HALF YEAR FINANCIAL RESULTS

27 FEBRUARY 2019 | FOR THE SIX MONTHS ENDED 31 DECEMBER 2018
INCORPORATING THE REQUIREMENTS OF APPENDIX 4D

VOCUSGROUP

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

Appendix 4D (ASX Listing Rule 4.2A.3)

Half-Year Report for the half year ended 31 December 2018

Vocus Group Limited

Six months ended 31 December ($'m)	2018	2017	%chg
Revenue	974.2	967.3	1
Underlying EBITDA[1 2]	170.7	188.8	(10)
Statutory EBITDA	168.6	188.1	(10)
Underlying EBIT[3 4]	96.3	119.7	(20)
Statutory EBIT[3]	50.0	74.9	(33)
Underlying NPAT [5 6] after minority interests	48.8	68.6	(29)
Statutory NPAT [6] after minority interests	16.5	37.3	(56)
Basic earnings per share - cents	2.65	6.00	(56)
Diluted earnings per share - cents	2.62	5.99	(56)
Diluted Underlying EPS - cents[5]	7.76	10.99	(29)
Net tangible asset backing per share - cents	43.5	39.4[7]	10
Interim dividend per share - cents	-	-	-

1. Pre significant items and below the line costs of $2.1m ($0.7m costs in prior period).
2. EBITDA refers to earnings before net financing costs, tax, depreciation and amortization.
3. EBIT refers to earnings before net financing costs and tax.
4. Pre significant items and below the line costs of $46.3m (costs of $44.8m in prior period).
5. Pre significant items and below the line costs of $32.3m (pre significant costs of $31.3m in prior period).
6. NPAT refers to net profit after tax.
7. Comparative Net tangible asset backing per share is as at 30 June 2018.

The Vocus Board has made the decision not to declare an interim dividend for the half year ended 31 December 2018.

This report, and the interim financial report upon which the report is based, use the same accounting policies. The interim financial report upon which this report is based has been reviewed. A copy of the reviewed interim financial report is attached. The Appendix 4D is also to be read in conjunction with the annual financial report for the year ended 30 June 2018.

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DIRECTORS REPORT

The directors present their report, together with the financial statements, on Vocus (referred to hereafter as the 'Consolidated Entity' or 'Vocus') consisting of Vocus Group Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled for the half-year ended 31 December 2018.

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:

Robert Mansfield AO	Non-Executive Chairman
Kevin Russell	Group Managing Director & Chief Executive Officer
David Wiadrowski	Non-Executive Director
John Ho	Non-Executive Director
Julie Fahey	Non-Executive Director
Mark Callander	Executive Director
Bruce Akhurst	Non-Executive Director (appointed 1 September 2018)
Matthew Hanning	Non-Executive Director (appointed 1 September 2018)
Jon Brett	Non-Executive Director (retired 22 August 2018)
Rhoda Phillippo	Non-Executive Director (retired 22 August 2018)

Principal activities

Vocus Group Limited (ASX: VOC) ('Vocus') is a vertically integrated telecommunications service provider, operating in the Australian and New Zealand markets. The Company owns an extensive national infrastructure network of metro and back haul fibre connecting all capital cities and most regional centres across Australia and New Zealand. Vocus offers both consumer and wholesale NBN services through all 121 permanent NBN points of interconnect and 100% coverage of the UFB network in New Zealand.

Vocus owns a portfolio of brands targeting the enterprise, small business, government and residential market segments across Australia and New Zealand. Vocus also operates in the wholesale market providing high performance, high availability and highly scalable communications solutions which allow service providers to quickly and easily deploy new services for their own customer base.

Review of operations

Please refer to the Operating and Financial Review for further details relating to Vocus operations and results for the half-year ended 31 December 2018. The Operating and Financial Review includes information that Vocus shareholders would reasonably require to make an informed assessment of Vocus' operations, financial position, business strategies and prospects for future financial years.

The Operating and Financial Review is to be read in conjunction with, and forms part of, the Directors' Report.

Significant changes in the state of affairs

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

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) 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

Robert Mansfield
Non-executive, Chairman

27 February 2019
Sydney

OPERATING AND FINANCIAL REVIEW

1. GROUP OPERATING PERFORMANCE

1.1 Overview of Operations

Vocus Group Limited (ASX: VOC) (Vocus) is a vertically integrated telecommunications service provider, operating in the Australian and New Zealand markets. The Company owns the second largest network in Australia - an extensive national infrastructure network of metro and back haul fibre connecting all capital cities and most regional centres across Australia, with similar coverage in New Zealand. Vocus offers both consumer and wholesale NBN services through all 121 NBN points of interconnect and 100% coverage of the UFB network in New Zealand.

Vocus owns a portfolio of brands targeting the enterprise, small business, government and residential market segments across Australia and New Zealand. Vocus also operates in the wholesale market providing high performance, high availability and highly scalable communications solutions which allow service providers to quickly and easily deploy new services for their own customer base.

During the period ended 31 December 2018, Vocus reassessed its operating segments. Consequently, the operating segments have changed to present Business as a separate additional reportable segment and thus more accurately reflect how the Group is managed. Comparative balances have been restated to reflect the updated reporting structure. The operating segments were also renamed during the period, the five operating segments are; Vocus Networks - Services (formerly Enterprise, Government & Wholesale), Consumer Australia, Business (formerly Commander), New Zealand and Infrastructure, Operations and Group (formerly Group Services).

***Vocus Networks - Services** (formerly Enterprise, Government & Wholesale Australia)*
Provides telecommunications products and services to the enterprise and wholesale segments of the Australian market, including to all levels of Government, under the Vocus Communications brand. Services include Fibre & Ethernet, IP transit, voice and data centre and cloud. For further information on the financial performance of the division please refer to ***Section 2.1.***

Consumer Australia
Consumer Australia focuses predominantly on the value end of the consumer market offering a range of telecommunications products and services including broadband data, fixed voice and mobile services. It's go to market brands are **dodo™** and **iPrimus™**. This segment also operates in the consumer power and gas market. For further information on the financial performance of the division please refer to ***Section 2.2.***

***Business** (formerly Commander Australia)*
Business focuses on small to medium business communications offering a range of communications and technology solutions to Australian businesses, including broadband data, fixed voice and mobile services. Business also offers electricity in selected states. For further information on the financial performance of the division please refer to ***Section 2.3.***

New Zealand
This division operates across all key segments of the market in New Zealand including Business, Government, Wholesale and Consumer. In Business, Government and Wholesale the division's key brand is Vocus Communications. The key Consumer brands are Slingshot and Orcon. The New Zealand business is run as a separate business to Australia and includes all New Zealand overhead and network related costs. For further information on the financial performance of the division please refer to ***Section 2.4.***

***Infrastructure, Operations and Group** (formerly Group Services)*
Vocus' Infrastructure, Operations and Group function includes the Australian Network & Technology function that manages the Group's Australian infrastructure and IT assets. The function also includes Australian head office activities such as finance, legal, facilities, secretariat and human resources. For further information on the financial performance of the division please refer to ***Section 2.5***.

1.2 Reported Earnings Overview

$m	31 December 2018	31 December 2017	$ change	% change
Statutory Revenue	974.2	967.3	6.9	0.7%
Statutory EBITDA[1]	168.6	188.1	(19.5)	(10.4)%
Statutory EBIT[2]	50.0	74.9	(24.9)	(33.2)%
Statutory NPAT[3] after minority interests	16.5	37.3	(20.8)	(55.8)%

1. EBITDA refers to earnings before net financing costs, tax, depreciation and amortisation
2. EBIT refers to earnings before net financing costs and tax
3. NPAT refers to net profit after tax

1.3 Reconciliation of Statutory to Underlying Earnings

The key significant item for the half year ended 31 December 2018 relates to the amortisation of acquired customer intangibles, which is a similar amount for the half year ended 31 December 2017.

H1FY19 $m	EBITDA	EBIT	NPAT
Statutory Result	**168.6**	**50.0**	**16.5**
Significant Items			
Gains/losses associated with foreign exchange & other	(0.4)	(0.4)	(0.3)
Net loss on disposal of assets	1.4	1.4	1.0
Amortisation of acquired customer intangibles from purchase price allocation	-	31.0	21.7
Amortisation of acquired software intangibles from purchase price allocation	-	13.2	9.2
Other significant items	1.1	1.1	0.7
Total Significant Items	**2.1**	**46.3**	**32.3**
Underlying Result	**170.7**	**96.3**	**48.8**

1.4 Revenue and Underlying EBITDA Earnings Overview

Discussion of the factors driving revenue and EBITDA are contained in the commentary on divisional performance. Revenues and Underlying EBITDA for the six months to December 2017 have been restated to accommodate changes in the reporting structure in H1 FY19. Please refer to section 2.6 for details of the reallocated H1 FY18 divisional numbers.

$m	31 December 2018	31 December 2017	$ change	% change
Revenue	**974.2**	**967.3**	**6.9**	**0.7%**
Vocus Networks - Services	360.9	283.8	77.1	27.2%
Business	88.6	121.2	(32.6)	(26.9)%
Consumer Australia	350.4	397.0	(46.6)	(11.7)%
New Zealand	174.0	165.2	8.8	5.3%
Infrastructure, Operations and Group	0.3	-	0.3	100%
Underlying EBITDA	**170.7**	**188.8**	**(18.1)**	**(9.8)%**
Underlying EBITDA Margin (%)	**17.5%**	**19.5%**	**N/A**	**-200bps**
Vocus Networks - Services	166.9	161.4	5.5	3.4%
Business	33.1	46.9	(13.8)	(29.4)%
Consumer Australia	45.5	47.8	(2.3)	(4.8)%
New Zealand[1]	28.3	25.2	3.1	12.3%
Infrastructure, Operations and Group	(103.1)	(92.5)	(10.6)	11.5%

1. Amounts presented in *Section 2.4* are converted to NZD using the average FX rate of 1.08 in 1HFY19 and 1.10 in 1HFY18.

1.5 Underlying NPAT Overview

$m	31 December 2018	31 December 2017	$ change	% change
Underlying EBITDA	**170.7**	**188.8**	**(18.1)**	**(9.6)%**
Underlying depreciation & amortisation	**(74.4)**	**(69.1)**	**(5.3)**	**7.7%**
Underlying depreciation	(62.6)	(58.4)	(4.2)	7.2%
Underlying amortisation	(11.8)	(10.7)	(1.1)	10.3%
Underlying EBIT	**96.3**	**119.7**	**(23.4)**	**(19.5)%**
Net financing costs	(26.2)	(21.2)	(5.0)	23.6%
Underlying Profit before tax	**70.0**	**98.5**	**(28.5)**	**(28.9)%**
Underlying tax expense	(21.2)	(29.9)	8.7	(29.1)%
Underlying Net Profit after Tax	**48.8**	**68.6**	**(19.8)**	**(28.9)%**
Significant items before tax	(46.3)	(44.9)	(1.4)	3.1%
Significant items after tax	(32.3)	(31.3)	(1.0)	3.2%
Net Profit after Tax	**16.5**	**37.3**	**(20.8)**	**(55.8)%**

1.6 Depreciation, amortisation and financing costs

Underlying depreciation and amortisation of $74.4m, increased $5.3m on the prior comparative period (+7.7%) driven by the ASC project being depreciated since being in commercial service as well as the increase in depreciation associated with recent capital expenditure spend levels.

Net finance costs increased by $5.0m on prior comparative period to $26.2m, mainly due to increased level of net debt and higher interest rates under the new facility over the half-year ended 31 December 2018 to fund the ASC project.

1.7 Cashflow

$m	31 December 2018	31 December 2017
Net cash from operating activities	**136.7**	**86.4**
Payments for property plant & equipment	(54.3)	(63.0)
Payments for intangible assets	(18.8)	(16.5)
Payments for projects under construction[1]	(133.0)	(30.8)
Payments for purchase of business, net of cash acquired, acquisition and integration costs	(10.3)	-
Proceeds from disposal of investments	1.3	-
Investing cash flows	**(215.1)**	**(110.3)**
Net proceeds from borrowings	86.7	38.5
Repayment of finance leases and IRU liabilities	(9.8)	(14.9)
Financing cash flows[2]	**76.9**	**23.6**
Net movement in cash	**(1.5)**	**(0.3)**

1. Relates to payments on the ASC project
2. Financing cash flows include proceeds from pro rata entitlement offer, dividends, change in borrowings and interest expense on borrowings and leases.

Net cash from operating activities over the period was $136.7m, an increase of $50.3m from the prior period driven by:

- Upfront cash payments of $26.5m received during 1HFY19 relating to ASC long term contracts;
- Positive movements in net finance payments of $4.8m and income tax payments of $5.1m;
- Improvement in net working capital balance movement of $19m (negative movement in working capital accounts of $17.8m in 1HFY19 compared to negative movements of $36.8m in the prior period).

1.7.1 Cash Conversion

$m	31 December 2018	31 December 2017
Underlying EBITDA	**170.7**	**188.8**
Net cash from operating activities	136.7	86.4
Interest, finance costs and tax	31.3	41.3
Adjusted Operating Cashflow	**168.1**	**127.7**
Cash Conversion (%)[1]	***98%***	***68%***

1. Cash conversion % is calculated by dividing Adjusted Operating Cashflow by Underlying EBITDA

1.7.2 Actual Operating Cashflow to Underlying EBITDA Reconciliation

$m	31 December 2018	31 December 2017
Adjusted Operating Cash flow	**168.1**	**127.7**
Conversion	***98%***	***68%***
Underlying net working capital movements	17.8	36.8
Upfront cash received	(26.5)	-
Short term cash conversion	**159.4**	**164.5**
Conversion	***93%***	***87%***
Deferred revenue unwind	8.5	18.1
Onerous provision unwind	2.8	6.2
Underlying EBITDA	**170.7**	**188.8**

Cash conversion has improved to 93%, from a comparable base of 87%. The key factors driving the improvement are:

- Upfront cash of $26.5m received relating to a long term contract for ASC services.
- Deferred revenue bought to account was $8.5m, primarily relating to revenues recognised under the North West Cable System project and the run off of contracts acquired through the Amcom and Nextgen acquisitions.
- The release of onerous provisions primarily relates to the un-wind of property leases and the Metronode contract assumed as part of the Nextgen acquisition ($2.8m in 1HFY19 compared to $6.2m in 1HFY18).

1.8 Capital Expenditure

$m	31 December 2018	31 December 2017
Growth	33.6	54.7
Sustaining	10.4	14.0
Improvement	24.6	10.8
IRU Payments	4.5	-
Total Capital Expenditure (excluding ASC)	**73.1**	**79.5**
ASC	133.0	30.8
Total Capital Expenditure	**206.1**	**110.3**

Capital Expenditure over the period was primarily driven by:

- Southern Cross IRU
- Continued investment in our fibre network and capacity
- Implementation of improved digital sales and service capability across **dodo™** and **iPrimus™**
- Customer specific fibre builds in Vocus Networks - Services
- Customer Premise Equipment

1.8.1 Update on Australia Singapore Cable

The ASC submarine cable between Singapore, Perth and Indonesia was completed, fully operational and successfully launched in 1HFY19. Capex payments in relation to ASC of A$133.0m have been made during the half-year ended 31 December 2018. Final capex payments estimated at A$8.4m in relation to the ASC project will be made in the second half of FY19.

1.9 Net Debt

$m	As at 31 December 2018	As at 30 June 2018
A$1,270m	1,004.0	915.0
NZ$150m	112.4	110.1
Bank loans	**1,116.4**	**1,025.1**
Backhaul IRU liability	11.9	18.7
Lease liability	17.3	15.3
Borrowings per balance sheet	**1,145.6**	**1,059.1**
Cash	56.4	57.9
Net Debt	**1,089.2**	**1,001.2**

The Group has a syndicated debt facility of AU$1,270 million and NZ$150 million. The facility provides the Group the flexibility required to execute its growth strategy over the coming years.

The maximum Net Leverage Ratio (NLR) for the facility is summarised below:

Testing Date	Maximum Net Leverage Ratio (NLR)
31 December 2018	**3.75x**
30 June 2019	**3.50x**
31 December 2019	**3.50x**
30 June 2020	**3.25x**
31 December 2020 and thereafter	**3.00x**

The facility has a weighted average tenure of 3.0 years and the facility agreement stipulates that dividends will not be paid until the NLR is below 2.25x for two consecutive testing dates.
The change in Net Debt from the prior period comparative was driven by a number of factors including the funding of the ASC and changes in working capital balances.

1.9.1 Financial Covenants

Financial Covenant [1]		31 December 2018
Net Leverage Ratio	≤3.75x (Net debt / LTM EBITDA)	**3.08x**
Interest Cover Ratio	≥5.0x (LTM EBITDA / LTM Net Interest Expense)	**7.69x**
Gearing	≤ 60% (Net Debt / (Net Debt + Equity)	**31.7%**

1. Bank methodology used to in the calculation of financial covenants

Vocus Group is compliant with its syndicated facility financial covenants as at 31 December 2018.

VOCUS GROUP

2. DIVISIONAL PERFORMANCE

2.1 Vocus Networks - Services

The Division includes the Enterprise, Government and Wholesale business segments. The go to brand in the market is predominantly Vocus Communications.

2.1.1 Earnings Summary – Vocus Networks - Services

$m	31 December 2018	31 December 2017	$ change	% change
Revenue	**360.9**	**283.8**	**77.1**	**27%**
Data Networks	270.3	201.5	68.8	34%
NBN	23.1	10.1	13.0	128%
Voice	40.3	40.0	0.3	1%
Data Centre	16.4	17.2	(0.8)	(5)%
Mobile	0.1	0.3	(0.2)	(55)%
Other	10.7	14.7	(4.0)	(27)%
Underlying EBITDA	**166.9**	**161.4**	**5.5**	**3%**
EBITDA margin (%)	46.2%	56.8%	n/a	(10.6)

Revenue increased by $77.1m on the prior comparative period to $360.9m, driven by:

- Project revenues from the Coral Sea cable build, which is due to be completed by the end of 2019
- Recurring revenues increased by 6%, supported by:
  - Improvement in new business growth across the division due to increased investment in sales
  - Implementation of account management functions to support growth opportunities within the existing customer base
  - Successful delivery of Australia Singapore Cable and conversion of the built-up demand
  - Strong growth in wholesale NBN SIO's based on core value proposition and new products

Underlying EBITDA for the period increased 3% on the prior comparative period by $5.5m. The EBITDA increase was driven by the improved revenue performance, however EBITDA margin % was impacted by lower margin contribution from NBN wholesale and the Coral Sea cable project, along with the increased investment in sales and other resources.

2.2 Consumer

The Australian Consumer business offers to households broadband data, voice, mobile telecommunications and Fetch TV. The division also markets gas and electricity services in selected states as either standalone or bundled with Broadband as part of the **dodo™** brand.

The Division goes to market under a dual brand strategy: **dodo™** which is a low-cost, price seeker brand; and **iPrimus™** which is a competitive value seeker brand. The Consumer business had an estimated market share of the Consumer NBN broadband market of 6.9% at 31 December 2018.

2.2.1 Earnings Summary

$m	31 December 2018	31 December 2017	$ change	% change
Revenue	**350.4**	**397.0**	**(46.6)**	**(12)%**
Broadband	189.4	198.8	(9.4)	(5)%
Voice Only	24.5	39.0	(14.5)	(37)%
Mobile	28.5	28.8	(0.3)	(1)%
Energy	97.1	110.0	(12.9)	(12)%
Other	10.9	20.4	(9.3)	(46)%
Underlying EBITDA	**45.5**	**47.8**	**(2.3)**	**(5)%**
EBITDA margin (%)	13.0%	12.0%	n/a	1.0

SIO's	31 December 2018	31 December 2017	$ change	% change
Consumer Broadband SIOs	500	543	(43)	(8)%
Copper broadband and bundles ('000)	176	284	(108)	(38)%
NBN ('000)	324	259	65	25%
Consumer Mobile SIOs ('000)	169	159	10	6%
Consumer Energy SIOs ('000)	129	144	(15)	(10)%
Electricity	86	97	(11)	(11)%
Gas	43	47	(4)	(9)%

Metrics	31 December 2018	31 December 2017
ARPU copper broadband & bundles ($)	58.73	59.99
AMPU copper broadband & bundles ($)	25.56	24.64
ARPU NBN ($)	63.97	62.00
AMPU NBN ($)	21.14	18.94
Net churn rate copper broadband & bundles per month	2.7%	2.4%
Net churn rate NBN per month	1.5%	1.5%

Consumer revenue decreased by $46.6m on the prior comparative period to $350.4m, driven by:

- Broadband revenue decline of $9.4m driven by an overall decline of services in operation (SIO) of 8%. This was partially offset by a beneficial 3% average ARPU differential from the continued migration from copper broadband and bundles to NBN, with its associated higher ARPU. Broadband SIO decline was driven by discontinued brands and a reduction in our NBN market share.
- Energy revenue decline of $12.9m was principally driven by SIO decline of 10% and a drop in average customer energy usage.
- Mobile revenue has remained stable during the period. The SIO increase of 6% has been offset by a declining ARPU due to ceasing the sale of mobile handsets in November 2018 as well as new discounted product offerings
- Voice revenue decline of $14.5m is consistent with the sector trend and continues to weaken, due to NBN migration and substitution to mobile.
- Other revenue decline is a result of the discontinuation of both the Pendo and Insurance product offerings in FY19 resulting in a $9.3m decline.

Underlying EBITDA decreased 5% to $45.5m on the prior comparative period driven by Broadband decline due to migration from higher margin coper broadband & bundles to lower margin NBN, this was slightly offset by an increase in margin for NBN on the prior comparative period due to the NBN “Focus on 50” campaign which was discontinued in November 2018.

Whilst revenues have declined 12% the Consumer business has been very successful in reducing its cost base, driven by digitization and reduction in offshore headcount, and therefore mitigated the impact on EBITDA.

2.3 Business

2.3.1 Earnings Summary

$m	31 December 2018	31 December 2017	$ change	% change
Revenue	**88.6**	**121.2**	**(32.6)**	**(27)%**
Data Networks	15.1	18.7	(3.6)	(19)%
Voice	55.3	73.4	(18.1)	(25)%
Mobile	2.3	2.9	(0.5)	(18)%
Power & Gas	7.6	12.9	(5.3)	(41)%
Other	8.3	13.3	(5.0)	(38)%
Underlying EBITDA	**33.1**	**46.9**	**(13.8)**	**(29)%**
EBITDA margin (%)	37.4%	38.7%	n/a	(1.3)

Total comparable revenue decreased by $32.6m from on the prior comparative period to $88.6m, driven by:

- NBN roll out reducing legacy revenue (PSTN, ISDN and ADSL) slightly offset by growth in NBN product revenue.
- Voice revenue was down overall through voice line consolidation.
- Power & Gas revenue declined mainly due to customer churn as well as a reduction in average energy consumption.
- Other revenue includes Data Centre revenue and other account fees & charges which is lower due to overall decline in customer base as well as fee reductions, including removal of certain fee types.

Underlying EBITDA for the period decreased by $13.8m on the prior comparative period to $33.1m, driven by churn rates and migration from higher margin Voice and Data to lower margin NBN and IP Voice. SG&A costs are largely in line with the prior comparative period.

2.4 New Zealand

2.4.1 Earnings Summary

NZD $m	31 December 2018	31 December 2017	$ change	% change
Revenue	**188.2**	**180.4**	**7.8**	**4%**
Enterprise & Wholesale	88.6	88.6	0.0	0%
Consumer	99.6	91.8	7.8	8%
Underlying EBITDA	**30.6**	**27.8**	**2.8**	**10%**
EBITDA margin %	16.2%	15.4%	n/a	0.8%

SIO's	31 December 2018	31 December 2017	$ change	% change
Broadband Consumer SIOs	194	196	(2)	(1)%
Copper broadband ('000)	109	134	(25)	(19)%
UFB ('000)	85	62	23	37%
SMB SIOs ('000)	21	22	(1)	(5)%
Energy SIOs ('000)	22	12	10	83%
Mobile SIOs ('000)	26	24	2	8%

Key Statistics	31 December 2018	31 December 2017
Broadband ARPU (NZ$)	69.8	71.1
Broadband AMPU (NZ$)	27.2	28.4
Net churn rate copper broadband (%)	2.3	2.3
Net churn rate UFB (%)	1.7	1.6
Market Share UFB (%)	13	13

New Zealand revenue increased by $7.8m on the prior comparative period to $188.2m. The result was driven by:

- 8% revenue growth in the Consumer segment through bundling of energy and mobile services to new and existing broadband customers across Slingshot and Orcon brands
- Enterprise and Wholesale revenues were flat year on year. Growth in the small-medium segments were driven by our 2talk brand along with growth in energy. This growth was partly offset by market price erosion across voice and data services.

Underlying EBITDA increased $2.8m on the prior comparative period to $30.6m. This was driven by, process automation delivering lower cost to serve through headcount reduction and Consumer product upselling together with improved customer retention strategies.

2.5 Infrastructure, Operations and Group

2.5.1 Underlying EBITDA analysis

Infrastructure, Operations and Group costs includes the Australian Network & Technology function that manages the Group's Australian infrastructure and IT assets, the Australian head office Corporate activities such as finance, legal, facilities, secretariat and human resources.

$m	31 December 2018	31 December 2017	$ change	% change
Underlying EBITDA	**(103.1)**	**(92.5)**	**(10.6)**	**11.5%**
Australian Network & Technology	(72.4)	(67.8)	(4.6)	6.8%
Corporate	(30.7)	(24.7)	(6.0)	24.3%

Infrastructure, Operations and Group costs increased compared to the prior comparative period with main driver being investment in resources to drive our critical projects for the Australian Network & Technology and costs related to the executive LTI plan for Corporate.

2.6 Restatement of Reported FY18 Divisional Performance

Due to further changes to the reporting structure of the business in H1 FY19 a restatement of H1 FY18 divisional Revenues and Underlying EBITDA's is required so as to enable a like for like comparison across periods. The table below sets out those reallocations, the biggest of which is to remove the Business (Commander) division from the H1 FY18 Vocus Networks - Services (Enterprise, Government and Wholesale) division.

AUD $m	31 December 2017 (as per OFR)	Business	Other	31 December 2017 (post reallocations)
Revenue	**967.3**	**-**	**-**	**967.3**
Vocus Networks - Services	392.1	(108.3)	-	283.8
Business	-	121.2	-	121.2
Consumer	409.9	(12.9)	-	397.0
New Zealand	165.2	-	-	165.2
Underlying EBITDA	**188.8**	**-**	**-**	**188.8**
Vocus Networks - Services	205.2	(45.8)	1.9	161.4
Business	-	46.9	-	46.9
Consumer	48.9	(1.2)	-	47.8
New Zealand	25.2	-	-	25.2
Infrastructure, Operations and Group	(90.6)	-	(1.9)	(92.5)

3. GROUP OUTLOOK

3.1 Group Strategy

Vocus market share is low relative to our national and international fibre and network assets. Accordingly, our priority is to maximize profitable growth within our core Enterprise, Government & Wholesale markets in Australia and New Zealand, by leveraging these fibre and network assets. Our target is to double revenue from these businesses in Australia and New Zealand within five years.
To be sustainable, growth must be managed within available resources and both cost and capex efficiency must be driven by alignment to our strategy. Smarter execution will be the cultural DNA of the organisation.
The opportunity within each of the segments that we operate in is different and is described below.

Vocus Networks - Services

Within the Vocus Networks - Services Australian Enterprise segment, Vocus has a low market share in all geographies and sectors outside Western Australia. Considering the increasing demands for diversity across multiple providers, and the underserved mid-sized organisations, the Board believes Vocus has a strong opportunity in this segment.
To drive the growing momentum within Enterprise, we will need to strengthen our sales capability and commercial operations, differentiate our customer experience and engagement, and simplify our existing product set.
Vocus is well represented in some elements of the government sector, particularly the Western Australia government. However, we have a low share on the East Coast, especially the key state governments of NSW and Victoria, which are a key area of focus to generate growth.
A key focus of the Wholesale segment during FY19 is to further enable ISPs and business providers with NBN product. In addition, completion of the Australia Singapore Cable in mid-September gives access to rapidly growing demand for data from Asia, along with East Coast diversity.

Business

The Business segment was established as an independent business unit in FY19. It operates under the Commander brand and is currently highly skewed to legacy voice and data products, such as PSTN, ISDN and ADSL. This legacy revenue is declining due to the accelerating migration to NBN, VOIP and mobile solutions.
The Business segment is a growing segment of the ICT market. Commander is an established brand within this sector, albeit with a <5% market share. SMB is an important contributor to Vocus profitability and current issues are being urgently addressed. The key priorities are to focus on customers and to re-establish brand and distribution presence.

Consumer

The NBN creates an opportunity to grow share in the broadband market, particularly during the roll out phase, which will trigger consumers to consider their available options. The NBN is also creating an EBITDA headwind for the business, due to reduced reseller margins. Accordingly, our operating model is changing to be digitally driven sales and service, driving down both cost to acquire and cost to serve, in order to build a scalable, low cost business. The **dodo™** brand was relaunched in 1HFY19 to drive broadband sales, as well as being the basis for cross selling products such as mobile and energy.

New Zealand

Within New Zealand, we have a low market share relative to network assets and we are positioned as the only credible alternative to major incumbents. It is important that we actively manage our fibre network to deliver ownership economics and build sales capabilities in the enterprise segment, whilst maintaining a low cost operating model through digital investment.

3.2 FY2019 guidance

We are re-investing in the business in FY19 in order to drive revenue and earnings growth in FY20 and beyond.
For FY19, expectations are in line with previously released guidance:

- Underlying EBITDA – $350m - $370m
- Depreciation and Amortisation range – $160m - $165m
- Capex (ex ASC) – $160m - $170m

3.3 Business Risks

The following information sets out the major Group-wide risks. The risks below do not include generic macro related risks that could impact the Australian economy and they do not include specific financial risks which are identified in the commentary around the financial performance of the Company. All of the risks identified below could have a material impact on the value of the Company's brands and its reputation in the market. Vocus seeks to mitigate the potential impact of these risks through the effective management of and engagement with its key stakeholder base; an ongoing focus on its cost base and transformation program; and ensuring that it has effective systems and procedures in place to manage the business on a day-to-day basis and address the strategic issues and challenges that may impact the business over the medium term. The risks below are identified to assist investors in understanding the nature of the risks faced by Vocus and the industry in which it operates. The Company's risk management approach is set out in detail in the Corporate Governance Statement which is available on the Company's website **www.vocusgroup.com.au**.

Increased Competition and Exposure to Counterparty risk

- NBN Co continues to evolve their wholesale pricing model. The current high pricing structure, variable nature of the pricing construct and the increasing consumer demand for data has had, and potentially continues to have, a significant impact on profitability of NBN plans for all RSPs.
- New technologies such as fixed wireless and 5G open up opportunities for existing players and new entrants. Vocus has recently executed an extension to its existing MVNO agreement to secure access to future technologies.
- Increased competition in the Vocus Networks - Services segments of the market as incumbents compete to retain share. NBN Co has also entered the competitive Enterprise segment, which has implications for strategy and our ability to compete.
- The Company is exposed to the financial and operational performance of third-party suppliers including companies such as Optus, Telstra and the provider of the Vocus Consumer and Business contact centre services in the Philippines, Acquire BPO Pty Ltd.

Regulatory, Safety and Environmental Risks

- Vocus operates in highly regulated industry sectors, which have been identified as focus areas for enforcement by various regulators including the ACCC.
- The protection of customer, employee and third-party data is critical. The regulatory environment surrounding information security and privacy is evolving constantly and becoming increasingly complex and demanding, including the implementation of a number of new regulations such as mandatory data breach reporting and more recently, the cyber surveillance laws and consumer data right legislation. Customer requirements and expectations are also becoming more stringent in light of the harms which could occur in this area. Breach incidents in this area could have a material impact on the Company's reputation and its ability to compete and operate effectively in the market, resulting in an increased cost of compliance to mitigate and manage this risk.
- The Telecommunications Sector Security Reforms (TSSR) commenced in September 2018. This legislation places an obligation on Vocus to notify the government of proposed changes to a wide range of our networks and services. TSSR legislation provides the Government with wide-ranging directions powers which have the potential both to delay the roll out of new technologies or changes, and also to increase costs of building and maintaining our networks.
- A small part of the Company's workforce operate outside the office environment, in roles within our data centre, fibre operations, warehousing and logistics divisions amongst others. These roles give rise to an inherently higher safety risk, which we manage though our Workplace Health and Safety management system.
- The Company's approach to environmental risks is outlined in the Sustainability report on the Company's website **www.vocusgroup.com.au**

Network and Operational disruption

- The Company's ability to deliver its products and services could be impacted by material disruption or damage to both the Company and third-party networks and products. This disruption could arise as a result of events which are to a certain extent beyond the Company's control such as employee negligence or unauthorised physical or electrical access. In addition, the Company's ability to deliver its services could be impacted by remote access attacks, viruses and other forms of cybercrime.
- The prevalence, impact and sophistication of cyber-attacks is increasing in Australia, and Vocus has invested substantially in improvements to our cyber defences.
- In September 2018 the Company commissioned the Australia Singapore Cable (a sub-sea cable between Perth and Singapore via Indonesia). The sub-sea fibre path is subject to the risk of fibre cuts, which can give rise to long lead times to identify and repair, particularly if the cut occurs in deep water.
- The Company's infrastructure assets are exposed to the impact of natural disasters across Australia and New Zealand including seismic activity, particularly in New Zealand. Natural disasters do have the potential to impact the delivery of products and services resulting in significant business disruption.

Technology

- The telecommunications and IT industries are continually evolving as are consumer behavior and attitudes towards the use of technology. The ability of the Company to keep pace with changes in technology will dictate its ability to maintain and grow its existing market share and margins into the future.
- The ability to deliver our planned product and platform integration and consolidation is a key risk to the Company. Migration to the Company's future Technology architectural state will deliver improved resilience and a better customer experience.
- In ensuring the Company remains competitive in the face of technology change it also important that it remains disciplined around capital investment to ensure that returns to shareholders are maximised.

Financial and Commodity Markets

- The Energy business in both Australia and New Zealand is exposed to an extent to sharp movements in the price of both electricity and gas. The Company seeks to hedge its exposure to adverse fluctuations through the use of over the counter derivatives and contracts via the futures market.
- The Company is subject to the risk of rising interest rates associated with borrowing on a floating rate basis.
- The Company has some exposure to foreign currency fluctuations primarily on the translation of earnings from the New Zealand business and payments for access to offshore infrastructure and our call centre facilities.
- The Company needs to ensure that it has access to a competitive cost of capital to enable it to operate effectively in its target markets. There may be external factors that impact the efficient working of capital markets at any particular point in time that could impact the Company's access to capital markets. There may also be Company specific issues impacting the Company's ability to access capital markets including its delivery on earnings expectations and its financial position.

Auditor's Independence Declaration

As lead auditor for the review of Vocus Group Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Vocus Group Limited and the entities it controlled during the period.

Mark Dow
Partner
PricewaterhouseCoopers

Sydney
27 February 2019

	Note	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Revenue	4	974,211	967,266
Other gains and losses		(2,048)	(716)
Expenses			
Network and service delivery		(575,973)	(562,220)
Employee benefits expense	5	(113,934)	(99,521)
Depreciation and amortisation expense	5	(118,583)	(113,187)
Administration and other expenses		(113,614)	(116,748)
Net finance costs	5	(26,222)	(21,225)
Profit before income tax expense		23,837	53,649
Income tax expense		(7,338)	(16,335)
Profit after income tax expense for the half-year attributable to the owners of Vocus Group Limited		16,499	37,314
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Loss on the revaluation of financial assets at fair value through other comprehensive income, net of tax		342	(850)
Foreign currency translation		12,929	(13,815)
Net movement on hedging transactions, net of tax		7,961	(3,761)
Other comprehensive income for the half-year, net of tax		21,232	(18,426)
Total comprehensive income for the half-year attributable to the owners of Vocus Group Limited		37,731	18,888
		Cents	**Cents**
Basic earnings per share	6	2.65	6.00
Diluted earnings per share	6	2.62	5.99

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

Vocus Group Limited
Statement of financial position
As at 31 December 2018

	Note	31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		56,396	57,914
Trade and other receivables		180,697	192,963
Prepayments		33,571	27,828
Deferred costs		19,483	54,895
Derivative financial instruments		21,513	14,756
Other		11,203	11,853
Total current assets		322,863	360,209
Non-current assets			
Plant and equipment	7	1,743,056	1,672,724
Intangibles	8	2,081,446	2,108,451
Accrued revenue		7,907	6,321
Deferred costs		5,037	15,521
Deferred tax		42,856	48,429
Prepayments		29,755	16,019
Other		1,315	1,428
Total non-current assets		3,911,372	3,868,893
Total assets		4,234,235	4,229,102
Liabilities			
Current liabilities			
Trade and other payables	9	245,598	323,264
Provisions		26,229	39,604
Deferred revenue		63,841	52,240
Income tax		5,019	10,828
Borrowings	10	60,269	11,244
Derivative financial instruments		1,843	1,330
Other		4,566	796
Total current liabilities		407,365	439,306
Non-current liabilities			
Provisions		29,527	32,192
Deferred revenue		186,514	159,925
Borrowings	11	1,085,305	1,047,900
Deferred tax		152,066	171,850
Derivative financial instruments		9,383	13,349
Other		12,768	10,836
Total non-current liabilities		1,475,563	1,436,052
Total liabilities		1,882,928	1,875,358
Net assets		2,351,307	2,353,744
Equity			
Contributed equity	12	3,775,752	3,775,454
Reserves		38,337	11,658
Accumulated losses		(1,462,782)	(1,433,368)
Total equity		2,351,307	2,353,744

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

Vocus Group Limited
Statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Contributed equity $'000	Reserves $'000	Retained profits / (accumulated losses) $'000	Total equity $'000
Balance at 1 July 2017	3,774,834	22,703	(1,494,413)	2,303,124
Profit after income tax expense for the half-year	-	-	37,314	37,314
Other comprehensive income for the half-year, net of tax	-	(18,426)	-	(18,426)
Total comprehensive income for the half-year	-	(18,426)	37,314	18,888
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	319	-	-	319
Share-based payments	-	735	-	735
Transfers	136	(136)	-	-
Balance at 31 December 2017	3,775,289	4,876	(1,457,099)	2,323,066

Consolidated	Contributed equity $'000	Reserves $'000	Retained profits / (accumulated losses) $'000	Total equity $'000
Balance at 1 July 2018	3,775,454	11,658	(1,433,368)	2,353,744
Change on initial application of AASB 15 and AASB 9 - net of tax	-	-	(45,913)	(45,913)
Balance at 1 July 2018 - restated	3,775,454	11,658	(1,479,281)	2,307,831
Profit after income tax expense for the half-year	-	-	16,499	16,499
Other comprehensive income for the half-year, net of tax	-	21,232	-	21,232
Total comprehensive income for the half-year	-	21,232	16,499	37,731
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 12)	72	-	-	72
Share-based payments	-	5,673	-	5,673
Transfers	226	(226)	-	-
Balance at 31 December 2018	3,775,752	38,337	(1,462,782)	2,351,307

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities		
Receipts from customers	1,017,079	955,037
Payments to suppliers and employees	(848,988)	(827,345)
	168,091	127,692
Interest received	358	345
Other finance costs paid	(20,393)	(25,217)
Income taxes paid	(11,311)	(16,443)
Net cash from operating activities	136,745	86,377
Cash flows from investing activities		
Payments for property, plant and equipment	(54,302)	(62,979)
Payments for intangible assets	(18,861)	(16,470)
Payments for projects under construction	(132,975)	(30,762)
Payment for purchase of business, net of cash acquired, acquisition and integration costs	(10,341)	-
Proceeds from disposal of investments	1,342	-
Net cash used in investing activities	(215,137)	(110,211)
Cash flows from financing activities		
Net proceeds from borrowings	86,675	38,486
Repayment of finance leases and IRU liabilities	(9,801)	(14,917)
Net cash from financing activities	76,874	23,569
Net decrease in cash and cash equivalents	(1,518)	(265)
Cash and cash equivalents at the beginning of the financial half-year	57,914	50,194
Cash and cash equivalents at the end of the financial half-year	56,396	49,929

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

Note 1. Reporting entity

The financial statements cover Vocus Group Limited as a Consolidated Entity consisting of Vocus Group Limited and the entities it controlled at the end of, or during, the half-year (collectively referred to as 'Vocus'). 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 Victoria 3000

A description of the nature of Vocus' 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 27 February 2019.

Note 2. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 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 2018 and any public announcements made by the Company during the interim reporting period and up to the date of this report in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Certain comparative amounts in the statement of profit or loss and statement of financial position have been reclassified as a result of a change in classifications during the current period. Except as described below, the principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Group has adopted AASB 9 Financial Instruments (expected credit loss model) and AASB 15 Revenue from Contracts with Customers from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Group Financial Statements.

AASB 9 Financial Instruments
AASB 9 Financial Instruments introduces a new model for classification and measurement of financial assets and liabilities, an "expected credit loss" ("ECL") impairment model and reformed approach to hedge accounting. In accordance with the transitional provisions of AASB 9, comparative figures have not been restated.

In accordance with the ECL impairment model in AASB 9, the Group was required to revise its methodology and accounting policies for the impairment of trade receivables, accrued revenue and contract assets identified in AASB 15 Revenue from Contracts with Customers. The Group has assessed the financial impact of adopting the new impairment model on transition and the impact, net of tax, of transition to AASB 9 was $11.1m which is due to the application of the ECL impairment model.

The accounting policy for impairment of financial assets has been updated and is applicable from 1 July 2018.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement when determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss (“ECL”). The Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience, current market conditions as well as forward looking estimates at the end of each reporting period.

Note 2. Basis of preparation (continued)

AASB 15 Revenue from contracts with customers
AASB 15 establishes a comprehensive framework for determining the quantum and timing of revenue recognition.

The Group has adopted AASB 15 using the Modified approach with changes reflected in the current period only, comparative figures have not been restated. The implementation of AASB 15 resulted in no material impact on the Group's interim statement of consolidated income, statement of other comprehensive income and statement of cash flows for the half-year ended 31 December 2018. However, a review of deferred subscriber acquisition and hardware costs resulted in the de-recognition of $34.8m, net of tax, to retained earnings.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

Revenue is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring products or services to a customer. The Group recognizes revenue when it transfers control over a product or service to a customer. Where services have been billed in advance and the performance obligations to transfer the services to the customer have not been satisfied, the consideration received will be recognized as a liability until such time when or as those performance obligations are met and revenue is recognized.

The Group's customer contracts may include multiple performance obligations (bundled products) over a long period. In these cases, the Group allocated the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct service. Stand-alone selling prices are determined based on prices charged to customers for individual products and services taking into consideration the size and length of contracts and Group's overall go to market strategy.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable.

The Group has identified the following main revenue categories by segment:

Rendering of Services

Type of revenue	Segment	Recognition criteria
Fibre/Ethernet/ Internet Voice Mobile Other	All[1]	Revenue is recognised by providing Fibre, Ethernet and Internet services over a contracted period. Consideration is recorded and deferred when it is received which is typically at the time of sale and revenue is recognised over the time the customer receives and consumes the benefits of the service provided. The measurement of progress in satisfying this performance obligation is based on the passage of time. The amount of revenue recognised is based on the amount of the transaction price allocated to this performance obligation.
Data Centre	Vocus Networks - Services, New Zealand	Revenue is recognised by providing Data Centre services over a contracted period. Revenue is recognised over the time the customer receives and consumes the benefits of the service provided. The measurement of progress in satisfying this performance obligation is based on the passage of time. The amount of revenue recognised is based on the amount of the transaction price allocated to this performance obligation.
Energy	Consumer, Business	Revenue is recognised by provided Energy (electricity and gas) services over a contracted period. Revenue is recognised once the electricity and/or gas is delivered to the customer and they consume the benefits. The electricity and/or gas delivered is measured through regular review of usage meters. The measurement of progress in satisfying this performance obligation is based on the passage of time. The amount of revenue recognised is based on the amount of the transaction price allocated to this performance obligation.

[1] Infrastructure, Operations and Group only has "Other" revenue.

Note 2. Basis of preparation (continued)

New standards, interpretations and amendments not yet adopted by the Group

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. Vocus will adopt the standard from 1 July 2019. The standard replaces AASB 117 'Leases' and will result in almost all leases being recognised on the balance sheet. The only exceptions are short-term and low-value leases.

Under the new standard:
- The distinction between operating and finance leases is removed
- Previously disclosed operating leases are now recognized on the balance sheet through an asset (the right to use the leased item) and a financial liability (lease payments) are recognized
- Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the lease liability (included in finance costs).

The accounting for lessors will not significantly change. The Group is currently assessing the impact of AASB 16 Leases on its financial results.

Other new accounting standards, interpretations and amendments have been issued but are not yet effective, however these are not considered relevant to the activities of the Group nor are they expected to have a material impact on the financial statements of the Group.

Net current asset deficiency
As at 31 December 2018, Vocus' current liabilities exceeded its current assets by $84,502,000 (2018: $79,097,000). Vocus is satisfied that it will be able to meet all its obligations as they fall due given its strong profitability and operating cash flows, existing cash reserves and available finance facilities. As such the financial statements have been prepared on a going concern basis.

Note 3. Operating segments

Reporting 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.

To bring increased focus and accountability to the Small Medium Business segment, Business is now managed as a separate, stand-alone business. Consequently, the external reporting segments have changed to present Business as a separate additional reportable segment and thus more accurately reflect how the Group is managed. Comparative balances have been restated to reflect the updated reporting structure. The operating segments were also renamed during the period, the five operating segments are; Vocus Networks - Services (formerly Enterprise, Government & Wholesale), Consumer Australia, Business (formerly Commander), New Zealand and Infrastructure, Operations and Group (formerly Group Services).

The Group's reportable segments under AASB 8 are as follows:
- Consumer
- Vocus Networks - Services
- Business
- New Zealand
- Infrastructure, Operations and Group

The prior year reporting segment information has been restated below in line with current year segments.

Consistent with information presented for internal management reporting purposes, segment performance is measured by EBITDA contribution.

Note 3. Operating segments (continued)

Major customers
During the half-year ended 31 December 2018 there were no customers of Vocus which contributed 10% or more of external revenue (31 December 2017: nil).

Segment revenues and results

Consolidated - 31 Dec 2018	Consumer $'000	Vocus Networks - Services $'000	Business $'000	New Zealand $'000	Infrastructure, Operations and Group $'000	Total $'000
Revenue						
Sales to external customers	350,427	360,897	88,610	173,988	-	973,922
Other revenue	-	-	-	-	289	289
Total revenue	350,427	360,897	88,610	173,988	289	974,211
EBITDA	45,307	163,167	33,079	27,527	(100,438)	168,642
Depreciation and amortisation						(118,583)
Net finance costs						(26,222)
Profit before income tax expense						23,837
Income tax expense						(7,338)
Profit after income tax expense						16,499

Consolidated - 31 Dec 2017	Consumer $'000	Vocus Networks - Services $'000	Business $'000	New Zealand $'000	Infrastructure, Operations and Group $'000	Total $'000
Revenue						
Sales to external customers	397,033	283,843	121,198	165,192	-	967,266
Total revenue	397,033	283,843	121,198	165,192	-	967,266
EBITDA	47,325	160,671	46,877	24,940	(91,752)	188,061
Depreciation and amortisation						(113,187)
Net finance costs						(21,225)
Profit before income tax expense						53,649
Income tax expense						(16,335)
Profit after income tax expense						37,314

Revenue by geographical area
Consumer, Vocus Networks - Services and Business predominantly earns revenue in Australia with insignificant rest of world income, the New Zealand segment only earns revenue in New Zealand.

Note 4. Revenue

Sales revenue by product set

	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Fibre, Ethernet and Internet	614,038	554,701
Voice	150,839	178,534
Data centre	17,542	18,791
Mobile	35,531	37,181
Energy	133,508	138,812
Other	22,753	39,247
Total sales revenue	974,211	967,266

Note 5. Expenses

	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation (note 7)	62,550	58,353
Amortisation (note 8)	56,033	54,834
Total depreciation and amortisation	118,583	113,187
Net finance costs		
Interest income	(1,711)	(3,037)
Interest expense	27,933	24,262
Net finance costs	26,222	21,225
Rental expense relating to operating leases	10,813	10,089
Employee benefits expense		
Salaries and wages expense	78,694	77,246
Employee on-costs expense	13,071	12,115
Employee leave expense	42	513
Share-based payment expense	5,673	645
Other employee benefits expense	16,454	9,002
Total employee benefits expense	113,934	99,521

Note 6. Earnings per share

	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Profit after income tax attributable to the owners of Vocus Group Limited	16,499	37,314

Note 6. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	622,216,811	622,250,440
Adjustments for calculation of diluted earnings per share:		
Options	5,794,087	-
Performance rights	664,077	1,164,816
Weighted average number of ordinary shares used in calculating diluted earnings per share	628,674,975	623,415,256

	Cents	Cents
Basic earnings per share	2.65	6.00
Diluted earnings per share	2.62	5.99

Note 7. Non-current assets - plant and equipment

		Consolidated
	31 Dec 2018 $'000	30 Jun 2018 $'000
Fibre assets - at cost	1,594,127	1,435,127
Less: Accumulated depreciation	(195,017)	(175,876)
	1,399,110	1,259,251
Data centre assets - at cost	66,556	68,574
Less: Accumulated depreciation	(27,373)	(26,125)
	39,183	42,449
Network equipment - at cost	346,757	230,965
Less: Accumulated depreciation	(136,083)	(91,306)
	210,674	139,659
Other plant and equipment - at cost	74,607	70,983
Less: Accumulated depreciation	(30,397)	(23,181)
	44,210	47,802
Projects under construction - at cost	49,879	183,563
	1,743,056	1,672,724

Note 7. Non-current assets - 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 2018	1,259,251	42,449	139,659	47,802	183,563	1,672,724
Additions	9,057	348	14,901	2,248	104,278	130,832
Disposals	(252)	(1,386)	(305)	(45)	-	(1,988)
Reclassifications	(68,212)	145	76,421	578	(8,932)	-
Exchange differences	2,561	126	592	1,349	(590)	4,038
Transfers in/(out)	220,989	-	7,451	-	(228,440)	-
Depreciation expense	(24,284)	(2,499)	(28,045)	(7,722)	-	(62,550)
Balance at 31 December 2018	1,399,110	39,183	210,674	44,210	49,879	1,743,056

No impairment indicators are present relating to the carrying value of Fibre assets, data centre assets, network equipment, other plant and equipment and projects under construction.

Note 8. Non-current assets - intangibles

	Consolidated 31 Dec 2018 $'000	30 Jun 2018 $'000
Goodwill	1,464,941	1,453,584
IRU capacity - at cost	187,371	182,732
Less: Accumulated amortisation	(60,165)	(53,343)
	127,206	129,389
Customer intangibles - at cost	381,058	381,033
Less: Accumulated amortisation	(180,155)	(149,894)
	200,903	231,139
Software - at cost	205,712	192,822
Less: Accumulated amortisation	(99,539)	(80,788)
	106,173	112,034
Brands - at cost	180,500	180,500
Other intangibles - at cost	1,977	1,958
Less: Accumulated amortisation	(254)	(153)
	1,723	1,805
	2,081,446	2,108,451

Note 8. 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	Brands & other intangibles $'000	Total $'000
Balance at 1 July 2018	1,453,584	129,389	231,140	112,034	182,304	2,108,451
Additions	-	4,505	-	11,506	17	16,028
Disposal	-	-	-	(358)	-	(358)
Exchange differences	11,357	134	-	1,865	2	13,358
Amortisation expense	-	(6,822)	(30,237)	(18,874)	(100)	(56,033)
Balance at 31 December 2018	1,464,941	127,206	200,903	106,173	182,223	2,081,446

No impairment indicators are present relating to the carrying value of goodwill, IRU capacity, customer intangibles, software and brands and other intangibles.

Note 9. Current liabilities - trade and other payables

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Trade payables	28,513	48,328
Accruals	156,698	141,843
Revenue received in advance	28,370	32,677
Projects under construction accruals	-	71,335
Goods and services tax payable	9,701	9,321
Other payables	22,316	19,760
	245,598	323,264

Note 10. Current liabilities - borrowings

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Bank loans	50,000	-
Backhaul IRU liability	5,811	6,766
Lease liability	4,458	4,478
	60,269	11,244

Refer to note 11 for further information on assets pledged as security and financing arrangements.

Note 11. Non-current liabilities - borrowings

	Consolidated 31 Dec 2018 $'000	30 Jun 2018 $'000
Bank loans	1,066,349	1,025,116
Backhaul IRU liability	6,101	11,912
Lease liability	12,855	10,872
	1,085,305	1,047,900

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

	Consolidated 31 Dec 2018 $'000	30 Jun 2018 $'000
Bank loans	1,116,349	1,025,116
Lease liability	17,313	15,350
	1,133,662	1,040,466

Assets pledged as security
The bank loans are secured via 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 2018 $'000	30 Jun 2018 $'000
Total facilities		
Bank loans	1,337,816	1,332,074
Bank guarantee / letter of credit facility	95,000	75,000
	1,432,816	1,407,074
Used at the reporting date		
Bank loans	1,116,349	1,025,116
Bank guarantee / letter of credit facility	68,431	68,900
	1,184,780	1,094,016
Unused at the reporting date		
Bank loans	221,467	306,958
Bank guarantee / letter of credit facility	26,569	6,100
	248,036	313,058

The Group's bank facility at 31 December 2018 consists of $1,432,816,000 comprising 2 year AU$175,000,000 amortising CAPEX facility, 2 year AU$75,000,000 bank guarantee/letters of credit facility, 3 year AU$510,000,000 and NZ$150,000,000 facilities and 4 year AU$510,000,000 facilities that are non-amortising and can be used for general corporate purposes. Interest on the facility is recognized at the aggregate of the reference bank bill rate plus a margin. An uncommitted AU$20,000,000 bank guarantee/letters of credit facility is also available.

Note 12. Equity - contributed equity

				Consolidated
	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $'000	30 Jun 2018 $'000
Ordinary shares - fully paid	622,263,818	622,184,466	3,786,691	3,786,465
Less: Treasury shares	(2,022,645)	(2,055,645)	(10,939)	(11,011)
	620,241,173	620,128,821	3,775,752	3,775,454

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	622,184,466		3,786,465
Issue of shares on conversion of performance rights	18 October 2018	79,352	$2.85	226
Balance	31 December 2018	622,263,818		3,786,691

Movements in treasury shares

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	(2,055,645)		(11,011)
Transfer of shares to participants		33,000	$0.00	72
Balance	31 December 2018	(2,022,645)		(10,939)

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 13. Fair value measurement

Fair value hierarchy
The following tables detail 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: Derived from valuation techniques that include inputs for the instrument that are not based on observable market data

Consolidated - 31 Dec 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Electricity derivatives	-	12,363	-	12,363
Forward foreign exchange contracts	-	10,465	-	10,465
Total assets	-	22,828	-	22,828
Liabilities				
Interest rate swaps	-	(4,633)	-	(4,633)
Electricity derivatives	-	(1,435)	(5,158)	(6,593)
Deferred consideration	-	-	(989)	(989)
Total liabilities	-	(6,068)	(6,147)	(12,215)

Consolidated - 30 Jun 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for sale financial assets	1,000	-	-	1,000
Electricity derivatives	-	5,984	-	5,984
Forward foreign exchange contracts	-	9,200	-	9,200
Total assets	1,000	15,184	-	16,184
Liabilities				
Interest rate swaps	-	(2,869)	-	(2,869)
Electricity derivatives	-	(7,978)	(3,832)	(11,810)
Deferred consideration	-	-	(14,341)	(14,341)
Total liabilities	-	(10,847)	(18,173)	(29,020)

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities are estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements
For further details on how valuation methodologies are applied in determining fair value refer to note 26 in the 2018 Annual Report.

Note 14. Events after the reporting period

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Vocus' operations, the results of those operations, or Vocus' state of affairs in future financial years.

DIRECTORS' DECLARATION

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 Vocus's financial position as at 31 December 2018 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

R. Mansfield

Robert Mansfield
Non-executive, Chairman

27 February 2019
Sydney

Independent auditor's review report to the members of Vocus Group Limited

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of Vocus Group Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration for the Vocus Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

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 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 Australian 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 2018 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.

INDEPENDENCE

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Mark Dow
Partner

Sydney
27 February 2019

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