half-year	47,181	24,211
Add back: Income tax expense	19,943	9,307
Add back: Net finance costs	13,092	6,110
Add back: Depreciation and amortisation	88,056	21,089
Statutory EBITDA	168,272	60,717
adjusted for significant items:		
Gains on total return swaps (a)	(1,221)	(8,269)
Loss on disposal of joint venture (b)	2,613	-
Acquisition and integration costs (c)	15,972	11,504
(Gains)/losses associated with foreign exchange	1,613	(1,348)
Other (gains)/losses	(1)	(351)
Underlying EBITDA	187,248	62,253

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax.

** Underlying net profit after tax

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Statutory net profit after tax	47,181	24,211
adjusted for significant items:		
Gains on total return swaps (a)	(1,221)	(8,269)
Loss on disposal of joint venture (b)	2,613	-
Acquisition and integration costs (c)	15,972	11,504
Gains/losses associated with foreign exchange	1,613	(1,348)
Other (gains) and losses	(1)	(351)
Amortisation of software intangibles arising from business combinations (d)	13,188	-
Amortisation of customer intangibles arising from business combinations (d)	30,535	2,982
Tax on significant items	(18,026)	(1,355)
Significant items after tax	44,673	3,163
Underlying net profit after tax	91,854	27,374

Underlying diluted earnings per share is calculated with reference to underlying net profit after tax, which excludes the after tax effect of the items noted above.

(a) - Gains on total return swaps

The gains on total return swaps comprise marked-to-market gains in relation to Vocus' 16% relevant interest in Macquarie Telecom Group Limited, net of dividends received, brokerage and interest costs relating to these total return swap arrangements. The Macquarie Telecom swap is presently scheduled to settle on 3 July 2017.

(b) - Loss on disposal of joint venture

The loss on disposal of joint venture arose on the sale of Vocus' 50% interest in Connect 8 Limited, a New Zealand fibre construction company to its joint venture partner, Spark New Zealand.

(c) - Acquisition and integration costs

Acquisition and integration costs for the half-year ended 31 December 2016 primarily comprise legal, professional services and other costs relating to the acquisition and integration of Amcom, M2 and Nextgen. The Amcom and M2 transactions completed during the year ended 30 June 2016, while Nextgen was acquired in October 2016.

Acquisition and integration costs for the prior corresponding period primarily relate to the Amcom acquisition which completed on 8 July 2015.

(d) - Amortisation of intangibles arising on business combinations

This refers to amortisation expense incurred in relation to intangible assets recognised on acquisition. These include customer intangibles and software assets. The intangible assets at 31 December 2016 totalled $322,042,000 for customer intangibles and $83,520,000 for software intangibles (30 June 2016: $350,166,000 for customer intangibles and $96,870,000 for software intangibles), which have effective lives between 4 and 15 years. The increase is due to acquisitions during the year ended 30 June 2016 and the half-year ended 31 December 2016.

---

3. Net tangible assets

	31 Dec 2016 Cents	30 June 2015 Cents
Net tangible assets per ordinary security	6.53	(110.31)

The change in net tangible assets per ordinary security has arisen as part of Vocus' acquisition of Nextgen Networks during the half-year ended 31 December 2016.

---

4. Control gained over entities

Name of entities (or group of entities)	Nextgen Networks
Date control gained	26 October 2016

The contribution of Nextgen Networks to the Group's profit before income tax was $1,334,000 for the period from acquisition to 31 December 2016.

---

5. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Vocus Dividend Reinvestment Plan (DRP) allows shareholders to receive their dividends in the form of Vocus shares and will be settled via the issue of new ordinary shares in the Company.

The issue price will be the volume weighted average price, in aggregate, over the five trading days commencing on and including the next trading day after the dividend record date, being 5 April 2017 to 12 April 2017, less a discount of 1.5%.

The last date(s) for receipt of election notices for the dividend or distribution plans: 5 April 2017

---

6. Audit qualification or review

The financial statements were subject to a review by the Group's auditors and an unmodified review opinion has been issued.

---

7. Attachments

The Half-Year Financial Report of Vocus Group Limited for the half-year ended 31 December 2016 is attached.

---

8. Signed

Signed ______________________ Date: 22 February 2017

David Spence
Chairman
Sydney

Vocus Group Limited

(Formerly known as Vocus Communications Limited)

ABN 96 084 115 499

Half-Year Financial Report - 31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Vocus Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

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

David Spence	Non-Executive Chairman
Craig Farrow	Non-Executive Deputy Chairman
Vaughan Bowen	Executive Director
Jon Brett	Non-Executive Director
Rhoda Phillippo	Non-Executive Director
Michael Simmons	Interim Executive Director (appointed on 9 January 2017), Non-Executive Director (from 1 July 2016 to 8 January 2017)
Bob Mansfield AO	Non-Executive Director (appointed on 1 January 2017)
James Spenceley	Former Executive Director (resigned on 12 October 2016)
Tony Grist	Former Non-Executive Director (resigned on 12 October 2016)

Principal activities

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

The Group primarily provides telecommunications and energy services to customers across its mass market, corporate & wholesale and government channels through brands such as Dodo, iPrimus, Vocus Communications, CallPlus, Slingshot and Commander.

Review of operations

Total revenue for the half-year ended 31 December 2016 was $888,241,000 (31 December 2015: $176,279,000). Net profit after tax amounted to $47,181,000 (31 December 2015: $24,211,000).

The increase in revenue, underlying EBITDA and underlying net profit after tax was attributable to strong demand for Vocus' products and the acquisition of Amcom in July 2015, M2 in February 2016 and Nextgen Networks in October 2016.

Basic earnings per share for Vocus for the half-year ended 31 December 2016 totalled 7.72 cents (31 December 2015: 10.58 cents). Underlying diluted earnings per share for Vocus for the half-year ended 31 December 2016 totalled 15.01 cents (31 December 2015: 11.94 cents).

Basic and diluted earnings per share for the half-year ended 31 December 2016 includes the impact of significant items after tax of $44,673,000 (31 December 2015: $3,163,000).

Earnings per share for the half year ended 31 December 2015 has been restated for the effect of the 1-for-8.9 rights issue completed in July 2016, in line with AASB 133 'Earnings per share'.

Underlying earnings before interest expense, tax, depreciation and amortisation ('EBITDA') and excluding significant items, listed below, for the Group for the financial half-year ended 31 December 2016 totalled $187,248,000 (31 December 2015: $62,253,000).

Underlying EBITDA is calculated as follows:

	Consolidated 31 Dec 2016 $'000	31 Dec 2015 $'000
Profit for the half-year	47,181	24,211
Add back: Income tax expense	19,943	9,307
Add back: Net finance costs	13,092	6,110
Add back: Depreciation and amortisation	88,056	21,089
Statutory EBITDA	168,272	60,717
adjusted for significant items:		
Gains on total return swaps (a)	(1,221)	(8,269)
Loss on disposal of joint venture (b)	2,613	-
Acquisition and integration costs (c)	15,972	11,504
(Gains)/losses associated with foreign exchange	1,613	(1,348)
Other (gains)/losses	(1)	(351)
Underlying EBITDA	187,248	62,253

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for specific items.

Underlying net profit after tax is calculated as follows:

	Consolidated 31 Dec 2016 $'000	31 Dec 2015 $'000
Statutory net profit after tax	47,181	24,211
adjusted for significant items:		
Gains on total return swaps (a)	(1,221)	(8,269)
Loss on disposal of joint venture (b)	2,613	-
Acquisition and integration costs (c)	15,972	11,504
Gains/losses associated with foreign exchange	1,613	(1,348)
Other (gains) and losses	(1)	(351)
Amortisation of software intangibles arising from business combinations (d)	13,188	-
Amortisation of customer intangibles arising from business combinations (d)	30,535	2,982
Tax on significant items	(18,026)	(1,355)
Significant items after tax	44,673	3,163
Underlying net profit after tax	91,854	27,374

(a) - Gains on total return swaps

The gains on total return swaps comprise marked-to-market gains in relation to Vocus' 16% relevant interest in Macquarie Telecom Group Limited, net of dividends received, brokerage and interest costs relating to these total return swap arrangements. The Macquarie Telecom swap is presently scheduled to settle on 3 July 2017.

(b) - Loss on disposal of joint venture

The loss on disposal of joint venture arose on the sale of Vocus' 50% interest in Connect 8 Limited, a New Zealand fibre construction company to its joint venture partner, Spark New Zealand.

(c) - Acquisition and integration costs

Acquisition and integration costs for the half-year ended 31 December 2016 primarily comprise legal, professional services and other costs relating to the acquisition and integration of Amcom, M2 and Nextgen. The Amcom and M2 transactions completed during the year ended 30 June 2016, while Nextgen was acquired in October 2016.

Acquisition and integration costs for the prior corresponding period primarily relate to the Amcom acquisition which completed on 8 July 2015.

(d) - Amortisation of intangibles arising on business combinations

This refers to amortisation expense incurred in relation to intangible assets recognised on acquisition. These include customer intangibles and software assets. The intangible assets at 31 December 2016 totalled $322,042,000 for customer intangibles and $83,520,000 for software intangibles (30 June 2016: $350,166,000 for customer intangibles and $96,870,000 for software intangibles), which have effective lives between 4 and 15 years. The increase is due to acquisitions during the year ended 30 June 2016 and the half-year ended 31 December 2016.

Further information in relation to the Group's financial and operational results can be found in the Operating and Financial Review filed on the ASX at the same time as this Half-Year Financial Report.

Significant changes in the state of affairs

On 26 October 2016, Vocus acquired Nextgen Networks (‘Nextgen’) as well as two development projects, the North-West Cable System connecting Darwin and Port Hedland ('NWCS') and the Australia-Singapore Cable project ('ASC') which proposes to connect Perth to Singapore, for total upfront consideration of A$798,851,000 and deferred consideration of up to A$54,000,000. The acquisition links Vocus’ metro fibre access network to Nextgen’s intercity backhaul network and provides growth opportunities in Northern Australia with the NWCS and Asia connectivity through ASC.

The Nextgen acquisition was funded from a combination of an equity raising of $652,772,000 completed in July 2016, with the balance funded from debt facilities. The equity raising was completed over three stages, and comprised a pro-rata accelerated institutional entitlement offer, a pro-rata retail entitlement offer with rights trading and an institutional placement. On completion of the entitlement offer, a total of 59,969,757 fully paid ordinary shares were issued at $7.55 per share, with 30,529,752 new shares issued on 11 July 2016 pursuant to the institutional entitlement offer and 29,440,005 new shares issued on 28 July 2016 under the retail entitlement offer. Under the institutional placement, 23,752,969 ordinary shares at $8.42 were issued on 11 July 2016.

On 6 December 2016, Vocus entered a binding agreement with Alcatel-Lucent Submarine Networks, referred to as contract-in-force, for the construction of the Australia Singapore Cable (ASC). ASC is expected to take approximately 19 months to build, with completion targeted by August 2018. The effective life of the ASC is estimated to be a minimum of twenty-five years.

The ASC project is expected to cost approximately US$170,000,000 over the build period. Payments will be funded from a combination of existing debt capacity, operating cash flow and expected customer pre-payments. Vocus currently expects to receive customer pre-payments of approximately US$100,000,000 during the build period.

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

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

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Final dividend for the year ended 30 June 2016 of 8.0 cents per ordinary share (2015: 2.0 cents per ordinary share) paid on 4 October 2016	49,402	4,606
Special dividend for the year ended 30 June 2015 of 5.10 cents per ordinary share paid on 8 July 2015	-	5,381
	49,402	9,987

On 22 February 2017, the directors declared an interim dividend for the year ended 30 June 2017 of 6.0 cents per ordinary share. The interim dividend is to be paid on 21 April 2017 to shareholders registered on 4 April 2017. The dividends will be fully franked and will be eligible for the Vocus Dividend Reinvestment Plan.

The directors have adopted a dividend policy to deliver growing dividends over time, reflective of profitability, cash position and investment opportunities.

The Vocus Dividend Reinvestment Plan (DRP) allows shareholders to elect to receive their dividends in the form of Vocus shares, offered at a discount of 1.5% to the volume weighted average price over the five trading days commencing on and including the next trading day following the dividend record date.

2,514,456 shares were issued in respect of the DRP for the final dividend for the year ended 30 June 2016 which was paid on 4 October 2016.

Matters subsequent to the end of the financial half-year
Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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

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

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

On behalf of the directors

David Spence
Chairman

22 February 2017
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

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

22 February 2017

Dear Board Members

Vocus Group Limited

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

As lead audit partner for the review of the financial statements of Vocus Group Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Don Pasquariello

Don Pasquariello
Partner
Chartered Accountants

	Note	Consolidated 31 Dec 2016 $'000	31 Dec 2015 $'000
Revenue	2	888,241	176,279
Share of profits of joint ventures accounted for using the equity method		61	853
Other gains and losses	4	(18,976)	(1,536)
Expenses			
Network and service delivery		(512,463)	(69,771)
Employee benefits expense	3	(116,808)	(34,292)
Depreciation and amortisation	3	(88,056)	(21,089)
Administration and other expenses		(69,514)	(10,527)
Finance costs	3	(15,457)	(6,399)
Profit before income tax expense		67,028	33,518
Income tax expense		(19,943)	(9,307)
Profit after income tax expense for the half-year		47,085	24,211
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(2,150)	2,687
Net movement on hedging transactions, net of tax		12	119
Other comprehensive income for the half-year, net of tax		(2,138)	2,806
Total comprehensive income for the half-year		44,947	27,017
Profit for the half-year is attributable to:			
Non-controlling interest		(96)	-
Owners of Vocus Group Limited		47,181	24,211
		47,085	24,211
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(96)	-
Owners of Vocus Group Limited		45,043	27,017
		44,947	27,017
		Cents	**Cents**
Basic earnings per share	6	7.72	10.58
Diluted earnings per share	6	7.71	10.56

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

	Note	Consolidated 31 Dec 2016 $'000	Consolidated 30 Jun 2016 $'000
Assets			
Current assets			
Cash and cash equivalents		131,526	128,629
Trade and other receivables	11	178,057	144,379
Prepayments		23,459	16,554
Subscriber acquisition costs		42,391	19,222
Other		48,736	24,899
Total current assets		424,169	333,683
Non-current assets			
Property, plant and equipment	17	1,531,042	522,413
Intangibles	18	3,792,951	3,757,068
Accrued Revenue		2,540	1,279
Subscriber acquisition costs		19,245	14,475
Deferred tax		59,671	57,403
Other		3,211	7,697
Total non-current assets		5,408,660	4,360,335
Total assets		5,832,829	4,694,018
Liabilities			
Current liabilities			
Trade and other payables	12	298,696	288,966
Provisions	15	33,963	25,020
Deferred revenue		61,657	62,202
Income tax		-	2,036
Borrowings	19	14,680	13,729
Other	13	32,026	8,610
Total current liabilities		441,022	400,563
Non-current liabilities			
Provisions	16	67,745	11,310
Deferred revenue		155,485	6,935
Borrowings	20	1,105,078	872,382
Deferred tax		220,104	216,320
Other	14	9,924	12,223
Total non-current liabilities		1,558,336	1,119,170
Total liabilities		1,999,358	1,519,733
Net assets		3,833,471	3,174,285
Equity			
Contributed equity	21	3,764,013	3,100,738
Reserves		14,534	16,306
Retained profits		54,859	57,080
Equity attributable to the owners of Vocus Group Limited		3,833,406	3,174,124
Non-controlling interest		65	161
Total equity		3,833,471	3,174,285

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

Consolidated	Contributed equity $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2015	144,244	3,847	48,148	-	196,239
Profit after income tax expense for the half-year	-	-	24,211	-	24,211
Other comprehensive income for the half-year, net of tax	-	2,806	-	-	2,806
Total comprehensive income for the half-year	-	2,806	24,211	-	27,017
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	685,826	1,567	-	-	687,393
Share-based payments	-	623	-	-	623
Dividends paid (note 7)	-	-	(4,606)	-	(4,606)
Balance at 31 December 2015	830,070	8,843	67,753	-	906,666

Consolidated	Contributed equity $'000	Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2016	3,100,738	16,306	57,080	161	3,174,285
Profit/(loss) after income tax expense for the half-year	-	-	47,181	(96)	47,085
Other comprehensive income for the half-year, net of tax	-	(2,138)	-	-	(2,138)
Total comprehensive income for the half-year	-	(2,138)	47,181	(96)	44,947
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 21)	663,275	-	-	-	663,275
Share-based payments	-	366	-	-	366
Dividends paid (note 7)	-	-	(49,402)	-	(49,402)
Balance at 31 December 2016	3,764,013	14,534	54,859	65	3,833,471

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

	Note	Consolidated 31 Dec 2016 $'000	31 Dec 2015 $'000
Cash flows from operating activities			
Receipts from customers		981,366	190,352
Payments to suppliers and employees		(861,577)	(137,159)
		119,789	53,193
Joint venture partnership distributions received		807	-
Interest received		2,365	289
Other finance costs paid		(1,715)	(34)
Income taxes paid		(25,920)	(8,713)
Net cash from operating activities		95,326	44,735
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired and acquisition costs		(817,810)	(15,703)
Payments for investments		-	(238)
Payments for property, plant and equipment		(52,271)	(27,690)
Payments for intangibles		(32,034)	(20,968)
Payments for projects under construction		(25,844)	-
Proceeds from disposal of business / joint ventures		1,574	500
Proceeds from total return swaps		(817)	9,250
Net cash used in investing activities		(927,202)	(54,849)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		647,600	731
Proceeds from borrowings		243,118	93,615
Repayment of borrowings on business acquisitions		-	(51,000)
Interest paid on borrowings and leases		(13,244)	(6,092)
Repayment of leases		(8,974)	(3,925)
Dividends paid	7	(33,727)	(9,987)
Net cash from financing activities		834,773	23,342
Net increase in cash and cash equivalents		2,897	13,228
Cash and cash equivalents at the beginning of the financial half-year		128,629	15,170
Cash and cash equivalents at the end of the financial half-year		131,526	28,398

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

Note 1. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Net current asset deficiency

As at 31 December 2016, Vocus' current liabilities exceeded its assets by $16,853,000 (30 June 2016: $66,880,000). Vocus is satisfied that it will be able to meet all of its obligations as they fall due given its strong profitability, operating cash flows, existing cash reserves and available financing facilities.

Note 2. Revenue

		Consolidated
	31 Dec 2016 $'000	31 Dec 2015 $'000
Sales revenue		
Rendering of services	879,885	175,981
Other revenue		
Interest	2,365	289
Other revenue	5,991	9
	8,356	298
Revenue	888,241	176,279

Note 3. Expenses

	Consolidated 31 Dec 2016 $'000	Consolidated 31 Dec 2015 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation (note 17)	35,898	14,204
Amortisation (note 18)	8,435	3,903
Amortisation of customer intangibles arising on business combinations (note 18)	30,535	2,982
Amortisation of software intangibles arising on business combinations (note 18)	13,188	-
Total depreciation and amortisation	88,056	21,089
Finance costs		
Interest and finance charges paid/payable	15,457	6,399
Rental expense relating to operating leases		
Minimum lease payments	11,006	4,853
Employee benefits expense		
Defined contribution superannuation expense	6,227	2,538
Share-based payment expense	366	623
Other employee benefits expense	110,215	31,131
Total employee benefits expense	116,808	34,292

Note 4. Other gains and losses

	Consolidated 31 Dec 2016 $'000	Consolidated 31 Dec 2015 $'000
Net loss on disposal of joint venture *	(2,613)	-
Gains on total return swaps **	1,221	8,269
Acquisition and integration costs ***	(15,972)	(11,504)
Gains/(losses) associated with foreign exchange	(1,613)	1,348
Other gains/(losses)	1	351
Other gains and losses	(18,976)	(1,536)

* The loss on disposal of joint venture arose on the sale of Vocus' 50% interest in Connect 8 Limited, a New Zealand fibre construction company to its joint venture partner, Spark New Zealand.

** The gains on total return swaps are in relation to Vocus' 16% relevant interest in Macquarie Telecom Group Limited, which represent mark-to-market gains net of dividends received, brokerage costs and interest costs relating to these total return swap arrangements. The Macquarie Telecom swap is presently scheduled to settle on 3 July 2017.

*** Acquisition and integration costs for the half-year ended 31 December 2016 primarily comprise legal, professional services and other costs relating to the acquisition and integration of Amcom, M2 and Nextgen. The Amcom and M2 transactions completed during the year ended 30 June 2016, while Nextgen was acquired in October 2016.

Acquisition and integration costs for the prior corresponding period primarily relate to the Amcom acquisition which completed on 8 July 2015.

Note 5. Operating segments

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

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

Consistent with information presented for internal management reporting purposes, the result of each segment is measured based on its EBITDA contribution. Corporate costs are allocated to segments (and included within segment EBITDA) with reference to the resources allocated to provide those services to each segment.

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

Specifically, the Group's reportable segments under AASB 8 are as follows:
- Australia
- New Zealand

The reportable segments also represent the group's cash-generating units for impairment testing purposes.

In the prior comparative period, Vocus operated and disclosed as a single operating segment. The prior comparative period reporting segment information has been restated below in line with current year segments.

In addition to reportable segments, a summary of sales revenue by division has been provided below.

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Corporate and wholesale revenue	208,096	145,525
Mass market revenue	517,509	5,112
Australia revenue	725,605	150,637
New Zealand revenue	158,802	29,160
Intersegment revenue adjustment	(4,522)	(3,816)
Total sales revenue	879,885	175,981

Major customers
During the half-year ended 31 December 2016 there were no customers of Vocus which contributed 10% or more of external revenue (31 December 2015: nil).

Note 5. Operating segments (continued)

Segment revenues and results

Consolidated - 31 Dec 2016	Australia $'000	New Zealand $'000	Intersegment adjustments $'000	Total $'000
Revenue				
Sales to external customers	725,605	158,802	(4,522)	879,885
Other revenue	5,990	1	-	5,991
Total revenue	731,595	158,803	(4,522)	885,876
EBITDA	141,812	26,460	-	168,272
Depreciation and amortisation	(79,618)	(8,438)	-	(88,056)
Interest revenue	2,211	154	-	2,365
Finance costs	(11,404)	(4,053)	-	(15,457)
Non-controlling interest	(96)	-	-	(96)
Profit before income tax expense	52,905	14,123	-	67,028
Income tax expense				(19,943)
Profit after income tax expense				47,085
Assets				
Segment assets	5,049,594	783,235	-	5,832,829
Total assets				5,832,829
Liabilities				
Segment liabilities	1,660,193	339,165	-	1,999,358
Total liabilities				1,999,358

Consolidated - 31 Dec 2015	Australia $'000	New Zealand $'000	Intersegment adjustment $'000	Total $'000
Revenue				
Sales to external customers	150,637	29,160	(3,816)	175,981
Other revenue	7	2	-	9
Total revenue	150,644	29,162	(3,816)	175,990
EBITDA	54,106	6,611	-	60,717
Depreciation and amortisation	(16,930)	(4,159)	-	(21,089)
Interest revenue	272	17	-	289
Finance costs	(4,030)	(2,369)	-	(6,399)
Profit before income tax expense	33,418	100	-	33,518
Income tax expense				(9,307)
Profit after income tax expense				24,211
Consolidated - 30 Jun 2016				
Assets				
Segment assets	3,785,829	908,189	-	4,694,018
Total assets				4,694,018
Liabilities				
Segment liabilities	1,272,796	246,937	-	1,519,733
Total liabilities				1,519,733

Note 6. Earnings per share

	Consolidated 31 Dec 2016 $'000	31 Dec 2015 $'000
Profit after income tax	47,085	24,211
Non-controlling interest	96	-
Profit after income tax attributable to the owners of Vocus Group Limited	47,181	24,211

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	611,217,792	228,864,513
Adjustments for calculation of diluted earnings per share:		
Options	187,823	199,071
Performance rights	501,029	278,092
Weighted average number of ordinary shares used in calculating diluted earnings per share	611,906,644	229,341,676

	Cents	Cents
Basic earnings per share	7.72	10.58
Diluted earnings per share	7.71	10.56

The weighted average number of shares for the half-year ended 31 December 2015 has been restated for the effect of the 1 for 8.9 rights issue completed in July 2016, in accordance with AASB 133 'Earnings per share'.

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	226,230,917
Adjustment required by AASB 133 'Earnings per share'	2,633,596
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	228,864,513

Note 7. Equity - dividends

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

	Consolidated 31 Dec 2016 $'000	31 Dec 2015 $'000
Final dividend for the year ended 30 June 2016 of 8.0 cents per ordinary share (2015: 2.0 cents per ordinary share) paid on 4 October 2016	49,402	4,606
Special dividend for the year ended 30 June 2015 of 5.10 cents per ordinary share paid on 8 July 2015	-	5,381
	49,402	9,987

On 22 February 2017, the directors declared an interim dividend for the year ended 30 June 2017 of 6.0 cents per ordinary share. The interim dividend is to be paid on 21 April 2017 to shareholders registered on 4 April 2017. The dividends will be fully franked and will be eligible for the Vocus Dividend Reinvestment Plan.

Note 7. Equity - dividends (continued)

The directors have adopted a dividend policy to deliver growing dividends over time, reflective of profitability, cash position and investment opportunities.

The Vocus Dividend Reinvestment Plan (DRP) allows shareholders to elect to receive their dividends in the form of Vocus shares, offered at a discount of 1.5% to the volume weighted average price over the five trading days commencing on and including the next trading day following the dividend record date.

2,514,456 shares were issued in respect of the DRP for the final dividend for the year ended 30 June 2016 which was paid on 4 October 2016.

Note 8. Fair value measurement

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

Consolidated - 31 Dec 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for-sale financial assets	2,008	-	-	2,008
Electricity derivatives	-	13,029	-	13,029
Total return swaps	-	2,249	-	2,249
Total assets	2,008	15,278	-	17,286
Liabilities				
Forward foreign exchange contracts	-	(1,613)	-	(1,613)
Interest rate swaps	-	(3,637)	-	(3,637)
Deferred consideration	-	-	(37,149)	(37,149)
Total liabilities	-	(5,250)	(37,149)	(42,399)

Consolidated - 30 Jun 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for-sale financial assets	1,998	-	-	1,998
Forward foreign exchange contracts	-	495	-	495
Electricity derivatives	-	9,483	-	9,483
Total assets	1,998	9,978	-	11,976
Liabilities				
Total return swaps	-	(439)	-	(439)
Forward foreign exchange contracts	-	(1,358)	-	(1,358)
Interest rate swaps	-	(7,565)	-	(7,565)
Total liabilities	-	(9,362)	-	(9,362)

For further details on how valuation methodologies are applied in determining fair value refer to note 10 in the 2016 Annual Report.

There have been no changes to valuation techniques used during the period with the exception of deferred consideration. The fair value of deferred consideration is calculated using unobservable inputs and applying an appropriate risk-adjusted discount rate to expected cash flows. Unobservable inputs include management assumptions on the estimated future cash outflows from expected performance-related outcomes.

Note 8. Fair value measurement (continued)

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

Consolidated	Deferred consideration $'000	Total $'000
Balance at 1 July 2016	-	-
Transfers into level 3	(2,000)	(2,000)
Additions	(35,887)	(35,887)
Disposals	738	738
Balance at 31 December 2016	(37,149)	(37,149)

Note 9. Contingent liabilities

	Consolidated 31 Dec 2016 $'000	30 Jun 2016 $'000
Bank guarantees for operating leases	63,966	29,293

From time to time, the Group may be subject to litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect the Group's results. There are no proceedings ongoing at balance date, either individually or in aggregate, which are likely to have a material effect on the Group's financial position.

Note 10. Commitments

	Consolidated 31 Dec 2016 $'000	30 Jun 2016 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities payable:		
Submarine cable projects	141,087	-
Purchase commitments - IRU capacity		
Committed at the reporting date but not recognised as assets or liabilities, payable:		
Within one year	8,427	16,679
One to five years	30,223	39,388
	38,650	56,067

The submarine cable project capital commitments relate to the Australia Singapore Cable and North-West Cable System projects. The Australia Singapore Cable project was announced in December 2016 and is estimated to complete in August 2018, for a total cost of US$170,000,000. The North-West Cable System, linking Port Hedland and Darwin, is ready for service. Both projects were acquired through the acquisition of Nextgen in October 2016.

The IRU purchase commitments relate to the purchase of additional undersea cable capacity, announced in February 2015. The commitment becomes payable on allocation of capacity, which occurs annually.

Note 11. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Trade receivables	171,617	141,306
Less: Fair value adjustment to trade receivables arising on business combinations	(37,301)	(40,774)
Less: Provision for impairment of receivables	(7,368)	(4,234)
	126,948	96,298
Other receivables	5,197	5,302
Accrued revenue	45,912	42,779
	178,057	144,379

Note 12. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Trade payables	101,519	116,907
Revenue received in advance	37,545	39,738
Accruals	119,756	101,157
Goods and services tax payable	14,079	8,384
Other payables	25,797	22,780
	298,696	288,966

Note 13. Current liabilities - other

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Deposits held	23,427	326
Other current liabilities	8,599	8,284
	32,026	8,610

Note 14. Non-current liabilities - other

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Lease incentive and rent straight lining	7,271	5,789
Other non-current liabilities	2,653	6,434
	9,924	12,223

Note 15. Current liabilities - provisions

	Consolidated 31 Dec 2016 $'000	30 Jun 2016 $'000
Employee benefits	19,937	16,665
Deferred consideration	1,262	2,000
Onerous contracts	11,767	5,495
Lease make good	997	860
	33,963	25,020

Note 16. Non-current liabilities - provisions

	Consolidated 31 Dec 2016 $'000	30 Jun 2016 $'000
Employee benefits	3,059	2,039
Deferred consideration	35,887	-
Onerous contracts	19,935	2,435
Lease make good	8,864	6,836
	67,745	11,310

Note 17. Non-current assets - property, plant and equipment

	Consolidated 31 Dec 2016 $'000	30 Jun 2016 $'000
Fibre assets - at cost	1,295,136	354,124
Less: Accumulated depreciation	(33,094)	(19,464)
	1,262,042	334,660
Data centre assets - at cost	64,930	62,477
Less: Accumulated depreciation	(16,753)	(13,754)
	48,177	48,723
Network equipment - at cost	127,243	69,702
Less: Accumulated depreciation	(24,710)	(8,113)
	102,533	61,589
Other plant and equipment - at cost	94,134	104,268
Less: Accumulated depreciation	(30,538)	(26,827)
	63,596	77,441
Projects under construction - at cost	54,694	-
	1,531,042	522,413

Note 17. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Fibre assets $'000	Data centre assets $'000	Network equipment $'000	Other plant and equipment $'000	Projects under construction $'000	Total $'000
Balance at 1 July 2016	334,660	48,723	61,589	77,441	-	522,413
Additions	24,326	2,400	15,204	16,227	25,844	84,001
Additions through business combinations (note 22)	914,497	-	-	16,249	27,868	958,614
Reclassifications	1,631	-	38,652	(40,283)	-	-
Exchange differences	691	31	170	131	982	2,005
Write off of assets	(84)	(9)	-	-	-	(93)
Depreciation expense	(13,679)	(2,968)	(13,082)	(6,169)	-	(35,898)
Balance at 31 December 2016	1,262,042	48,177	102,533	63,596	54,694	1,531,042

Projects under construction

Additions of $25,844,000 represent contract milestone payments in relation to the construction of the Australia Singapore Cable (ASC), which was acquired as part of the Nextgen acquisition in October 2016.

Note 18. Non-current assets - intangibles

	Consolidated 31 Dec 2016 $'000	Consolidated 30 Jun 2016 $'000
Goodwill - at cost	3,007,450	2,960,303
Brands - at cost	189,500	190,500
IRU capacity - at cost	182,409	153,392
Less: Accumulated amortisation	(32,768)	(26,716)
	149,641	126,676
Customer intangibles - at cost	378,942	376,531
Less: Accumulated amortisation	(56,900)	(26,365)
	322,042	350,166
Software - at cost	150,807	139,793
Less: Accumulated amortisation	(28,551)	(12,499)
	122,256	127,294
Other intangibles - at cost	2,494	2,494
Less: Accumulated amortisation	(432)	(365)
	2,062	2,129
	3,792,951	3,757,068

Note 18. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill $'000	IRU capacity $'000	Customer intangibles $'000	Software $'000	Brand and other intangibles $'000	Total $'000
Balance at 1 July 2016	2,960,303	126,676	350,166	127,294	192,629	3,757,068
Additions	-	29,017	-	9,786	-	38,803
Additions through business combinations	56,561	-	2,376	592	-	59,529
Adjustments to provisional business combinations	(9,656)	-	-	-	(1,000)	(10,656)
Exchange differences	242	-	35	88	-	365
Amortisation expense	-	(6,052)	-	(2,316)	(67)	(8,435)
Amortisation expense arising from business combinations	-	-	(30,535)	(13,188)	-	(43,723)
Balance at 31 December 2016	3,007,450	149,641	322,042	122,256	191,562	3,792,951

Note 18. Non-current assets - intangibles (continued)

Goodwill
Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

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

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

In accordance with the Group's accounting policy, impairment testing has been undertaken at 31 December 2016 for all groups of cash generating units (CGUs) with indefinite life intangible assets or where there is an indication of impairment. The Group considered the relationship between its market capitalisation and the book value of its equity, among other factors, when reviewing for indicators of impairment. As at 31 December 2016, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill and other assets.

The recoverable amounts of the Australian and New Zealand CGUs have been determined based on a fair value less costs of disposal model based on future cash flows.

The key assumptions used in the calculation are:
- Forecasts for capital expenditure based on past experience required to maintain current fixed asset levels as well as expand the network to support future growth
- Post-tax discount rates for Australia and New Zealand of 8.5% and 9.0%
- Year 2-5 revenue growth rates for Australia and New Zealand of 5.2% and 4.8%
- Five-year cash flow forecasts including expected synergistic benefits from recent merger and acquisition activity
- Terminal growth rate of 3%
- 5% cost of disposal

The result of those impairment tests was that there was no impairment identified for the Australian and New Zealand CGUs at 31 December 2016.

Sensitivity
An increase in the discount rate by 1% would result in the recoverable amount to be less than the carrying amount.
A decrease in the terminal growth rate by 1% would result in the recoverable amount to be less than the carrying amount.

Note 19. Current liabilities - borrowings

	Consolidated	
	31 Dec 2016 $'000	**30 Jun 2016 $'000**
Backhaul IRU liability	6,585	5,992
Lease liability	8,095	7,737
	14,680	13,729

Refer to note 20 for further information on assets pledged as security and financing arrangements.

Note 20. Non-current liabilities - borrowings

	Consolidated 31 Dec 2016 $'000	30 Jun 2016 $'000
Bank loans	1,068,359	825,738
Backhaul IRU liability	18,678	25,263
Lease liability	18,041	21,381
	1,105,078	872,382

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

	Consolidated 31 Dec 2016 $'000	30 Jun 2016 $'000
Bank loans	1,068,359	825,738
Lease liability	26,136	29,118
	1,094,495	854,856

Assets pledged as security
The senior finance facility is secured through general security deeds over Vocus' assets and undertakings.

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

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

	Consolidated 31 Dec 2016 $'000	30 Jun 2016 $'000
Total facilities		
Bank loans	1,176,019	1,184,200
Bank guarantee / letter of credit facility	75,000	50,000
	1,251,019	1,234,200
Used at the reporting date		
Bank loans	1,068,359	825,738
Bank guarantee / letter of credit facility	63,970	29,293
	1,132,329	855,031
Unused at the reporting date		
Bank loans	107,660	358,462
Bank guarantee / letter of credit facility	11,030	20,707
	118,690	379,169

Note 20. Non-current liabilities - borrowings (continued)

The Group's bank facilities at 31 December 2016 include senior finance facilities comprising 3 year, $560,000,000, and 5 year, $510,000,000 and NZ$160,000,000 facilities including available facilities for bank guarantees / letters of credit and is non-amortising. Funds can be drawn in AUD, NZD and USD.

An additional $25,000,000 unsecured bank guarantee facility was put in place during the half-year ended 31 December 2016 as part of the acquisition of Nextgen.

Interest on bank facilities are recognised based on the aggregate of a margin plus the relevant bank bill reference rate.

Note 21. Equity - contributed equity

			Consolidated	
	31 Dec 2016 Shares	30 Jun 2016 Shares	31 Dec 2016 $'000	30 Jun 2016 $'000
Ordinary shares - fully paid	620,353,020	533,356,665	3,782,108	3,124,000
Less: Treasury shares*	(3,335,932)	(5,089,252)	(18,095)	(23,262)
	617,017,088	528,267,413	3,764,013	3,100,738

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2016	533,356,665		3,124,000
Issue of shares on conversion of performance rights	7 July 2016	249,488	$0.00	-
Issue of shares on institutional component of renounceable rights issue	11 July 2016	30,529,752	$7.55	230,500
Issue of shares on institutional placement	11 July 2016	23,752,969	$8.42	200,000
Issue of shares on conversion of performance rights	13 July 2016	166,641	$0.00	-
Issue of shares on retail component of renounceable rights issue	28 July 2016	29,440,005	$7.55	222,272
Issue of shares on conversion of performance rights	4 August 2016	29,149	$0.00	-
Issue of shares on conversion of options	24 August 2016	2,500	$1.89	5
Issue of shares under Dividend Reinvestment Plan	7 October 2016	2,514,456	$6.23	15,675
Issue of shares under Employee Share Grant Plan	20 December 2016	311,395	$0.00	-
Less share issue transaction costs, net of deferred tax		-	$0.00	(10,344)
Balance	31 December 2016	620,353,020		3,782,108

Movements in treasury shares

Details	Date	Shares	Issue price	$'000
Balance	1 July 2016	(5,089,252)		(23,262)
Transfer of shares to participants		1,753,320	$0.00	5,167
Balance	31 December 2016	(3,335,932)		(18,095)

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

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

Note 22. Business combinations

Nextgen Networks, North-West Cable System and Australia Singapore Cable

On 26 October 2016, Vocus Group Limited (formerly Vocus Communications Limited) acquired 100% of the ordinary shares of Nextgen Networks and two development projects, the North-West Cable System and the Australia Singapore Cable, for the total upfront consideration of $829,820,000. The acquisition provides Vocus ownership of critical infrastructure to connect its metropolitan infrastructure to a larger inter-capital fibre optic network, thereby connecting mainland capital cities to regional and remote areas on one owned network.

Goodwill of $49,270,000 represents the residual value of the purchase price of the company over the fair value of identified tangible and intangible assets, and has been determined on a provisional basis due to the size and complexity of the transaction. Independent valuation of tangible assets along with identifiable intangibles such as customer contracts and relationships is ongoing.

The acquired business contributed revenues of $34,253,000 and profit after tax of $1,334,000 to Vocus for the period from 26 October 2016 to 31 December 2016. The values identified in relation to the acquisition of Nextgen Networks are provisional as at 31 December 2016.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	22
Trade and other receivables	27,120
Inventories	774
Prepayments	5,297
Fibre assets	914,497
Projects under construction	27,868
Other plant and equipment	16,028
Deferred tax asset	8,310
Trade and other payables	(22,300)
Provisions	(36,834)
Deferred revenue	(160,232)
Net assets acquired	780,550
Goodwill	49,270
Acquisition-date fair value of the total consideration transferred	829,820
Representing:	
Cash paid to vendor	798,851
Contingent consideration (at fair value)	30,969
	829,820

Note 22. Business combinations (continued)

Switch Utilities
On 1 December 2016, Vocus (New Zealand) Holdings Limited acquired Switch Utilities, an energy retailer in New Zealand for upfront consideration of NZ$6,000,000 and a provisional deferred consideration of NZ$5,182,000. The acquisition provides Vocus the ability to bundle energy with its telecommunications products in New Zealand.

Provisional goodwill recognized as part of the transaction was NZ$7,682,000 (AU$7,291,000), which represents the residual value of the purchase price of the company over the fair value of identified tangible and intangible assets, and has been determined on a provisional basis due to the complexity of the transaction.

M2 Group Limited
On 22 February 2016, Vocus acquired 100% of the share capital of M2 Group Limited ('M2') for total consideration of $2,259,628,000 settled by the issuance of 300,083,420 ordinary shares, 135,418 options and 784,651 performance rights in the Company. The issue of Vocus shares was at a share price of $7.53. The value of options and performance rights has been split between amounts relating to consideration and to post-acquisition remuneration. Non-controlling interests acquired were measured at fair value.

Goodwill of $2,362,412,000 represents the residual value of the purchase price of the company over the fair value of identified tangible and intangible assets, and has been determined on a provisional basis due to the size and complexity of the transaction. Finalisation of purchase price accounting estimates will be completed by 30 June 2017.

The values identified in relation to the acquisition are currently provisional as at 31 December 2016, and are outlined below:

	Fair value $'000
Cash and cash equivalents	73,911
Trade and other receivables	98,243
Inventories	4,150
Prepayments	8,225
Property, plant and equipment	87,740
Customer intangibles	289,500
Software	117,851
IRU capacity	55,175
Brand and other intangibles	190,198
Deferred tax asset	28,656
Other financial assets	1,900
Trade and other payables	(242,494)
Provisions	(29,659)
IRU and lease liabilities	(31,724)
Income tax	5,666
Deferred revenue	(50,562)
Borrowings	(549,000)
Derivative financial instruments	(5,636)
Deferred tax liability	(150,286)
Other	(4,638)
Net liabilities acquired	(102,784)
Goodwill	2,362,412
Acquisition-date fair value of the total consideration transferred	2,259,628
Representing:	
Vocus Group Limited shares, options and performance rights issued to vendor	2,259,628

Note 23. Related party transactions

Transactions with related parties
The Group purchased corporate entertainment packages in the previous financial half-year totalling $37,360 from Wollongong Hawks Pty Ltd, a company related to James Spenceley (former Executive Director). The packages were on commercial terms and approved by the Board.

Other than the transaction noted above, there were no other related party transactions in the current or previous financial half-year.

Note 24. Events after the reporting period

Apart from the dividend declared as disclosed in note 7, no other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 25. General information

The financial statements cover Vocus Group Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Vocus Group Limited's functional and presentation currency.

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

Level 10
452 Flinders Street
Melbourne VIC 3000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2017. The directors have the power to amend and reissue the financial statements.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

David Spence
Chairman

22 February 2017
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

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

We have reviewed the accompanying half-year financial report of Vocus Group Limited, which comprises the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, notes comprising of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 7 to 28.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vocus Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Don Pasquariello

Don Pasquariello
Partner
Chartered Accountants
Sydney, 22 February 2017

FINANCIAL YEAR 2017
HALF YEAR FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016
INCORPORATING THE REQUIREMENTS OF APPENDIX 4D

22 FEBRUARY 2017

Vocus Group Limited

Results for announcement to the market for the half year ended 31 December 2016

Six months ended 31 December ($'m)	2015	2016	%chg 15/16
Statutory Revenue and Other income	176.3	888.2	403.9
Underlying EBITDA [1 2]	62.3	187.3	200.8
Statutory EBITDA	60.7	168.3	177.1
Underlying EBIT [3 4]	44.2	142.9	223.4
Statutory EBIT[3]	39.6	80.2	102.5
Underlying NPAT [5 6] **after minority interests**	27.4	91.9	235.6
Statutory NPAT [6] **after minority interests**	24.2	47.2	94.9
Basic earnings per share - cents	10.7	7.7	(27.0)
Diluted earnings per share - cents	10.7	7.7	(27.0)
Fully Diluted Underlying EPS (¢)[5]	11.9	15.0	26.1
Net tangible asset backing per share - cents	65.0	6.5	(90.0)
Interim dividend per share –cents[7]	7.6	6.0	21.0

1. Pre significant items and below the line costs of $19m ($1.5m costs in 1H FY16)
2. EBITDA refers to earnings before net financing costs, depreciation and amortisation and tax,
3. EBIT refers to earnings before net financing costs and tax
4. Pre significant items below the line costs of $62.7m (costs of $4.5m in 1H FY16)
5. Pre significant items below the line costs of $44.7m (pre significant costs of $3.2m in 1H FY16)
6. NPAT refers to net profit after tax
7. 1HFY16 does not include the special dividend

The Board of Directors determined on 22 February that a fully franked interim dividend of 6 cps will be paid by Vocus Group Limited on 21 April 2017. The record date for entitlement to the dividend will be 4 April 2017 and the stock will trade ex-entitlement on 3 April 2017. The dividend of $37.2m was not recognised as a liability at 31 December 2016. The dividend reinvestment plan will be active for this dividend.

The interim results commentary is unaudited. Notwithstanding this, the Appendix 4D, the OFR and results presentation includes certain financial data which is extracted or derived from the Half Year Financial report for the six months ended 31 December 2016 which has been reviewed by the Group's Independent External Auditor.

Half Year Report

For the six months ended 31 December 2016

Contents

1. Financial Statements
2. Media Release
3. Operating and Financial Review
4. 1H FY17 Results Presentation

For Further Information:

Investor & Analysts	Media
Kelly Hibbins	Debra Mansfield
Tel: +61 2 8316 9856	Tel: +61 3 9674 6569
Mobile: +61 414 609192	
kelly.hibbins@vocus.com.au	debra.mansfield@vocus.com.au

Financial Year 2017
Half Year Financial Results
Operating and Financial Review

22 February 2017

Record result driven by acquisitions and organic growth

Highlights

- ✓ Revenue increased 403% on pcp to $885.9m, includes initial contribution from Nextgen[1] of $34.3m
- ✓ Underlying EBITDA increased 201% on pcp to $187.3m, includes initial contribution from Nextgen[1] of ~$11m (pre synergies)
- ✓ Underlying EBITDA up 12.2% on 1HFY16 proforma[2] underlying EBITDA of $167m
- ✓ Nextgen acquisition completed, Day 100 milestones met
- ✓ Acquisition synergies cumulative exit run rate at end of six month period $47.5m
- ✓ ASC project launched, NWCS commenced services
- ✓ The Vocus board reiterates FY17 guidance of EBITDA in the range of $430 - $450 million
- ✓ Fully franked interim dividend of 6cps

Six months ended 31 December ($'m)	2015	2016	%chg
Revenue	176.0	885.9	403.4
Underlying EBITDA[1 2]	62.3	187.3	200.8
Underlying EBIT[3 4]	44.2	142.9	223.7
Underlying PBT [5 6]	38.1	129.8	241.3
Underlying NPAT [7]	27.4	91.9	235.6
Significant items after tax	(3.2)	(44.7)	-
Statutory NPAT after minority interests	24.2	47.2	94.9
Fully diluted underlying EPS [7] after minority interests (¢)	11.9	14.0	25.7
Fully diluted EPS after minority interests (¢)	10.6	7.7	(27.0)
DPS (¢)[8]	7.6	6.0	(21.0)

8. Pre significant costs $19m ($1.5m costs in 1H FY16)
9. EBITDA refers to earnings before net financing costs, depreciation and amortisation and tax,
10. EBIT refers to earnings before net financing costs and tax
11. Pre significant items below the line costs of $62.7m (costs of $4.5m in 1H FY16)
12. Pre significant items below the line costs of $44.7m (pre significant costs of $3.2m in 1H FY16)
13. PBT refers to profit before tax
14. NPAT refers to net profit after tax
15. 1HFY16 does not include the special dividend

---

[1] Nextgen acquisition completed on 26 October 2016

[2] Proforma underlying EBITDA of $167m assumes the M2 and Vocus 1HFY16 results combined. It does not include a contribution from Nextgen

Vocus Group Limited (ASX: VOC, ‘Vocus’) today announces its results for the six months ended 31 December 2016.

The record result for the six months ended 31 December 2016 was achieved through a combination of organic growth, a full six month contribution from the merger with M2 Group in February 2016 and an initial contribution from the acquisition of Nextgen Networks, completed 26 October 2016.

Vocus CEO, Geoff Horth, said “We are pleased to have continued to demonstrate organic growth across the business despite increasing competition in a number of areas and despite a period of significant corporate activity and integration.

“The Mass Market businesses in both Australia and New Zealand continued to secure additional market share under their respective national fibre rollouts, with our NBN market share increasing from 6.4% to 7.8% (ex-satellite) and UFB share increasing to 12% despite fierce competition in both markets. The rollout of fibre in both Australia and New Zealand is an extremely positive opportunity for Vocus, with similar margins to copper broadband and significantly lower churn from the enhanced on-net customer experience.

“The Corporate sales team continued to focus on leveraging our merged business platform and product set to expand its addressable market. Underlying organic growth in revenue was in the order of 8% despite the competitive market placing some pressure on pricing. The Division remains focused on optimising the sales and delivery platform to ensure that the business takes maximum advantage of the opportunity created by the growing demand for increasingly resilient, secure and reliable network connectivity.

“New Zealand continues to build out its business platform following recent acquisitions and is securing new business in both the Corporate & Wholesale and the Mass Market segments. The business continues to shape its portfolio to leverage its core, as demonstrated by the sale of its 50% share of the Connect 8 joint venture with Spark New Zealand and acquisition of a small energy retailer to increase its bundling opportunities in the market.

“While there is a large program of integration work to be completed to realise the full benefits of the recent acquisitions, we have a detailed plan and an experienced and passionate team. We remain confident of our ability to deliver on the potential in the outstanding platform we have built, and ultimately drive improved returns for shareholders.

“While we have had a lot of near term programs to focus on, we have also continued to be forward-looking to ensure that the business remains well positioned to participate in the growth in demand for secure high speed data links. We have recently moved to contract the build of the Australia Singapore Cable (ASC) which will be rolled out over a ~19 month period. In October the North West Cable System (NWCS) commenced services and we will now seek to leverage that platform to secure additional customers beyond the foundation client base.

“We closed the first half making two key appointments to our team, CFO Mark Wratten, and Bob Mansfield AO to our Board of Directors. I was also very pleased to be able to announce that Non-Executive Director Michael Simmons has stepped into an Executive Director role to manage our Australian Corporate and Wholesale business while we conduct an executive search. It is fantastic to have Michael’s extensive experience in this role to ensure we fully exploit the significant growth opportunity in this segment.

Interim Dividend

The Vocus Board is pleased to declare an interim dividend, payable on Friday 21 April, of 6 cents per share, fully franked. The Board of Vocus expects to review dividend payments in line with the growth of the business, taking into account the capital requirements and accretive opportunities in M&A and further infrastructure projects.

Guidance and Outlook

The Board confirms the FY17 full year guidance of Underlying EBITDA in the range of $430 - $450 million. The guidance assumes no material change in underlying business conditions over the six month period. The growth in 2H FY17 will be driven by a full six month contribution from Nextgen, further synergies generated from recent M&A activity including Nextgen, organic growth in both Australia and New Zealand and a continued focus on disciplined investments to take advantage of the opportunity presented by the roll out of the NBN and UFB networks in Australia and New Zealand.

Mr. Horth concluded “As always, our team is at the centre of our success and I would like to thank them for their hard work and dedication over the half year. I look forward to continuing to work with them on leveraging our world-class infrastructure platform, fully appreciating the opportunities presented by the NBN and UFB and delivering results for our shareholders.”

Webcast

A webcast will be held for investors at 9.30am on 22nd February. To register or attend, please go to www.vocusgroup.com.au.

ENDS

OPERATING AND FINANCIAL REVIEW - CONTENTS

OPERATING AND FINANCIAL REVIEW

1. GROUP OPERATING PERFORMANCE

1.1 1H FY17 EARNINGS

Six Months Ended 31 December $'m	Proforma 2015[1]	2015	2016	% chg 15/16
Revenue & Other Income	**883.7**	**176.3**	**885.9**	402.5
Corporate & Wholesale Australia[4]	183.2	143.6	204.1	-
Mass Market Australia[2]	543.9	5.1	523.1	-
New Zealand[3]	146.9	27.2	158.3	-
Other	9.7	0.4	0.4	-
Underlying EBITDA	**167.0**	**62.3**	**187.2**	200.8
Corporate & Wholesale Australia	89.0	79.6	102.5	28.8
Mass Market Australia	117.0	1.1	135.0	-
New Zealand	31.0	6.2	30.1	385.5
Other including Australian Overheads[5]	(70.0)	(24.6)	(80.3)	226.4
Depreciation		(14.2)	(35.9)	152.7
Underlying Amortisation		(3.9)	(8.5)	116.1
Underlying EBIT		**44.1**	**142.9**	223.7
Net financing costs		(6.1)	(13.1)	114.3
Underlying Profit before tax		**38.0**	**129.8**	241.3
Underlying Tax expense		(10.7)	(38.0)	256.1
Underlying Net Profit after Tax and minority interest		**27.4**	**91.9**	235.6
Significant items before tax		(4.5)	(62.7)	-
Significant items after tax		(3.2)	(44.7)	-
Net Profit after Tax attributable to owners of Vocus		**24.2**	**47.2**	94.9
Underlying EBITDA margin (%)		35.3	21.1	-
Fully Diluted Underlying EPS (¢)		11.9	15.0	25.7
Fully Diluted EPS (¢)		10.6	7.7	-27.0
Diluted weighted average number of shares (m)		229.3	611.9	166.8
Australian FTE's		584	1,561	167.3
New Zealand FTE's		117	654	459

1. Proforma earnings represents the M2 and Vocus 1HFY16 reported earnings combined it does not include Nextgen earnings
2. Mass Market Australia represents the M2 Australian consumer and SMB business. It does not include M2 Australian Wholesale earnings reported in 1HFY16
3. New Zealand earnings include M2 NZ earnings reported in 1HFY16 combined with Vocus NZ earnings in 1HFY16. Includes NZ network costs and overheads specific to NZ.
4. Corporate & Wholesale Australia in the proforma numbers include M2 Wholesale for the period
5. "Other" EBITDA includes Australian network costs as well as overhead costs

1.2 Reconciliation of Underlying and Statutory Earnings

Six Months Ended 31 December 2016 ($'m)	EBITDA	EBIT	NPAT
Underlying Result	**187.2**	**142.9**	**91.9**
Significant Items:			
Gains on total return swaps	1.2	1.2	0.9
Gains/losses associated with foreign exchange	(1.6)	(1.6)	(1.1)
Loss on sale of JV	(2.6)	(2.6)	(2.6)
Amortisation of acquired customer contracts		(30.5)	(21.4)
Acquired Software Intangible		(13.2)	(9.2)
Acquisition & Integration Costs	(16.0)	(16.0)	(11.2)
Total Significant Items	**(19.0)**	**(62.7)**	**(44.7)**
Statutory Result	**168.3**	**80.2**	**47.2**

Revenue increased 402.5% over the previous corresponding period (pcp) to $885.9m. The increase was driven primarily by:

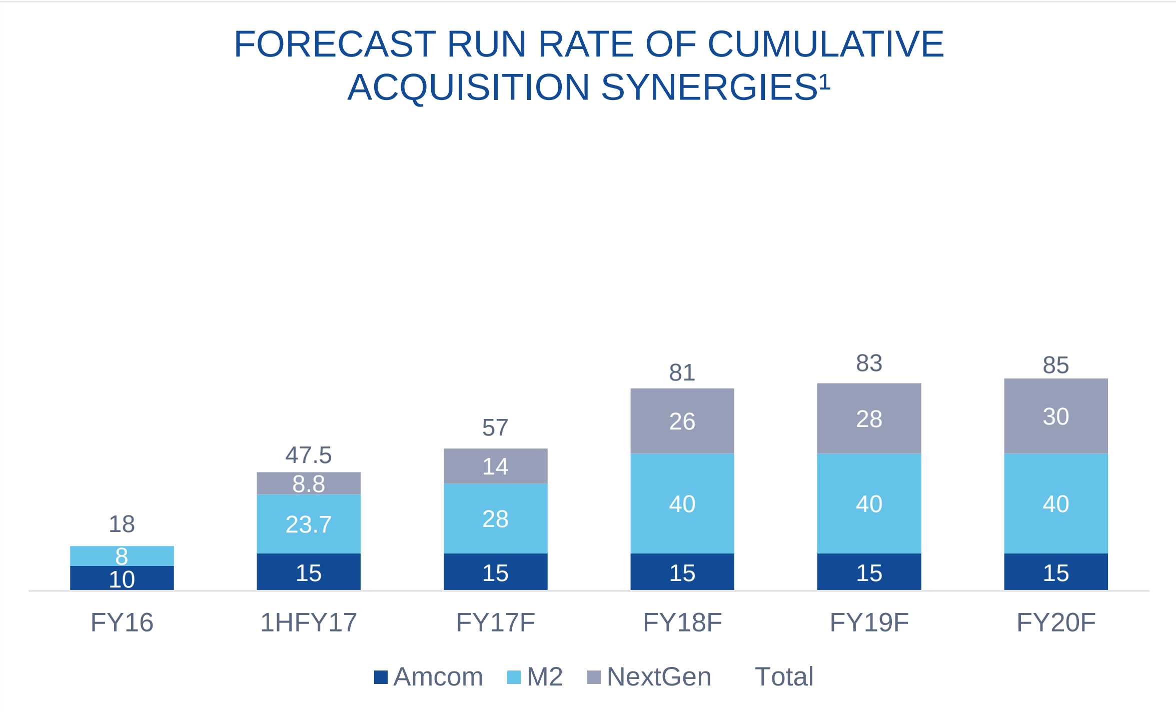
- The inclusion of two months of revenue from the Nextgen acquisition completed on 26 October 2016 ~$34.3m
- A six-month revenue contribution from the merger with M2 completed on 22 February 2016 ~$671.8m
- Organic growth in revenue from the Corporate & Wholesale business in Australia of ~8% on pcp or ~$12.2m
- The result was impacted by the inclusion in the prior period of a cable build project that was not carried forward into FY17 of ~$12m
- The sale of the Vocus owned non-core IT services division (acquired in the Amcom takeover) divested in December 2015 which contributed $10.3m in revenue in 1HFY16
- An initial revenue contribution of ~$1.1m from NWCS

Revenue for the six-month period increased 0.2% on the 1HFY16 Proforma Revenue of $883.7m. Factors driving the result included:

- The inclusion of two months of revenue from the Nextgen acquisition completed on 26 October 2016 ~$34.3m
- Organic growth from the Corporate & Wholesale business in Australia of ~8% on the pcp ~$12.2m
- The result was impacted by the inclusion in the prior period of a cable build project that was not carried forward into FY17 of ~$12m
- The sale of the Vocus non-core IT services division (acquired in the Amcom takeover) divested in December 2015 which contributed $10.3m in revenue in 1HFY16
- The Mass Market Australia result was impacted by a number of factors including:
    - The sale of the Aggregato US prepaid calling business which contributed ~$21.8m in revenue in 1HF16
    - A change in the mobile commission structure impacted consumer revenue by ~$11.1m compared to the pcp
    - Declining fixed voice revenues, in particular in the SMB division impacted revenues by ~$22.3m in the period

Underlying EBITDA increased 200.8% on the pcp to $187.2m (12.1% on the proforma EBITDA $167m). Key factors driving the growth in EBITDA include:

- An initial contribution from the Nextgen acquisition completed on 26 October 2016 of ~$11m pre synergies
- A six-month contribution from the M2 business acquired 22 February 2016
- Organic growth in the Vocus Corporate & Wholesale business in both Australia and New Zealand
- Underlying EBITDA growth of 15% on pcp from Mass Market Australia compared to proforma earnings in the pcp (refer section 2.2.1 for further details on Mass Market Australia)
- The cumulative run rate of synergies achieved from recent acquisitions at the end of the six-month period was $47.5m. The run rate on cumulative synergies achieved at the end of the six-month period by acquisition were:
  - $15m from the acquisition of Amcom completed on 4 July 2015
  - $23.7m of synergies from the M2 acquisition completed 22 February 2016
  - $8.8m of initial synergies from the Nextgen acquisition completed 26 October 2016
- "Other" costs increased over the period primarily reflecting an increase in Network costs associated with CVC costs on NBN reflecting the migration of customers to the NBN



1. Run rate at the end of the period

Statutory depreciation and amortisation increased 317.5% on the pcp to $88.1m driven primarily by the impact of the M2 acquisition in February 2016. Underlying depreciation and amortisation of $44.3m increased 144.8% compared to the pcp. Depreciation and above the line amortisation charge for the FY17 period are expected to be approximately ~$98m

Underlying EBIT increased 223.4% on the pcp to $142.9m. The significant increase in above the line depreciation and amortisation impacted the results this year compared to the pcp

Net financing costs for the period increased 114.3% to $13.1m reflecting the increased debt levels following the acquisition of M2. The Company's debt facilities were renegotiated post the merger with M2 in February 2016 (refer 1.7.2.) Net financing costs benefitted over the period from an improvement in the margin following the renegotiation.

1.3 Tax Reconciliation

The effective tax rate was 29% for the six-month period compared to 28% in the pcp.

1.4 Significant Items

Six Months Ended 31 December ($'m)	2015	2016
Acquisition and integration costs	(11.5)	(16.0)
Acquired software amortisation		(30.5)
Acquired customer contracts amortisation	(3.0)	(13.2)
Gains on total return swaps	8.3	1.2
Gains/losses associated with foreign exchange	(1.3)	(1.6)
Loss on sale of Connect 8 joint venture		(2.6)
Total significant items before tax	**(4.5)**	**(62.7)**
Tax expense/benefit	1.4	18.0
Total significant items after tax	**(3.2)**	**(44.7)**

Costs taken below the line as significant items included:

- Acquisition and integration costs of $16m were primarily associated with the payment of external professional fees associated with the Nextgen acquisition, plus integration and redundancy costs associated with M2, Amcom and Nextgen acquisitions
- Amortisation of acquired customer contracts intangibles and acquired software of $43.7m, the increase on the pcp related primarily to the merger with M2 in February 2016
- The $2.6m loss on the book value of the Company's 50% stake in Connect 8 Limited following the sale to joint venture partner Spark New Zealand in November 2016
- Gains on total return swaps relate to Vocus' 16% relevant interest in Macquarie Telecom Group, which represents mark-to-market gains net of dividends received, brokerage costs and interest cost relating to those total returns swap arrangements

1.5 Cashflow

Six months ended 31 December ($'m)	2015	2016
Statutory EBITDA	60.7	168.3
Net cash from operating activities	44.7	95.3
Interest, finance costs, tax and JV distribution	8.5	24.5
Adjusted operating cash flow	**53.2**	**119.8**
Net interest and finance costs	0.3	0.7
Income taxes paid	(8.7)	(25.9)
JV partnership distributions received	-	0.8
Net cash from operating activities	**44.7**	**95.3**
Payments for property plant & equipment[1]	(27.7)	(52.3)
Payments related to undersea cable projects[2]	-	(25.8)
Net business acquisitions[3]	(15.7)	(817.8)
Intangibles payments and proceeds	(21.0)	(32.0)
Other cash flows from investing activities	9.5	0.8
Investing cash flows	**(54.8)**	**(927.2)**
Proceeds from issue of shares	0.7	647.6
Change in borrowings	42.6	243.1
Interest paid on borrowing and leases	(6.1)	(13.2)
Repayment of leases	(3.9)	(9.0)
Dividends paid	(10.0)	(33.7)
Financing cash flows[4]	**23.3**	**834.8**
Net movement in cash	13.2	2.9
Cash conversion (%)[5]	88%	71%

1. PP&E also includes IRU payments and other intangibles
2. Predominantly relates to upfront payment to Alcatel Submarine Networks (ASN) for the ASC project
3. Includes acquisition of Nextgen Networks in October 2016, including acquisition and integration costs
4. Financing cash flows include proceeds from pro rata entitlement offer, dividends, change in borrowings and interest expense on borrowings and leases. Refer to Cash flow statement in the statutory financial statements for further detail
5. Cash conversion % is calculated by dividing adjusted operating cash flow by Statutory EBITDA

Key movements in cash flow over the period include:

- Proceeds received in July 2016 from the pro rata renounceable entitlement offer and the drawdown in borrowings used to fund the acquisition of Nextgen Networks in October 2016
- Initial capital payments for the ASC cable project
- Payments for capital expenditures detailed below in 1.6

Weaker cash conversion was due to negative working capital movements, contributed by:

- Lack of discipline around managing working capital
- The capitalisation of upfront costs associated with new customer acquisition particularly in the Mass Market

- Customer collection performance below expectations

2HFY17 cash flow is expected to improve based on:

- Stronger 2H EBITDA performance
- Significant management focus on improving collections and working capital performance across all areas of the business, led by CFO
- Tighter process controls and governance over capital expenditure
- Normalisation of working capital balances will have a lesser impact of capitalisation of upfront costs
- Lower cash taxes offset by higher interest costs

1.6 Capital Expenditure

Six Months Ended 31 December ($'m)	2015	2016
Growth Capital Expenditure	27.7	36
Sustaining capital expenditure		16
Improvement capital expenditure[1]		18
IRU Payments	19.0	29
Total Capital Expenditure	**46.7**	**93**

1. Capital Expenditure not defined in these categories in FY16

- Capital expenditure over the half was $93m excluding the ASC project
- IRU payments in 1HFY17 related to payments to both Southern Cross and Telstra
- Payments under the ASC project in 1HFY17 was US$18.6m
- Capital Expenditure for the full year including IRU payments and the ASC project is forecast to be $217m
- 2HFY17 depreciation is expected to be ~$50m and above the line amortisation is expected to be ~$10m
- The forecast has increased as a result of the decision prior to Christmas to proceed with the ASC project. This project is currently expected to be delivered in the second quarter of FY19
- The cash flow profile associated with the ASC project build is currently forecast to be:
  - 1HFY17 US$18.6m
  - 2HFY17 US$8m
  - FY18 US$106.1m
  - 1HFY19 US$16.5m
  - Upon completion of the project there is a US$20m payment to Nextgen Bidco Pty Ltd (CIMIC Group and Ontario Teachers)

1.7 Balance Sheet

1.7.1 Net Debt and Interest Cover

Period Ending ($'m)	June 30 2016	Dec 31 2016
Bank loans	825.7	1,068.4
Backhaul IRU liability	31.3	25.3
Lease liability	29.1	26.1
Borrowings per balance sheet	**886.1**	**1,119.8**
Cash	128.6	131.5
Net Debt	**757.5**	**988.3**

1.7.2 Drawn Committed Syndicated Bank Debt Facilities

Facilities	June 30 2016	Dec 31 2016
A$1,020m	665.0	917.3
NZ$160m[1]	153.8	153.8
Total	**818.8**	**1,071.1**

[1] A$ in constant currency

Vocus debt facilities were renegotiated in May 2016 following the completion of the merger with M2. Facilities are provided by a syndicate of 13 domestic and international banks. At balance date the Group's committed facilities had a remaining weighted average tenor of 3.5 years (June 30 2016 4.0 years).

1.7.3 Net Debt and Interest Cover

Financial Covenants	Headroom
Leverage (Net Debt to EBITDA[1]**)**	1.2x
Gearing (Net Debt/Net Debt + Equity)	39.4%
Interest Cover[1] **(EBITDA/Net Interest Expense)**	6.1x

1. Adjusted LTM EBITDA

1.7.4 Summary Balance Sheet

Period Ended ($'m)	30 June 2016	31 Dec 2016
Cash	128.6	131.5
PP&E	522.4	1,531.0
Intangibles	3,757.1	3,793.0
- Goodwill	2,960.3	3,007.5
- Customer Intangibles	350.2	322.0
- IRU capacity	126.7	149.6
- Brands and other	192.6	191.6
- Software	127.3	122.3
Trade Receivables	144.4	178.1
Other assets	141.5	199.2
Total assets	**4,694.0**	**5,832.8**
Loans and borrowings	886.1	1,119.8
Other liabilities	633.6	879.6
Total Liabilities	**1,519.7**	**1,999.4**
Net Assets	**3,174.3**	**3,833.5**

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

- Increase in $960m 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);
- $36m in provisions arising on acquisition shown in other liabilities;
- $49.2m increase in Goodwill as a result of transaction.

Other key movements in the balance sheet include:

- $242.6m Increase in bank facilities;
- $6m decrease in back haul IRU liability;
- $28m decrease in customer intangibles as a result of previous business acquisition amortisation.

1.8 Shareholder Returns

1.8.1 EPS and Dividends

Six Months Ended 31 December	2015	2016
Interim Dividend (¢)	7.6	6.0
Payout Ratio (%)	62.8	40.0
Fully diluted underlying EPS (cps)	11.9	15.0
Fully diluted statutory EPS (cps)	10.6	7.7

The Vocus Board declared a fully franked interim dividend per share of 6¢. The Board of Vocus expects to review dividend payments in line with the growth of the business, taking into account the capital requirements and accretive opportunities in M&A and further infrastructure projects.

2. DIVISIONAL PERFORMANCE

2.1.1 Corporate & Wholesale Australia

2.1.2 Earnings Summary

Six Months Ended 31 December $'m	2015 Proforma[2]	2015	2016	%chg 15/16
Revenue & Other Income	**183.2**	143.6	204.1	42.1
Fibre & Ethernet[1]	62.3	62.3	94.9	52.3
Internet	37.9	30.8	40.4	31.2
Voice	47.6	15.8	44.4	181.0
Data Centre	21.8	21.8	20.7	(5.0)
Other	13.6	13.0	3.7	(71.5)
Underlying EBITDA	**89.0**	**79.6**	**102.5**	**28.8**
EBITDA margin (%)	48.6%	55.4%	50.2%	-
On-net buildings		3,647	5,584	53.1
Metro Fibre (kms)		1,791	23,000	

1. 1HFY16 Includes an initial contribution from Nextgen of ~$34.3m
2. Includes the M2 Wholesale business

Revenue for the period increased 42.1% on the pcp to $204.1m driven by:

- An initial contribution from the Nextgen acquisition completed 26 October 2016 of $34.3m and an initial contribution from NWCS of $1.1m
- The inclusion of the M2 Wholesale business of $36.3m in the six-month period. The M2 Wholesale business was also included in the 1HFY16 proforma numbers. The increase in voice revenues on the pcp reflects the inclusion of the M2 Wholesale business voice revenues. Data revenues from the M2 Wholesale business have been included in internet revenues
- Organic growth from the expanded sales platform of ~8%. Sales momentum over the half year period was strong reflecting the expanded sales foot print.
- The impact of the contribution from a fibre build contract in the pcp not carried forward of ~$12m
- The impact of the sale of a non-core IT services platform in December 2015 of $10.3m in pcp

2.1.3 Sales Bridge Corporate & Wholesale

($'m)	
1HFY16 Revenue	**143.6**
Fibre build contract in pcp not carried forward	(12.0)
Divestment of IT Services division	(10.3)
M2 Wholesale	36.3
Nextgen revenue (contribution since 26 October 2016)	34.3
Organic growth in Corporate & Wholesale	12.2
1HFY17 Revenue	**204.1**

Underlying EBITDA increased 28.8% on the pcp to $102.5m. Underlying EBITDA compared to the proforma 1HFY16 revenue increased 15.2% driven by both acquired and organic growth including:

- An initial contribution from the Nextgen acquisition of ~$11m before synergies. The business is on track to meet expectations of ~$41m EBITDA before synergies in the FY17 year
- The inclusion of the M2 Wholesale business ~$11m
- Organic growth in the Corporate & Wholesale business offset to an extent by pressure on pricing and contract cancellations
- The impact of additional sales and service delivery resources recruited during the period
- Synergies from recent acquisitions
- The decline in EBITDA margins over the pcp primarily reflects the inclusion of the lower margin M2 Wholesale business in proforma 1HFY16 and 1HFY17
- The contribution from a fibre build contract in the pcp not carried forward of ~$12m

2.1.4 Outlook

Vocus is now focused on leveraging the Nextgen asset base, expanding the product set of the Division and addressable market and optimising the sales and service delivery platforms. The following initiatives are under way:

- Next steps in terms of integration of Nextgen occurring and the team structure is now in place
    - Day 100 integration complete - Sales team adopting the responsive Vocus sales team strategy and structure
- Focus on integrating the Nextgen network with Vocus, Amcom and M2 networks/products to expand product offering and addressable market
    - Government sales team and strategy launched
    - Vocus now on all Federal, State and Territory Government procurement panels with significant pipeline of opportunities
    - Launching new products across the merged business platform including third party services such as NBN
    - Continue to drive underlying sales momentum and increase focus on the enterprise and government sectors to drive increased average order value
- Continue focus on building provisioning platform and systems to ensure customer service maintained and increase customer engagement
    - All service delivery now centralised
    - Increased focus on development of Vocus One customer engagement portal
- Marketing focus on improving awareness and driving penetration of on-net buildings
- Recruitment process for Division Director commenced, Executive Director Michael Simmons acting in the role ensuring strong momentum in the division maintained

2.2 MASS MARKET – AUSTRALIA

2.2.1 Earnings Summary

Six months ended 31 December $'m	Proforma[1] 2015	2016	%chg
Total Mass Market Revenue	**543.9**	**523.1**	**(3.8)**
-Total Revenue Consumer	**345.7**	**359.3**	**3.8**
Internet & Bundles	167.4	185.5	10.4
Voice Only	44.5	36.1	(19.0)
Mobile	37.6	26.5	(29.5)
Energy	77.5	93.0	20.0
Other	18.7	18.1	(3.0)
- Total Revenue Commander SMB	**158.5**	**146.3**	**(7.7)**
Internet & Bundles	60.8	63.1	3.8
Voice Only	72.7	58.8	(19.2)
Mobile	5.6	3.3	(40.7)
SMB Energy	7.6	9.9	30.1
Other[3]	11.9	11.3	(4.6)
- Discontinued Businesses	34.6	12.7	(63.3)
Underlying EBITDA	**117.0**	**135.0**	**15.4**
EBITDA margin (%)	21.5	25.8	-
Consumer Broadband SIOs	**487,460**	**534,258**	**9.6**
Copper Bundles	370,016	376,600	1.7
Copper broadband	78,575	45,940	(41.5)
NBN	41,476	111,156	168
ARPU copper broadband & bundles ($)	62.14	61.56	(0.9)
AMPU copper broadband & bundles ($)	25.17	25.09	(0.3)
ARPU NBN ($)	58.91	61.53	4.4
AMPU NBN ($)	24.09	23.36	(3.0)
Net churn rate copper per month	2.6%	3.0%	0.4
Net churn rate NBN per month	1.5%	1.3%	(0.2)
Consumer Mobile SIOs	172,507	160,108	(7.2)
Consumer Energy SIOs	126,386	153,323	21.3
Electricity	87,469	105,434	20.5
Gas	38,917	47,889	23.1

1 Represents the M2 Australian Mass Market result from 1HFY16 excluding M2 Wholesale revenue. The result includes the Amnet consumer broadband business acquired by Vocus in the Amcom acquisition in 1HFY16
2 SMB-small to medium business includes SMB energy revenue and other
3 Other includes Aggregato US sales in 1HFY16

Total Mass Market revenue was down 3.8% on proforma revenue in 1HFY16 to $523.1m. The result was driven by a number of factors including:

- Consumer telco revenue increased 3.8%, a 10.4% increase in internet and bundled revenue offset to an extent by lower voice and mobile revenues

- Energy revenue in both consumer and SMB increased strongly driven by a 21% growth in subscribers.
- Lower consumer mobile revenues, partly driven by a change in the mobile commission structure impacting revenues by ~$11.1m for the half
- The previously highlighted issue with the third party provisioning platform in the copper broadband area impacted copper broadband subscriber growth during the period
- The impact of the sale of the Aggregato US prepaid calling business. The business contributed revenue of ~$21.8m to the proforma 1HF16 revenues
- Declining voice revenues, in particular in the SMB segment impacted reported revenue

Underlying EBITDA increased 15.4% to $135m compared to proforma EBITDA in 1HFY16 driven primarily by:

- Organic growth in broadband and energy services
- NBN CVC costs being captured in shared services network costs
- The benefit of synergies flowing from the merger with Vocus
- Operating costs associated with migrating existing customers to NBN
- Benefit of the reset of deferred subscriber acquisition costs balance at the time of the M2 merger
- Higher input prices in the energy sector

2.2.2 Outlook

The focus of the Division over 2HFY17 is to maintain NBN momentum, continuing market share gains as well as optimising the experience of existing customers migrating to NBN.

- Continue to grow NBN share
    - Reposition and relaunch iPrimus on the NBN opportunity
    - Extend dodo as the value brand in NBN
    - Leverage emerging NBN opportunity for SMB through Commander
- Transform customer experience
    - Implement leading customer engagement platform
    - Delivering cost to serve and customer satisfaction improvements
    - iPrimus scheduled to be migrated to new salesforce platform in July 2017
- Increase online channels
    - Simplifying path to purchase through a mobile first ethos
    - Increased self-help options improving customer service interactions
- Leverage analytics capability to reduce churn and improve cross sell per customer

2.3 NEW ZEALAND

2.3.1 Earnings Summary[4]

Six Months Ended 31 December A$'m	Proforma 2015[3]	2015	2016	%chg 15/16
Revenue & Other Income	**146.9**	**27.2**	**158.3**	482.0
Corporate & Wholesale[1]	37.2	27.2	40.5	48.9
Mass market[2]	109.7		117.8	
Underlying EBITDA	**31.0**	**6.2**	**30.1**	386.6
EBITDA margin (%)	21.1	22.8	19.0	
Broadband Consumer SIOs	186,713		199,991	
Copper broadband	166,326		154,491	
UFB	20,387		37,500	
SMB SIOs	20,036		20,709	
Broadband ARPU (NZ$)	67.68		71.88	
Broadband AMPU (NZ$)	29.77		29.72	
Net churn rate copper broadband (%)	2.9		2.8	
Net churn rate UFB (%)	1.9		1.8	
Energy SIOs	-		2,299	
Mobile SIOs	15,342		18,732	

1. Corporate & Wholesale includes Fibre & Ethernet, internet products and data centres
2. Includes Mobile and Energy
3. Proforma 1HFY16 includes M2 New Zealand revenues for the 1HFY16 period and M2 New Zealand Mass Market statistics
4. NZ earnings are converted into A$ monthly at the average conversion rate for the month

Vocus' reported revenue for New Zealand increased 444% over the pcp to A$158.3m driven by:

- The merger with M2 in February 2016. Revenue in 1HFY17 increased 7.8% on the proforma pcp revenue of A$146.9m
- An 83.9% increase in UFB subscriber numbers offset by a 7% decline in copper broadband subscribers. This trend reflects the migration of subscribers to the UFB platform
- An initial contribution from Wholesale customers secured during the six-month period

Vocus' reported EBITDA increased 385% on the pcp to A$30.1m driven by:

- The merger with M2 in February 2016. Proforma EBITDA in 1HFY16 assumes the ownership of the M2 business for the six-month period was A$31m
- Proforma EBITDA in 1HFY16 includes a ~NZ$4.2m restructuring write back associated with the Call Plus acquisition. EBITDA increased ~4% on the proforma pcp in NZD
- AMPUs benefitted from the changing mix of packages as consumers select higher speeds on the UFB

2.3.2 Outlook

The focus for New Zealand is on the consolidation of its market position in both the Mass Market and Corporate & Wholesale segments leveraging the scale of the network across the business. The key areas of focus for 2HFY17 include:

- Continue to evolve strategies to maintain momentum in the broadband market
    - Push into Energy market as part of competitive bundling strategy to drive ARPUs and lower churn
    - Review brand strategy to improve share of voice and preference to increase market share
    - Continued focus on self-service to improve experience and lower costs
- Integration of networks and IT systems to remove legacy systems and support organic growth
- Continued push into the Wholesale and Corporate segments of the market with improved product diversity
- Focus on cost and efficiency to maintain competitiveness in the Mass Market segment
- Leverage improved capability across the Group through all channel relationships

3. GROUP OUTLOOK

- Vocus reiterates FY17 guidance of Underlying EBITDA in the range of $430m-$450 driven by:
    - Full six-month contribution from Nextgen pre synergies expected to be in the range ~$30-35m in 2HFY17
    - New Australian wholesale contracts signed in 1HFY17
    - Contribution from strong sales momentum in 1HFY17 as provisioning backlog is resolved
    - Contribution from subscriber growth in the Australian mass market business
    - Full six month benefit of growth in NZ UFB subscriber base, new wholesale contracts and energy business
    - Further synergy benefits associated with recent acquisitions in particular M2 and Nextgen
- FY17 significant items below the line are expected to be an expense of pre-tax ~$107m including:
    - Acquisition and integration costs of ~$20m
    - Non cash amortisation of acquired customer intangibles of ~$61.5m and the amortisation of acquired software of $26.2m arising from the purchase price allocation process
- Capital expenditure for full year now expected to be $217m inclusive of ASC and IRU payments
- Business Priorities for 2HFY17 include:
    - Take Share
        - Take advantage of the roll out of the NBN and UFB and continue market share gains
        - Leverage our expanded sales platform and product set in the enterprise and government markets
    - Grow Shareholder Returns
        - Manage working capital effectively, all the time
        - Diligently invest our capital in the core
        - Deliver on synergies, efficiency safeguards the business
    - Be the Most Loved Telco
        - Simplify our products and processes, automate everything
        - Put the customer in control with self help
        - Leverage our data to create actionable customer insights
    - Live the values and create a great place to work

VOCUS
GROUP

FY17 INTERIM RESULTS PRESENTATION

22 FEBRUARY 2017

vocusgroup.com.au

CONTENTS

Further information is available on the Vocus Group website: www.vocusgroup.com.au

VOCUS GROUP

RESULT HIGHLIGHTS

CEO • GEOFF HORTH

FINANCIAL HIGHLIGHTS

IMPROVEMENT IN FINANCIAL PERFORMANCE DRIVEN BY ACQUISITIONS & ORGANIC GROWTH

Six Months Ended 31 December	2015	2016	%chg
Revenue	$176.3m	$888.2m	404%
Underlying EBITDA[1]	$62.3m	$187.3m	201%
Statutory EBITDA	$60.7m	$168.3m	177%
Underlying NPAT[1]	$27.4m	$91.9m	236%
Statutory NPAT	$24.2m	$47.2m	95%
Underlying Diluted EPS[2]	11.9cps	15.0cps	26%
Interim Dividend[3]	7.6cps	6.0cps	(21%)

1. Underlying EBITDA and Underlying NPAT exclude significant item. A reconciliation between statutory and Underlying numbers can be founds on slide 11
2. Underlying diluted earnings per share is calculated with reference to Underlying NPAT, which excludes the after tax effect of significant items. The weighted number of shares on issue as at 31 December 2016 have also been adjusted for the effect of the 1-for-8.9 rights issue undertaken in July, in line with accounting standards.
3. Excludes special dividend of 1.9cps paid in April 2016

VOCUS GROUP

GROUP HIGHLIGHTS

KEY OPERATIONAL MILESTONES ARE ON TARGET

- ✓ Cumulative acquisition synergies exit run rate $47.5m as at 31 December 2016, target $57m for FY17
- ✓ Corporate/Wholesale sales team continuing strong performance, ~8% organic growth in revenue over the six month period
- ✓ NBN market share (excl. satellite) continues to improve, growing from 6.8% in June 16 to 7.8% share
- ✓ UFB market share continues to improve, 12% at end of December compared to 11% at 30 June 2016

STRATEGIC POSITION ENHANCED

- ✓ Key appointments made: CFO Mark Wratten and Non Executive Director Bob Mansfield
- ✓ Nextgen acquisition completed, integration well progressed with Day 100 milestones met
- ✓ Acquired Switch, a small energy business in New Zealand and divested New Zealand non core joint venture Connect 8
- ✓ Signed contract in force with Alcatel Submarine Networks to construct the Australia Singapore Cable (ASC), North West Cable System (NWCS) commenced services

VOCUSGROUP

HIGHLIGHTS – CORPORATE & WHOLESALE AUSTRALIA

STRONG BUSINESS MOMENTUM ESTABLISHES PLATFORM FOR EARNINGS GROWTH

✓ Revenue growth of 42% on pcp to $204.1m driven by:
- A two month contribution from Nextgen of $34.3m
- Six month contribution from the M2 Wholesale business of $36.3m
- Organic growth from expanded sales platform of ~8%
- Impact of a fibre build contract in the prior period not carried forward of ~$12m included in the pcp
- Impact of the sale of non core IT services business in December 1HFY16 of $10.3m included in the pcp

✓ Underlying EBITDA growth of 29% on pcp to $102.5m driven by:
- Increased investment in sales and provisioning teams. ~43 new team members
- Nextgen initial contribution of ~$11m pre synergies, on track to meet revised forecast of ~$41m in FY17
- Impact of the cancellation of a material fibre build contract, contribution in 1HFY16 of ~$10m

✓ Day 100 Nextgen integration milestones achieved, new customer and strategic project opportunities emerging
- Vocus now on preferred supplier panels in all state and territories government in Australia as well as the Federal Government telecommunications services panel

✓ Corporate/Wholesale sales team continuing strong performance

HIGHLIGHTS – MASS MARKET AUSTRALIA

STRONG MOMENTUM IN NBN CONTINUES

- ✓ Revenue for 1HFY17 was down 6.2% on proforma revenue[1] in pcp. Factors driving the result include:
  - Organic growth in consumer broadband and energy subscribers
  - Lower consumer mobile revenue due to the elimination of commissions and a decline in the mobile subscriber base of ~$11.1m
  - Declining fixed voice revenue in the small business segment of ~$13.9m
  - The impact of the sale of the Aggregato US prepaid calling business which contributed ~$21.8m in the pcp
- ✓ Positive trends in NBN
  - Consumer broadband growth in services of 9.6% including growth in NBN subscribers of 69,680 or 168% on pcp
  - Dodo and iPrimus represent 7.3% of NBN subscribers (excl. satellite), up from 6.2% in December 15
  - 1H FY17 net churn rate in Consumer copper broadband of 3% per month, NBN churn of 1.3%, reflecting improved customer experience
  - 1H FY17 Consumer copper broadband ARPU of ~$61.56, NBN ARPU of ~$61.53 per subscriber per month
  - 1H FY17 Consumer copper broadband AMPU of ~$25.09, NBN AMPU of ~$23.36 per subscriber per month
  - Continuing to take market share in NBN above broadband share
- ✓ Strong growth in energy subscribers on pcp, underpinned by customer advocacy

1. Proforma Mass Market Australia revenue in pcp represents M2 Group revenue less M2 Wholesale revenue and M2 New Zealand revenue plus revenue from the Amnet consumer broadband business owned by Vocus

HIGHLIGHTS – NEW ZEALAND

MAKING GAINS ACROSS ALL MARKET SEGMENTS

✓ Revenue increased 482% on pcp to A$158.3m

- Revenue increased 7.8% compared to 1HFY16 proforma[1] revenue of A$146.9m
- Organic growth across Corporate, Wholesale and Mass Market

✓ Continued growth in UFB share with higher ARPUs

- Share of new UFB orders in 1HFY17 has increased to 12%, 10,500 UFB subscribers connected in 1HFY17
- Broadband ARPU of NZ$71.88 compared to NZ$67.68 in the pcp
- Broadband AMPU of NZ$29.77 compared to NZ$29.72 in the pcp
- Lower churn on UFB at ~1.8% average per month versus copper churn ~2.8% average per month

✓ Acquired Energy retailer to target consumer and business segments

- Focus on bundled Telco and Energy offers to drive new customer acquisition, improved ARPU's and increased customer retention

✓ Wholesale business growing by leveraging network scale and investment

- Two new wholesale customers signed with a focus on entering the UFB market

✓ Business strategy refined and single network becomes a key asset

- Network integration completed and combined product portfolio now leveraged through all segments
- Disposed of 50% interest in Connect 8 over the period driving further focus on core business

1. Proforma revenue assumes ownership of the M2 New Zealand business for a full six months in 1HFY16

VOCUSGROUP

VOCUS GROUP

FINANCIAL OVERVIEW

CFO • MARK WRATTEN

FINANCIAL HIGHLIGHTS

IMPROVEMENT IN FINANCIAL PERFORMANCE DRIVEN BY ACQUISITIONS & ORGANIC GROWTH

Six Months Ended 31 December	2015	2016	%chg
Revenue	$176.3m	$888.2m	404%
Underlying EBITDA[1]	$62.3m	$187.3m	201%
Statutory EBITDA	$60.7m	$168.3m	177%
Underlying NPAT[1]	$27.4m	$91.9m	236%
Statutory NPAT	$24.2m	$47.2m	95%
Underlying Diluted EPS[2]	11.9cps	15.0cps	26%
Interim Dividend[3]	7.6cps	6.0cps	(21%)

1. Underlying EBITDA and Underlying NPAT exclude significant items. A reconciliation between statutory and Underlying numbers can be founds on slide 11
2. Underlying diluted earnings per share is calculated with reference to Underlying NPAT, which excludes the after tax effect of significant items. The weighted number of shares on issue as at 31 December 2016 have also been adjusted for the effect of the 1-for-8.9 rights issue undertaken in July, in line with accounting standards.
3. Excludes special dividend of 1.9cps paid in April 2016

VOCUS GROUP

EARNINGS RECONCILIATION

Reconciliation between the Underlying and Statutory Result

Six Months Ended 31 December 2016 ($'m)	EBITDA	EBIT	NPAT
Underlying Result	**187.3**	**142.9**	**91.9**
Significant Items:			
Gains on total return swaps	1.2	1.2	0.8
Gains/losses associated with foreign exchange	(1.6)	(1.6)	(1.1)
Loss on sale of share in Connect 8 JV	(2.6)	(2.6)	(2.6)
Amortisation of acquired customer contracts	-	(30.5)	(21.4)
Amortisation of acquired software intangible	-	(13.2)	(9.2)
Acquisition & integration costs	(16.0)	(16.0)	(11.2)
Total Significant Items	**(19.0)**	**(62.7)**	**(44.7)**
Statutory Result	**168.3**	**80.2**	**47.2**

2H FY17 significant items currently expected to be:

- acquisition and integration costs to be ~$4m
- amortisation of acquired customer contracts to be ~$31m
- amortisation of acquired software intangibles to be ~$13m

VOCUSGROUP

CASHFLOW AND WORKING CAPITAL

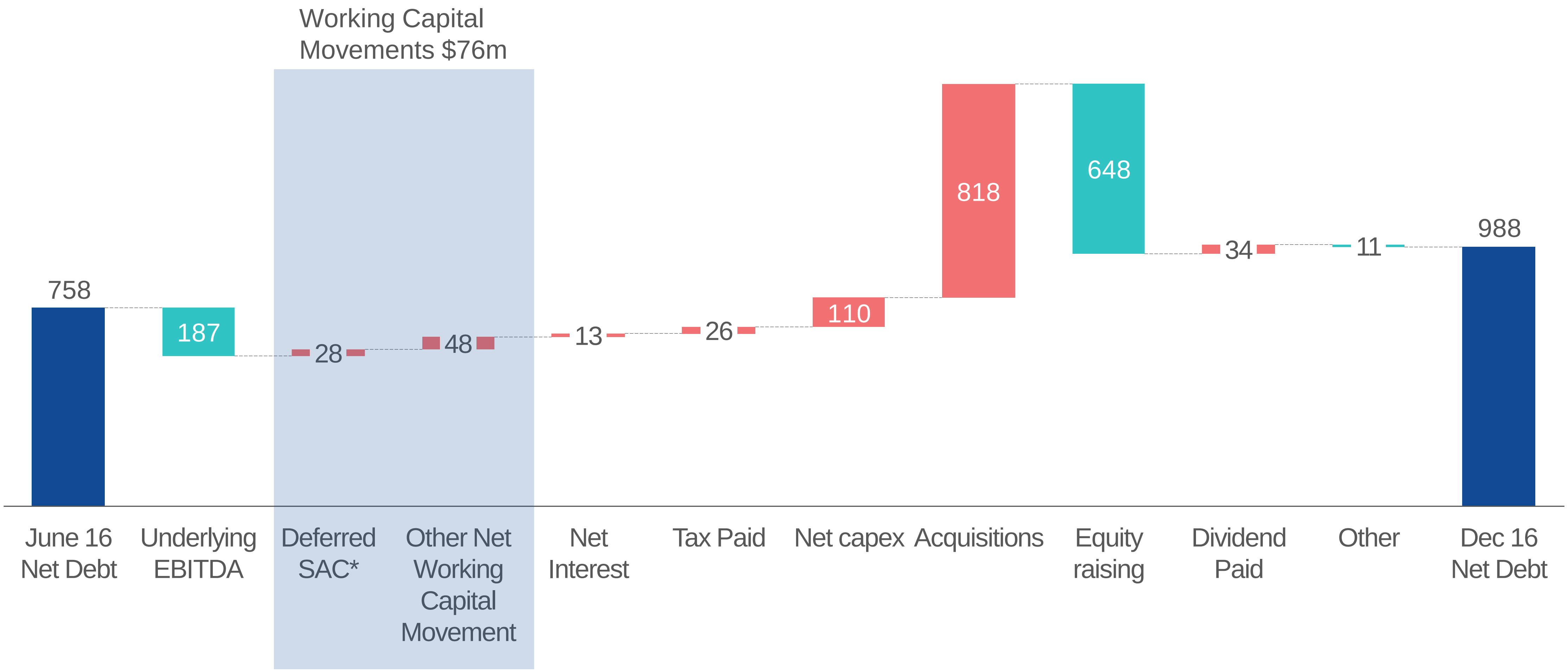
Six months ended 31 December ($'m)	2015	2016
Statutory EBITDA	60.7	168.3
Net cash from operating activities	44.7	95.3
Interest, finance costs, tax and JV distribution	8.5	24.5
Adjusted operating cash flow	53.2	119.8
Net interest and finance costs	0.3	0.7
Income taxes paid	(8.7)	(25.9)
JV partnership distributions received	-	0.8
Net cash from operating activities	44.7	95.3
Payments for property plant & equipment[1]	(27.7)	(52.3)
Payments related to undersea cable projects[2]	-	(25.8)
Net business acquisitions[3]	(15.7)	(817.8)
Intangibles payments and proceeds	(21.0)	(32.0)
Other cash flows from investing activities	9.5	0.8
Investing cash flows	(54.8)	(927.2)
Financing cash flows[4]	23.3	834.8
Net movement in cash	13.2	2.9
Cash conversion (%)[5]	88%	71%

1. PP&E also includes IRU payments and other intangibles
2. Predominantly relates to upfront payment to Alcatel Submarine Networks (ASN) for the ASC project
3. Includes acquisition of Nextgen Networks in October 2016, including acquisition and integration costs
4. Financing cash flows include proceeds from pro rata entitlement offer, dividends, change in borrowings and interest expense on borrowings and leases. Refer to Cash flow statement in the statutory financial statements for further detail
5. Cash conversion % is calculated by dividing adjusted operating cash flow by Statutory EBITDA

- Weaker cash conversion was due to negative working capital movements, contributed by:
  - Lack of discipline around managing working capital
  - The capitalisation of upfront costs associated with new customer acquisition particularly in the Mass Market
  - Customer collection performance below expectations
- 2HFY17 cash flow is expected to improve based on:
  - Stronger 2H EBITDA performance
  - Significant management focus on improving collections and working capital performance across all areas of the business, led by CFO
  - Tighter process controls and governance over capital expenditure
  - Normalisation of working capital balances will have a lesser impact of capitalisation of upfront costs
  - Lower cash taxes offset by higher interest costs

VOCUS GROUP

CASHFLOW TO NET DEBT BRIDGE

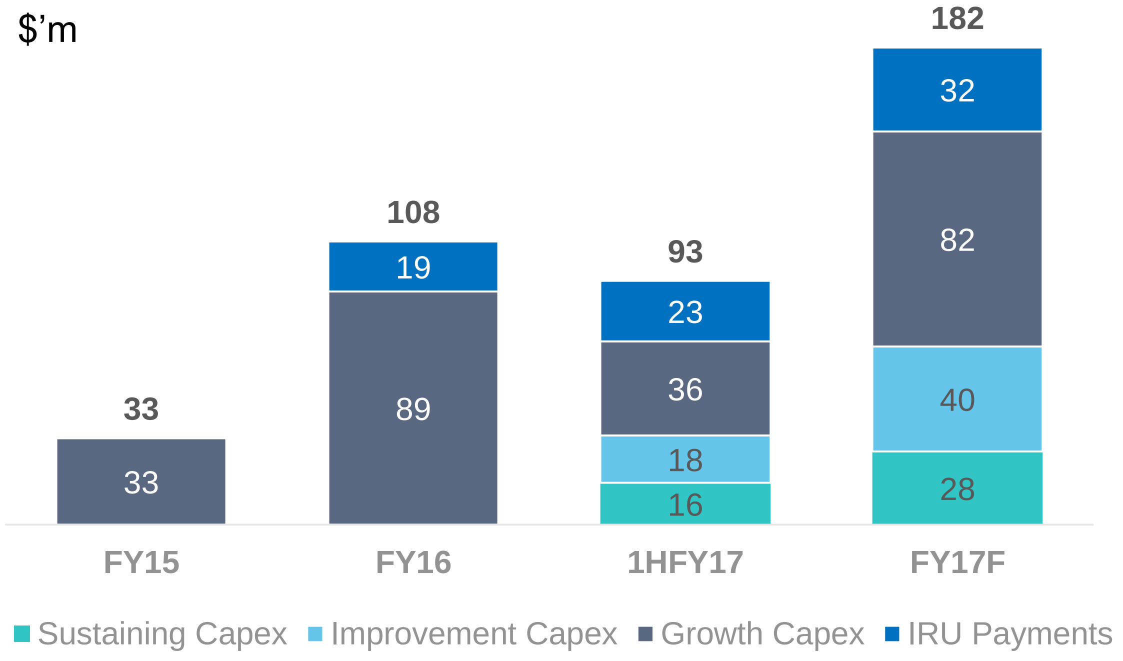


* Subscriber acquisition costs

VOCUS GROUP

CAPITAL EXPENDITURE UPDATE

- Capital expenditure over the half was $93m excluding the US$18.6m payment for the ASC project
- IRU payments in 1HFY17 related to payments to both Southern Cross and Telstra
- 2HFY17 depreciation is expected to be ~$50m and above the line amortisation is expected to be ~$10m

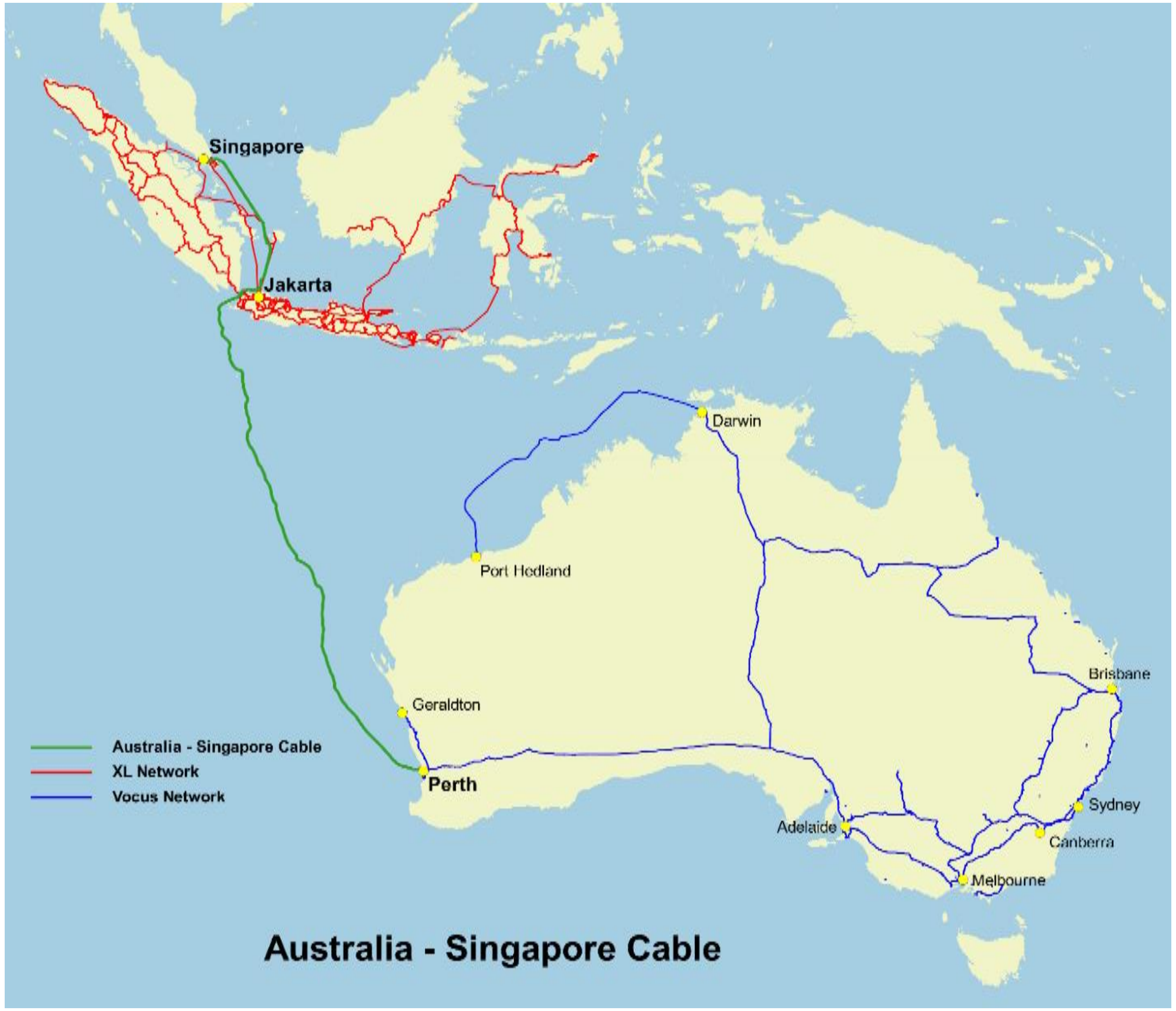


- Improvement Capex includes augmenting core network capacity, upgrading network applications, integration of legacy platforms and investments in deploying new transformative operating systems
- Chart is accrued capital expenditure

VOCUSGROUP

AUSTRALIA SINGAPORE CABLE

- 4,600km submarine cable system linking Australia to Singapore and Indonesia
- Four fibre pairs providing a minimum of 40Tbps of capacity
- The cash flow profile associated with the ASC project build is currently forecast to be:
  - 1HFY17 US$18.6m
  - 2HFY17 US$8.0m
  - FY18 US$106.1m
  - 1HFY19 US$16.5m
  - Upon completion of the project there is a US$20m deferred consideration payment to Nextgen Bidco Pty Ltd
- Dedicated team appointed to manage the build project and pre-sales to cornerstone customers



VOCUSGROUP

ACQUISITION SYNERGIES ON TRACK

amcom

- Network consolidation ongoing
- Achieved stated $15 million run rate in annualised cost synergies

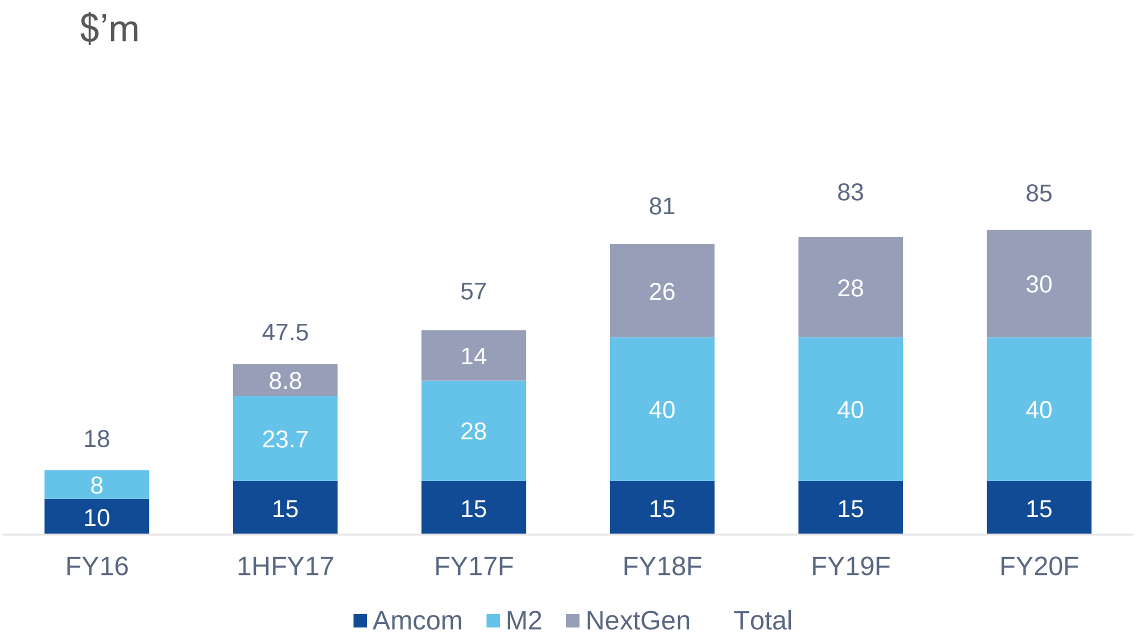
M2 GROUP

- Integration of the network with Amcom, Nextgen and Vocus commenced
- Focus on delivering synergy targets of $40 million by the end of FY18

nextgen networks

- Ongoing review of business requirements
- Focus on delivering synergy targets of $30 million by the end of FY20

Forecast Run Rate Of Cumulative Acquisition Synergies[1]



1. Run rate at the end of the period

VOCUS GROUP

BALANCE SHEET MOVEMENTS

Period ended ($'m)	30 Jun 16	31 Dec 16
Cash	128.6	131.5
PP&E	522.4	1,531.0
Intangibles	3,757.1	3,793.0
- Goodwill	2,960.3	3,007.5
- Customer Intangibles	350.2	322.0
- IRU capacity	126.7	149.6
- Brands and other	192.6	191.6
- Software	127.3	122.3
Trade Receivables	144.4	178.1
Other assets	141.5	199.2
Total assets	**4,694.0**	**5,832.8**
Loans and borrowings	886.1	1,119.8
Other liabilities	633.6	879.6
Total Liabilities	**1,519.7**	**1,999.4**
Net Assets	**3,174.3**	**3,833.5**

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

- Increase in $960m 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);
- $36m in provisions arising on acquisition shown in other liabilities;
- $49.2m increase in Goodwill as a result of transaction.

Other key movements in the balance sheet include:

- $242.6m Increase in bank facilities;
- $6m decrease in back haul IRU liability;
- $28m decrease in customer intangibles as a result of previous business acquisition amortisation.

VOCUSGROUP

NET DEBT POSITION

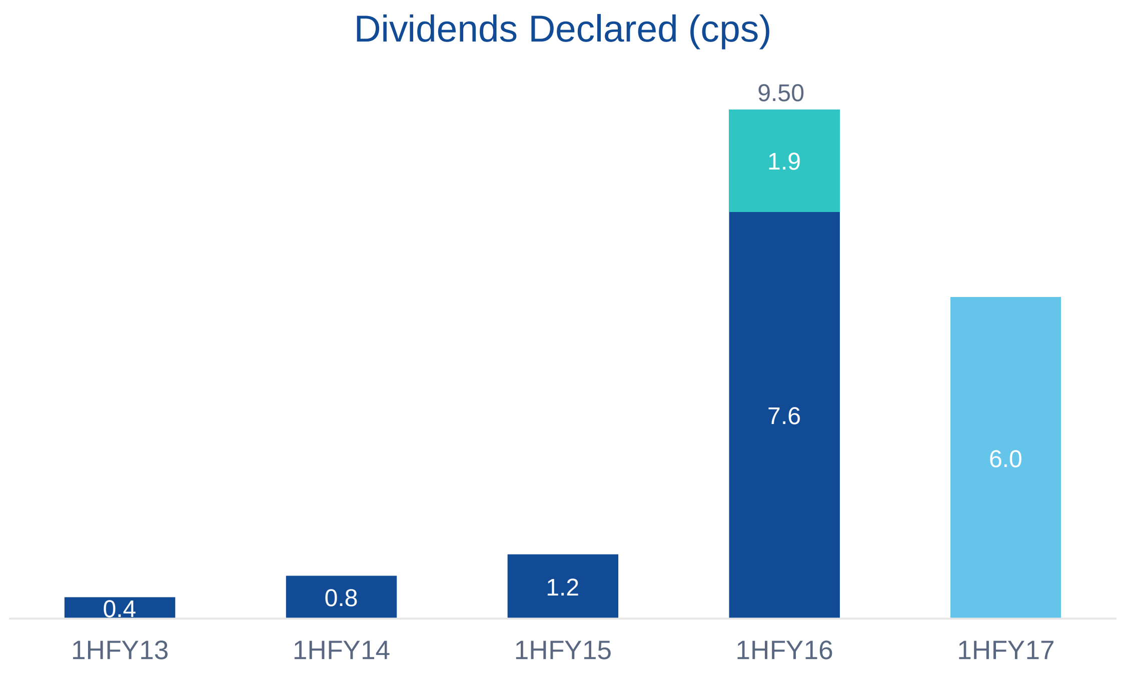
Period Ending ($'m)	30 Jun 16	31 Dec 16
Bank loans	825.7	1,068.4
Backhaul IRU liability	31.3	25.3
Lease liability	29.1	26.1
Borrowings per balance sheet	886.1	1,119.8
Cash	**128.6**	**131.5**
Net Debt	**757.5**	**988.3**

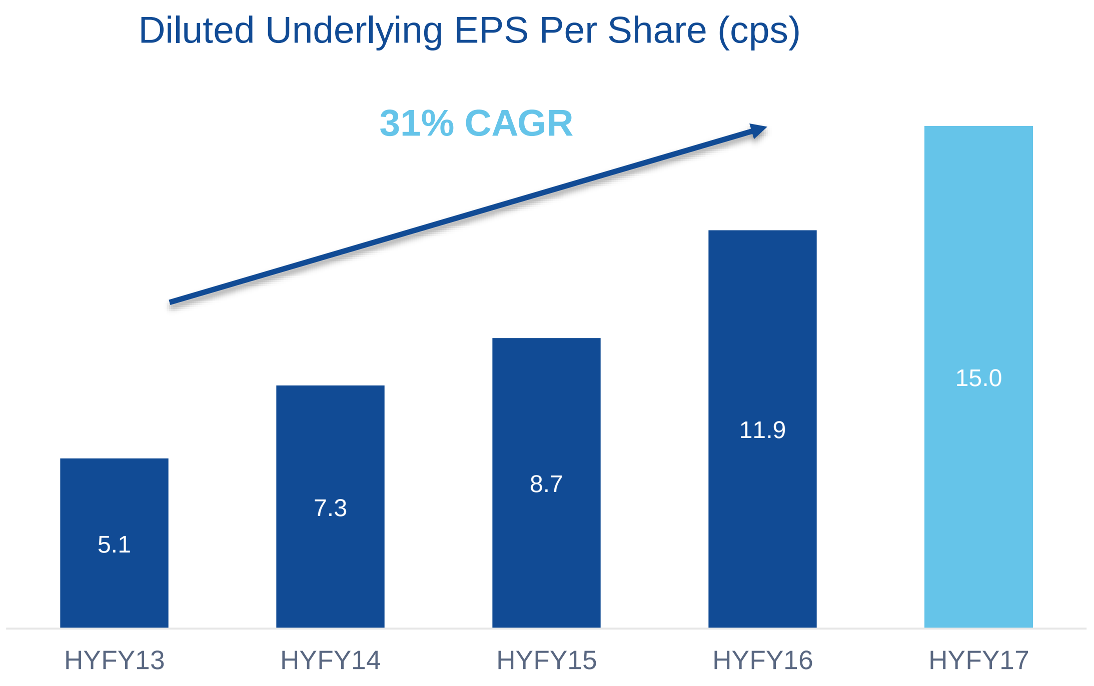
Key Banking Covenants	Headroom
Leverage (Net Debt to EBITDA[1])	1.2 x
Gearing (Net Debt/Net Debt + Equity)	39.4 %
Interest Cover (EBITDA[1]/Net Interest Expense)	6.1 x

1. Adjusted LTM EBITDA

VOCUSGROUP

SHAREHOLDER RETURNS





- The Vocus Board declared a fully franked interim dividend per share of 6¢
- DRP will be in operation with a 1.5% discount.
- The Board of Vocus expects to increase dividends in line with the growth of the business, taking into account the capital requirements and accretive opportunities in M&A and further infrastructure projects
- The Board looks at the dividend payout ratio on a full year basis

VOCUS GROUP

BUSINESS UPDATE & OUTLOOK

CEO • GEOFF HORTH

CORPORATE & WHOLESALE AUSTRALIA – OUTLOOK

FOCUS ON LEVERAGING THE NEXTGEN NETWORK, EXPANDING PRODUCT SET AND ADDRESSABLE MARKET AND OPTIMISING SALES AND SERVICE DELIVERY PLATFORMS

✓ Next steps in terms of integration of Nextgen occurring, the team structure is now in place

- Day 100 integration complete - Sales team integrated into the Vocus sales team strategy and structure

✓ Integrate the Nextgen network with Vocus, Amcom and M2 networks/products to expand product offering and addressable market

- Government sales team and strategy launched
- Vocus now on all Federal, State and Territory Government procurement panels with significant pipeline of opportunities
- Launching new products across the merged business platform including third party services such as NBN
- Continue to drive underlying sales momentum and increased emphasis on the enterprise and government sectors to drive higher average order value

✓ Continue to build out the provisioning platform and systems to optimise customer experience

- All service delivery now centralised
- Increased focus on development of Vocus One customer engagement portal

✓ Marketing focused on improving awareness and driving penetration of on-net buildings

✓ Recruitment process for Corporate & Wholesale Director commenced, Executive Director Michael Simmons acting in the role ensuring strong momentum in the division maintained

MASS MARKET AUSTRALIA – OUTLOOK

MAINTAIN NBN MARKET SHARE GAINS

✓ Continue to grow NBN share

- Reposition and relaunch iPrimus on the NBN opportunity
- Extend dodo as the value brand in NBN
- Leverage emerging NBN opportunity for SMB through Commander

✓ Transform customer experience

- Implement leading customer engagement platform
- Delivering cost to serve and customer satisfaction improvements
- iPrimus scheduled to be migrated to new salesforce platform in July 2017

✓ Increase online channels

- Simplifying path to purchase through a mobile first ethos
- Increased self-help options improving customer service interactions

✓ Leverage analytics capability to reduce churn and improve cross sell per customer

NEW ZEALAND – OUTLOOK

FOCUS ON CONSOLIDATION OF MARKET POSITION AND LEVERAGE NETWORK SCALE IN ALL SEGMENTS

- ✓ Evolve strategies to maintain momentum in the broadband market
  - Push into Energy market as part of competitive bundling strategy to drive ARPUs and lower churn
  - Review brand strategy to improve share of voice and preference to increase market share
  - Focus on self-service to improve experience and lower costs
- ✓ Integration of networks and IT systems to remove legacy systems and support organic growth
- ✓ Continued push into the Wholesale and Corporate segments of the market with improved product diversity
- ✓ Focus on cost and efficiency to maintain competitiveness in the Mass Market segment
- ✓ Leverage improved capability across the Group through all channel relationships

VOCUS GROUP

FY17 GUIDANCE

- ✓ Vocus reiterates FY17 guidance of Underlying EBITDA in the range of $430m-$450m driven by:
  - Full six month contribution from Nextgen, pre synergies, expected to be in the range ~$30-35m in 2HFY17
  - New Australian wholesale contracts signed in 1HFY17
  - Contribution from strong sales momentum in 1HFY17 as provisioning backlog is resolved
  - Contribution from subscriber growth in the Australian mass market business
  - Full six month benefit of growth in NZ UFB subscriber base, new wholesale contracts and energy business
  - Further synergy benefits associated with recent acquisitions in particular M2 and Nextgen
- ✓ FY17 significant items taken below the line are expected to be an expense of pre-tax ~$107m including:
  - Acquisition and integration costs of ~$20m
  - Non cash amortisation of acquired customer intangibles of ~$61.5m and the amortisation of acquired software of $26.2m arising from the purchase price allocation process
- ✓ Capital expenditure for full year now expected to be $217m inclusive of ASC and IRU payments
  - ASC project launched, qualification and cornerstone presales commenced

BUSINESS PRIORITIES

✓ Take Share

- Take advantage of the roll out of the NBN and UFB and continue market share gains
- Leverage our expanded sales platform and product set in the enterprise and government markets

✓ Grow Shareholder Returns

- Manage working capital effectively, all the time
- Diligently invest our capital in the core
- Deliver on synergies, efficiency safeguards the business

✓ Be the Most Loved Telco

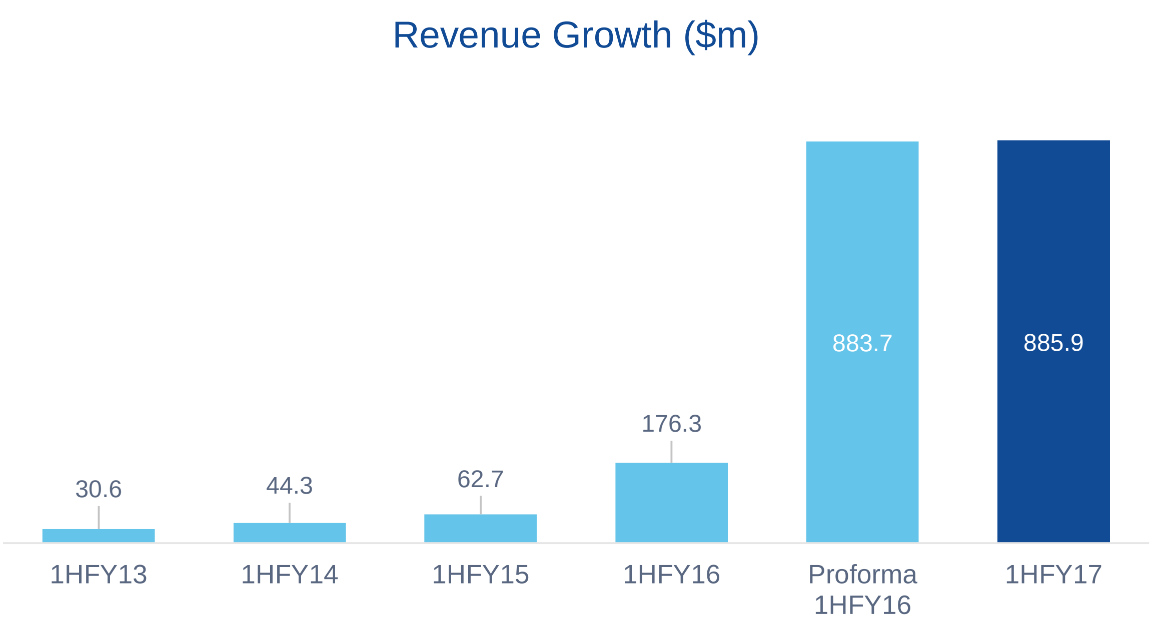
- Simplify our products and processes, automate everything
- Put the customer in control with self help
- Leverage our data to create actionable customer insights

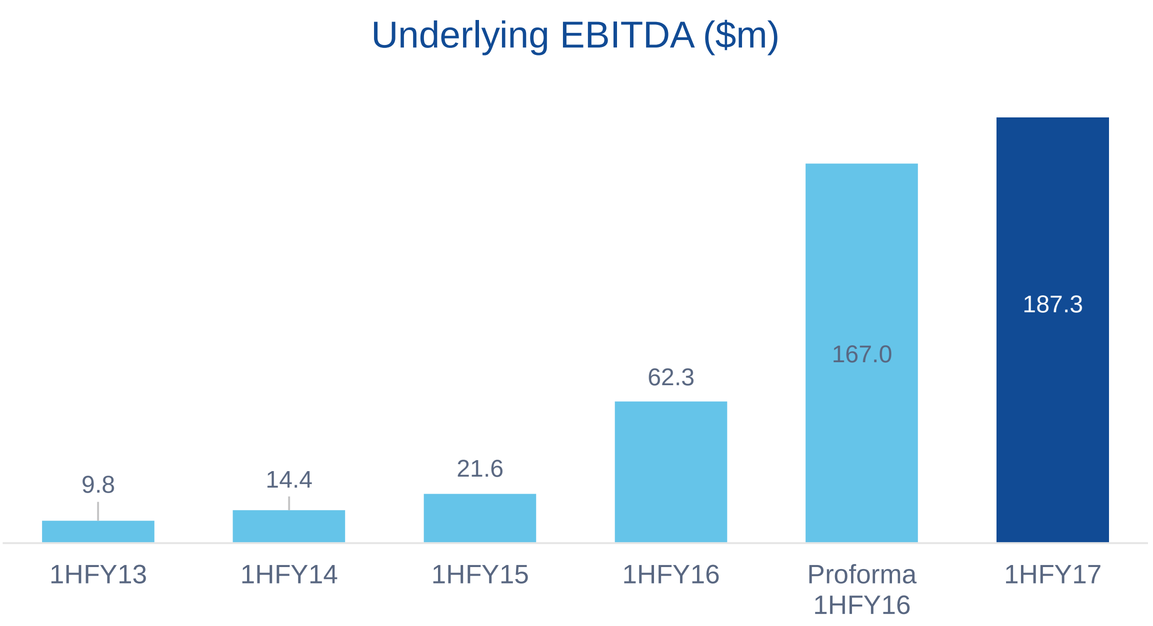
✓ Live the values and create a great place to work

APPENDICES

EARNINGS OVERVIEW

ANOTHER YEAR OF STRONG EARNINGS GROWTH





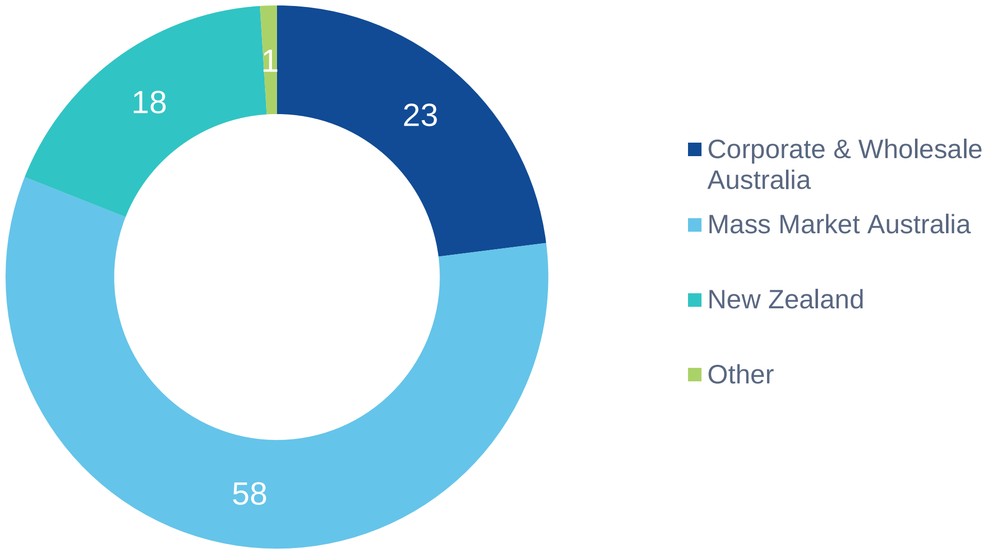
*Proforma 1HFY16 reflects the M2 and Vocus 1HFY16 results combined and does not include proforma Nextgen earnings

VOCUSGROUP

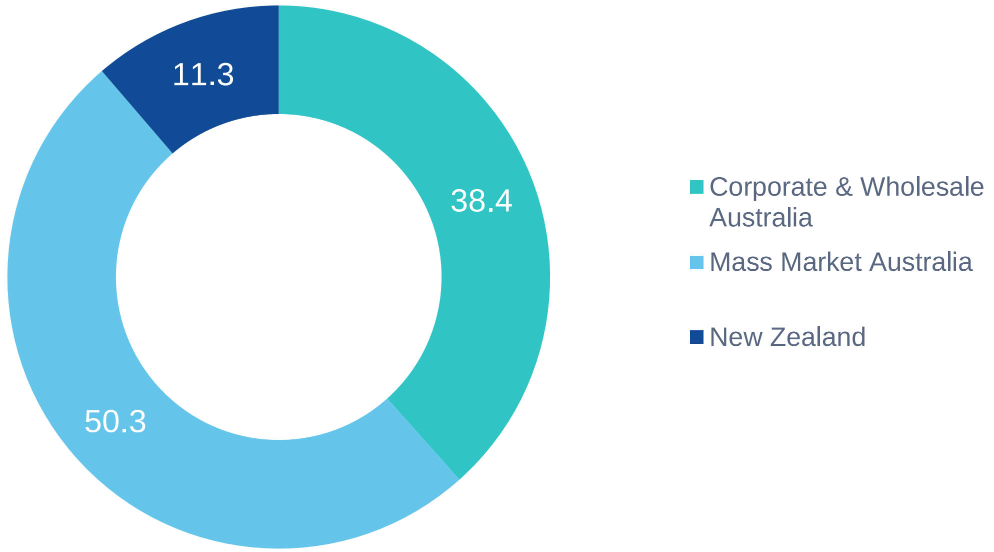
GROUP EARNINGS BREAKDOWN

DIVERSIFIED EARNINGS PLATFORM

Revenue Breakdown 1HFY17 (%)



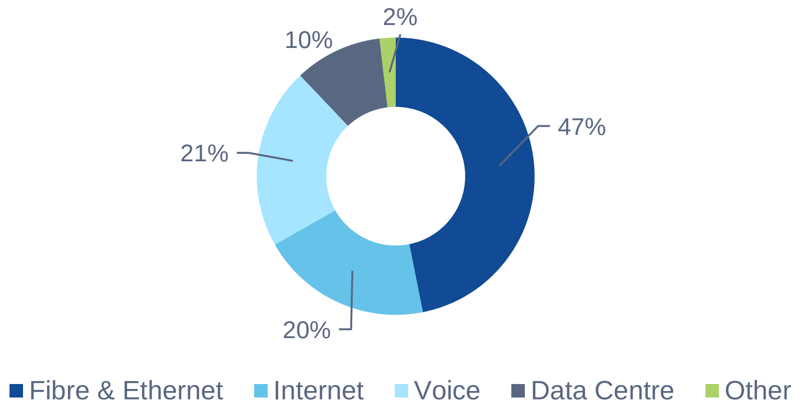
EBITDA Contribution[1] Breakdown 1HFY17 (%)



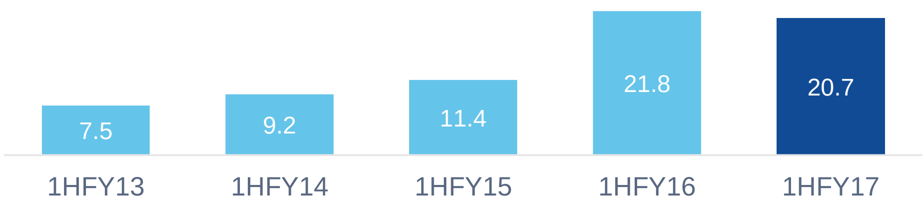
1. This does not take into account Australian corporate overheads and network costs which are not allocated to segments

CORPORATE & WHOLESALE AUSTRALIA – KEY TRENDS

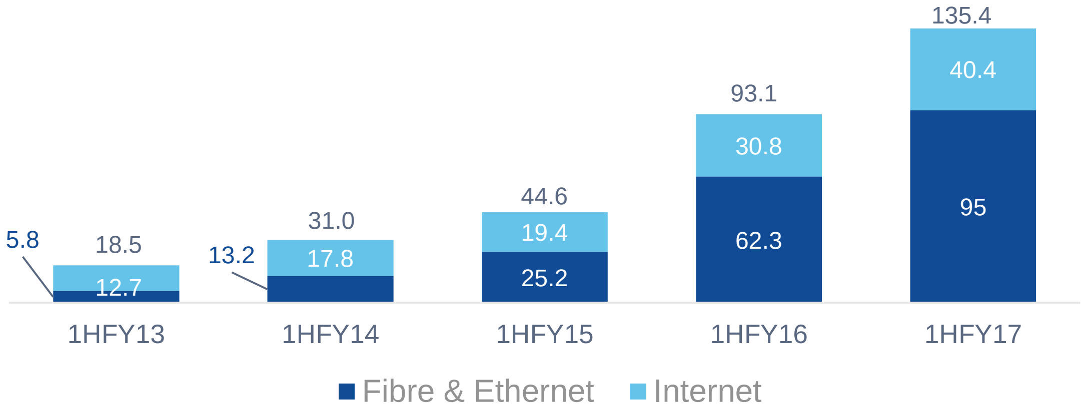
Revenue By Product Breakdown 1HFY17(%)



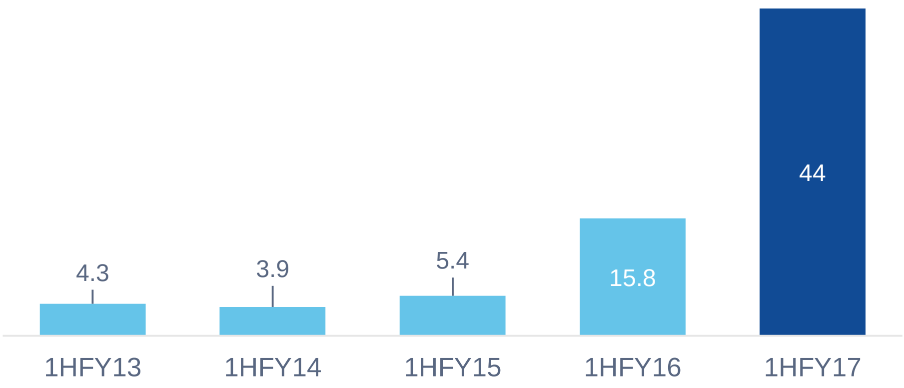
Data Centre revenue ($m)



Data Networks Revenue ($m)[1]



Voice Revenue ($m)[2]



1 Data Networks in 1HFY17 includes Nextgen revenue. In 1HFY16 Data Networks includes the cancelled fibre build contract

2 The increase in Voice revenue in 1HFY17 reflects the inclusion of the M2 Wholesale business

VOCUS GROUP

VOCUS IS NOW AN APPROVED SUPPLIER ACROSS THE GOVERNMENT SECTOR

Australian Government
- IBNCS 2011
- Telecommunications Services Panel 2016

NSW Government
- Scheme 20

Victoria State Government
- TPAMS 2025

Queensland Government
- ICT.1068 (data)
- ICT.1070 (dark fibre)

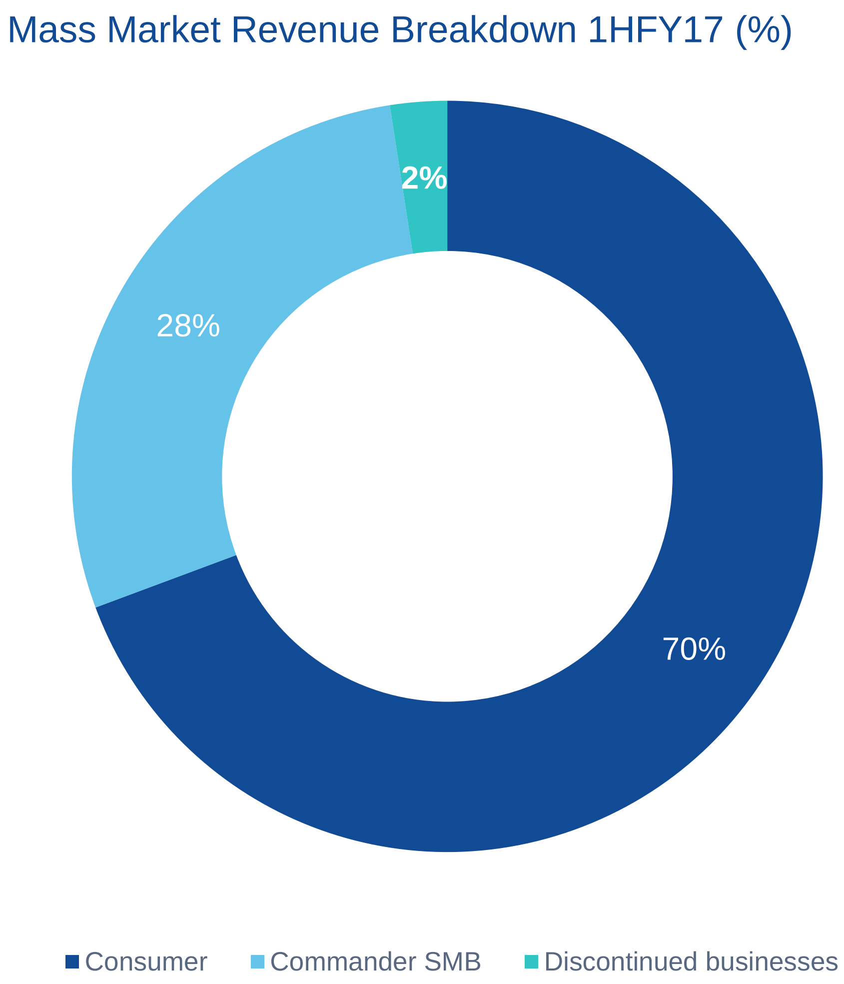
Government of South Australia
- Network Carriage Services Agreement (data & voice)

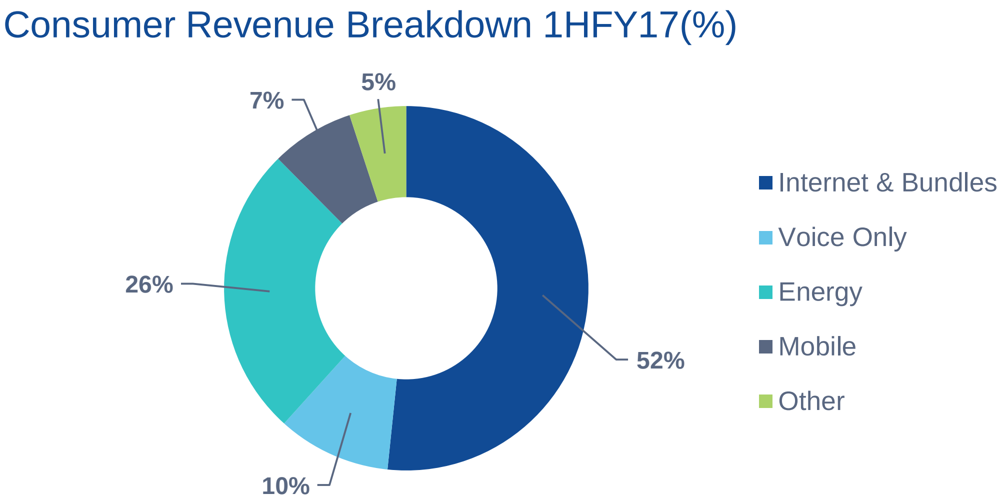
Government of Western Australia
- CUA 56808 (Telco)
- CUA 169209 (Data Centre)

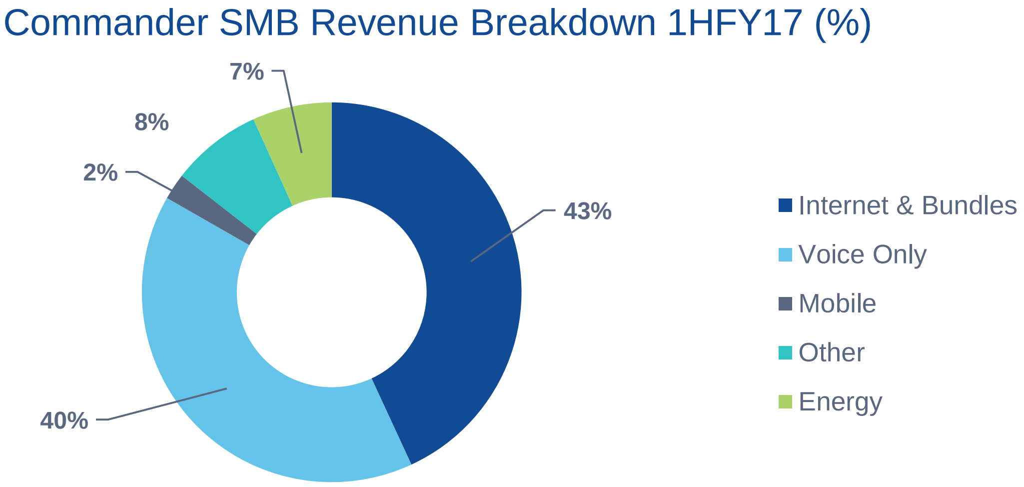
Northern Territory Government
- Direct Agreements by Agency

Sovereign Agencies
- Direct Agreements by Agency

MASS MARKET AUSTRALIA – EARNINGS OVERVIEW

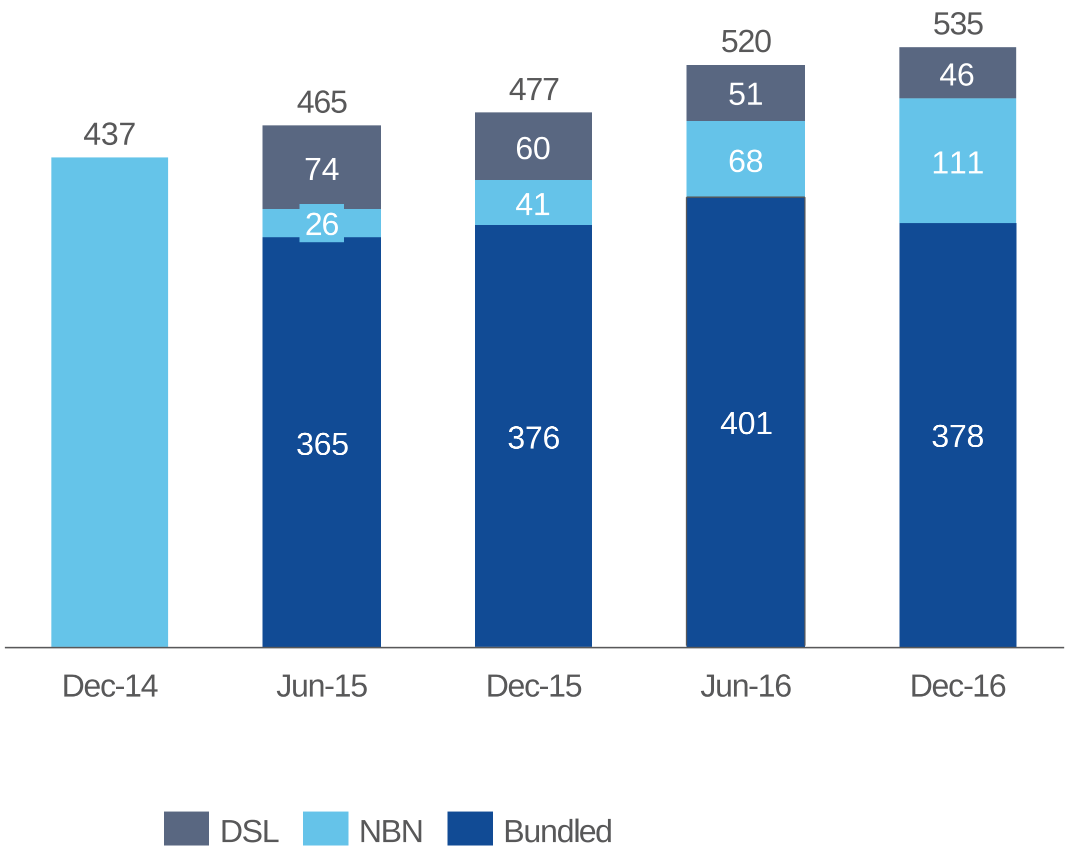






AUSTRALIA CONSUMER BROADBAND

Consumer Broadband SIOs ('000)[2]



1. Net churn is net of movements including moving house and technology change i.e. migration to NBN
2. Data for periods prior to the completion of the Scheme of Arrangement with M2 on 22 Feb 2016 relates to M2 reported figures combined with Amnet. Amnet is the consumer broadband business acquired by Vocus through the acquisition of Amcom

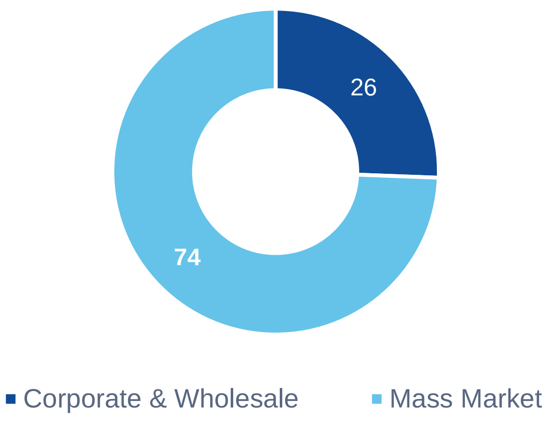
Key Statistics

	Proforma Dec 15	Dec 16
ARPU$ copper	62.14	61.56
AMPU$ copper	25.17	25.09
ARPU$ NBN	58.91	61.53
AMPU$ NBN	24.09	23.36
Net churn copper[1] (%)	2.6	3.0
Net churn NBN[1] (%)	1.5	1.3
Market share Mass Market NBN incl satellite(%)	5.9	7.0
Market share Mass Market NBN excl satellite(%)	6.2	7.3
Energy SIOs ('000) – Electricity - Gas	88 39	105 48
Mobile SIOs ('000)	173	160
Mobile ARPUs ($)	30	27

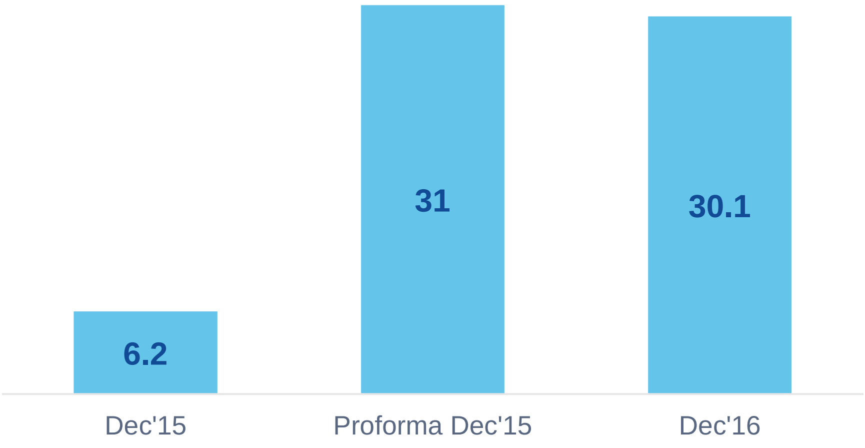
VOCUSGROUP

NEW ZEALAND – EARNINGS OVERVIEW

Revenue Breakup 1HFY17 (%)



EBITDA Trend (A$m)



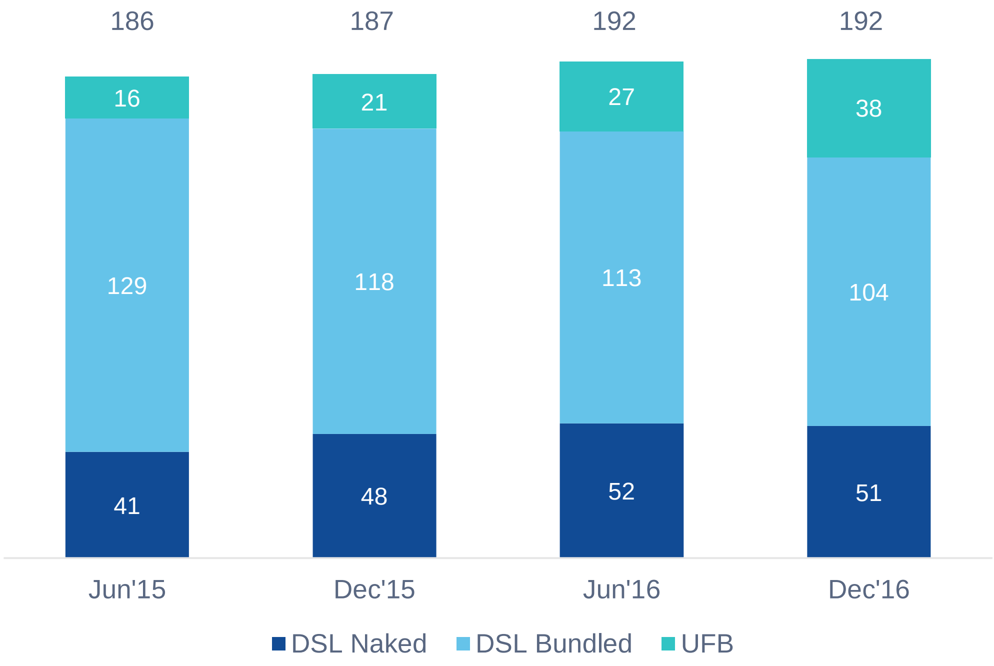
Revenue Trend (A$m)

- Proforma 1HFY16 earnings assumes the ownership of M2's New Zealand business for the six month period

- Proforma 1HFY16 EBITDA includes a one-off ~NZ$4.2m restructuring write back associated with the CallPlus acquisition. Removing the impact of this, organic growth was in the order of 4% on the proforma pcp in NZD earnings

NEW ZEALAND – KEY TRENDS

Consumer Broadband SIOS[1] ('000)



New Zealand Mass Market Key Statistics [1]

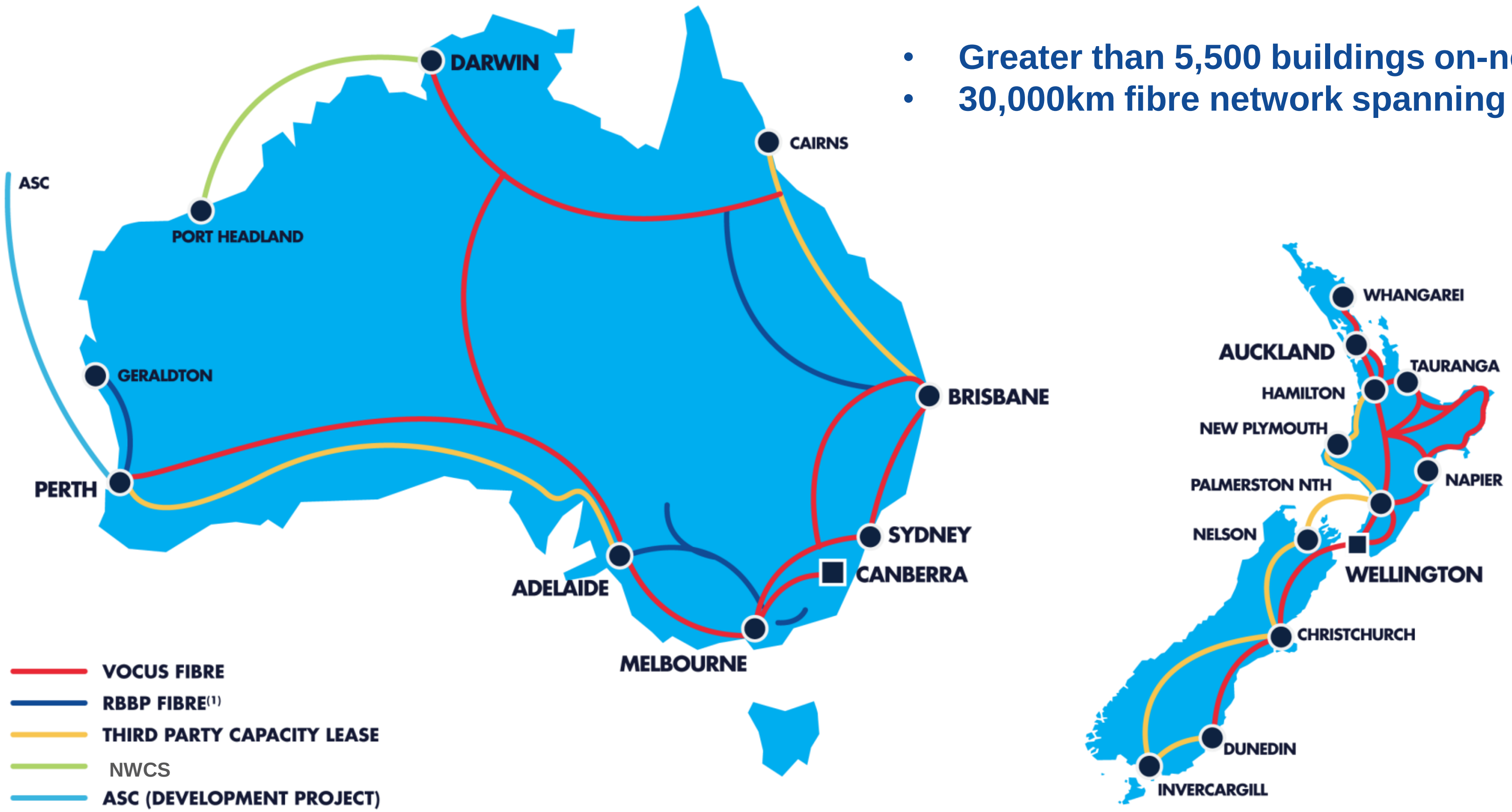
Period ended ($'m)	Dec 15	Jun 16	Dec 16
ARPU NZ$ broadband	67.68	71.37	71.88
AMPU NZ$ broadband	29.77	29.61	29.72
Net churn copper (%)	2.9%	2.8%	2.8%
Net churn UFB (%)	1.9%	2.0%	1.8%
Market share UFB (%)	13%	11%	12%
Energy SIOs ('000)	-	-	2
Mobile SIOs ('000)	15	17	19
SMB SIOs ('000)	20	20	21

1. SIOs and other key Mass Market statistics prior to Dec 16 represent the M2 New Zealand Mass Market business

VOCUSGROUP

VOCUS SNAPSHOT - INFRASTRUCTURE

21ST CENTURY FIBRE NETWORK SPANNING AUSTRALIA AND NEW ZEALAND WITH CAPACITY TO SUPPORT RAPID GROWTH IN DEMAND FOR BANDWIDTH



- Greater than 5,500 buildings on-net
- 30,000km fibre network spanning Australia and New Zealand

Note: Map for illustrative purposes only.

(1) Regional Backbone Blackspots Program (“**RBBP**”) was a 2009 Commonwealth initiative to provide competitive wholesale backbone services in regional markets. Nextgen was provided with A$250 million to design and construct the RBBP network from February 2010 to February 2012.

VOCUSGROUP

GLOSSARY OF TERMS

UNBUNDLING TELCO TALK

$	Australian dollars unless otherwise stated	**kms**	Kilometres
ACCC	Australian Competition and Consumer Commission	**MRR**	Monthly recurring revenue
AMPU	Average margin per user	**Naked DSL**	DSL broadband Internet connection that does not require a landline phone service
ARPU	Average revenue per user	**NBN**	National Broadband Network
ASC	Australia Singapore Cable	**NZ$**	New Zealand dollars
Capex	Capital expenditure	**NPAT**	Net Profit After Tax
cps	Cents per share	**NPS**	Net promoter score
D&A	Depreciation & amortisation	**NWCS**	North West Cable System
DSL	Digital subscriber line	**OCF**	Operating Cash Flow
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		
IRU	Indefeasible right of use		

VOCUS GROUP

DISCLAIMER

This presentation contains forward looking statements that involve risks and uncertainties. These forward looking statements are not guarantees of Vocus' future performance and involve a number of known and unknown risks and uncertainties that may cause actual results to differ materially from the results discussed in this presentation.

This presentation only contains information required for a preliminary evaluation of the company and in particular only discloses information by way of summary within the knowledge of the company and its directors. An investor should seek its own independent professional advice in relation to the technical, financial, taxation, legal and commercial matters relating to any investment in Vocus and its subsidiaries.

Other than to the extent required by law (and only to that extent) the company and its officers, employees and professional advisors make no representation, guarantee or warranty (expressed or implied) as to, and assume no responsibility or liability for, the contents of this presentation.

This presentation does not constitute an invitation or offer by or on behalf of Vocus, its subsidiaries or any other person, to subscribe for, purchase, or otherwise deal in any securities, nor is it intended to be used for a connected purpose.

All amounts are in Australian Dollars unless otherwise specified.

VOCUSGROUP

VOCUSGROUP.COM.AU