

**Vocus Communications Limited
Annual General Meeting 2015**

Chairman's Statement

Introduction

Good morning Ladies and Gentlemen. Welcome to the Annual General Meeting of Vocus Communications for 2015. As a quorum is present, I declare the meeting open.

For those of you I haven't met, my name is David Spence and I am the Chairman of your Company. Let me introduce my fellow Directors. Your Board today is:

- Tony Grist
- Jon Brett
- John Murphy
- Steve Baxter
- Paul Brandling
- Tony Davies
- And our CEO James Spenceley.

I would like to particularly welcome the previous Amcom Directors to the Vocus Board. We have had a very interesting year and it's now great to have their support as we continue to build our merged businesses.

Jon Brett has remained as Chair of our Audit Committee, Paul Brandling from Amcom took over the Remuneration Committee Chair and Steve Baxter has recently taken over the new role of Chair of Risk Committee, which we separated from the Audit Committee.

Completing the line up on the platform today are Chris Deere, our Deputy CEO, Rick Correll our CFO, and Mark Simpson our General Counsel and Company Secretary.

Representatives of our Share Registry, Computershare, and our External Auditor, Deloitte, are also present.

Following the formal business of the meeting there will be an opportunity for you to join directors, fellow shareholders and members of the management team for some tea and light refreshments.

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Vocus Communications Limited (ASX:VOC) is a company listed on the Australian Securities Exchange.

Let me outline briefly what we will cover this morning.

First, I will provide an overview of our performance during the Financial Year

I will then update some items of corporate governance, remuneration and our dividend policy, as well as briefly update you on our business integration progress with Amcom. As well as this I would like to talk to you about our new proposed merger transaction with the M2 business.

Following my address, our CEO James Spenceley will speak to you about our future direction and the rationale behind our proposed merger with M2.

We will then consider the formal items of business for today including presenting the Financial Statements and Reports and the reappointment of directors who retire by rotation.

Finally I will answer the questions submitted by shareholders prior to the AGM.

1. Performance during 2015

2015 was another record year for Vocus where we saw further growth across all of our key business divisions.

- Revenue increased 62% to \$149.8m
- Underlying EBITDA increased 56% to \$51.6m
- Underlying NPAT increased 34% to \$18.1m
- Operating cash flow increased by 39% to \$42.6m
- Diluted Underlying EPS increased 6% to 16.97cps

During the year we continued to expand our infrastructure, with both the fibre network and data centre presence expanding across Australia and New Zealand. By the end of the 2015 financial year:

- Our Australian metro fibre network increased to 760km (1,606km including Amcom), with approximately 4,200km in New Zealand added on completion of the FX Networks acquisition
- We were directly connected to approx. 1,400 “on-net” metro buildings in Australia (3,315 including Amcom), with 30,000 “near-net” or within reach of our network
- We owned 15 data centre facilities across 11 locations covering a total area of 5,788 square metres
- We opened a new flagship data centre in Melbourne CBD and expanded our Auckland data centre with a new state of the art facility
- We acquired rights to 10% of the SE-ME-WE 3 cable connecting Perth to Singapore, expanding our international connectivity via the West coast, and
- We achieved an historic win in getting the Amcom deal approved, with the deal completing on 8th July 2015.

All in all, it has been another incredibly successful year for the Company in which we continue to roll out our infrastructure based services, expand our geographic footprint and capture more business customers, all in accordance with our previously articulated strategy.

2. Corporate Governance

In terms of corporate governance, the Board continues to focus on ensuring high standards to protect and advance shareholder value. Our corporate governance policies are set out on our website. I am confident we are taking the right approach to risk and I'm happy to answer any questions regarding this during this meeting or afterwards.

Following the appointment of our new Amcom directors, we have sought to strengthen governance by creating individual board committees dealing with Risk and Remuneration. Previously, risk was dealt with jointly in the Audit and Risk Committee, and remuneration formed part of the Nomination and Remuneration Committee. A new Risk committee was established to focus solely on risks affecting the business, under the chairmanship of Steve Baxter. Remuneration is also now a separate committee headed by Paul Brandling.

As you can see from the new look of our Annual Results presentation we want to remain transparent, modern and simple.

3. Remuneration Policy

Over the past year we have continued our policy of rewarding performance. Our staff, led by the CEO and our key management personnel, have driven strong results for shareholders across all of our divisions.

The Board remains of the view that it is vital to the future success of the company that we retain the talent we currently have, and attract the best the market has to offer. We continue to ask more of our senior team, and they continue to deliver. Our remuneration report and changes to senior executive packages reflect this.

The company has also grown substantially in the past year, with additional directors joining the board from Amcom, and a number of new roles arising. We therefore engaged external remuneration consultants, Egan and Associates, to advise the board as to appropriate market-based remuneration regimes for our board and senior executives. The result of that was an approach that fixed remuneration at or near the median for a company of our size and complexity. We are confident that this is the correct approach, and is reflective of the proposal contained in today's resolutions.

4. Dividend Policy

As well as growing revenue and profits, we have maintained our commitment to provide dividends this past year. We want to reward our shareholders for supporting our business and to this end the Board resolved to declare a final dividend of 2 cents per share, fully

franked. In addition to the 1.2 cent interim dividend declared in February, this gives a total dividend for the 2015 financial year of 3.2c per share, fully franked, an increase of 77.8% over the previous year.

We also paid a special one off dividend to Vocus shareholders prior to the merger with Amcom of 5.1 cents per share.

Directors took into account the underlying performance of the business, its continuing strong cash generating capability and the outlook for the balance of FY15 and FY16. We want to thank our loyal shareholders for their continued support of our high growth strategy.

5. Integrating the Amcom business

The acquisition of Amcom finally closed on 8 July 2015. We had been in discussions with the Amcom management about the proposed integration plans for some time prior to that date. Clive Stein the previous Amcom CEO had prepared his team well so that immediately after the deal closed we were able to start the integration process. I'm pleased to report today that we remain on track and anticipate that the final integration of systems and services will be largely completed by 1 July next year. Our goal and vision - that customers come first (or as we say at Vocus: "Don't screw the customer") has meant that we have taken a cautious approach to anything customer affecting.

Nevertheless, since July, we have made significant inroads with integrating the two businesses:

- Our sales teams are largely combined and cross-selling services
- We have focused our product offerings, targeting fixed product families across the group.
- We are close to completing standardization of customer documentation to ensure a consistent approach is taken with all customers
- We are working to roll out selected office systems internally across the group, to optimize sales processes and ensure we streamline the ordering and provisioning process as much as possible. This is a longer term project but great strides have been made to date.
- We are maximizing network infrastructure efficiencies, and arrangements with vendors to drive cost reductions and increased capacity across our network.

There is still a way to go, but overall we are extremely pleased with progress made to date, and the enthusiasm both the Amcom and Vocus teams have shown in bringing the businesses to a coherent whole.

6. Proposed merger with M2 Group Limited

As you will be aware from the market announcement on 28 September, Vocus has entered into a Merger Implementation Agreement with M2 Group Limited, an ASX 200 Company and an Australian and New Zealand provider of retail communications services to the

residential and small business markets. This merger will create a full service vertically integrated telecommunications company.

This transaction is intended to complete in the first quarter next year by way of a Scheme of Arrangement, through which Vocus will acquire all of the shares in M2. M2 shareholders will receive 1.625 Vocus shares for every M2 share, in accordance with the terms of the proposed scheme. This result will see current M2 shareholders own approximately 56% of the merged company at the time the scheme is implemented.

Subject to court approval, the Scheme booklet will be released to M2 shareholders before the end of the calendar year. We anticipate that the meeting for M2 shareholders to approve the Scheme will be held in late January 2016.

The marketing and service strengths of M2 combined with the network and infrastructure strengths of Vocus make for a compelling business proposition. As the Scheme booklet has not yet been released, I will only touch on the high-level benefits of the merger today.

- As I mentioned, the merged company becomes the 4th largest integrated telco in Australia and the 3rd largest in New Zealand.
- It creates a full-service vertically integrated, infrastructure-backed trans-Tasman telco, with scale and proven capabilities relevant to every individual, corporate and government entity in Australia and New Zealand
- We will have a diverse product portfolio encompassing:
 - Retail internet
 - Retail electricity and gas
 - Corporate internet and IP voice
 - Wholesale internet and IP voice
 - Data centre and cloud services
 - International and domestic bandwidth
 - Dark fibre
- We will be strategically positioned to take full advantage of the NBN in Australia and UFB in New Zealand
- We will have a combined revenue estimated at approximately \$1.8bn and EBITDA of approximately \$370m in FY16, before synergies
- Combined market capitalisation of \$3.5bn+ and eligible to sit well within the S&P/ASX 100
- Expected cost synergies of c. \$40m per annum, to be fully realised by the end of FY18
- Strong combined balance sheet with leverage of c. 1.8x net debt to FY16E EBITDA

- Significant revenue synergies available via expanded product set and distribution capabilities
- Combines two closely aligned, 'challenger' cultures

The merged entity will also see our CEO, James Spenceley, stepping down from that position to take up a strategic planning role. In agreeing the senior management team of the merged entity, it was extremely important for Vocus that James retain a substantial role in the merged company. His continued participation will provide great value to the merged business going forwards. James also agreed to step down from the CEO position to take on this new role.

In these circumstances, the Board considered it appropriate to vary James's employment terms as he steps away from the CEO role. We are seeking your support for these varied terms today in proposed Resolution 8.

7. M&A Strategy

Finally, I'd like to say a few words about our mergers and acquisitions strategy.

We have had a few queries from analysts this year about the company's ability to manage the pace of acquisitive growth, particularly in the last 12 months when we acquired both FX and Amcom in the same year.

It has always been the board's view that we should be nimble and able to take advantage of strategic acquisitions when they arise. It has been one of the markers of our remarkable growth and success. That policy remains as firm as ever.

We have been successful in doing so by having committed and experienced teams to manage the integration of the businesses that we have acquired. In relation to Amcom, we also secured the additional services of an external consultant to assist with integration planning and execution. In each case, we have devoted the resources necessary to ensure that the businesses we have acquired are brought on board with the minimum interruption. And the more often we do this, the better we become at it. I think our track record speaks for itself here.

So although 2015 has been a big year for Vocus in terms of corporate activity, the Board is confident that we have the appropriate skills and experience to continue to manage the integration of our acquired businesses with complete success.

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8. Closing

In closing, I want to thank you all for coming today.

I would like to thank our smart and hard-working executive team, well led by James. James, you and your team's enthusiasm for the business is the main driver for our success.

Since our first AGM 5 years ago where we outlined our vision to grow quickly I think we have done spectacularly well.

But it's not yet mission accomplished – we have even bigger plans for Vocus.

To my new Deputy Chair Tony Grist, thank you and your previous Amcom Board for persevering with the takeover and creating history in getting the result we worked so hard for.

And to my Board colleagues, thank you for your valuable direction, advice and support to me and the management team during the past year. Our ability to move fast when required and the close working relationship with the Executive management team has meant we have been able to create great shareholder value very quickly. That, together with careful future planning, has again proven to be a successful model.

I would specially like to thank Chris Deere, our Deputy CEO for his great efforts this past year in coordinating the many tasks around business operations and maintaining great momentum in our fibre deployment. I'd also like to thank our Corporate Management for their superb work over the year, particularly in relation to the various acquisitions we have undertaken. Their acute analysis and clear reporting has greatly assisted the board in our decision making.

Finally, I will now cover off the questions submitted by shareholders prior to the meeting.

There being no further business ladies and gentlemen, I declare the 2015 Annual General Meeting of Vocus Communications closed.

David Spence
Chairman

25 November 2015