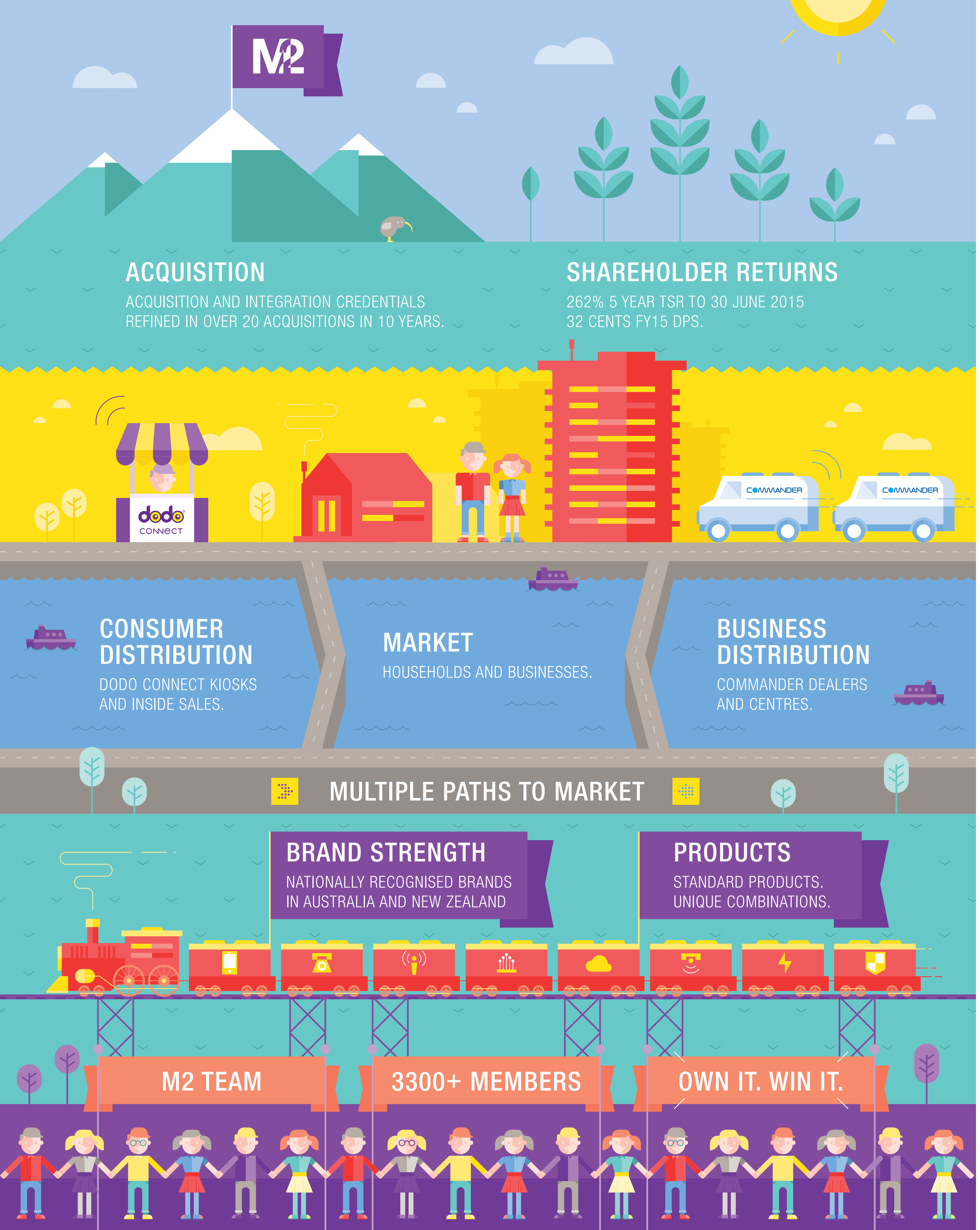
TELCO WITH POWER

M2 GROUP LTD

SHAREHOLDER REVIEW 2015

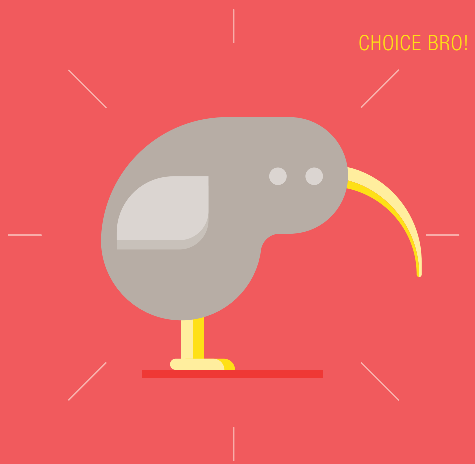
M2 AT A GLANCE



CONTENTS

KEY HIGHLIGHTS

DECLARED A RECORD DIVIDEND OF 17¢ TO SHAREHOLDERS



COMPLETED THE ACQUISITION OF CALL PLUS GROUP

RHODA PHILLIPPO
APPOINTED AS A NON-EXECUTIVE DIRECTOR

LAUNCHED M2UNI
FOR ONLINE TEAM TRAINING

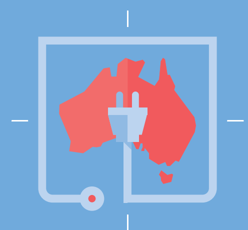
ACHIEVED AN
ENERGY USAGE REDUCTION OF 2%
IN AUSTRALIA

M2 Annual Report 2015 - Key Highlights

CELEBRATED 364 TEAM MEMBERS
REACHING AN ANNIVERSARY OF MORE THAN 5 OR 10 YEARS WITH M2

98,000
SERVICES ACTIVATED
NET GROWTH OF 98,000 SERVICES

OPENED 48 DODO CONNECT KIOSKS
THIS YEAR ACROSS VIC, NSW, QLD AND SA



NOW CONNECTED TO 52 NBN POINTS OF INTERCONNECT

LAUNCHED THE
M2 GREEN TEAM

CHAIRMAN'S LETTER

Fellow Shareholder,

WELCOME TO M2 GROUP LTD'S ANNUAL REPORT 2015

I am pleased to present to you a year in which M2 achieved outstanding organic growth, effected the acquisition of a challenger telco similar to ours, and delivered an excellent financial performance resulting in another record dividend.

OUTSTANDING RETURNS TO SHAREHOLDERS

The 2015 financial year was another year of industry consolidation, fierce competition, regulatory development and evolution. Throughout, our excellent team remained focussed on our goals of growing organically and delivering returns to our shareholders.

The growth delivered by our team and our channel partners has resulted in revenues of $1.12 billion, an increase of 9% on the previous corresponding period.

Our earnings before interest, tax, depreciation and amortisation ('EBITDA'[1]) rose 6% to $170.5 million and our net profit after tax ('NPAT') rose 10% to $73.7 million. Underlying NPAT[2], excluding transaction costs, reached more than $100 million, an increase of 17%. This is an outstanding result by our team, with all of our results meeting the guidance issued to market on 25 August 2014.

This has allowed us to declare a final dividend of 17 cents per share, fully franked, totalling 32 cents for the full year. This payment, based on a full year payment of 70% of reported NPAT, still enables continued reinvestment into the business to drive future growth while continually paying down bank debt. We are pleased to have annually delivered growing returns to shareholders. Over the last five years to 30 June 2015, M2 has delivered a total shareholder return ('TSR') of more than 260%.

(1) Earnings before interest, tax, depreciation and amortisation ('EBITDA') is a non-IFRS financial measure which is not audited. EBITDA is calculated using NPAT and adding back the impact of financing cost, income tax, depreciation and amortisation.
2) Underlying NPAT includes an add-back of a non-cash cost of $17.7 million for amortisation ($18.3 million in the previous corresponding period, tax affected) associated with customer contracts acquired in the relevant period (in accordance with Australian Accounting Standards) as well as an add-back of transaction costs for CallPlus Group of $8.8 million

GROWTH

The 2015 financial year is one in which we demonstrated our commitment to grow organically as well as through acquisition, as our team delivered growth of almost 100,000 services in operation and completed the acquisition of the CallPlus group of companies and 2Talk (collectively, 'CallPlus'). CallPlus is the third largest telecommunications provider in New Zealand and is a complementary and highly performing business. The foundation of the transaction was the work of Vaughan Bowen, our founder and Executive Director dedicated to seeking and delivering on M&A opportunities that are accretive to shareholder value.

Looking forward, we have a strong platform from which to grow in the 2016 fiscal year. We have an expanded retail presence through our Dodo Connect Kiosks, as the result of investments made in the 2015 fiscal year, diversified and strengthened channels in our business segment; and well-recognised brands through which to reach our customers.

TEAM

In March 2015, we increased the depth of skill and experience at the board table through the appointment of Rhoda Phillippo as a non-executive director. Rhoda adds three decades of global experience in telecommunications and IT. Her contributions and perspective are highly complementary to and valued by the board. I look forward to Rhoda's formal election by you, our shareholders, at the next annual general meeting, as required by our constitution.

The year's performance has been superbly driven by our passionate CEO, Geoff Horth, and our hard working Executive Team, supported by our team in Australia, New Zealand and the Philippines - each and every one of whom has made a contribution. I'd like to welcome our newest Kiwi team members to M2 and thank all of our 3300 dedicated and talented team members for another fantastic year.

In October 2014 we celebrated 10 years as a publicly listed company. From our market capitalisation at listing of $14 million, we have grown to approximately $2 billion market capitalisation at the time of writing. We are very proud of our achievements along the way, and our track record of delivering outstanding returns to shareholders.

We look forward to continuing to deliver on this track record in the coming year.

Yours faithfully,

CRAIG FARROW
CHAIRMAN

KEY DATES

07 OCT 2015	Record date for final FY15 dividend
08 OCT 2015	DRP election date
09-15 OCT 2015	DRP pricing period
29 OCT 2015	Annual General Meeting FY15 Final Dividend Payment
31 DEC 2015	Half-year end
22 FEB 2016	Interim results announcement
30 JUNE 2016	Financial year end

CEO REVIEW

Dear Valued Shareholder,
I am pleased to bring you the results of another excellent year at M2, with both organic and acquired growth in services and record results across all key metrics.

DELIVERING ON OUR STRATEGY

In last year's Annual Report, I noted our goal to deliver on continued organic growth, record profits and increased returns to shareholders and I am pleased to advise that we have delivered in all of these areas.

In FY15, we achieved net growth of 98,000 services in operation in fixed voice, mobile, broadband and energy. This growth was largely driven through the distribution platform we have developed and refined over the last two years, the strength of our brands and our continued investments in our marketing programs, the increased focus on our internal sales teams and the diversification of our channels to market, including the significant expansion of our Dodo Connect Kiosks. The growth in our sales and marketing engines has been underpinned by the great work of our teams in developing innovative new products and offers and exploring new verticals.

This growth, in combination with our internal focus on efficiency and improvement, has resulted in revenue of $1.12 billion, up 9%; EBITDA of $170.5 million, up 6%; and reported NPAT of $73.7 million, up 10%. NPAT underlying (excluding transaction costs and adding back the non-cash impact of customer contract amortisation) exceeded $100 million in the period, a significant milestone and evidence of the successful implementation of our strategy by our excellent team.

These outstanding results have enabled our Board to declare a final dividend of 17 cents, fully franked, an increase of 17% on the FY14 final dividend. This brings our total FY15 dividend to 32 cents, an increase of 23% on the previous corresponding period.

THE ACQUISITION OF CALLPLUS

These results have been achieved with some distractions to business as usual activity, such as the acquisition of the CallPlus group of companies. We are pleased to have cemented our position in the New Zealand market with the acquisition of this outstanding challenger telco. The CallPlus business is highly complementary to our existing business and delivers us the scale, brands and capability to be a real force in the New Zealand market.

The acquisition was completed on 30 June and the integration is now well progressed under the leadership of Mark Callander, our Chief Executive New Zealand. Mark and his high quality leadership team have worked well with the Australian integration team and we achieved some significant milestones since completion including:

- A comprehensive review and restructure of the NZ business to develop dedicated segment go- to- market teams and supporting functions, mirroring our organisation in Australia
- Establishment of a cross-Tasman network to enable our team to share files and work together quickly and securely
- Existing and new debt refinanced into new flexible multi year facilities
- Launch of a number of new initiatives in NZ including adoption of our Parental Leave Policy, providing both primary and secondary carers a period of paid leave

As disclosed in our announcement to the ASX, CallPlus is expected to add NZ$45 million to M2 EBITDA in FY16. We have hedged these earnings with a rolling horizon of 12 months to ensure risk associated with foreign income is minimised.

M&A

M&A has been an important element of our strategy, delivering significant shareholder value and providing us with both scale and capability to compete in our large and fast paced categories. The telecommunications sector has been in the process of consolidation for many years, and we have been an active participant with more than 20 acquisitions since 2005, led by our founding CEO and Executive Director Vaughan Bowen. We have considered a great many more possible opportunities over that time and have been disciplined in ensuring that there is strong strategic logic associated with the deals we do and that valuations are at an appropriate level to deliver real shareholder value.

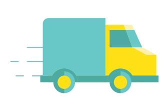
Our commitment to shareholders is to maintain this focus in our M&A activity to ensure that we continue to add shareholder value through this strategy. We see opportunities for further M&A activity in our business but will continue to be disciplined in our approach and to ensure that we have a strong underlying organically growing business to deliver sustained shareholder returns.

EXPANDING OUR RETAIL FOOTPRINT

From December 2014 to February 2015, we expanded our Dodo Connect Kiosks into Queensland, New South Wales and South Australia, successfully establishing more than 40 new locations from our base of 20; closing the year with 68 total locations. This involved an enormous amount of work including recruitment of approximately 200 new team members. Since their establishment, we have progressively built upon the skills of these team members to steadily increase the results delivered by each Kiosk. Over the course of the next year, our focus in Kiosks will be to continue to refine the operating model. Kiosks are an important part of our consumer plans and add another unique dimension to our distribution strategy. In order to best take advantage of the opportunity they present, we have begun a franchise program through which we aim to appoint sales-focussed entrepreneurs to operate the kiosks as their own small business. As at 24 August 2015, we have 11 franchised locations. We will continue to promote this opportunity in the coming year to further improve the performance of this important new path to market.

OUR PRIORITIES

In our 15th year as a company, we delivered on our key strategic objectives, resulting in growth and increased shareholder returns. Our focus is largely unchanged for the year ahead, and is structured around four strategic pillars:



DISTRIBUTION

- Capitalise on the opportunity presented by the rollout of the NBN in Australia and the UFB in New Zealand
- Leverage our product offerings to build new paths to market and optimise existing channels

DIVERSIFICATION

- Build on the product and channel advantage we achieve by having a diversified portfolio of services available to our channels
- Explore new product categories that complement existing capability

SIMPLIFICATION

- Focus on easy to buy & easy to use products
- Invest in core technology platforms and our digital engagement strategy

SATISFACTION

- Make it easy for our customers, on their terms
- Be a great place to work

Our over-arching objective is to own the challenger space in our markets in Australia and across the Tasman in New Zealand. This will be achieved through continued disruptive go-to-market thinking, and our ongoing focus on delivering great service to our customers.

The culmination of all our efforts and our relentless focus on our strategy is an expected increase in revenues of between 24% to 26% and increase in net profit after tax of 30% to 35% in FY16.

TEAM

At the centre of all of this activity is our team. In FY15, we continued to expand upon the prior year's initiatives to make M2 a great place to work. Our first full-scale Sustainability Report, associated with this Annual Report, reflects upon the activities conducted and the pleasing outcome of increased team engagement in the past year.

The year also saw Scott Carter promoted to the newly created position of Chief Operating Officer. Scott was previously the head of our Business and Wholesale segments. Scott's appointment to this important new role is testament to his outstanding contribution to M2 since joining us in 2011. We have already started to see the benefits of bringing our Consumer and Business teams together, sharing knowledge and leveraging skills across sales, marketing and operations, and I am excited about the opportunities that will arise under Scott's excellent leadership.

I'd like to thank our Team for another outstanding year. It is a delight to work with such a passionate and hard working group of people. I look forward to doing it all again in the year ahead.

Finally, my thanks go to you, our shareholders for your continued support. I look forward to another year of growth and delivering another record set of results to you next year.

GEOFF HORTH
CHIEF EXECUTIVE OFFICER


STACEY WARREN


SAMI SAMI


WING WONG

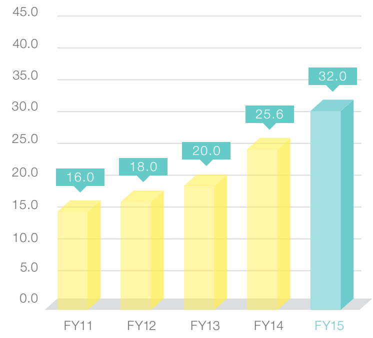

SANGRAM SINGH

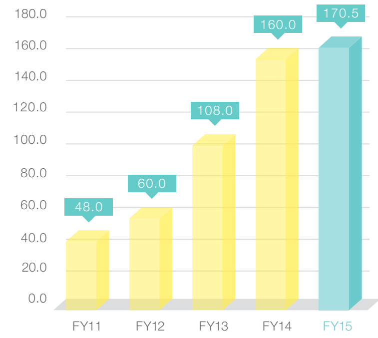

GRACE HALICKI

THE NUMBERS THAT MATTER

REVENUE
$1.12 BILLION

FY15 REVENUE INCREASED 9% ON THE PREVIOUS CORRESPONDING PERIOD (PCP) TO $1.12 BILLION, AS A RESULT OF ORGANIC GROWTH AND WITH ONE MONTH'S CONTRIBUTION FROM THE ACQUISITION OF THE CALLPLUS GROUP.



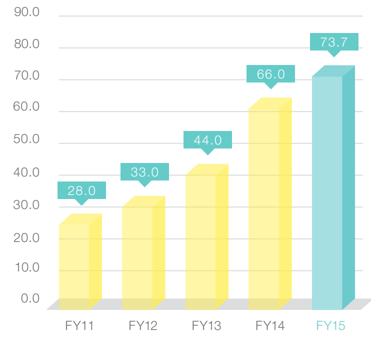


EBITDA
$170.5 MILLION

EBITDA INCREASED 6% ON THE PCP TO $170.5 MILLION, THIS GROWTH WAS ACHIEVED IN SPITE OF $10.2 MILLION OF ONE OFF TRANSACTION COSTS RELATED TO THE CALLPLUS GROUP ACQUISITION.

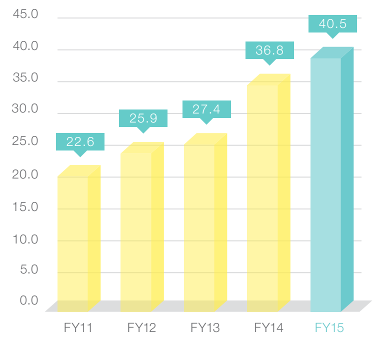
NPAT
$73.7 MILLION

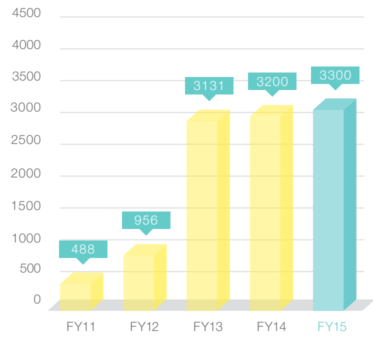
NPAT ROSE 10% TO $73.7 MILLION IN FY15, WITH UNDERLYING NPAT (EXCLUDING TRANSACTION COSTS) UP 8% TO $100.2 MILLION. A SIGNIFICANT MILESTONE, AND A CREDIT TO THE DEDICATED AND HARD WORKING TEAM AT M2.

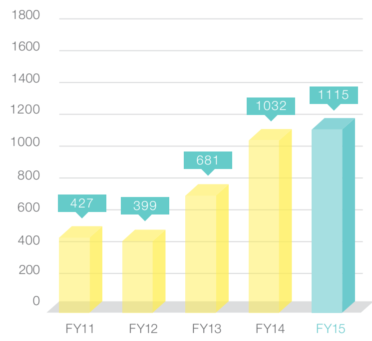


EPS
40.5¢

EPS IS VIEWED AS AN IMPORTANT MEASURE WITHIN OUR BUSINESS AND AT 40.5 CENTS FOR FY15 IT WAS UP 9% ON THE PCP. M2 LISTED ON THE AUSTRALIAN SECURITIES EXCHANGE A LITTLE OVER 10 YEARS AGO AND HAS ACHIEVED TOTAL EPS GROWTH OF 4666% TO 30 JUNE 2015.







DIVIDEND
32 ¢

THE 32 CENT COMBINED INTERIM AND FINAL DIVIDEND IS AN INCREASE OF 23% ON FY14. ANOTHER STRONG DIVIDEND REPRESENTING APPROXIMATELY 70% OF FY15 NPAT (EXCLUDING ONE OFF TRANSACTION COSTS) AND CONSISTENT WITH M2 BOARD DIVIDEND POLICY.

TEAM MEMBERS
3300

AT 30 JUNE 2015, WE HAD 3300 TEAM MEMBERS IN AUSTRALIA, NEW ZEALAND AND THE PHILIPPINES. THIS YEAR, WE WERE PLEASED TO WELCOME THE PASSIONATE AND DEDICATED CALLPLUS TEAM MEMBERS. TEAM NUMBERS HAVE OTHERWISE BEEN SLIGHTLY REDUCED BY RESTRUCTURING ACTIVITIES AS A RESULT OF ACQUISITION.

CFO COMMENTARY

RESULTS OVERVIEW

Revenue was up 9% to $1.12 billion, driven by organic growth through the period as well as one month contribution from the acquisition of CallPlus in June 2015. EBITDA continued to grow to $170.5 million, an increase of 6%.

NPAT increased 10% to $73.7 million, whilst earnings per share ('EPS') increased 9% to 40.5 cents. Transaction costs in the period, from the CallPlus acquisition, were $10.2 million ($8.8 million NPAT effect). Excluding the transaction costs NPAT has increased by 23% to $82.5 million. Efficiencies have been a further focus in the period, lowering the Selling, General and Administrative expense (less transaction costs) to 19.5% of revenue, down from 20.7% in the previous period.

CASH FLOW

Strong cash collections underpinned a good cash position at the end of the period. Cash flow from operating activities increased by 42% to $122 million. Free cash flows increased by 46% to $93 million, from controlled capital expenditure in the year, at 2.6% of revenue.

BALANCE SHEET

Our balance sheet remains strong, with net assets increasing by $30.0 million for the year. Total net debt has increased by $232.8 million, to $486.9 million, post the June 2015 re-financing of debt for the purchase of CallPlus.

M2 Annual Report 2015 - CFO Commentary

DEBT MANAGEMENT

Our Board and Management remain committed to the reduction of debt. The net leverage ratio (net debt divided by EBITDA) was 2.28x at 30 June 2015, and is expected to reduce in FY16 as a result of the combination of growth in group earnings and our surplus cash generation reducing net debt.

EQUITY MANAGEMENT

Over the year, shares on issue increased by 2.9 million to 183.4 million shares at 30 June 2015. The increase was mainly due to the issue of shares under the dividend reinvestment plan ('DRP') and the exercise of options under our legacy LTI option plan.

DIVIDEND POLICY

Our dividend policy has remained at 70% of reported net profit after tax since listing. The declared amount reflects the Company's current and projected cash position, and available franking credits. Consistent with this policy, the directors have declared a fully-franked, final dividend of 17 cents per share, bringing the full year dividend to 32 cents per share, an increase of 23% on last year. Given the preference by many shareholders to receive dividends in the form of shares, the directors have decided to continue the operation of the DRP. For this final dividend, a 2.5% discount applies to a volume weighted average price within the pricing period of 9 to 15 October 2015.

RISK MANAGEMENT

We maintain and adhere to clearly defined policies covering areas such as liquidity risk, market risk (including foreign exchange, interest rate and commodity price risk) and credit risk. The main sources of foreign exchange risk in FY15 involve the purchase of contact centre services from the Philippines in Philippine Peso (PHP), as well as equipment acquired in US dollars (USD). We use interest rate swaps to manage interest rate risk with fixed rate swaps covering 65% of our gross debt. The commodity price risk is associated with the purchase of electricity and gas. The Company has entered into derivatives and swaps for a 12 month forward period, covering a projected customer load, in accordance with our wholesale energy risk management policy.

INTERNAL CONTROL AND ASSURANCE

We maintain an internal audit function with a Company-wide mandate that is fully independent of the business operations to monitor and provide assurance to the Board's Audit Committee, and ultimately the Board, as to effectiveness of risk management and internal control systems.

DARRYL INNS
CHIEF FINANCIAL OFFICER

NICK JENSEN

COSTA MIHAIL

NIAZI JABEER

SHARON MAGUIRE

SEAN DEVOTA

ATHINA MIKKELSEN

Jesse Oey, Michael Fahrner, Tony Keriakous, Grace Halicki, Marichelle Pascual, Ashima Makkar

BUSINESS INSIGHTS

This information is supplementary to the Financial Statements and should be read in conjunction with the CEO Review, CFO Commentary, Directors' Report, Financial Statements and the Notes to the Financial Statements.

OUR STRATEGY

We have two primary objectives at M2: to deliver outstanding shareholder returns and to be a great place to work. We believe that achieving our goal to be a great place to work is a critical success factor; an engaged and motivated team constantly striving to improve the business performance will invariably give us the best chance of delivering outstanding returns to shareholders.

The strategies to deliver on our objectives are multi-faceted and centered on taking advantage of opportunities in the market, leveraging our brand strength and sales expertise and constantly striving to exceed the expectations of our customers.

AUSTRALIA

Within the Australian business we operate in three market segments:

1. CONSUMER

	dodo	iPRIMUS
BRANDS	ONE CALL - CONNECT & SAVE WITH DODO	IPRIMUS HAS YOU COVERED
PROPOSITION	Dodo's strategy is to be the one-stop telecommunications and utilities provider, providing great value to Australian households on a range of products and services including telecommunications, electricity, gas and insurance.	Primus started life as one of Australia's first broadband challengers, providing value offerings to families around Australia through its own backbone network as well as fibre assets in 5 capital cities.
MARKET	Individuals and Families	Individuals and Families

SERVICES	FIXED VOICE	NBN	DATA	MOBILE	ENERGY	INSURANCE
	d i	d i	d i	d i	d	d

d = Dodo i = iPrimus

Our priorities within the Consumer segment are to:

- Take the proven Dodo brand proposition and extend it into other product and service categories, in order to:
  - Increase average revenue per user
  - Improve customer retention
  - Further enhance brand recognition and trust
- Refine the Dodo Connect Kiosk model in order to maximise the effectiveness of recently deployed locations; and continue to promote the Kiosk Franchise Program
- Activate the next phase of our NBN 'take share' plan
- Simplify our products, systems and processes and invest in our digital engagement strategy - reducing costs and improving customer experience.

2. BUSINESS

	COMMANDER	engin
BRANDS	DEMAND A COMMANDER	IT'S TIME WE MADE A CONNECTION
PROPOSITION	Commander's brand promise is to provide simple communication and energy solutions to save businesses time and money while taking them into 'smart', next-generation technology. As small business specialists equipped with NBN-ready Commander phones and competitive NBN offers, Commander Dealers around Australia are well-placed to become the 'NBN Experts' ready to support businesses in their transition to the NBN.	Engin provides micro and SOHO businesses with a full suite of products to future-proof their communication, from competitive broadband and phone bundles to ePBX and SIP Trunking solutions.
MARKET	Small Business	Micro / SOHO Business

SERVICES	FIXED VOICE	NBN	DATA	MOBILE	HOSTED VOICE	CLOUD	ENERGY
	c e	c	c e	c e	c e	c e	c

c = Commander e = Engin

Our priorities within the Business segment are to:

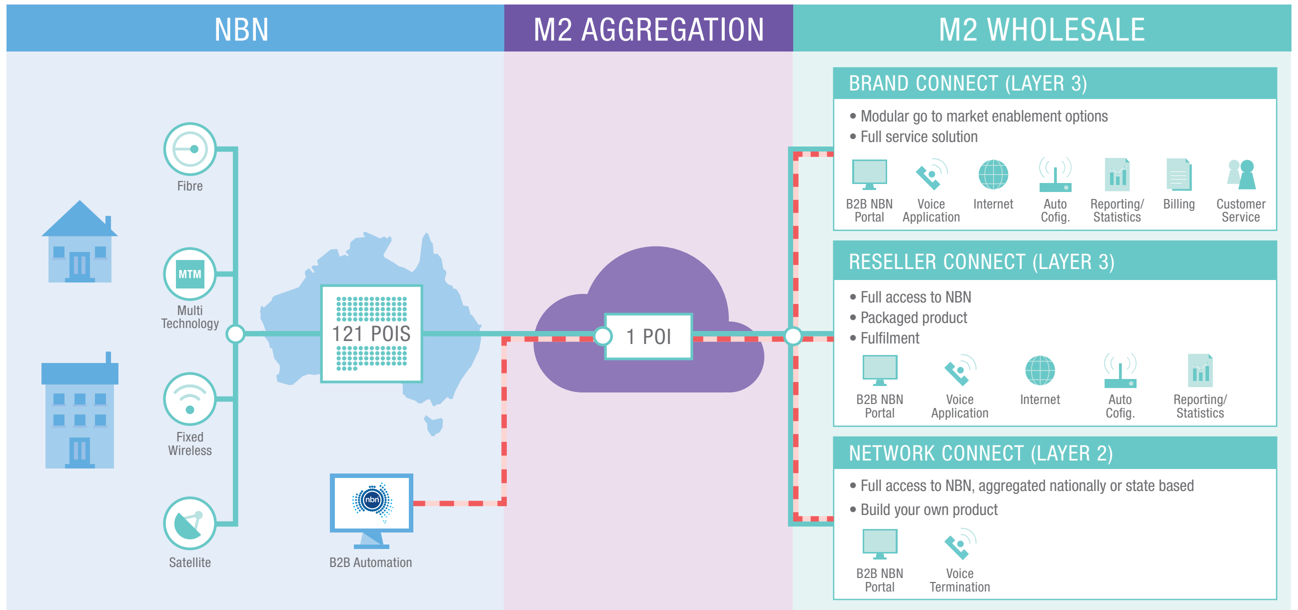
- Continue to expand our Commander channel program and position the brand as the Small Business NBN Experts
- Promote our simple communication and energy solutions to save businesses time and money:
  - The unique Commander Telco + Energy bundle, through which business customers save 20% on their monthly telco spend and 20% off their electricity usage rates when they have both products with Commander
  - The NBN-Ready Commander Phone, providing small businesses with a fully featured enterprise grade communication solution without the significant upfront capital investment
- Activate the next phase of our NBN 'take share' plan
- Simplify our products, systems and processes and invest in our digital engagement strategy - reducing costs and improving customer experience.

3. WHOLESALE

Our wholesale business is going through a significant period of change, moving from a reseller of legacy voice and broadband services into a next generation IP carrier. This change opens up significant new growth opportunities, allowing us to:

- Target a broader range of Telco Service providers
- Extend the reach of our offers to partner with IT System integrators and
- Provide turn key solutions enabling new market entrants:

We have the capability and aspiration to become the NBN Wholesale supplier of choice.



NEW ZEALAND

We have recently significantly expanded our business in New Zealand through the acquisition of the CallPlus Group. Our New Zealand business operates in the same segments, with similar brand strategies and a strong cultural alignment to our business in Australia.

As in Australia, the New Zealand business operates in three key segments

1. CONSUMER

BRANDS	slingshot	orcon	flip
PROPOSITION	Slingshot is our mainstream challenger brand for consumers in New Zealand, with its highly recognised brand that is the country's 'consumer champion'. Slingshot was awarded winner of the Quality Service Award voted by Reader's Digest in 2015 and has twice been awarded 'Most Satisfied Customers' by Canstar Blue.	Orcon is our premium consumer brand, providing super-fast fibre services to high-demand, tech-savvy consumers. Orcon is dedicated to leading the market with new products such as fibre, home security and automation.	Flip is the online-only, contract free brand in New Zealand, with all support and sign-up conducted online, aimed at the cost-conscious and low-maintenance end of the consumer market.
MARKET	Individuals and Families	Individuals and Families	Individuals and Families
SERVICES	FIXED VOICE, UFB, DATA, MOBILE		

Our immediate priorities for this segment are:

- Positioning all brands for growth, the challenger way
- Disrupting the market through innovative services and pricing
- Expanding the brands into new market segments and channels
- Ongoing investment in digital engagement to deliver the best service

2. BUSINESS

BRANDS	CallPlus GET CLEVER	2talk
PROPOSITION	CallPlus is New Zealand's leading challenger in the SMB market and has been the pioneer of VoIP and IP solutions in the market. The CallPlus business is focused on using smart technology to reduce costs for small and medium sized businesses around New Zealand.	2Talk provides SOHO and small business with innovative VoIP, Cloud, Cloud PBX and SIP trunking services, offering a prepaid and no-contract model.
MARKET	Small to Medium Business	Small Business
SERVICES	FIXED VOICE, UFB, DATA, MOBILE, HOSTED VOICE, CLOUD	

Our immediate priorities for this segment are:

- Leverage our network investment and nationwide scale to meet all expectations of the New Zealand business market
- Develop IP data and voice solutions to be the leading challenger business brand in the New Zealand market.
- Leverage the investment in UFB to deliver world class services to businesses regardless of size
- Build new channels to market and develop a strong digital presence to build awareness

3. WHOLESALE

Our wholesale business in New Zealand leverages the same network investment and technologies that our business segment takes to market. Primarily targeting retail service providers and IT system integrators, CallPlus Wholesale offers a full suite of traditional and next generation communication solutions.

FY15 OPERATIONAL HIGHLIGHTS

The many of operational achievements in FY15 include:

- 6% net growth in services in operation with 98,000 post paid services added in the period across fixed voice, broadband and energy
- The acquisition of New Zealand's third largest ISP and leading challenger, CallPlus Group, delivering:
  - a large, profitable and organically growing business that serves the same markets in NZ that M2 currently targets in Australia
  - a portfolio of more than 430,000 post-paid fixed voice, broadband and mobile services
  - a proven and like-minded management team that is experienced in operating the leading challenger business in the NZ telecom market
  - a nationally recognised portfolio of consumer and business brands which are well positioned to grow share in the transition to Ultra-Fast Broadband
  - Estimated NZ$45 million in EBITDA in FY16
- Expansion of our Dodo Connect Kiosks into NSW, QLD and SA with the accelerated rollout to 48 new locations to build upon the tested and proven retail model
- Launch of the Dodo Connect Kiosk franchise model:
  - 11 locations franchised at the date of this report
  - Providing an opportunity for entrepreneurial and skilled sales people to become owner-operators backed by the strength of the Dodo brand and diversity of our product suite
- Entered the NSW Gas market, taking the Dodo Electricity and Gas bundle to that state for the first time
- Launched Dodo TV with Fetch with a $0 per month 'Fetch Lite' plan as well as an Entertainment Plus package with more than 35 premium channels and a set-top box that enables recording and playback of free-to-air TV
- Launched the Dodo Phone Anywhere App, enabling Dodo customers of any product to make low-cost, IP voice calls from anywhere around the world, billable to their Dodo account
- Launched Commander Electricity to all sales channels in February 2015 following its soft launch in March 2014, surpassing 3,000 services in operation by 30 June 2015

- Launched Phase 2 of the Commander Phone product, Commander Key, a hosted phone product for businesses with 4-10 employees, an Australian first
- Launched the M2 Wholesale Cloud Communications Platform, encompassing NBN plus IP and hosted voice, transforming M2 Wholesale from a Value Added Reseller to a Next Generation IP Carrier
- Connected to 21 new NBN Points of Interconnect, now connected to 52 POI's with the potential to target more than 1 million premises

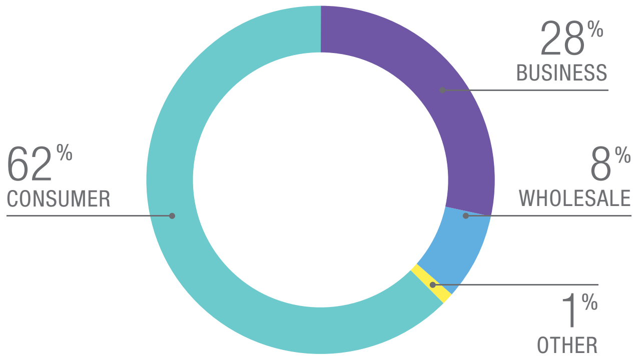
FY16 GROWTH

We enter FY16 in a strong position for growth with diversified sales channels including our expanded retail Kiosk footprint, strong brands and our continued investments in our marketing programs. Guidance for FY16 is as follows:

REVENUE	NPAT	CAPEX
24-26% GROWTH	30-35% GROWTH	~2.5% OF REVENUE

REVENUE AND PRODUCTS (AUS)

At 30 June 2015, the pro-forma company revenues by segment were as follows:



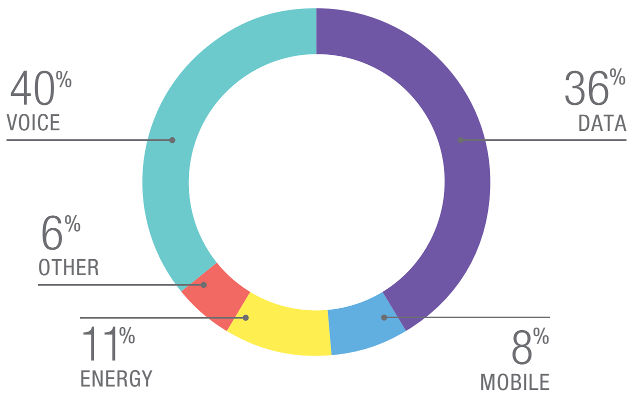
Our Consumer segment is the largest and fastest-growing portion of the M2 business again in FY15. Our Consumer segment growth in Australia comprised 32,000 fixed voice services, 48,000 broadband services and 23,000 energy services. This took our total segment services to more than 1.14 million services and increased segment revenue by 16% to $672 million.

Our Business segment in Australia, through a combination of the efforts detailed above, grew by 6,000 fixed voice services, 4,000 broadband services and 2,000 energy services, bringing total business segment services in operation to 363,000 and segment revenue to $346 million.

The Wholesale segment experienced a decline of 9,000 services in FY15, giving a full year result of $98 million. This segment is forecast to return to growth in FY16, following the implementation of a next-generation wholesale strategy including NBN.

The 'Other' revenue category is included for the purpose of clarity. This category includes equipment sales, commission revenues and interest.

FY15 revenues by product are as follows:



Bundling rates remained strong in both consumer and business segments, with 93% of new broadband sales bundled with voice.

Broadband and Energy were the strongest growth products throughout the year, growing 17% and 66% respectively. Broadband is an important product and a point of focus for targeted growth for M2 as roll out of the NBN progresses around Australia.

Energy is a fast-growing, profitable and strategically important product for M2, underpinning the Dodo Connect Kiosk expansion and enabling the Commander Telco + Energy discount bundle, an offer which is unique in Australia.

The CallPlus acquisition was completed on 30 June 2015, therefore is not analysed for the purposes of this review.

NBN

M2 is an active NBN participant having now connected our network into 52 NBN Points of Interconnect (POIs).

We are selling NBN products under our iPrimus, Dodo and Commander brands. FY16 will see us move into the next phase of our NBN 'take share' strategy. To date, we have been active in NBN but have not commenced mainstream marketing to accelerate our share of this market due to:

- A need to secure long term backhaul arrangements to allow us to connect reliably and on appropriate terms to all 121 NBN POI's
- The issues associated with customer experience in provisioning of new services in the early stages of the NBN rollout, and
- The limited penetration of NBN relative to the size of the traditional DSL market.

Having secured long term backhaul arrangements, experiencing improvements in delivery of NBN services and as NBN now passes more than one million dwellings we are set to commence mainstream marketing activities to grow our share of this market.

OUR TEAM

M2 is proud to have an experienced and talented team. More than 3,300 M2 team members are located across Australia, New Zealand and the Philippines.

In Australia and New Zealand:
- The average age of team members is 36 years
- The average length of service (tenure) of our current team is 6.4 years

LEADERSHIP

Detailed profiles on our Executive Team members can be found on our website at www.m2.com.au/investor-centre/board-of-directors-executive-team/.

On 1 July 2015 Scott Carter was appointed to the newly created role of Chief Operating Officer. Formerly the Business Director, the new role harnesses Scott's experience and expertise to continue to grow the Consumer and Business segments and return Wholesale to growth. Scott now has responsibility for driving our go-to-market activities across all of our Australian brands.

In 2014, a formal Leadership Development Program was launched for all leaders in the company. M2 is committed to investing in and further developing a strategic leadership culture, in which our team's skills are fostered and developed, and in which highly capable and empowered leaders act like owners and make a difference.

HEALTH AND SAFETY

Ensuring the safety and wellbeing of our team is paramount. Whether working in our retail kiosks, our corporate offices, our warehouses, or in transit in cars and planes, our focus is on keeping our team out of harms way. Our Health and Safety Committees have implemented numerous measures to continually improve our safety focus, and M2's policies assist in ensuring the right structures are in place to guide and advise our teams.

BEING A TEAM MEMBER

M2's culture starts with the foundation that there are no employees: everyone is a 'team member'. It is a language that is used consistently throughout the company, reflecting our team spirit, as well as the importance we place on showing respect for each other.

Being a part of the M2 team brings both challenge and reward. Team members are recognised and rewarded in many ways including receiving length of service and achievement awards. The M2's Benefits Program is highly valued by our team and focuses on healthy living and balance. Benefits include breakfast every day, fully paid gym memberships, fresh fruit, discounts on products and services, Purchased Leave, an Employee Share Plan, and a wide range of discounts on everything from cars, to holidays.

With an average length of service of 6.4 years, our teams are highly skilled and committed to the M2 journey. Our team members tell us that it's a fun and rewarding culture, that they love what they do, and that they're here to make a difference.

RISKS

Our ongoing management of risk includes regular assessment, reporting and internal audit. In FY15 a dedicated Group Risk Manager was appointed to oversee this. Following is a summary of the key strategic and operational risks faced by the business in the short to medium term.

SECURITY

Security of customer data is of increasing relevance as a number of companies experience system and network breaches from external parties or internal human error. In FY15 we appointed a Security Manager dedicated to overseeing and improving the programs we have in place for security management and business readiness, including the protection and management of confidential information and appropriate business contingency plans.

ENERGY

As a retailer of electricity, M2 purchases electricity via the Australian Energy Market Operator (AEMO) at the prevailing price. This is a competitive market and prices fluctuate with demand. M2 mitigates price volatility through the purchase of Over The Counter derivatives and Futures. The Company's hedging strategy is set by the Board of Directors with a 12 month horizon, it is reviewed regularly and monitored by a dedicated sub-committee of the Audit & Risk Committee.

FOREIGN EXCHANGE

Our main areas of foreign exchange risk include the purchase of contact centre services from the Philippines in Philippine Peso, equipment supplied in US dollars and New Zealand business, acquired on 30 June 2015. We have hedging in place to manage risk of foreign exchange rates for our New Zealand business. As with energy, the Company's hedging strategy is set by the Board of Directors with a 12 month horizon and is reviewed regularly and monitored by the Audit & Risk Committee.

SUPPLY

While we do own and operate a traditional voice network and fibre rings in five capital cities, we recognise that a significant portion of our services are on the networks of our suppliers. In every circumstance, we use the fastest and most reliable networks available to deliver services to our customers and maintain good relationships with our suppliers.

REGULATION

Regulation is another area of risk for the M2 business and the industry as a whole and has the potential to influence supplier pricing as well as the way in which sales are conducted. We remain committed to regulatory compliance and to engaging with the regulators and other industry bodies.

SUSTAINABILITY PRIORITIES AND ACHIEVEMENTS

Impact Areas	Goals	Achievements	FY16
Team	Be a great place to work Launch formal Leadership Development Program	Team member engagement increased by 5% Team Survey results showed greater than 10% increase in satisfaction in: career progression opportunities, team spirit, and M2 being viewed as a great place to work Purchased leave program introduced Formal Leadership Development Program launched, involving managers across all sites in Australia	Increase Team Member engagement by 5% Continue our formal Leadership Development Program and extend to more leaders in the business Launch internal career development program Continue to use online tools to further the training and improve the knowledge of our Team
Diversity	Promote and support diversity within the Company Promote equal opportunity, respect and fairness	Appointment of our first female to our Board of Directors An improvement of 1% in the number of female team members	Continue to promote diversity and the advancement of women within the Company. Continue mentoring of women at all levels in the business
Community	Promote team member activity and volunteering within the Community Support and promote Payroll Giving Support local communities in our major areas of operation	23 number of Volunteer days used in FY15 Payroll giving was introduced to our Team in December 2014. A number of Community activities were undertaken in FY15. For more detail, please refer to page 9 of our full Sustainability Report.	Continue to promote the use of Team Member Volunteering Days. Involve the Company and Team in a minimum of 6 national Community activities in FY16.
Environment	Monitor our use of resources and find opportunities for improvement Maximise recycling Help Team Members to reduce their waste at work and at home Support and promote national activities	Electricity use was reduced by 2% in FY15 when compared with FY14. 111kgs of used printer cartridges were recycled by our team. 80 kgs of mobile handsets were recycled through the Mobile Muster program. Team members promoted and participated in a number of environmental activities including Earth Hour, National Volunteer Week and Clean Up Australia Day. For more detail, please refer to page 12 of our full Sustainability Report.	Continue to monitor electricity use and seek opportunities to reduce electricity demand. Continue to recycle as many materials as possible whilst reducing their use. Develop a sustainable procurement policy.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $000	2014 $000
Revenue	6(a)	1,115,689	1,024,381
Cost of sales		(717,954)	(651,904)
Gross profit		397,735	372,477
Other income	6(b)	(18)	(19)
Employee benefits expense	6(c)	(80,509)	(90,488)
Depreciation and amortisation	6(d)	(48,989)	(46,425)
Share based payments	26(a)	(396)	(631)
Other expenses	6(e)	(147,479)	(122,021)
Financing costs	6(f)	(14,095)	(19,034)
Share of profit of an associate	15(a)	1,132	782
Profit before income tax		107,381	94,641
Income tax expense	7(a)	(33,720)	(27,579)
Profit for the year		73,661	67,062
Profit for the year attributable to:			
• Non-controlling interests		(28)	99
• Owners of the Parent		73,689	66,963
		73,661	67,062
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
• Basic earnings per share (cents)	9	40.54	37.34
• Diluted earnings per share (cents)	9	40.39	37.00

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes set out on page 46 to 96 of our full 2015 Annual Report.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $000	2014 $000
Profit for the year		**73,661**	**67,062**
Other comprehensive income items			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	23	(2,512)	4
Changes in fair value of cash flow hedges	23	2,314	(2,744)
Movement in investment revaluation reserve	23	317	(1,795)
Total other comprehensive income, net of tax		**119**	**(4,535)**
Total comprehensive income for the year, net of tax		**73,780**	**62,527**
Total comprehensive income attributable to:			
• Non-controlling interests		(28)	99
• Owners of the Parent		73,808	62,428
		73,780	**62,527**

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes set out on page 46 to 96 of our full 2015 Annual Report.

M2 Annual Report 2015 - Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	2015 $000	2014 $000
ASSETS			
Current Assets			
Cash and cash equivalents	10	84,723	40,969
Trade receivables	11	123,585	97,652
Inventories	12	7,920	5,388
Other current assets	13	38,489	26,178
Financial assets	14	2,220	-
Total Current Assets		**256,937**	**170,187**
Non-Current Assets			
Plant and equipment	16	80,590	60,969
Intangible assets and goodwill	17	912,437	599,814
Deferred income tax asset	7(c)	17,673	16,032
Other non-current assets	13	6,564	4,155
Investment in associates	15	-	4,044
Financial assets	14	1,703	2,178
Total Non-Current Assets		**1,018,967**	**687,197**
TOTAL ASSETS		**1,275,904**	**857,379**
LIABILITIES			
Current Liabilities			
Trade and other payables	18	269,369	184,657
Interest-bearing loans and borrowings	20	16,494	30,848
Income tax payable	7(c)	19,988	3,726
Provisions	19	11,955	10,044
Financial liabilities	14	1,897	2,564
Total Current Liabilities		**319,703**	**231,839**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	2015 $000	2014 $000
Non-Current Liabilities			
Interest-bearing loans and borrowings	20	555,163	264,638
Deferred tax liability	7(c)	34,284	22,912
Provisions	19	4,315	5,161
Other non-current liabilities	21	4,105	3,999
Financial liabilities	14	76	535
Total Non-Current Liabilities		**597,943**	**297,245**
TOTAL LIABILITIES		**917,646**	**529,084**
NET ASSETS		**358,258**	**328,295**
EQUITY			
Contributed equity	22	275,270	255,092
Reserves	23	(2,343)	(2,068)
Retained earnings		93,501	75,557
Parent interests		**366,428**	**328.581**
Non-controlling interests		**(8,170)**	**(286)**
TOTAL EQUITY		**358,258**	**328,295**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes set out on page 46 to 96 of our full 2015 Annual Report.

M2 Annual Report 2015 - Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Ordinary shares $000	Retained earnings $000	Reserves $000	Owners of the Parent $000	Non-controlling interest $000	Total $000
At 1 July 2014	255,092	79,948	(2,068)	332,972	(286)	332,686
Adjustment on correction of error		(4,391)		(4,391)		(4,391)
At 1 Jul 2014 (Restated)*	255,092	75,557	(2,068)	328,581	(286)	328,295
Profit for the period	-	73,689	-	73,689	(28)	73,661
Other comprehensive income	-	-	119	119	-	119
Total comprehensive income	**-**	**73,689**	**119**	**73,808**	**(28)**	**73,780**
Options exercised	4,203	-	(790)	3,413	-	3,413
Share option reserves	-	-	475	475	-	475
Shares issued	937	-	-	937	-	937
Share rights reserve	-	-	(79)	(79)	-	(79)
Transaction cost on shares	-	-	-	-	-	-
Dividends paid	-	(39,296)	-	(39,296)	-	(39,296)
Dividend reinvestment plan	14,298	(14,298)	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	(8,170)	(8,170)
Acquisition of non-controlling interests	740	(2,151)	-	(1,411)	314	(1,097)
At 30 June 2015	**275,270**	**93,501**	**(2,343)**	**366,428**	**(8,170)**	**358,258**
At 1 July 2013	244,194	51,477	1,903	297,574	(385)	297,189
Profit for the period	-	66,963	-	66,963	99	67,062
Other comprehensive income	-	-	(4,535)	(4,535)	-	(4,535)
Total comprehensive income	-	66,963	(4,535)	62,428	99	62,527
Options exercised	915	-	(67)	848	-	848
Share option reserves	-	-	353	353	-	353
Shares issued	346	-	-	346	-	346
Share rights reserve	-	-	278	278	-	278
Transaction cost on shares	-	-	-	-	-	-
Dividends paid	-	(28,855)	-	(28,855)	-	(28,855)
Dividend reinvestment plan	9,637	(9,637)	-	-	-	-
At 30 June 2014	**255,092**	**79,948**	**(2,068)**	**332,972**	**(286)**	**332,686**

*Certain amounts here do not correspond to the 2014 financial statements and reflect adjustments, refer to Note 15 in our full 2015 Annual Report

The above consolidated statement of changes in equity should be read in conjuction with the accompanying notes set out on page 46 to 96 of our full 2015 Annual Report.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $000	2014 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,206,944	1,095,699
Payments to suppliers and employees		(1,054,346)	(965,707)
Interest received		1,272	1,481
Interest paid		(13,085)	(18,798)
Income tax paid		(18,854)	(27,031)
Net cash flows from operating activities	10(b)	**121,931**	**85,644**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of plant and equipment		(17,905)	(13,493)
Purchase of intangibles		(10,283)	(10,367)
Acquisition payments, net cash acquired		(237,882)	(34)
Payment for financial assets		-	(7,500)
Proceeds from disposal of plant and equipment		36	118
Net cash flows used in investing activities		**(266,034)**	**(31,276)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(308,646)	(33,387)
Proceeds from borrowings		532,821	-
Loan to subsidiaries / associates		72	-
Proceeds from issue of shares		3,413	848
Transaction costs of issue of shares		-	-
Dividends paid		(39,296)	(28,855)
Net cash flows from/ (used in) financing activities		**188,364**	**(61,394)**
Net increase in cash and cash equivalents		44,261	(7,026)
Net Foreign Exchange difference		(507)	-
Cash and cash equivalents at beginning of period		40,969	47,995
Cash and cash equivalents at end of year	10(a)	**84,723**	**40,969**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes set out on page 46 to 96 of our full 2015 Annual Report.

DESIGN: M2 CREATIVE TEAM
PHOTOGRAPHERS: CANDID PHOTOGRAPHY AND WARREN PHOTOGRAPHY

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