Chairman's Address to Shareholders

2015 Annual General Meeting

Good morning, I am Craig Farrow, Chairman of your company.

I'd like to welcome our Shareholders, Team and guests present today – thank you for attending. I'd also like to welcome those dialling in to listen to proceedings.

I acknowledge the traditional owners of this land, the Wurundjeri people of the Kulin Nation, and pay my respects to their Elders, past and present, and the elders from other communities who may be here today.

A quorum is present and I declare this Annual General Meeting open.

I would like to start by introducing the company officeholders present today:

- Vaughan Bowen, Executive Director. Vaughan is the founder of M2 and was CEO and Managing Director for 12 years. Vaughan is responsible for leading the Company's mergers and acquisitions endeavours, including identification of prospective M&A opportunities, negotiation with vendors and oversight of associated due diligence.
- John Hynd, Non-Executive Director. John is a member of our Nomination and Remuneration Committee, and until recently was a long-standing member of our Audit and Risk Committee. John brings to the Board more than 35 years' experience in commercial transactions, corporate advice and corporate governance
- Michael Simmons, Non-Executive Director and Chair of our Audit and Risk Committee. Michael contributes considerable experience in telecommunications and executive management as well as strong financial acumen.
- David Rampa, Non-Executive Director and Chair of the Nomination and Remuneration Committee. David held senior Executive roles in both Telstra and Singtel Optus and also brings experience in investment banking to the Board table. David will rise to speak shortly, as he retires by rotation and presents himself for re-election.
- Rhoda Philippo, Non-Executive Director, Appointed to your Board in March of this year, Rhoda brings diverse experience in telecommunications and energy across management

and Board positions and has been an excellent addition to the depth of skill within your Board.

- From our Executive Team, we have:
    - Geoff Horth, our CEO
    - Darryl Inns, our Chief Financial Officer
    - Ashe-lee Jegathesan, our Company Secretary
    - Scott Carter, our Chief Operating Officer
    - Alistair Carwardine, our Technology Director
    - John Allerton, our Commercial Director
    - Melissa Fitzpatrick, our HR Director

I would like to thank all Directors for their contributions in what has been a very busy year, and our Executive Team for their hard work and diligence.

Also with us is our Auditor, Don Brumley of EY, together with Paul Gower and other members of the EY team.

Following my address, our CEO Geoff Horth will present to you on our FY15 result as well as speaking on M2's strategy for FY16.

We appreciate this opportunity to speak with shareholders and will give you the opportunity to ask questions or comment as we progress through the resolutions, later in the meeting.

I am pleased to report that your company again performed well in FY15, in what continues to be a competitive retail environment in both telecommunications and energy.

Throughout an intensely competitive period before the end of the financial year, our management team continued to focus on growth at a reasonable price, responding appropriately to market pressures in order to ensure that our cost to acquire remained within our desired range.

As a result, we achieved full year growth of services of 98,000 services, a strong performance. Financially, the company continued to generate record results in all key financial metrics and with strong operating cashflows.

We recorded increases in both revenue and NPAT. Our excellent profit generation has clearly translated into shareholder value as we declared a 17 cent dividend per share, scheduled to be paid today, just above our stated ratio of 70% of reported NPAT. Our full year dividend was 32 cents per share.

We have again achieved our objective of delivering returns to shareholders with our total returns to shareholders in the FY15 period at 89%.

In comparison, the S&P/ASX200 Total Return Index increased 6%.

We maintained disciplined control over capex in the period, delivering on our guidance and driving our balance sheet position, while pursuing value-accretive transactions.

Part of our discipline around cost is discipline around waste, reduction in use of resources, recycling and the environment. As highlighted in our first annual Sustainability Report, we have long had a focus on Community, the Environment, and our potential impact – both positive and negative.

We look forward to achieving our FY16 sustainability goals and reporting to you again next year.

The Australian market presents good growth prospects for both telecommunications and energy, as the NBN continues to roll out and the broadband market continues to grow. With our diversified sales channels and position as a leading challenger in our chosen markets, we are well placed to continue to grow organically.

As always, we will continue to focus on the balance between integration, growth opportunity and transactional activity.

Acquisitive growth in the period continued, with the acquisition of New Zealand's third largest telecommunications company, CallPlus Group. CallPlus delivered to M2 a large, profitable and organically growing business with remarkable similarities to the M2 business, in terms of team culture, markets served, products supplied and challenger positioning.

With a similar positioning to Australia and a growing Ultra Fast Broadband akin to our NBN, in FY16, CallPlus is expected to deliver, in New Zealand dollars, $250 million in revenue and $45 million in EBITDA.

As announced to the market on 28 September, M2 has entered into a Merger Implementation Agreement with Vocus Communications Limited, an ASX 200 company and national provider of fibre, Ethernet, internet, data centre and unified communications.

As you would likely be aware, the transaction is intended to complete via an M2 scheme of arrangement, through which Vocus will acquire all of the shares in M2 and, in exchange, M2 shareholders will receive 1.625 Vocus shares for every M2 share, in accordance with the terms of the scheme. This will result in the current shareholders of M2 owning approximately 56% of the merged company at the time the scheme is implemented.

We are pleased to bring to shareholders this transaction which creates a clear fourth challenger in the Australian telco market by market capitalisation and 3rd in the New Zealand market by number of subscribers, as two growth businesses combine to create one high growth business.

Our Scheme Booklet, detailing the proposal, reasons for your Board's recommendation and the timetable, is proposed to be released to shareholders before the end of the calendar year. A Scheme Meeting for shareholders to attend and vote is proposed to be held in late January or early February. That meeting will also provide an opportunity for interested shareholders to ask questions.

As the Scheme booklet has not yet been released and we will hold a meeting with an opportunity to review the transaction, I will only touch on the high-level benefits of the merger today.

The merged company will have:

- Expected Revenue of approximately $1.8 billion and EBITDA of approximately $370 million in FY16, before synergies
- Balance sheet flexibility with pro forma net leverage of approximately 1.8x FY16E EBITDA
- Combined market capitalisation in excess of $3.0bn
- Strong cash flow generation to enable future growth

Your Board unanimously recommends that you vote in favour of the scheme in the absence of a superior proposal, and subject to the Independent Expert opining that the Scheme is in the best interest of M2 shareholders.

My thanks go to the outstanding M2 team for remaining focussed on the business and its goals during this time.

I will speak to Remuneration before we move onto today's formal business.

Notwithstanding the transaction currently in progress, which would result in the formation of a new Board for the merged company, we, your Board, seek shareholder approval to increase the Board pool limit from $850,000 to $1.2 million, with the increase to take effect on and from 1 January 2016.

The current pool limit was approved by you, our shareholders, at our 2012 Annual General Meeting. Since then, two additional Non-Executive Directors have been appointed, namely David Rampa in 2013 and Rhoda Phillippo in 2015.

I note that the actual fees paid to directors in FY15 totalled $582,500, well below the pool limit of $850,000.

We seek to increase the pool limit in order to:

a) remunerate our existing Non-Executive Directors more equitably, in line with regular external benchmarking on remuneration to be conducted;
b) maintain market competitiveness by enabling future increases to be made to the remuneration of Non-Executive Directors; and
c) maintain a sufficient reserve in the Pool Limit in order to continue to attract new and appropriately skilled and qualified Non-Executive Directors to the Company.

Current intended director remuneration levels for 2015/2016 are:
Chair Fee: $285,000 (total, including all sub-committees)
Non-Executive Director Fee: $100,000pa excluding sub-committees
Committee Fees:
Sub-Committee Chair: $25,000pa
Sub-Committee Member: $12,500pa
To give an approximate total remuneration of $775,000, based on the current structure. All director remuneration is well within external benchmark assessment.

I will be happy to take any shareholder questions on this as we pass through the resolutions.
I would now like to invite CEO Geoff Horth to the lecturn.