M2 GROUP LTD (ASX: MTU)

ASX RELEASE

SCHEME BOOKLET DISPATCHED TO SHAREHOLDERS

Monday, 21 December, 2015: M2 Group Ltd ("M2", ASX: MTU) confirms that the attached Scheme Booklet and Proxy Form relating to M2's proposed merger with Vocus Communications Limited (ASX: VOC), being implemented by way of an M2 Scheme of Arrangement, were dispatched to shareholders today. M2 shareholders are encouraged to read the Scheme Booklet in its entirety as it contains important information about the Scheme.

Shareholders should allow a minimum of four days for delivery within Australia. The Booklet can also be accessed online via www.m2.com.au/scheme-booklet or www.asx.com.au.

ENDS

MEDIA & INVESTOR CONTACT DETAILS

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M2 GROUP

SCHEME BOOKLET

For a scheme of arrangement in relation to the proposed acquisition of all of your shares in M2 Group Ltd (ACN 091 575 021) by a wholly-owned subsidiary of Vocus Communications Limited (ACN 084 115 499)

VOCUS communications

Time and date of Scheme Meeting

Time: 10.30am

Date: 28 January 2016

Place: The Auditorium, Mezzanine Level, 452 Flinders Street, Melbourne, Victoria

VOTE IN FAVOUR

THE M2 DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME, IN THE ABSENCE OF A SUPERIOR PROPOSAL.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE MERGER IS IN THE BEST INTERESTS OF M2 SHAREHOLDERS, IN THE ABSENCE OF A SUPERIOR PROPOSAL.

This Booklet is an important document for all M2 Shareholders and requires your immediate attention. You should carefully read this Booklet in its entirety before deciding how to vote on the Scheme. If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised financial, legal and/or taxation adviser without delay.

If you have any questions or require further information in relation to this Booklet or the Scheme you should call the M2 Shareholder Information Line on 1300 853 781 (callers within Australia) or +61 1300 853 781 (callers outside Australia) on Business Days between 8.30am and 5.30pm (Melbourne time).

Financial Adviser

Goldman Sachs

Legal Adviser

Allens > < Linklaters

Important notices and disclaimers

General

This Booklet is an important document for all M2 Shareholders and requires your immediate attention. If you have sold all of your M2 Shares as at the date of this Booklet, please ignore this Booklet and kindly recycle. If you are an M2 Shareholder, you should carefully read this Booklet in its entirety before deciding how to vote on the Scheme.

In particular, it is important that you consider the reasons to vote in favour of the Scheme and the reasons why you may not want to vote in favour of the Scheme which are set out in Sections 3.2 and 3.3 of this Booklet, the risks associated with the Scheme which are set out in Section 8 of this Booklet and the views of the Independent Expert which are set out in the Independent Expert's Report in Appendix 1 to this Booklet.

If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised financial, legal and/or taxation adviser without delay.

Purposes of this Booklet

The purposes of this Booklet are to:

- provide you with information about the proposed acquisition of M2 by a wholly-owned subsidiary of Vocus;
- explain the terms and effect of the Scheme;
- explain the manner in which the Scheme will be considered and, if approved, implemented;
- provide you with certain information such as is prescribed by the *Corporations Act 2001 (Cth)* (***Corporations Act***) and the Corporations Regulations or as is otherwise material to your decision to vote in favour of, or against, the Scheme; and
- include the explanatory statement required by Part 5.1 of the Corporations Act in relation to the Scheme.

This Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act in respect of New Vocus Shares. Section 708(17) of the Corporations Act provides that an offer of shares does not need disclosure under Chapter 6D if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act and approved at a scheme meeting held as a result of an order made by a court under section 411(1) or (1A) of the Corporations Act.

Responsibility for information

Other than as set out below, this Booklet has been prepared by, and is the responsibility of, M2.

(a) The Vocus Information has been prepared by, and is the responsibility of, Vocus. The M2 Parties do not assume any responsibility for the accuracy or completeness of the Vocus Information.

(b) The Independent Expert's Report contained in Appendix 1 to this Booklet has been prepared by, and is the responsibility of, the Independent Expert. The M2 Parties do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report except in relation to information provided by them to the Independent Expert or its directors, officers or employees for the purposes of the Independent Expert preparing its report. The Independent Expert and its directors, officers and employees are not responsible for the accuracy and completeness of any other part of this Booklet.

(c) The Independent Limited Assurance Report contained in Appendix 2 to this Booklet has been prepared by, and is the responsibility of, the Investigating Accountant. The M2 Parties and the Vocus Parties do not assume any responsibility for the accuracy or completeness of the Independent Limited Assurance Report.

(d) KPMG has reviewed the Australian taxation implications of the Scheme contained in Section 9 in its capacity as the Australian tax advisor to M2 on this transaction.

Role of ASIC and ASX

A copy of this Booklet was provided to ASIC for examination in accordance with section 411(2) of the Corporations Act and has been lodged with, and registered by, ASIC under section 412(6) of the Corporations Act. M2 has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court on the Second Court Date.

A copy of this Booklet has also been lodged with ASX.

None of ASIC, ASX nor any of their officers takes any responsibility for the content of this Booklet.

Important notice associated with Court order under section 411(1) of the Corporations Act

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that the Scheme Meeting be convened and has directed that the explanatory statement accompany the Notice of Meeting does not mean that the Court:

(a) has formed any view as to the merits of the Scheme or as to how you should vote on the Scheme (on this matter you must reach your own decision);

(b) has prepared, or is responsible for, the content of this Booklet; or

(c) has approved or will approve the terms of the Scheme.

If you wish to oppose approval of the Scheme at the Second Court Hearing, you may do so by filing with the Court and serving on M2 a notice of appearance in the prescribed form together with any affidavit that you propose to rely on. You may appear at the Second Court Hearing to be held at 10.00am on 5 February 2016 at the Supreme Court of Victoria, 210 William St, Melbourne VIC 3000.

Investment decisions

This Booklet does not take into account your individual investment objectives, financial situation or needs. You must make your own decision in this regard.

The information and recommendations contained in this Booklet do not constitute, and should not be taken as, financial product advice.

The information in this Booklet should not be relied upon as the sole basis for any investment decision. If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised financial, legal and/or taxation adviser without delay.

Forward looking statements

This Booklet contains certain forward looking statements. You should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of M2, Vocus or the Merged Group to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Deviations as to future conduct, market conditions, results, performance and achievements are both normal and to be expected.

Forward-looking statements generally may be identified by the use of forward-looking words such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'foresee', 'future', 'intend', 'likely', 'may', 'planned', 'potential', 'should', or other similar words.

None of the M2 Parties, the Vocus Parties or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Booklet will actually occur. You are cautioned against relying on any such forward looking statements.

The historical financial performance of M2 or Vocus is no assurance or indicator of future financial performance of the Merged Group (or M2 or Vocus in the scenario where the Scheme does not proceed). Neither M2 nor Vocus guarantees any particular rate of return or the performance of the Merged Group, nor do they guarantee the repayment of capital or any particular tax treatment in respect of any investment in the Merged Group.

The forward looking statements in this Booklet reflect views held only as at the date of this Booklet. Additionally, statements of the intentions of Vocus reflect their present intentions as at the date of this Booklet and may be subject to change.

Subject to the Corporations Act and any other applicable laws or regulations, M2 and Vocus disclaim any duty to update any forward looking statements other than with respect to information that they become aware of prior to the Scheme Meeting which is material to making a decision whether or not to vote in favour of the Scheme.

Implied value

Any reference to the implied value of the Scheme Consideration should not be taken as an indication that M2 Shareholders will receive cash. The implied value of the Scheme Consideration is not fixed. As M2 Shareholders are being offered New Vocus Shares as consideration for their M2 Shares under the Scheme, the implied value of the Scheme Consideration will vary with the market price of New Vocus Shares. If you are an Ineligible Foreign Shareholder, this also applies to the New Vocus Shares which will be issued to the Sale Nominee and sold on the ASX by the Sale Nominee. Any cash remitted to Ineligible Foreign Shareholders from the net proceeds of such sales by the Sale Nominee will depend on the market price of New Vocus Shares at the time of sale by the Sale Nominee.

Notice to M2 Shareholders in jurisdictions outside Australia

The release, publication or distribution of this Booklet (electronically or otherwise) may be restricted by law or regulation in jurisdictions other than Australia and if you are outside Australia and come into possession of this Booklet, you should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Booklet has been prepared in accordance with the laws and regulations of Australia and the information contained in this Booklet may not be the same as that which would have been disclosed if this Booklet had been prepared in accordance with the laws and regulations outside Australia.

This Booklet and the Scheme do not in any way constitute an offer of shares in any place in which, or to any person to whom, it would not be lawful to make such an offer.

A Scheme Shareholder will be an Ineligible Foreign Shareholder if their address as shown in the M2 Register (as at the Record Date) is a place outside of Australia and its external territories, New Zealand, Hong Kong, Singapore, the United Kingdom and the states of California, Florida, Georgia, Minnesota, New York, Texas, and Virginia in the United States of America, unless Vocus is satisfied, acting reasonably, that it is permitted to allot and issue New Vocus Shares to that Scheme Shareholder pursuant to the Scheme by the laws of that place either unconditionally or after compliance with conditions that Vocus in its sole discretion regards as acceptable and not unduly onerous or impracticable.

If you are an Ineligible Foreign Shareholder, you will not be able to receive New Vocus Shares. Any New Vocus Shares to which you would otherwise be entitled will be issued to the Sale Nominee and dealt with as described in Section 10.6.1 of this Booklet.

For details regarding Ineligible Foreign Shareholders and foreign selling restrictions that apply in connection with the Scheme, you should refer to Sections 1.4 and 10.6 of this Booklet.

Notice to M2 Shareholders in Hong Kong

The contents of this Booklet have not been reviewed or approved by any Regulatory Authorities in Hong Kong. Recipients are advised to exercise caution in relation to any offer of New Vocus Shares by Vocus. If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised financial, legal and/or taxation adviser without delay.

New Vocus Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document other than:

(a) to a "professional investor" as defined under the *Securities and Futures Ordinance* (Chapter 571 of the Laws of Hong Kong) and any rules made under that ordinance; or

(b) in other circumstances which do not result in the document being a "prospectus" as defined under the *Companies (Winding Up and Miscellaneous Provisions) Ordinance* (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that ordinance.

Further, no person shall issue or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to New Vocus Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Vocus Shares which are or are intended to be disposed of only to persons outside Hong Kong or to "professional investors" as defined in the *Securities and Futures Ordinance* and any rules made under that ordinance or to other legally permitted Hong Kong investors.

The information relating to the offering contained herein may not be used other than by the person to whom it is addressed and may not be reproduced in any form or transferred to any person in Hong Kong.

This Booklet and the Scheme are not an offer for sale of New Vocus Shares to the public in Hong Kong and it is not the intention of Vocus that New Vocus Shares be offered for sale to the public in Hong Kong. A person acquiring New Vocus Shares under the Scheme must not offer those New Vocus Shares or any of them for sale to the Hong Kong public within 6 months after their allotment.

Notice to M2 Shareholders in New Zealand

This Booklet does not constitute a New Zealand product disclosure statement, prospectus or investment statement and has not been registered, filed with or approved by any New Zealand Regulatory Authority under or in connection with the *Securities Act 1978* (NZ) or the *Financial Markets Conduct Act 2013* (NZ). This Booklet is being distributed in New Zealand only to persons to whom New Vocus Shares may be offered in New Zealand pursuant to the *Securities Act (Overseas Companies) Exemption Notice 2013* (or any replacement of that notice).

The offer of the New Vocus Shares will comply with the laws of Australia applicable to the offer of the New Vocus Shares. Further, it is a term of the Scheme that the New Vocus Shares will be quoted on the ASX at the time of their allotment.

The taxation treatment of Australian securities is not the same as for New Zealand securities. The offer of New Vocus Shares may involve a currency exchange risk as they will be quoted on the ASX in Australian dollars.

If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised financial, legal and/or taxation adviser without delay.

Notice to M2 Shareholders in Singapore

This Booklet has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Booklet and any other document or material in connection with the Scheme, or invitation for subscription or purchase, of New Vocus Shares may not be circulated or distributed, nor may New Vocus Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with, the conditions of an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the *Securities and Futures Act*, Chapter 289 of Singapore, save for Section 280.

Notice to M2 Shareholders in the United Kingdom

Neither the information in this Booklet nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom or approved by a person authorised under the *Financial Services and Markets Act 2000*, as amended (***FSMA***). No prospectus (within the meaning of Section 85 of FSMA) has been published or is intended to be published in respect of New Vocus Shares. New Vocus Shares may not be offered or sold in the United Kingdom by means of this Booklet, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to Section 85(1) of FSMA. This Booklet should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received in connection with the issue or sale of New Vocus Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which Section 2l(l) of FSMA does not apply to Vocus.

Important notices and disclaimers

Notice to M2 Shareholders in the United States

The New Vocus Shares to be issued under the Scheme have not been, and are not expected to be, registered under the United States Securities Act of 1933, as amended (***Securities Act***). The New Vocus Shares will be issued pursuant to an exemption from the registration requirements provided by Section 3(a)(10) of the Securities Act based on the approval of the Scheme by the Court. For the purpose of qualifying for the exemption provided by Section 3(a)(10) of the Securities Act, M2 will advise the Court that its sanctioning of the Scheme will be relied on by Vocus as an approval of the Scheme, following hearings on its fairness to M2 Shareholders, at which court hearings all M2 Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all M2 Shareholders. The New Vocus Shares will not be registered under the securities laws of any state or other jurisdiction of the United States, and will be issued in the United States pursuant to the Scheme in reliance on available exemptions from such state law registration requirements.

The New Vocus Shares issued under the Scheme to Scheme Shareholders will be freely transferable under United States federal securities laws, except by persons who are deemed to be "affiliates" (as that term is defined under the Securities Act) of Vocus, including persons who are deemed to have been affiliates of Vocus within 90 days before the Effective Date. In the event that the New Vocus Shares issued under the Scheme are in fact held by affiliates of Vocus, those holders may transfer the securities (i) in accordance with the provisions of Rule 144 promulgated under the Securities Act, or (ii) as otherwise permitted under the Securities Act. United States M2 Shareholders should note that the Scheme is made for the securities of an Australian company in accordance with the laws of Australia and the Listing Rules.

The Scheme is subject to disclosure requirements of Australia that are different from those of the United States. For example, the pro forma financial information included in this Booklet has been prepared in accordance with AAS as issued by the AASB and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. There are differences between such standards and United States generally accepted accounting principles (***U.S. GAAP***) that may be material to such financial information. Additionally, the pro forma financial information included in this Booklet for Vocus after giving effect to the Scheme may not comply with Article 11 of Regulation S-X of the Rules and Regulations of the United States Securities and Exchange Commission. The rules and regulations related to the preparation of financial information in the United States or other jurisdictions may vary significantly from the requirements applicable in Australia. You should be aware that Vocus may purchase securities otherwise than under the Scheme, such as in the open market or by privately negotiated purchases.

This Booklet has not been filed with or reviewed by the United States Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of this Booklet. Any representation to the contrary is a criminal offence. No offer of New Vocus Shares is being made in any state of the United States or other US jurisdiction in which it is not legally permitted to do so.

Privacy and personal information

M2, Vocus and their respective share registries may need to collect personal information to implement the Scheme. The personal information collected may include your name, contact details and details of holdings of M2 Shareholders, together with contact details of individuals appointed as proxies, attorneys or corporate representatives for the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist M2 to conduct the Scheme Meeting and to assist M2 and Vocus to implement the Scheme.

If you are an individual, you and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected. If you wish to exercise these rights, you may contact the M2 Shareholder Information Line on 1300 853 781 (callers within Australia) or +61 1300 853 781 (callers outside Australia) on Business Days between 8.30am and 5.30pm (Melbourne time).

The personal information collected may be disclosed to M2, Vocus and their respective Related Bodies Corporate and advisers, print and mail service providers, share registries, share brokers and any other service provider to the extent necessary to implement the Scheme.

If the personal information outlined above is not collected, M2 may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme.

If you appoint an individual as your proxy, attorney or corporate representative to vote at the Scheme Meeting, you should inform that individual of the matters outlined above.

Defined terms

Capitalised terms used in this Booklet are defined in Section 12, or defined within the Section that they appear.

Diagrams, charts, maps, graphs and tables

Any diagrams, charts, maps, graphs and tables appearing in this Booklet are illustrative only and may not be drawn to scale.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Booklet are subject to the effect of rounding.

Accordingly, the actual calculation of figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Booklet.

Any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding.

Timetable and dates

All references to times in this Booklet are references to the time in Melbourne, Australia, unless otherwise stated. The dates and times set out in the timetable on page 3 are indicative only and are subject to change. Any changes to the timetable will be announced to ASX and published on M2's website at www.m2.com.au.

Financial amounts

All financial amounts in this Booklet are expressed in Australian currency unless otherwise stated.

No internet site is part of this Booklet

M2 and Vocus maintain websites. Any references in this Booklet to any website are for informational purposes only and no information contained on any website forms part of this Booklet.

Supplementary information

Please refer to Section 11.9 for information about the steps that M2 will take if information about the Scheme needs to be updated.

If you have any questions or require further information in relation to this Booklet or the Scheme you should call the M2 Shareholder Information Line on 1300 853 781 (callers within Australia) or +61 1300 853 781 (callers outside Australia) on Business Days between 8.30am and 5.30pm (Melbourne time).

Date of this Booklet

This Booklet is dated 11 December 2015.

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Corporate directory ..... Inside Back Cover

Key Dates and Times

Event	Indicative date
Date of this Booklet	11 December 2015
Deadline for receipt of the Scheme Meeting Proxy Form by the M2 Registry	10.30am on 26 January 2016
Voting Record Date For determination of eligibility to vote at the Scheme Meeting	7.00pm on 26 January 2016
Scheme Meeting	10.30am on 28 January 2016
If the Scheme is approved by M2 Shareholders, and all other Conditions (other than Court approval of the Scheme and the orders of the Court approving the Scheme being lodged with ASIC) are satisfied or waived (if applicable), on or before 5 February 2016, the following key dates will apply:	
Second Court Hearing Court hearing for approval of the Scheme	5 February 2016
Effective Date Last date M2 Shares will trade on ASX	8 February 2016
New Vocus Shares commence trading on the ASX (deferred settlement basis)	9 February 2016
Record Date Determination of entitlement of Scheme Shareholders to receive the Scheme Consideration	7.00pm on 15 February 2016
Implementation Date Transfer of all Scheme Shares to Vocus and the issue of the Scheme Consideration to Scheme Shareholders	22 February 2016
New Vocus Shares commence trading on a normal settlement basis on the ASX	23 February 2016
Dividends Record Date	No later than 20 Business Days after the Implementation Date

If the Scheme is approved by M2 Shareholders, but any Conditions remain outstanding on the scheduled date for the Second Court Hearing (other than Court approval of the Scheme and the orders of the Court approving the Scheme being lodged with ASIC), the Second Court Hearing will be held as soon as reasonably practicable after those Conditions have been satisfied or waived (if applicable), provided this occurs by 30 April 2016 (or such other date and time agreed in writing between Vocus and M2).

These dates and times are indicative only and are subject to change. The actual timetable will depend on many factors outside the control of M2, including approvals from the Court and other Regulatory Authorities. Any changes to the above timetable will be announced to ASX and published on M2's website at www.m2.com.au.

Letter from the Chairman of M2

Dear fellow shareholders,

On behalf of the M2 Directors, I am pleased to provide to you this Booklet, which sets out the details of the proposed combination between M2 and Vocus and matters relevant to your vote on the Scheme.

On 28 September 2015, M2 and Vocus announced that they had entered into a Merger Implementation Agreement under which, subject to certain conditions, the two companies will merge by way of an M2 scheme of arrangement.

If the Scheme is approved, M2 Shareholders will receive 1.625 New Vocus Shares for each M2 Share held on the Record Date.[1] Based on:

- Vocus' closing share price on 25 September 2015 (being the last trading day prior to the announcement of the Scheme), the Scheme Consideration represents an implied value of $10.55 per M2 Share;
- Vocus' closing share price on 10 December 2015 (being the last practicable trading day prior to the date of this Booklet), the Scheme Consideration represents an implied value of $12.17 per M2 Share;
- Vocus' 30 day VWAP to 25 September 2015 (being the last trading day prior to the announcement of the Scheme), the Scheme Consideration represents an implied value of $9.86 per M2 Share; and
- Vocus' 30 day VWAP to 10 December 2015 (being the last practicable trading day prior to the date of this Booklet), the Scheme Consideration represents an implied value of $11.33 per M2 Share.

Upon implementation of the Scheme, M2 Shareholders will own approximately 56% of the Merged Group.

Subject to the Scheme becoming Effective, Vocus expects to pay a fully franked dividend in respect of the six month period ending 31 December 2015 of M2 and Vocus, of 7.6 cents per Vocus Share and a fully franked special dividend of 1.9 cents per Vocus Share, with the record date for the dividends being after the Implementation Date. M2 Shareholders who continue to hold their New Vocus Shares on the Dividends Record Date will be entitled to receive these dividends from Vocus.

The Scheme brings together two highly complementary businesses and creates a full-service vertically integrated, infrastructure-backed trans-Tasman telecommunications company, with scale, proven capabilities and services relevant to individuals and corporate and government entities in Australia and New Zealand. The Merged Group will be the 4th largest integrated telecommunications company in Australia by market capitalisation[2] and the 3rd largest in New Zealand by subscribers.

The combination is expected to realise approximately $40 million per annum of cost synergies by the end of FY2018 and result in the potential for revenue synergies. The M2 and Vocus management teams estimate the one-time costs associated with achieving the abovementioned cost synergies to be approximately $20 million.

Geoff Horth, CEO of M2, will be appointed as the CEO of the Merged Group. Vaughan Bowen, Executive Director and founder of M2, and James Spenceley, current CEO and founder of Vocus, will continue on the Merged Group Board as Executive Directors, retaining their focus on strategic acquisition opportunities and telecommunications infrastructure strategy, respectively. I will be appointed Deputy Chairman and David Spence, Chairman of Vocus, will be appointed Chairman of the Merged Group.

The M2 Directors appointed Grant Samuel & Associates Pty Limited to prepare an Independent Expert's Report in relation to the Merger. The Independent Expert concluded that the Merger is in the best interests of M2 Shareholders, in the absence of a superior proposal.

Section 3.3 of this Booklet summarises the reasons identified by the M2 directors as to why you may not want to vote in favour of the Scheme. The M2 Directors believe that you should take into consideration these factors when deciding whether or not to vote in favour of the Scheme.

The M2 Directors have considered the advantages and disadvantages of the Scheme and unanimously recommend that you vote in favour of the Scheme, in the absence of an M2 Superior Proposal. Each M2 Director intends to vote in favour of the Scheme in relation to the M2 Shares held or controlled by them, in the absence of an M2 Superior Proposal.

The Scheme can only be implemented if approved by M2 Shareholders at the Scheme Meeting to be held at 10.30am (Melbourne time) on 28 January 2016 at the Auditorium, Mezzanine Level, 452 Flinders Street, Melbourne, Victoria and the Conditions are satisfied.

Your vote is important and I strongly encourage you to read this Booklet carefully and cast an informed vote on the Scheme. If you do not wish to or are unable to attend the Scheme Meeting in person, I encourage you to vote online at www.linkmarketservices.com.au or by completing the accompanying personalised Scheme Meeting Proxy Form and returning it to the M2 Registry so that it is received no later than 10:30am (Melbourne time) on 26 January 2016.

If you have any questions or require further information in relation to this Booklet or the Scheme you should call the M2 Shareholder

1 The Scheme Consideration is subject to rounding for fractional entitlements. Furthermore, Ineligible Foreign Shareholders will not be entitled to receive any New Vocus Shares and will instead receive cash under the Sale Facility for any New Vocus Shares that they would have otherwise been entitled to receive. See Section 10.6 for further information about how Sale Proceeds will be distributed to Ineligible Foreign Shareholders.

2 Based on the combination of M2's and Vocus' stand-alone market capitalisations of approximately $2.1 billion and $1.7 billion respectively as at the close of trading on 10 December 2015.

Information Line on 1300 853 781 (callers within Australia) or +61 1300 853 781 (callers outside Australia) on Business Days between 8.30am and 5.30pm (Melbourne time). If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised financial, legal and/or taxation adviser without delay.

On behalf of the M2 Directors I would like to take this opportunity to thank you for your ongoing support and I look forward to your participation at the Scheme Meeting.

Yours sincerely,

Craig Farrow
Chairman
M2 Group Ltd

Letter from the Chairman of Vocus

Dear M2 Shareholder,

The Vocus Board and management are pleased to present the compelling opportunity to participate in the merger of Vocus and M2 to create a full-service vertically integrated trans-Tasman telecommunications company that is eligible to sit well within the S&P/ASX 100.

The combination of Vocus and M2 is supported by the M2 Directors, who unanimously recommend that M2 Shareholders vote in favour of the Scheme, in the absence of an M2 Superior Proposal. The Independent Expert has also concluded that the Merger is in the best interests of M2 Shareholders, in the absence of a superior proposal.

Vocus is an ASX listed telecommunications company with extensive Australian and New Zealand fibre networks underpinned by international transmission capacity and connectivity. It is a leading provider of integrated telecommunication services including Fibre, Ethernet, Internet, Data Centres and Unified Communications primarily to corporate, government and wholesale customers.

The Scheme will combine Vocus' expansive telecommunications infrastructure in Australia and New Zealand with M2's established brands and more than 2.1 million services in operation. Vocus considers that this combination will benefit both companies' shareholders as the Merged Group is expected to be strategically positioned to take maximum advantage of the National Broadband Network in Australia and Ultra-Fast Broadband in New Zealand.

Further details of the benefits of the Merger to M2 Shareholders are detailed in the reasons to vote in favour of the Scheme set out in Section 3.2 of this Booklet. A summary of the reasons identified by the M2 directors as to why you may not want to vote in favour of the Scheme is set out in Section 3.3 of this Booklet.

As an M2 Shareholder, your vote is important to ensure that the Scheme is implemented and the benefits of the Merger can be realised by all shareholders.

This Booklet provides important information in relation to the Merger and, on behalf of the Vocus Board, I encourage you to read it carefully and vote in favour of the Scheme at the Scheme Meeting to be held at the Auditorium, Mezzanine Level, 452 Flinders Street, Melbourne, Victoria at 10:30am on 28 January 2016.

As Chairman of the Vocus Board, I look forward to welcoming you as a shareholder of Vocus on successful implementation of the Scheme.

Yours sincerely,

David Spence
Chairman
Vocus Communications Limited

1. Overview of the Scheme

1.1 What is the Scheme?

On 28 September 2015, M2 and Vocus announced that they had entered into a Merger Implementation Agreement, under which the two companies will merge, by way of an M2 scheme of arrangement. Under the terms of the Merger, each M2 Share will be exchanged for 1.625 New Vocus Shares issued pursuant to the Scheme.[3]

If the Scheme is approved and implemented, all M2 Shares will be transferred to a wholly-owned subsidiary of Vocus and M2 will be delisted from the ASX.

A detailed description of the terms of the Scheme is set out in Section 10 of this Booklet.

1.2 What is Vocus?

Vocus is a leading trans-Tasman provider of integrated telecommunications services, including Fibre, Ethernet, Internet, Data Centres and Unified Communications, with extensive Australian and New Zealand fibre networks underpinned by international connectivity. An overview of Vocus is provided in Section 6.

1.3 What will you receive?

If the Scheme is approved and implemented, Scheme Shareholders will be entitled to receive 1.625 New Vocus Shares for each M2 Share held on the Record Date.[3] Based on:

- Vocus' closing share price on 25 September 2015 (being the last trading day prior to the announcement of the Scheme), the Scheme Consideration represents an implied value of $10.55 per M2 Share;
- Vocus' closing share price on 10 December 2015 (being the last practicable trading day prior to the date of this Booklet), the Scheme Consideration represents an implied value of $12.17 per M2 Share;
- Vocus' 30 day VWAP to 25 September 2015 (being the last trading day prior to the announcement of the Scheme), the Scheme Consideration represents an implied value of $9.86 per M2 Share; and
- Vocus' 30 day VWAP to 10 December 2015 (being the last practicable trading day prior to the date of this Booklet), the Scheme Consideration represents an implied value of $11.33 per M2 Share.

Fractional entitlements will be rounded up or down to the nearest whole number (rounded up if the fractional entitlement is equal to or greater than one half, and rounded down if the fractional entitlement is less than one half), but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares.

1.4 Ineligible Foreign Shareholders

A Scheme Shareholder will be an Ineligible Foreign Shareholder if their address as shown in the M2 Register (as at the Record Date) is a place outside of Australia and its external territories, New Zealand, Hong Kong, Singapore, the United Kingdom and the states of California, Florida, Georgia, Minnesota, New York, Texas, and Virginia in the United States of America, unless Vocus is satisfied, acting reasonably, that it is permitted to allot and issue New Vocus Shares to that Scheme Shareholder pursuant to the Scheme by the laws of that place either unconditionally or after compliance with conditions that Vocus in its sole discretion regards as acceptable and not unduly onerous or impracticable.

Vocus will be under no obligation under the Scheme to issue, and will not issue, any New Vocus Shares to Ineligible Foreign Shareholders, and will instead issue the New Vocus Shares that would have otherwise been issued to the Ineligible Foreign Shareholders to the Sale Nominee.

Vocus will procure, as soon as reasonably practicable and in any event no more than 15 Business Days after the Implementation Date, that the Sale Nominee sell those New Vocus Shares issued to the Sale Nominee on the ASX and in such manner, at such price and on such other terms as the Sale Nominee determines in good faith.

After the last sale of those New Vocus Shares, net proceeds (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges) will be paid by the Sale Nominee into an account controlled by Vocus. Vocus will remit proceeds that it receives from the Sale Nominee in respect of the sale of those New Vocus Shares to Ineligible Foreign Shareholders in accordance with their entitlements.

For additional details about the provision of Scheme Consideration in respect of Ineligible Foreign Shareholders, you should refer to Section 10.6 of this Booklet.

1.5 Reasons to vote in favour of the Scheme

1. The Merger will result in the creation of a full-service vertically integrated, infrastructure-backed trans-Tasman telecommunications company, with a product and service offering relevant to individuals and corporate and government entities in Australia and New Zealand
2. The Merger is expected to result in cost synergies and the potential for revenue synergies
3. The Merged Group will have strengthened strategic positioning to capitalise on the NBN in Australia and the UFB in New Zealand
4. The Merged Group is expected to have greater relevance for equity and debt investors through increased scale

3 The Scheme Consideration is subject to rounding for fractional entitlements, as described in Section 10.9. Furthermore, Ineligible Foreign Shareholders will not be entitled to receive any New Vocus Shares and will instead receive cash under the Sale Facility for any New Vocus Shares that they would have otherwise been entitled to receive. See Section 10.6 for further information about how Sale Proceeds will be distributed to Ineligible Foreign Shareholders.

5. The Merged Group is expected to have an improved base to pursue further growth initiatives
6. The Merger combines capable and highly experienced boards and management teams with a proven track record

Reasons to vote in favour of the Scheme are set out in more detail in Section 3.2.

1.6 Reasons why you may not want to vote in favour of the Scheme

1. You may disagree with the M2 Directors' recommendation and the Independent Expert's conclusion and prefer M2 to continue to operate as a stand-alone entity
2. There are risks associated with implementing the Merger which you may consider exceed the benefits of the Merger
3. You may consider that there is a possibility that an M2 Superior Proposal could emerge in the foreseeable future
4. The Scheme may be subject to conditions that you consider unacceptable
5. The value of the Scheme Consideration is not certain and will depend on the price at which New Vocus Shares trade on the ASX after the Implementation Date

Reasons why you may not want to vote in favour of the Scheme are set out in more detail in Section 3.3.

Action required by M2 Shareholders

What should I do?

You should read this Booklet carefully in its entirety, including the reasons to vote in favour of or against the Scheme set out in Sections 3.2 and 3.3, before making any decision on how to vote on the Scheme.

It is important that you consider the information disclosed in light of your own particular investment needs, objectives and financial circumstances.

Answers to various frequently asked questions about the Scheme are set out in Section 4.

If you have any additional questions or require further information in relation to this Booklet or the Scheme you should call the M2 Shareholder Information Line on 1300 853 781 (callers within Australia) or +61 1300 853 781 (callers outside Australia) on Business Days between 8.30am and 5.30pm (Melbourne time). If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised financial, legal and/or taxation adviser without delay.

You should vote on the Scheme

Vote on the Scheme by following the instructions set out in Section 2.

Participate in the proposal

If you are eligible and want to participate in the Scheme, you will need to ensure that you do not sell your M2 Shares prior to the Record Date, which is expected to be 7pm on 15 February 2016.

If the Scheme proceeds, you do not need to take further action to participate in the Scheme.

2. How do I vote on the Scheme?

YOUR VOTE IS IMPORTANT

M2 Shareholders who are registered on the M2 Register on the Voting Record Date are entitled to vote on the Scheme Resolution[4]. You can:

(a) **Vote in person** – by attending the Scheme Meeting at the Auditorium, Mezzanine Level, 452 Flinders Street, Melbourne, Victoria, commencing at 10.30am on 28 January 2016. Please bring a suitable form of personal identification (such as a driver's licence). Registration for the Scheme Meeting commences at 10.00am.

(b) **Vote by proxy** – if you are unable to attend the Scheme Meeting and you want to appoint a proxy to vote your M2 Shares on your behalf:

(i) complete, sign and return the original Scheme Meeting Proxy Form accompanying this Booklet in accordance with the instructions set out on the form (see Appendix 5 to this Booklet for more details) so that it is received by no later than 10:30am on 26 January 2016; and

(ii) arrange to have your proxy or proxies attend the Scheme Meeting (if you are appointing a person other than the Chairman of the Scheme Meeting as your proxy).

You can lodge a Scheme Meeting Proxy Form:

(i) online at www.linkmarketservices.com.au (instructions on how to lodge online can be found on the Scheme Meeting Proxy Form);

(ii) by return mail using the reply paid envelope accompanying the Notice of Scheme Meeting;

(iii) by mail to Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235;

(iv) by hand delivery to Link Market Services Limited, Level 12, 680 George Street, Sydney; or

(v) by fax to + 61 (02) 9287 0309.

Please be aware that the closing time for receipt of proxies falls on the Australia Day public holiday. As such, if you intend to lodge your Scheme Meeting Proxy Form by mail, please ensure that you post it with sufficient time for it to be received prior to 26 January 2016. Alternatively, you may lodge your Scheme Meeting Proxy Form at any time up until 10:30am on 26 January 2016 either online or by fax.

(c) **Vote by attorney** – you may appoint an attorney to attend and vote at the Scheme Meeting on your behalf. Such an appointment must be made by a duly executed power of attorney, which must be received by M2 at its registered office by 10.30am on 26 January 2016, unless it has been previously provided to M2.

Please be aware that the closing time for receipt of powers of attorney falls on the Australia Day public holiday. As such, please ensure that you post your duly executed power of attorney with sufficient time for it to be received prior to 26 January 2016.

(d) **Vote by body corporate representative** – if you are a body corporate, you can appoint a corporate representative to attend and vote at the Scheme Meeting on your behalf. The appointment must comply with section 250D of the Corporations Act.

Direct voting is not available in relation to the Scheme Resolution.

You can lodge the Scheme Meeting Proxy Form:

(i) online at www.linkmarketservices.com.au (instructions on how to lodge online can be found on the Scheme Meeting Proxy Form);

(ii) by return mail using the reply paid envelope accompanying the Notice of Scheme Meeting;

(iii) by mail to Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235;

(iv) by hand delivery during business hours to Link Market Services Limited, Level 12, 680 George Street, Sydney; or

(v) by fax to +61 (02) 9287 0309.

In order for the Scheme to proceed, the Scheme must be approved by:

(a) unless the Court orders otherwise, a majority in number (more than 50%) of M2 Shareholders present and voting at the Scheme Meeting (in person or by proxy, body corporate representative or attorney); and

(b) at least 75% of the total number of votes which are cast at the Scheme Meeting.

4 Excluding Vocus and any Related Bodies Corporate of Vocus.

3. Directors recommendation and matters relevant to your vote

3.1 What is the M2 Directors' recommendation?

The M2 Directors consider that the Merger represents a unique and compelling opportunity for M2 Shareholders that is expected to create significant value. **On this basis, the M2 Board supports the Merger and unanimously recommends that M2 Shareholders vote in favour of the Scheme, in the absence of an M2 Superior Proposal.**

In coming to this view, the M2 Directors have taken into account the following:

(a) The reasons to vote in favour of the Scheme outweigh the reasons why you may not want to vote in favour

The M2 Directors consider that the reasons to vote in favour of the Scheme outweigh the reasons you may not want to vote in favour of the Scheme. Sections 3.2 and 3.3 outline the key reasons to vote in favour of the Scheme and the reasons you may not want to vote in favour of the Scheme, respectively, which the M2 Directors have considered in forming this opinion.

(b) The findings of the Independent Expert

In addition to the M2 Board supporting the Merger, the Independent Expert engaged to provide an opinion on the Merger, Grant Samuel & Associates Pty Limited, has concluded the Merger is in the best interests of M2 Shareholders, in the absence of a superior proposal.

A copy of the Independent Expert's Report is included in Appendix 1 to this Booklet. The M2 Directors encourage you to read the Independent Expert's Report in its entirety before making a decision as to whether or not to vote in favour of the Scheme.

3.2 Reasons to vote in favour of the Scheme

This Section should be read in conjunction with the "Reasons why you may not want to vote in favour of the Scheme" set out in Section 3.3 of this Booklet, and the "Additional Considerations" set out in Section 3.4 of this Booklet.

The M2 Directors consider the Scheme is in the best interests of M2 Shareholders and recommend that M2 Shareholders vote in favour of the Scheme, in the absence of an M2 Superior Proposal, for the reasons outlined below.

3.2.1 Creation of a full-service vertically integrated, infrastructure-backed trans-Tasman telecommunications company, offering products and services relevant to individuals and corporate and government entities in Australia and New Zealand

The Merger brings together two highly complementary businesses, combining Vocus' telecommunications infrastructure and corporate customer base with M2's demonstrated expertise in the consumer and SMB segments, to create a full-service vertically integrated telecommunications company. The Merged Group will have a significantly enhanced infrastructure footprint and a suite of products and brands relevant to individuals and corporate and government entities in Australia and New Zealand.

The enhanced infrastructure footprint of the Merged Group will include approximately 1,800km of Australian metro fibre, over 3,400 Australian on-net buildings, and approximately 4,700km of New Zealand intercity fibre. Further, the combined infrastructure assets include 532 DSL enabled exchanges across Australia and New Zealand, submarine cable capacity connecting Australia and New Zealand to the United States, Hong Kong and Singapore, and coverage across both NBN Points Of Interconnect (***POIs***) in Australia and UFB POIs in New Zealand. The Merged Group will also have a next-generation voice platform and provide carrier-grade services in Australia and New Zealand.

The Merged Group's infrastructure footprint is set out below.

COMBINED NETWORK INFRASTRUCTURE ASSETS

Merged Group Infrastructure	
Fibre Infrastructure	✓ 1,800km of metropolitan fibre in Australia ✓ 3,400+ Australian on-net buildings ✓ 4,700km of New Zealand intercity fibre
Internet Infrastructure	✓ 532 DSL enabled exchanges across Australia and New Zealand ✓ Submarine cable capacity connecting Australia and New Zealand to the United States, Hong Kong and Singapore ✓ 100% coverage of NBN POIs in Australia ✓ Access to 100% of UFB POIs in New Zealand
Data Centres	✓ 22 facilities across 17 sites totalling over 8,000m^2 ✓ Data centres with locations in Sydney, Melbourne, Perth, Auckland, Christchurch and Newcastle
Voice Infrastructure	✓ Next-generation voice platform and provide carrier-grade services in Australia and New Zealand ✓ Broadsoft and Cisco enterprise voice products

The Merged Group will also have a suite of brands across the consumer, SMB, corporate, government and wholesale segments in Australia and New Zealand, offering a full suite of telecommunications products and differentiated by its Australian energy offering.

3. Directors recommendation and matters relevant to your vote

The Merged Group's suite of brands is set out below.

MERGED GROUP SEGMENTS AND LEADING BRANDS

	Consumer	Small and medium sized businesses	Corporate and Government	Wholesale
	Households in Australia and New Zealand	2-49 employees	50-2,000 employees and government departments	
Australian Brands	dodo, iPRIMUS	COMMANDER	VOCUS communications	VOCUS communications
New Zealand Brands	slingshot, orcon, flip	CallPlus, talk	VOCUS communications	VOCUS communications

The Merged Group's diverse product portfolio will encompass:

- Retail internet;
- Retail electricity and gas;
- Corporate internet and IP voice;
- Wholesale internet and IP voice;
- Data centres and cloud services;
- International and domestic bandwidth;
- Dark fibre; and
- Insurance products.

3.2.2 The Merger is expected to generate cost synergies and has the potential to generate revenue synergies

The Merger is expected to result in material cost savings for the Merged Group relative to M2 and Vocus on a stand-alone basis.

Based on Vocus and M2 management teams' estimates as at the date of this Booklet, the Merger is expected to generate approximately $40 million of annualised cost synergy benefit by the end of FY2018. Key drivers of these cost synergies include:

(a) network synergies: savings from network optimisation and consolidation leveraging the Merged Group's existing assets; and

(b) non-network synergies: savings from duplicated public company costs, rationalisation of facilities and premises and other selling, general and administrative costs.

The Vocus and M2 management teams estimate the one-time costs associated with achieving the abovementioned cost synergies to be approximately $20 million.

In addition to the cost savings, the Merger has the potential to provide for revenue synergies, including:

(a) utilising Vocus' fibre to enable M2's DSLAM network in Australia and New Zealand;

(b) mobilisation of M2's expansive distribution network to further penetrate Vocus' on-net buildings; and

(c) the cross-selling of the Merged Group's complementary products and services to both M2 and Vocus customers in Australia and New Zealand.

At the date of this Booklet, these potential revenue synergies have not yet been quantified by Vocus and M2 management teams.

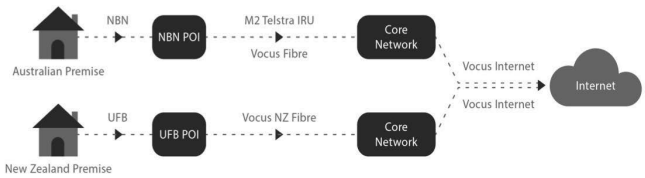
Refer to Section 7.2 of this Booklet for further details about the expected cost and revenue synergies of the Merged Group.

3.2.3 Strengthened strategic positioning to capitalise on NBN in Australia and UFB in New Zealand

The Merged Group will have 100% coverage of NBN POIs in Australia and access to 100% of UFB POIs in New Zealand, via a combination of both M2's Telstra IRU and Vocus' existing fibre network.

The Merged Group will be able to provide a full-suite of NBN and UFB enabled products, connecting Australian and New Zealand premises to the internet, as set out below.

NBN AND UFB CAPABILITY



Note: Diagram for illustrative purposes only

3.2.4 Expected greater relevance for equity and debt investors through increased scale

The Merged Group is expected to be of greater relevance to equity and debt investors through its increased scale relative to both M2 and Vocus on a stand-alone basis.

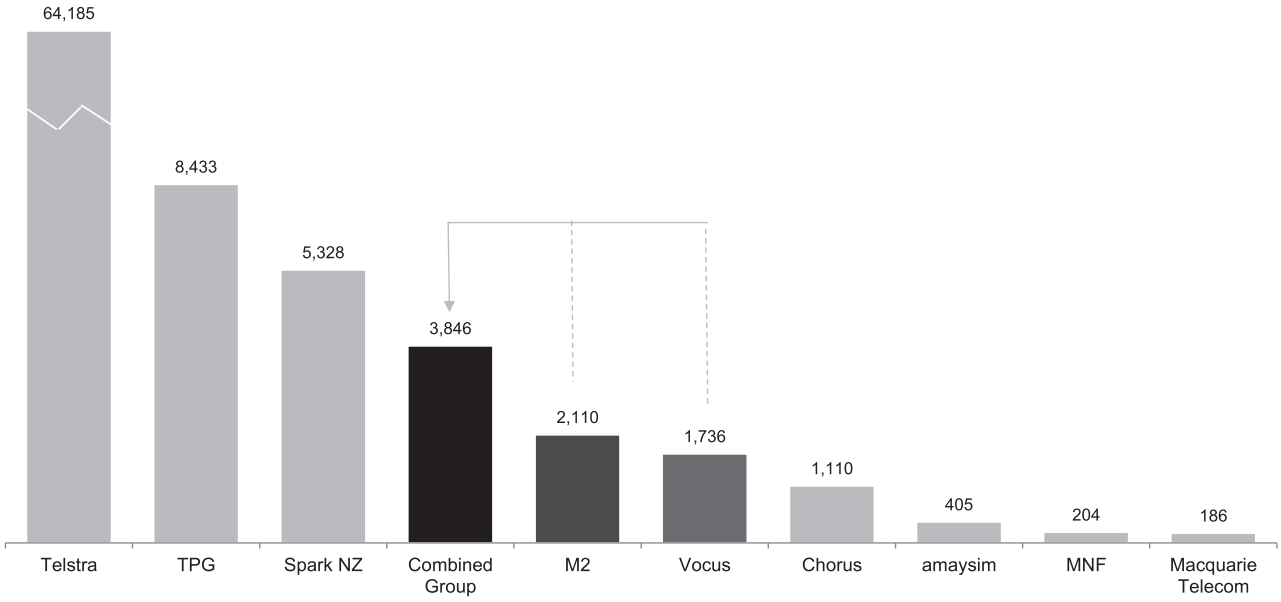
Based on a market capitalisation of approximately $4 billion[5], the Merged Group will be:

(a) a significant player in the Australian and New Zealand telecommunications sector;

(b) the fourth largest integrated telecommunications company in Australia by market capitalisation and the third largest in New Zealand based on subscribers; and

(c) eligible to sit well within the S&P / ASX 100.

LISTED AUSTRALIAN AND NEW ZEALAND TELECOMMUNICATIONS COMPANIES BY MARKET CAPITALISATION ($MILLION)[6]



3.2.5 Improved base to pursue further growth initiatives

The Merged Group's enhanced scale, distribution network, broader market reach and compelling product offering is likely to offer increased opportunities to drive growth initiatives.

The Merged Group will have a national network with a presence in all Australian and New Zealand capital cities, and will offer an expanded product portfolio, thereby providing the ability to bid for a far greater range of new business than M2 and Vocus would have been positioned to pursue on a stand-alone basis.

Further, the Merged Group is expected to have greater financial capacity given the combined balance sheet, and funding flexibility via improved access to funding sources, to pursue growth initiatives.

3.2.6 Combines capable and highly experienced boards and management teams with a proven track record

Both M2 and Vocus have board and management teams with extensive experience in the telecommunications industry and a successful track record of generating value for shareholders.

The Merger will combine M2 and Vocus' significant board and management teams' expertise and technical, industry, commercial, development and operating skills, to implement the Merged Group's strategy, and seek to realise the potential synergies and to take full advantage of the available opportunities in the telecommunications sector for the benefit of all shareholders.

M2 founder, Vaughan Bowen, and Vocus founder and CEO, James Spenceley, will continue on the Merged Group Board as Executive Directors. M2 CEO, Geoff Horth, will continue as CEO of the Merged Group.

5 Based on the combination of M2's and Vocus' stand-alone market capitalisations of approximately $2.1 billion and $1.7 billion respectively as at the close of trading on 10 December 2015.

6 Based on closing trading prices as at 10 December 2015. Source: IRESS

3.3 Reasons why you may not want to vote in favour of the Scheme

This Section summarises the reasons identified by the M2 Directors as to why you may not want to vote in favour of the Scheme. The M2 Directors believe M2 Shareholders should take into consideration these factors when deciding whether or not to vote in favour of the Scheme.

The M2 Directors believe that the reasons to vote in favour of the Scheme outweigh the reasons you may not want to vote in favour of the Scheme and that the Scheme is in the best interests of M2 Shareholders, in the absence of an M2 Superior Proposal.

3.3.1 You may disagree with the M2 Directors' recommendation and the Independent Expert's conclusion and prefer M2 to continue to operate as a stand-alone entity

Notwithstanding the unanimous recommendation of the M2 Directors and the conclusions of the Independent Expert, you may believe that the Scheme is not in your best interests.

There is no obligation to follow the recommendation of the M2 Directors or to agree with the opinion of the Independent Expert.

3.3.2 There are risks associated with implementing the Merger which you may consider exceed the benefits of the Merger

While the assets and operations of M2 and Vocus are highly complementary, with the combination of the two expected to create substantial cost synergies, the underlying business models of the two companies on a stand-alone basis are fundamentally different. M2 operates primarily as a reseller of telecommunications services, whereas the majority of Vocus' services are delivered via its own infrastructure, resulting in different asset characteristics, operational profiles and dividend distribution policies. It is possible that you may wish to maintain an interest in M2 as a stand-alone company because you are seeking an investment in a publicly listed company with the specific characteristics of M2, including its dividend yield and earnings per share profile.

One of the benefits of the Merger is the potential for the Merged Group to realise synergies, as detailed in Section 7.2 of this Booklet. However, you may consider that the integration of M2 and Vocus may be more difficult or take more time than currently anticipated and there is a risk that the expected synergies may not be realised within the anticipated timeframe or to their full extent. Failure to achieve target synergies within the anticipated timeframe may have an adverse effect on the operations, financial performance and financial position of the Merged Group.

3.3.3 You may consider that there is a possibility that an M2 Superior Proposal could emerge in relation to M2 in the foreseeable future

You may consider that an M2 Superior Proposal, which is more attractive to M2 Shareholders than the Scheme, could emerge in the foreseeable future. Implementation of the Scheme will mean that existing M2 Shareholders will not receive the benefit of any such proposal.

Since the announcement of the Scheme on 28 September 2015 and up to the date of this Booklet, the M2 Directors have not received or become aware of an M2 Superior Proposal and have no basis for considering that an M2 Superior Proposal will emerge.

The M2 Directors note that the Merger Implementation Agreement prohibits M2 from soliciting M2 Competing Proposals, however, M2 is permitted to respond to any M2 Competing Proposals should the M2 Directors determine that failing to do so would likely constitute a breach of their fiduciary or statutory duties. Further details of the Merger Implementation Agreement are provided in Section 10.12 of this Booklet.

3.3.4 The Scheme may be subject to conditions that you consider unacceptable

In addition to competition law clearance in both Australia and New Zealand, M2 Shareholder approval and Court approval, the Scheme is subject to other Conditions. The Conditions (and their status as at the date of this Booklet) are summarised in Sections 10.12.1 and 10.13 and set out in full in clause 3.1 of the Merger Implementation Agreement and clause 3.1 of the Scheme. It is possible that you consider that those Conditions are unacceptable.

3.3.5 The value of the Scheme Consideration is not certain and will depend on the price at which New Vocus Shares trade on the ASX after the Implementation Date

If the Scheme is implemented, Scheme Shareholders will receive the Scheme Consideration of 1.625 New Vocus Shares in respect of each M2 Share they hold on the Record Date.[7] The value of New Vocus Shares received by Scheme Shareholders on the implementation of the Scheme will depend on the price at which New Vocus Shares trade on the ASX on or after the Implementation Date.

Following implementation of the Scheme, the price of New Vocus Shares may rise or fall based on market conditions and the Merged Group's financial and operational performance. If the price of New Vocus Shares falls, the value of New Vocus Shares received as Scheme Consideration will decline. If the price of New Vocus Shares

7 The Scheme Consideration is subject to rounding for fractional entitlements, as described in Section 10.9. Furthermore, Ineligible Foreign Shareholders will not be entitled to receive any New Vocus Shares and will instead receive cash under the Sale Facility for any New Vocus Shares that they would have otherwise been entitled to receive. See Section 10.6 for further information about how Sale Proceeds will be distributed to Ineligible Foreign Shareholders.

increases, the value of the New Vocus Shares received as Scheme Consideration will increase.

Accordingly, there is no guarantee as to the future value of the Scheme Consideration to be received under the Scheme.

3.4 Additional Considerations

You should also take into account the following additional considerations in deciding whether to vote in favour of, or against, the Scheme.

3.4.1 The Scheme may be implemented even if you do not vote at the Scheme Meeting or vote against the Scheme

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the requisite majorities of M2 Shareholders and the Court. If this occurs, your M2 Shares will be transferred to a wholly-owned subsidiary of Vocus and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme.

3.4.2 Break fees

A break fee of $15 million is payable by M2 to Vocus and a break fee of $15 million is payable by Vocus to M2 in certain circumstances.

M2 will not be liable to pay the break fee to Vocus merely because the Scheme is not approved by the M2 Shareholders.

Refer to Section 10.12.3 of this Booklet for further information.

3.4.3 Warranty by Scheme Shareholders about their Scheme Shares

Under the Scheme, each Scheme Shareholder is deemed to have warranted to M2 and appointed and authorised M2 as its attorney and agent to warrant to Vocus and Vocus Subsidiary, that all their Scheme Shares (including any rights and entitlements attaching to those shares) will, at the date of the transfer of them to Vocus Subsidiary, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Vocus Subsidiary under the Scheme.

4. Frequently asked questions

The following set of questions and answers is intended to assist in your understanding of the Scheme. These are qualified by, and should be read together with, all other parts of this Booklet.

Question	Answer	Where to find more information
Information on the Scheme		
Why was this Booklet sent to me?	This Booklet has been sent to you because you are an M2 Shareholder and you are being asked to vote on the Scheme. This Booklet is intended to help you decide how to vote on the Scheme at the Scheme Meeting. This Booklet contains important information, including: • the reasons for the M2 Directors' recommendation; • the reasons why you may choose to vote for or against the Scheme; • information about the Scheme Consideration; • information about M2, Vocus and the Merged Group; • key risks associated with the Scheme; and • the Independent Expert's Report.	Sections 3, 5, 6, 7, 8, 10 and Appendix 1
What is the timing for implementation of the Scheme?	The Implementation Date is currently scheduled to be 22 February 2016. Please note that this date is indicative only and subject to change.	Section 10.10(g)
What will be the effect of the Scheme?	If the Scheme is approved by M2 Shareholders and the Court, and if all other Conditions are satisfied or waived (as applicable): • if you are a Scheme Shareholder, all of your M2 Shares as at the Record Date will be transferred to a wholly-owned subsidiary of Vocus; • you will receive in respect of each M2 Share that you hold at the Record Date, the Scheme Consideration to which you are entitled[8]; and • M2 will be delisted from the ASX.	Sections 10.8, 10.10(e) and 10.11
What are the main Conditions to the Scheme proceeding?	In order for the Scheme to be implemented, the Conditions must be satisfied or waived (as applicable). The Conditions include (among other things): • (**Competition approvals**) ACCC and NZCC approval. • (**Shareholder approval**) M2 Shareholder approval of the Scheme; and • (**Court approval**) Court approval of the Scheme. Section 10 contains further details of the Scheme procedure, including a description of the requisite shareholder approval thresholds and the other Conditions that must be satisfied or waived (as applicable) prior to the Second Court Hearing for the Scheme to proceed. If the Conditions are not satisfied or waived (as applicable), the Scheme will not proceed.	Sections 10.12.1 and 10.13
Is ACCC approval required?	The Merger is subject to regulatory approval by the ACCC. M2 and Vocus notified the ACCC of the Merger prior to it being publicly announced. On 16 October 2015, M2 and Vocus lodged an application for clearance under the ACCC's informal merger guidelines. On 5 November 2015, the ACCC announced its decision not to oppose the Merger.	Section 11.4

8 Ineligible Foreign Shareholders will not be entitled to receive any New Vocus Shares and will instead receive cash under the Sale Facility for any New Vocus Shares that they would have otherwise been entitled to receive. See Section 10.6 for further information about how Sale Proceeds will be distributed to Ineligible Foreign Shareholders.

Question	Answer	Where to find more information
Is NZCC approval required?	The Merger is subject to regulatory approval by the NZCC. On 9 October 2015, Vocus registered a clearance application for determination under the New Zealand Commerce Act. On 4 December 2015, the NZCC gave clearance for the New Zealand aspects of the Merger.	Section 11.4
What will happen if an M2 Competing Proposal emerges?	If an M2 Competing Proposal emerges, the M2 Directors will carefully consider it and advise the ASX and M2 Shareholders of their recommendation. If a majority of the M2 Directors withdraw or adversely modify their recommendation concerning the Scheme, M2 will (subject to certain exceptions) be obliged to pay a break fee of $15 million to Vocus. Since the Scheme was announced, no M2 Competing Proposal has emerged.	Section 10.12.3
Is this a takeover offer?	No. M2 and Vocus have proposed a merger, as set out in the Merger Implementation Agreement, to be implemented by the Scheme. If the Scheme is approved by M2 Shareholders and the Court and is implemented: • all of the M2 Shares held by Scheme Shareholders as at the Record Date will be transferred to a wholly-owned subsidiary of Vocus; and • Scheme Shareholders will receive the Scheme Consideration, being 1.625 New Vocus Shares for each M2 Share held at the Record Date, whether or not they were present at the Scheme Meeting, and whether they voted in favour of or against, or did not vote on, the Scheme Resolution at the Scheme Meeting.[9]	Section 10.8
What is the Scheme Meeting Proxy Form accompanying this Booklet?	The Scheme Meeting Proxy Form allows you to appoint a proxy to exercise your vote on your behalf at the Scheme Meeting. If you are unable or do not wish to attend the Scheme Meeting in person, you should complete and lodge the Scheme Meeting Proxy Form in accordance with the instructions specified in this Booklet and in the Scheme Meeting Proxy Form accompanying this Booklet.	Section 2 and Appendix 5
When will M2 Shares cease trading on ASX?	Provided the Scheme becomes Effective, M2 Shares are expected to be suspended from trading on ASX from the close of trading on the Effective Date (which is expected to be 8 February 2016).	Section 10.10(f)

9 The Scheme Consideration is subject to rounding for fractional entitlements, as described in Section 10.9. Furthermore, Ineligible Foreign Shareholders will not be entitled to receive any New Vocus Shares and will instead receive cash under the Sale Facility for any New Vocus Shares that they would have otherwise been entitled to receive. See Section 10.6 for further information about how Sale Proceeds will be distributed to Ineligible Foreign Shareholders.

4. Frequently asked questions

Question	Answer	Where to find more information
What should I do?		
What should I do?	You should read this Booklet carefully in its entirety and then vote by attending the Scheme Meeting, or by appointing a proxy, attorney or corporate representative to vote on your behalf. It is important that you consider the information disclosed in light of your own particular investment needs, objectives and financial circumstances. If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised financial, legal and/or taxation adviser without delay. Full details of who is eligible to vote and how to vote are set out in Section 2 and in the Notice of Meeting set out in Appendix 5 to this Booklet.	Section 2
Can I sell my M2 Shares before the Scheme is implemented?	Yes. You are able to sell your M2 Shares in the usual manner on or before the Effective Date (which is expected to be 8 February 2016). Please note that if you do so you may have to pay brokerage fees. For the purpose of determining entitlements under the Scheme, M2 will not accept for registration or recognise any transfer or transmission application in respect of M2 Shares received after the relevant times on the Record Date (as set out in Section 10.5). If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised financial, legal and/or taxation adviser without delay.	Sections 10.3 and 10.5
Do I have to sign anything to transfer my M2 Shares?	No. If the Scheme becomes Effective, M2 will automatically have authority to sign a transfer on your behalf, and then the Scheme Consideration will be provided to you. However, you should be aware that under the Scheme, you are deemed to have warranted to M2 that (except as otherwise set out in the Scheme): • all of your M2 Shares are fully paid and free from any mortgage, charge, lien, encumbrance, pledge, security interest or other interest of a third party of any kind; and • you have full power and capacity to sell and transfer your M2 Shares. You should ensure that these warranties can be given by you before the Implementation Date.	Section 10.10(g)
What will I receive?		
Will I be entitled to participate in the Scheme?	If you are a Scheme Shareholder (namely, an M2 Shareholder as at the Record Date), you will be entitled to participate in the Scheme.[10]	Section 10.5
What will I receive under the Scheme?	If the Scheme is approved by M2 Shareholders and the Court and is implemented, and you are a Scheme Shareholder (other than an Ineligible Foreign Shareholder), you will receive for each of your M2 Shares held at the Record Date 1.625 New Vocus Shares.[11]	Sections 1.3 and 10.2

10 Excludes any M2 Shareholder who is Vocus or a Related Body Corporate of Vocus.

11 The Scheme Consideration is subject to rounding for fractional entitlements, as described in Section 10.9. Furthermore, Ineligible Foreign Shareholders will not be entitled to receive any New Vocus Shares and will instead receive cash under the Sale Facility for any New Vocus Shares that they would have otherwise been entitled to receive. See Section 10.6 for further information about how Sale Proceeds will be distributed to Ineligible Foreign Shareholders.

Question	Answer	Where to find more information
What is the implied value of the Scheme Consideration?	If the Scheme is approved, Scheme Shareholders will receive 1.625 New Vocus Shares for each M2 Share held on the Record Date.[12] Based on: (a) Vocus' closing share price on 25 September 2015 (being the last trading day prior to the announcement of the Scheme), the Scheme Consideration represents an implied value of $10.55 per M2 Share; (b) Vocus' closing share price on 10 December 2015 (being the last practicable trading day prior to the date of this Booklet), the Scheme Consideration represents an implied value of $12.17 per M2 Share; (c) Vocus' 30 day VWAP to 25 September 2015 (being the last trading day prior to the announcement of the Scheme), the Scheme Consideration represents an implied value of $9.86 per M2 Share; and (d) Vocus' 30 day VWAP to 10 December 2015 (being the last practicable trading day prior to the date of this Booklet), the Scheme Consideration represents an implied value of $11.33 per M2 Share.	Section 1.3
How will M2 Performance Rights and M2 Options be treated under the Scheme?	For further information regarding the treatment of M2 Performance Rights and M2 Options, refer to Section 5.13.	Section 5.13
What happens if the Scheme does not proceed?	If the Scheme does not proceed: • you will not receive the Scheme Consideration; • M2 will remain listed on ASX; • M2 will continue as a stand-alone entity with the M2 Board and management continuing to implement the strategies it had in place prior to the announcement of the Scheme; • you will retain your M2 Shares and continue to participate in the benefits of, and continue to be exposed to the risks associated with, investing in M2. For further information regarding the benefits of, and the risks associated with M2 and its businesses, refer to Sections 5 and 8; • M2 may declare its own interim dividend in respect of the six month period ending 31 December 2015; and • in certain circumstances, M2 may have to pay Vocus a break fee of $15 million. M2 will not be liable to pay the break fee to Vocus merely because the Scheme is not approved by the M2 Shareholders.	Sections 5 and 8
Who is classified as an Ineligible Foreign Shareholder?	A Scheme Shareholder will be an Ineligible Foreign Shareholder if their address as shown in the M2 Register (as at the Record Date) is a place outside of Australia and its external territories, New Zealand, Hong Kong, Singapore, the United Kingdom and the states of California, Florida, Georgia, Minnesota, New York, Texas and Virginia in the United States of America, unless Vocus is satisfied, acting reasonably, that it is permitted to allot and issue New Vocus Shares to that Scheme Shareholder pursuant to the Scheme by the laws of that place either unconditionally or after compliance with conditions that Vocus in its sole discretion regards as acceptable and not unduly onerous or impracticable. Please contact the M2 Shareholder Information Line on 1300 853 781 (callers within Australia) or +61 1300 853 781 (callers outside Australia) on Business Days between 8.30am and 5.30pm (Melbourne time) if you have any questions regarding the treatment of Ineligible Foreign Shareholders. If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised financial, legal and/or taxation adviser without delay.	Sections 1.4 and 10.6

12 The Scheme Consideration is subject to rounding for fractional entitlements, as described in Section 10.9. Furthermore, Ineligible Foreign Shareholders will not be entitled to receive any New Vocus Shares and will instead receive cash under the Sale Facility for any New Vocus Shares that they would have otherwise been entitled to receive. See Section 10.6 for further information about how Sale Proceeds will be distributed to Ineligible Foreign Shareholders.

Question	Answer	Where to find more information
What will Ineligible Foreign Shareholders receive under the Scheme?	Vocus will be under no obligation under the Scheme to issue, and will not issue, any New Vocus Shares to Ineligible Foreign Shareholders, and will instead issue the New Vocus Shares that would have otherwise been issued to the Ineligible Foreign Shareholders to the Sale Nominee. On implementation of the Scheme, all New Vocus Shares that Ineligible Foreign Shareholders would otherwise have been entitled to receive will be issued to the Sale Nominee for sale by the Sale Nominee on the ASX. The Sale Nominee will then remit the Sale Proceeds to Vocus and Vocus will remit the net proceeds of the sale to the Ineligible Foreign Shareholders in accordance with their entitlement. See Section 10.6 for further detail on how these Sale Proceeds will be calculated.	Sections 1.4 and 10.6
Will I be entitled to receive an FY16 interim dividend from M2 if the Scheme becomes Effective?	No. However, if you hold New Vocus Shares on the Dividends Record Date then you will be entitled to participate in the following dividends that Vocus expects to pay: • a fully franked interim dividend in respect of the six month period ending 31 December 2015 of 7.6 cents per Vocus Share; and • a fully franked special dividend of 1.9 cents per Vocus Share. See Sections 5.19 and 7.3.5 for further information.	Sections 5.19 and 7.3.5
Will I be eligible for a franking tax offset on the FY16 Interim Dividend and Special Dividend?	Yes, provided that you hold the New Vocus Shares for 45 continuous days (excluding the Implementation Date and the date of sale of any New Vocus Shares) 'at risk' from the Implementation Date and are resident in Australia for Australian income tax purposes. All M2 Shareholders should consult with their own taxation advisers regarding the Australian and, if applicable, foreign taxation implications regarding the availability of any franking offset for them.	Section 9.4
The M2 Directors' recommendations and reasons to vote for or against the Scheme		
What is the recommendation of the M2 Directors?	The M2 Directors unanimously recommend that you vote in favour of the Scheme at the Scheme Meeting, in the absence of an M2 Superior Proposal. Each of the M2 Directors intends to vote any M2 Shares held or controlled by them in favour of the Scheme Resolution at the Scheme Meeting, in the absence of an M2 Superior Proposal.	Section 3.1
What is the Independent Expert's opinion?	The Independent Expert, Grant Samuel & Associates Pty Limited, was appointed by the M2 Directors to undertake an independent assessment of the Merger. The Independent Expert has concluded that the Merger is in the best interests of M2 Shareholders, in the absence of a superior proposal. The Independent Expert's Report is set out in Appendix 1 to this Booklet.	Section 11.3 and Appendix 1
What are the reasons to vote in favour of the Scheme?	Reasons to vote in favour of the Scheme are set out in Section 3.2.	Section 3.2
What are the reasons why you may not want to vote in favour of the Scheme?	Reasons why you may not want to vote in favour of the Scheme are set out in Section 3.3.	Section 3.3

Question	Answer	Where to find more information
Voting on the Scheme		
How do I vote?	M2 Shareholders who are registered on the M2 Register on the Voting Record Date are entitled to vote on the Scheme Resolution.[13] You can: (a) **Vote in person** – by attending the Scheme Meeting at the Auditorium, Mezzanine Level, 452 Flinders Street, Melbourne, Victoria, commencing at 10.30am on 28 January 2016. Please bring a suitable form of personal identification (such as a driver's licence). Registration for the Scheme Meeting commences at 10.00am. (b) **Vote by proxy** – if you are unable to attend the Scheme Meeting and you want to appoint a proxy to vote your M2 Shares on your behalf: (i) complete, sign and return the original Scheme Meeting Proxy Form accompanying this Booklet in accordance with the instructions set out on the form (see Appendix 5 to this Booklet for more details) so that it is received by no later than 10:30am on 26 January 2016; and (ii) arrange to have your proxy or proxies attend the Scheme Meeting (if you are appointing a person other than the Chairman of the Scheme Meeting as your proxy). You can lodge a Scheme Meeting Proxy Form: (i) online at www.linkmarketservices.com.au (instructions on how to lodge online can be found on the Scheme Meeting Proxy Form); (ii) by return mail using the reply paid envelope accompanying the Notice of Scheme Meeting; (iii) by mail to Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235; (iv) by hand delivery to Link Market Services Limited, Level 12, 680 George Street, Sydney; or (v) by fax to + 61 (02) 9287 0309. Please be aware that the closing time for receipt of proxies falls on the Australia Day public holiday. As such, if you intend to lodge your Scheme Meeting Proxy Form by mail, please ensure that you post it with sufficient time for it to be received prior to 26 January 2016. Alternatively, you may lodge your Scheme Meeting Proxy Form at any time up until 10:30am on 26 January 2016 either online or by fax. (c) **Vote by attorney** – you may appoint an attorney to attend and vote at the Scheme Meeting on your behalf. Such an appointment must be made by a duly executed power of attorney, which must be received by M2 at its registered office by 10.30am on 26 January 2016, unless it has been previously provided to M2. Please be aware that the closing time for receipt of powers of attorney falls on the Australia Day public holiday. As such, please ensure that you post your duly executed power of attorney with sufficient time for it to be received prior to 26 January 2016.	Section 2

13 Excluding Vocus and any Related Bodies Corporate of Vocus.

Question	Answer	Where to find more information
How do I vote? continued	(d) **Vote by body corporate representative** – if you are a body corporate, you can appoint a corporate representative to attend and vote at the Scheme Meeting on your behalf. The appointment must comply with section 250D of the Corporations Act. Direct voting is not available in relation to the Scheme Resolution. You can lodge the Scheme Meeting Proxy Form: (i) online at www.linkmarketservices.com.au (instructions on how to lodge online can be found on the Scheme Meeting Proxy Form); (ii) by return mail using the reply paid envelope accompanying the Notice of Scheme Meeting; (iii) by mail to Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235; (iv) by hand delivery during business hours to Link Market Services Limited, Level 12, 680 George Street, Sydney; or (v) by fax to +61 (02) 9287 0309.	Section 2
What are the voting thresholds?	For the Scheme to be approved by M2 Shareholders, the Scheme Resolution must be passed by a majority in number (more than 50%) of M2 Shareholders voting (in person, by proxy, by attorney or, in the case of corporate M2 Shareholders, by corporate representative) at the Scheme Meeting (unless the Court orders otherwise) who must together hold at least 75% of the votes cast on the Scheme Resolution.	Section 10.10(c)
Who can vote at the Scheme Meeting?	M2 Shareholders who are registered on the M2 Register at 7.00pm (Melbourne time) on 26 January 2016 may vote on the Scheme Resolution.[14]	Section 10.10(c)
When is the Scheme Meeting?	The Scheme Meeting will be held at 10.30am (Melbourne time) on 28 January 2016 at the Auditorium, Mezzanine Level, 452 Flinders Street, Melbourne, Victoria.	Section 10.10(c)
What if I do not vote at the Scheme Meeting or if I vote against the Scheme Resolution?	If the Scheme Resolution is approved by the requisite majorities of M2 Shareholders, then, subject to the other Conditions being satisfied or waived (as applicable), the Scheme will be implemented and binding on all Scheme Shareholders, including those who did not vote or voted against the Scheme Resolution.	Section 10.10
Is voting compulsory? Why should I vote?	Voting is not compulsory. However, your vote will be important in determining whether the Scheme will proceed, as only those votes cast by M2 Shareholders on the Scheme will be counted in determining whether the Scheme has been approved by the requisite majorities of M2 Shareholders.	Sections 2 and 10.10(c)
Information on M2		
Where can I get information on M2?	An overview of M2 is contained in Section 5. Copies of M2 announcements to ASX, including its annual and half-yearly financial statements, are available on ASX's website (www.asx.com.au) and on M2's website (www.m2.com.au).	Section 5
Information on Vocus		
Where can I get information on Vocus?	An overview of Vocus is contained in Section 6. Copies of Vocus announcements to ASX, including its annual and half-yearly financial statements, are available on ASX's website (www.asx.com.au) and on Vocus' website (www.vocus.com.au).	Section 6
What are Vocus' intentions regarding M2?	An overview of Vocus' intentions regarding M2 is contained in Section 7.3.	Section 7.3

14 Excluding Vocus and any Related Bodies Corporate of Vocus.

Question	Answer	Where to find more information
Information on the Merged Group		
What is the Merged Group?	An overview of the Merged Group is contained in Section 7.	Section 7
Taxation		
Will I have to pay stamp duty on the transfer of my M2 Shares?	You will not be required to pay any stamp duty in relation to your participation in the Scheme.	Section 9.3.1
What are the Australian taxation implications of the Scheme for M2 Shareholders?	A general outline of the main Australian taxation implications of the Scheme for certain M2 Shareholders is set out in Section 9. All M2 Shareholders, particularly those M2 Shareholders not covered by the general outline set out in Section 9, should consult with their own taxation advisers regarding the Australian and, if applicable, foreign taxation implications of participating in the Scheme given the particular circumstances which apply to them.	Section 9
Further questions		
Who can I contact if I have further questions in relation to the Scheme?	If you are in any doubt as to what you should do, you should consult an independent, appropriately licensed and authorised financial, legal and/or taxation adviser without delay. It is important that you consider the information disclosed in light of your own particular investment needs, objectives and financial circumstances. M2 Shareholders may also call the M2 Shareholder Information Line on 1300 853 781 (callers within Australia) or +61 1300 853 781 (callers outside Australia) on Business Days between 8.30am and 5.30pm (Melbourne time).	

5. Overview of M2

5.1 Overview

5.1.1 Introduction

M2 is a provider of a full suite of traditional and next generation telecommunications, power and gas products and services with a multi-channel, national sales and service presence.

M2 is one of Australia's largest telecommunications providers for retail and wholesale fixed-line, mobile and data telecommunications services, specifically targeted towards consumer (primarily residential) and SMB customers in Australia and New Zealand.

As at the date of this Booklet, M2 has a market capitalisation of approximately $2.1 billion and an enterprise value of approximately $2.6 billion[15]. For the 12 months ended 30 June 2015, M2 generated revenue of $1,116 million and EBITDA of $170 million.

M2 is headquartered in Melbourne, Australia with approximately 4,000 team members across Sydney, Hobart, Adelaide, Brisbane, Auckland and Manila, of which approximately 1,400 are employees in Australia and New Zealand (as at 15 October 2015).

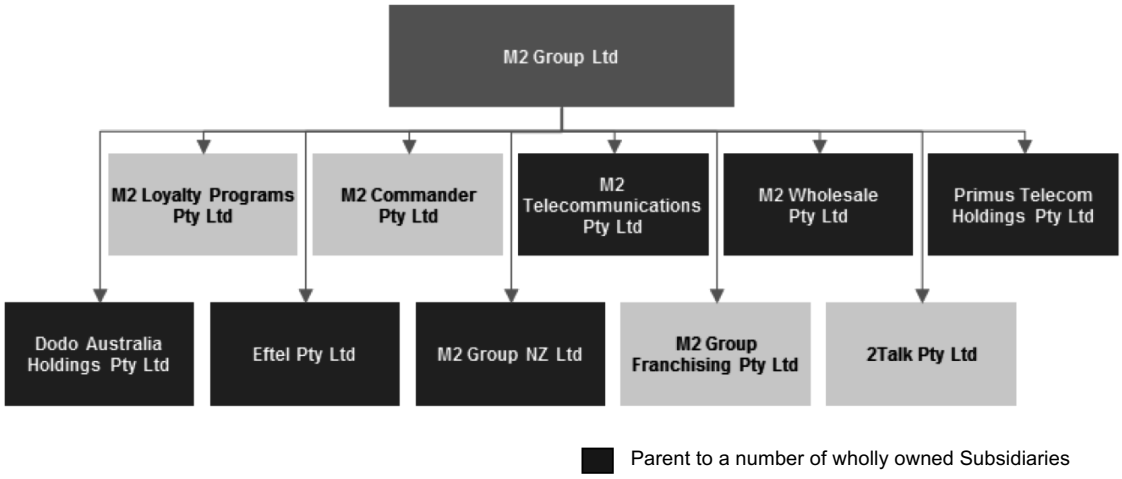
M2 is a member of the S&P/ASX 200 Index and M2 Shares trade on the ASX under the ASX ticker code "MTU".

5.1.2 Corporate timeline and key events

- **1999:** M2 was established by Vaughan Bowen.
- **October 2004:** M2 was listed on the ASX under the code MTU.
- **May 2006:** M2 Wholesale was launched following M2's appointment by Optus as its exclusively endorsed aggregator / enabler of Optus mobile services.
- **May 2007:** As a further enhancement to its wholesale operations, M2 purchased Australia's then largest independent data wholesaling business, Wholesale Communications Group Pty Ltd.
- **February 2008:** M2 acquired Commander Communications' established wholesale network services company, Unitel Australia Pty Ltd.
- **April 2009:** M2 acquired then publicly-listed People Telecom Ltd.
- **June 2009:** M2 acquired the telecommunications business assets of Commander Communications Ltd, adding a well-established brand and a national dealer channel.
- **June 2012:** M2 acquired Primus Telecom Holdings Pty Ltd and its Subsidiaries, a transaction which, in addition to adding significant scale to ensure M2's preparedness for the opportunities presented by the deployment of the NBN, contributed network and data centre assets to M2.
- **May 2013:** M2's acquisitions of Dodo Australia Holdings Pty Ltd and Eftel Limited enhanced the existing consumer division, adding scale, the nationally recognised Dodo brand and refined, low-cost back-of-house operations.
- **June 2015:** M2 acquired CallPlus Group, expanding M2's existing New Zealand business to become the third largest ISP and leading challenger in the New Zealand telecom market.
- **September 2015:** M2 and Vocus entered into the Merger Implementation Agreement to create a vertically integrated full-service telecommunications company.

5.2 Corporate structure

M2's corporate structure is summarised in the chart below:



15 Based on the closing price of M2 Shares on 10 December 2015 of $11.44, ordinary shares on issue of approximately 184.4 million, and net debt of approximately $487 million as at 30 June 2015.

M2 also holds a majority interest in Aggregato (61.2%) and a substantial interest in Inabox Group Limited (8.3% as at 10 December 2015 based on a holding of 1,666,667 fully paid ordinary shares).

5.3 M2's business

5.3.1 Overview

M2 offers four key products – Voice, Data, Mobile and Energy – across three market segments:

(a) **Consumer:** telecommunication services, targeted at households, offering fixed line voice, broadband (including NBN) and mobile services, as well as electricity, gas and insurance services (including car, home and contents insurance products) to residential customers;

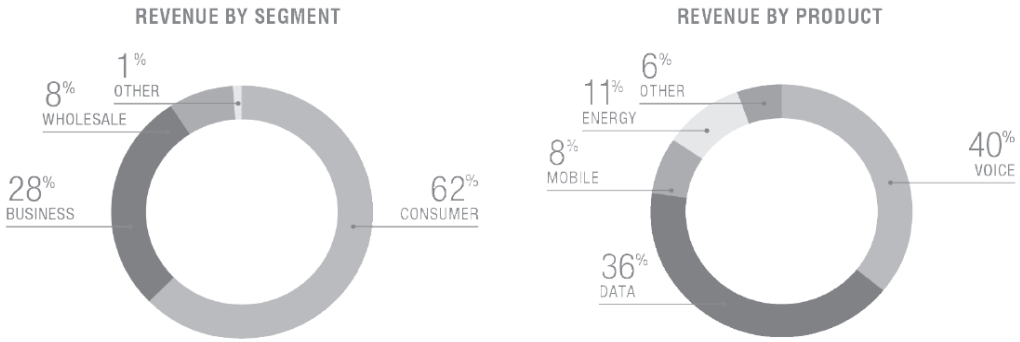
(b) **Business:** traditional and next-generation telecommunications services and energy targeted to the small business market offering fixed line voice, broadband (including NBN), mobile voice and data, hosted voice, cloud and electricity services;

(c) **Wholesale:** a full suite of traditional and next-generation telecommunications services including fixed line voice, broadband, mobile voice and data, and mobile services to the telecommunications reseller market at wholesale rates.

M2 has approximately 2.1 million services as at 30 June 2015 in operation across its consumer, business and wholesale segments in Australia and New Zealand.

M2's FY2015 revenue by segment and product is presented below. For further information on M2's FY2015 pro forma historical financial information see Section 5.16.

FY15 PRO FORMA



M2 operates the following brands across its customer bases in Australia and New Zealand.

These brands position M2 as one of the leading challengers in the Australian and New Zealand residential telecommunications market.

dodo iPRIMUS <CONSUMER> slingshot flip orcon

COMMANDER engin <BUSINESS> CallPlus talk

m2wholesale <WHOLESALE> CallPlus

5.3.2 Retail telecommunications

M2's telecommunications business is primarily retail (consumer and business) focussed, supplying the following telecommunications services to its retail customers:

(a) fixed and mobile broadband, including ADSL 2+ broadband, NBN broadband (Australia), UFB (New Zealand), dial-up internet and some fibre services to residential customers through its brands Dodo and iPrimus in Australia, and through its Slingshot, Orcon and Flip brands in New Zealand;

(b) fixed and mobile broadband services, including ADSL 2+ broadband, NBN broadband (Australia), UFB (New Zealand) and EFM broadband to business customers (primarily SME businesses) through its Commander and Engin brands in Australia, and through its CallPlus and 2Talk brands in New Zealand;

(c) fixed and mobile voice services, including fixed line, NBN home phone, VoIP and sim-only mobile plans, to residential customers through its Dodo and iPrimus brands in Australia, and through its Slingshot, Orcon and Flip brands in New Zealand;

(d) fixed and mobile voice services, including fixed line, VoIP, sim-only mobile plans and SIP Trunking, to business customers (primarily SME businesses) through its Commander and Engin brands in Australia, and through its CallPlus and 2Talk brands in New Zealand;

(e) subscription television services (via Fetch TV) over the Internet to residential customers through its Dodo brand; and

(f) bundled packages of fixed and mobile broadband, voice services and subscription television services.

5.3.3 Wholesale telecommunications

M2 has a smaller presence in the wholesale telecommunications segment relative to its retail business. M2's wholesale telecommunications business supplies fixed and mobile voice and internet services, VoIP services and cloud communication services to junior reseller telecommunications providers who then resupply to their own customers.

5.3.4 Energy and insurance

Whilst the primary focus of M2's business is telecommunications services, M2 also retails insurance products to residential customers, and energy (gas and electricity) to residential and business customers in selected areas in Australia. These products are generally sold on a stand-alone basis, although through its Commander brand, M2 retails energy products bundled with telecommunications services to its business customers.

M2 retails comprehensive, third party and theft car insurance, home, contents and landlord's insurance and travel insurance to residential customers, through its Dodo brand.

M2 retails electricity to residential customers in Victoria, New South Wales, South Australia and south east Queensland and gas to residential customers in Victoria and New South Wales, all through its Dodo brand.

M2 also retails electricity to business customers in Victoria, New South Wales and South Australia, through its Commander brand.

5.3.5 Telecommunications infrastructure

M2's own infrastructure is comprised of approximately 477 DSLAMs in Australia and 289 DSLAMs in New Zealand, 5 data centres and a fibre network of approximately 100km in the inner city areas of Perth, Adelaide, Melbourne, Sydney and Brisbane which is predominantly used to connect M2's DSLAM network.

M2 is a reseller of services on a number of third party infrastructure networks and primarily relies on Telstra for its telecommunications infrastructure to supply fixed voice and broadband services and Optus's mobile network for its mobile services.

5.4 Contracts with Telstra and Optus

M2 acquires telecommunications services from Telstra and Optus pursuant to a number of existing supply contracts. The supply contracts have varying commencement and expiry dates.

Telstra is a large supplier of fixed line services to M2, including fixed voice and fixed broadband services. Certain of those services are resupplied in their acquired form to customers of M2 as 'rebill' services. Other services, such as the 'Line Sharing Service' or 'Unconditioned Local Loop Service' are acquired from Telstra in order to enable M2 to supply fixed voice and/or fixed broadband services over M2's own infrastructure. M2 also has an arrangement with Telstra for the supply of transmission (or 'backhaul') services to provide connectivity between points-of-interconnect on the M2 network, including to provide long-term backhaul services between the 121 POIs to the NBN and M2's own network.

M2 is also party to a 'Whole of Business' agreement with Telstra, which provides for certain discounts and rebates to be provided to M2 (as defined in the agreement) in connection with the supply of certain services by Telstra to M2 and a 'DIVO' agreement which provides for the supply of a sophisticated broadband offering as either a standalone offering or bundled with a fixed voice service. Each of those agreements are due to expire on 30 June 2016 and M2 has engaged with Telstra to negotiate potential future arrangements beyond this date.

M2 relies on Optus for the supply of mobile voice and mobile broadband services to M2. The agreements are due to expire no later than 31 July 2016. M2 is currently engaging with a number of possible suppliers of mobile voice and mobile broadband services, including Optus, as part of an open tender process, with a view to agreeing arrangements for the supply of mobile voice and mobile broadband services following expiry.

Optus also supplies fixed voice and fixed broadband services to M2, as well as transmission services.

5.5 M2's strategy

In the event the Scheme does not proceed, M2 will remain listed on the ASX and will continue as a stand-alone entity with the M2 Board and management continuing to implement the strategies it had in place prior to the announcement of the Scheme.

5.6 Board and senior management

5.6.1 Board

The M2 Board comprises the following M2 Directors, each of whom will join the Merged Group Board upon implementation of the Scheme:

Name	Position
Craig Farrow Non-Executive Chairman	Mr Farrow is Chairman/Partner of Brentnalls SA, Chartered Accountants and former National Chairman of the Brentnalls National Affiliation of Accounting Firms. He is Chairman of AIRR Holdings Limited and Tonkin Consulting Engineers and in 2012 was President of the Institute of Chartered Accountants in Australia. In 2013, Mr Farrow was Executive Chair of the CAANZ amalgamation project for ICAA and NZICA. In addition, he is a director and Board adviser to several private consulting and trading enterprises across the agribusiness, software and manufacturing sectors. Formerly Chairman of the Institute of Chartered Accountant's Public Practice Advisory Committee, Mr Farrow is also highly awarded, including being a Fellow of the Governor's Leadership Foundation and receiving the Institute of Chartered Accountants 1999 National President's Award for services to the Institute and the profession. Mr Farrow is a member of M2's Nomination & Remuneration and Audit & Risk Committees.
Vaughan Bowen Executive Director	Mr Bowen co-founded M2 in late 1999, was appointed Managing Director upon incorporation, and successfully steered M2 from a start-up technology enterprise to a large scale, fast-growing and profitable national telecommunications company. Mr Bowen transitioned from the Managing Director / Chief Executive Officer role into the role of Executive Director in October 2011. During the 12 year period when he led M2, Mr Bowen's innovative approach to branding, sales, alliance marketing and his proven ability to successfully execute complementary acquisitions provided M2 with scale, diversified earnings and a respected position in the telecommunications industry. In his present role as Executive Director, Mr Bowen's focus is centered on identifying and executing strategic acquisition opportunities, which has included a number of transformational acquisitions, including Primus Telecom, Dodo and New Zealand based Call Plus Group. Mr Bowen holds a Bachelor of Commerce UNSW, is a member of the Australian Institute of Company Directors, was named as a finalist in the Entrepreneur of the Year Southern Region in 2004 and 2009 and in 2012 was awarded ACOMMS Communications Ambassador for outstanding contributions to the telecommunications industry. Mr Bowen is a non-executive director of Aggregato, a specialist provider of pre-paid calling products which is majority owned by M2. He is also Chairman of the Telco Together Foundation, a charitable foundation uniting the telecommunications industry, which he created and seeded in 2011.

Name	Position
Michael Simmons Non-Executive Director	Mr Simmons brings to the Board considerable experience in the telecommunications sector, having previously held the position of Chief Executive Officer of ASX-listed SP Telemedia Limited ("SPT Group", now known as TPG Telecom Limited) since its listing in 2001. Prior to listing, the SPT Group was a wholly owned Subsidiary of the Washington H. Soul Pattinson Limited controlled NBN Television Group. He served in executive roles for nearly 26 years within the SPT/NBN Group of Companies, including as Chief Financial Officer and Chief Executive Officer. Following the acquisition of TPG Telecom Pty Ltd, Mr Simmons left the SPT Group to become the Managing Director of TERRiA, a telecommunications consortium of infrastructure-based telecommunications carriers, formed to bid for the contract to build the National Broadband Network (NBN). Mr Simmons is Chair of M2's Audit & Risk Committee.
Rhoda Phillippo Non-Executive Director	Mrs Phillippo is a globally experienced executive with more than 30 years' experience in the telecommunications and IT sectors, including senior management positions in commercial, engineering and operations with British Telecom PLC; as CEO of Optimisation New Zealand, a software development business; and as General Manager of Telecom/Gen-i's (now "Spark") enterprise Trans-Tasman business. Mrs Phillippo's experience in the energy industry includes a role as Transition Director with Shell in New Zealand (now Z Energy) for H.R.L. Morrison & Co and recently as Managing Director of Infratil Energy Australia, leading the successful sale of the business in September 2014. Mrs Phillippo was previously COO of HRL Morrison & Co. She is currently Executive Chair of Vix Technology, Chair of Snapper Services Ltd and a non-Executive director on the Board of Vix Investments. She is also an Alternate Director for the Future Fund's investment in Perth Airport.

The M2 Board also comprises the following M2 Directors, each of whom will retire from the M2 Board on the implementation of the Scheme:

Name	Position
John Hynd Non-Executive Director	Mr Hynd is a member of M2's Audit & Risk Committee and is also a member of the Nomination & Remuneration Committee.
David Rampa Non-Executive Director	Mr Rampa is Chair of the Nomination & Remuneration Committee.

5.6.2 Senior management team

Key members of M2's senior management team include:

Name	Position
Geoff Horth Chief Executive Officer	Mr Horth joined M2 in 2009 and was promoted to CEO in 2011. He has worked within the telecommunications industry for in excess of 20 years, starting in 1988 when he joined Alcatel's accounting cadet program. Mr Horth brings an invaluable diversity of skills and experience to M2, having worked in vendor and service provider organisations managing businesses with indirect, wholesale and direct sales organisations across both SMB and Enterprise segments. Mr Horth's extensive management experience and financial acumen provide well-rounded leadership for M2 and ensure a structured approach to acquisition assessment and integration.
Darryl Inns Chief Financial Officer	Mr Inns joined M2 in 2001. He has served in senior finance roles in technology and manufacturing companies in both Australia and in the United Kingdom. During his time at M2, Mr Inns has made valuable contributions to cash flow management, the implementation of comprehensive management reporting systems, risk management procedures and has been instrumental in due diligence for acquisitions.

Name	Position
Ashe-lee Jegathesan General Counsel and Company Secretary	Ms Jegathesan brings to M2 more than 20 years' experience as a practising lawyer in both commercial firms and as in-house General Counsel. Her experience spans the IT and Telecommunications sectors with companies such as 3D Networks, Nortel Networks and most recently, Melbourne IT Ltd, where she was also Company Secretary. Ms Jegathesan contributes extensive experience in mergers and acquisitions and strategy development in addition to her broad legal experience and sound knowledge of regulation and corporate governance. Ms Jegathesan was recipient of the Lawyers Weekly 2012 Women in Law ACLA In-House Award and was a finalist in the 2015 Australian Law Awards (General Counsel of the Year) and in the Victorian section of the 2005 Telstra Businesswoman of the Year Award. She is a member of the Law Institute of Victoria, the Australian Corporate Lawyers Association and the Australian Institute of Company Directors, and acts as honorary Secretary for Streat (a social enterprise which supports homeless youth).
Scott Carter Chief Operating Officer	Mr Carter has 20 years' experience in the telecommunications industry and in this time has held management positions with Hutchison, Request Broadband and PowerTel. Prior to joining M2 in 2011, Mr Carter was Managing Director / Executive Director of Clever Communications Australia Limited (ASX: CVA). Mr Carter is responsible for the strategic development, sales, products, marketing and operational management of M2's Australian Consumer, Business and Wholesale divisions, encompassing all Australian brands.
Mark Callander Chief Executive - New Zealand	Mr Callander has over 15 years' experience in the telecommunications industry, beginning with Telecom New Zealand (now "Spark"), the country's foundation telecommunications company. Mr Callander, as CEO of CallPlus, has been a key driver behind the growth and success of the business. Under Mr Callander's leadership, CallPlus developed a strong leadership position in the industry and has been widely recognised as the "consumer champion", driving change in the New Zealand regulatory and competitive landscape. In addition to his experience and knowledge as CEO of CallPlus, Mr Callander brings to M2 a constant focus on driving innovation and disruptive thinking. Mr Callander holds a Bachelor of Management Studies from the University of Waikato and completed Leadership for Senior Executives with Harvard Business School.

5.7 Board disclosures

5.7.1 Relevant interests in M2 Shares, M2 Options and M2 Performance Rights

The following table lists the relevant interests of M2 Directors in M2 Shares, M2 Options and M2 Performance Rights as at the date of this Booklet:

Director	Position	Relevant Interest in M2 Shares	Relevant Interest in M2 Options	Relevant Interest in M2 Performance Rights
Craig Farrow	Non-Executive Chairman	405,000	0	0
David Rampa	Non-Executive Director	3,500	0	0
John Hynd	Non-Executive Director	1,433,000	0	0
Michael Simmons	Non-Executive Director	11,988	0	0
Rhoda Phillippo	Non-Executive Director	0	0	0
Vaughan Bowen	Executive Director	5,042,420	0	0

M2 Directors who hold M2 Shares will be entitled to vote at the Scheme Meeting and receive the Scheme Consideration on the same terms as all other M2 Shareholders.

Each M2 Director intends to vote any M2 Shares held or controlled by him or her in favour of the Scheme, in the absence of an M2 Superior Proposal.

5.7.2 Relevant interests in Vocus Shares

As at the date of this Booklet, no M2 Director has any relevant interest in any Vocus Shares.

5.7.3 M2 Board interests in agreements or arrangements relating to the Scheme

Except as disclosed in this Booklet:

- no M2 Director has any other interests in a contract entered into by Vocus;
- there are no contracts or arrangements between an M2 Director and any person in connection with or conditional upon the outcome of the Scheme; and
- no M2 Director has a material interest in relation to the Scheme other than in their capacity as an M2 Shareholder as outlined in Section 5.7.1.

As discussed in Section 5.6.1, it is proposed that Craig Farrow, Vaughan Bowen, Rhoda Phillippo and Michael Simmons will join the Merged Group Board upon implementation of the Scheme.

5.7.4 Benefits in connection with retirement from office

Except as disclosed in this Booklet, no payment or other benefit is proposed to be made or given to any director, company secretary or executive officer of M2 (or its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in M2 or any of its Related Bodies Corporate in connection with the Scheme.

5.8 M2's issued securities

The capital structure of M2 as at the date of this Booklet is as follows:

Number of M2 Shares	184,415,676
Number of M2 Options	333,333
Number of M2 Performance Rights	482,857

Details regarding the treatment of M2 Performance Rights and M2 Options in relation to the Scheme are set out in Section 5.13 of this Booklet. Refer to Section 5.7.1 of this Booklet for details of the M2 Shares held by or on behalf of M2 Directors.

5.9 Notifiable interests

As at the date of this Booklet, based on substantial shareholder notices lodged with the ASX (which are available on the ASX website), M2 does not have any substantial shareholders (within the meaning of the Corporations Act).

5.10 Trading price and volume of M2 Shares

The M2 Shares are listed on the ASX under the code "MTU".

The closing price of M2 Shares on the ASX on 25 September 2015 (i.e. the last trading day prior to the announcement of the Merger) was $8.42. The closing price for M2 Shares on the ASX on 10 December 2015, the last practicable trading day before the date of this Booklet, was $11.44.

During the three months ending 10 December 2015:

- The highest recorded daily closing price for M2 Shares on the ASX was $11.57 on 3 December 2015; and
- The lowest recorded daily closing price for M2 Shares on the ASX was $8.42 on 25 September 2015.

The chart below shows M2's share price performance over the 24 months to 10 December 2015.

M2 Shares – Historical Share Price Performance ($)

5.11 Related party transactions

The following related party transactions were entered into during FY2015 (as disclosed in M2's 2015 Annual Report):

(a) **Craig Farrow:** Telecommunications services totalling $7,000 were provided to Brentnalls SA. Mr Farrow is a director of Brentnalls SA.

(b) **John Hynd:** Telecommunications services totalling $1,000 were provided to Hynd & Co Pty Ltd. Mr Hynd is a director of the firm Hynd & Co Pty Ltd.

(c) **Michael Simmons:** Telecommunications services totalling $2,000 were provided to Luab Pty Ltd. Mr Simmons is a director of Luab Pty Ltd. Telecommunications and insurance services were also provided for Michael Simmons' personal use.

(d) **Vaughan Bowen:** Membership fees were paid to Telco Together Foundation on commercial terms. Mr Bowen is the chairman of the Foundation. Telecommunication services were also provided between M2 and Aggregato and its subsidiaries on commercial terms. See Section 5.17 in relation to Mr Bowen's interest in Aggregato and his directorship (for which he receives a fee of $25,000 per annum).

5.12 M&A opportunities

Over recent years, M2 has engaged in a number of mergers and acquisitions. As at the date of this Booklet, M2 is not a party to any binding agreements or arrangements in relation to any mergers, acquisitions or disposals (other than this Merger).

5.13 M2 Options and M2 Performance Rights

5.13.1 M2 Options

As at the date of this Booklet, M2 has 250,000 M2 Options on issue that have not vested, and a further 83,333 M2 Options which have vested but which have not been exercised. Of the unvested M2 Options, 166,666 M2 Options have a vesting date of 1 January 2016, and 83,334 M2 Options have a vesting date of 1 January 2017.

The M2 Options were granted to certain members of M2's executive management team pursuant to the M2 Option Plan, which is designed to align the objectives of the M2 executive team with those of M2 shareholders and link executive reward to the performance of the M2 Group. M2 Directors are not entitled to participate in the M2 Option Plan. Further details of the M2 Option Plan are set out in M2's Annual Report for the year ended 30 June 2015.

The M2 Option Plan Rules provide that the M2 Board has certain discretions in determining how outstanding M2 Options will be dealt with if a change of control of M2 is proposed or undertaken.

M2 has determined that:

(a) in respect of the unvested M2 Options as at the date of this Booklet:

  (i) in respect of the 166,666 M2 Options which have a vesting date of 1 January 2016, of which 83,333 M2 Options are held by the Chief Executive Officer of M2, these will vest on 1 January 2016 in accordance with their terms; and

  (ii) in respect of the 83,334 M2 Options which have a vesting date of 1 January 2017 (all of which are held by the Chief Executive Officer of M2), subject to M2 obtaining any necessary approvals and the Scheme becoming Effective, these M2 Options will be cancelled in consideration for the grant by Vocus of new Vocus Options on the Implementation Date, on the basis that:

    (A) the total number of new Vocus Options to be issued will be equal to the relevant number of M2 Options multiplied by 1.625; and

    (B) the new Vocus Options will be on terms that are overall not substantially less favourable to the Chief Executive Officer than the terms of the relevant M2 Options; and

    (C) the exercise price of each new Vocus Option will be $5.20 (being the exercise price determined in accordance with the Merger Implementation Agreement); and

(b) in accordance with the terms of the M2 Option Plan and subject to the Scheme becoming Effective, all vested Options must be exercised by the Record Date, otherwise they will lapse.

5.13.2 M2 Performance Rights

As at the date of this Booklet, M2 has 482,857 M2 Performance Rights on issue that have not vested. The M2 Performance Rights were granted to certain members of M2's management team pursuant to the M2 Long Term Incentive Plan. These outstanding M2 Performance Rights relate to grants made by M2 in 2013, 2014 and 2015.

The M2 Long Term Incentive Plan is designed to attract, motivate and retain high calibre employees and to link rewards for senior management to the creation of value for M2's shareholders.

M2 Directors are not entitled to participate in the M2 Long Term Incentive Plan.

Under the terms of the M2 Performance Rights issued under the M2 Long Term Incentive Plan, if certain performance conditions are met, an M2 Performance Right enables the participant to receive an M2 Share (plus an additional number of M2 Shares calculated by reference to a notional reinvestment of any dividends paid on M2 Shares during the relevant performance period and prior to vesting). The M2 Performance Rights cannot be transferred without M2 Board approval and will be forfeited if vesting conditions are not satisfied by the end of the vesting period. Participants will have full entitlements attaching to M2 Shares following receipt of M2 Shares upon the vesting of the M2 Performance Rights. Further details of the M2 Long Term Incentive Plan are set out in M2's Annual Report for the year ended 30 June 2015.

M2 has determined that, subject to M2 obtaining any necessary approvals, the Scheme becoming Effective and the entry into an agreement between the relevant M2 Performance Rights Holder, Vocus and M2, all of the M2 Performance Rights on issue will be cancelled in consideration for the grant by Vocus of new Vocus Performance Rights on the Implementation Date, on the basis that:

(a) the total number of new Vocus Performance Rights to be issued to a holder of M2 Performance Rights will be equal to the number of M2 Performance Rights held by that holder multiplied by 1.625; and

(b) the Vocus Performance Rights will be on terms that are overall not substantially less favourable to the holders than the terms of the relevant M2 Performance Rights.

The proposed arrangements in respect of the M2 Performance Rights as described above are intended to be put in place prior to the Scheme Meeting.

5.14 Financing arrangements

5.14.1 M2 Facilities

In June 2015, M2 entered into a syndicated facility agreement with a syndicate of Australian and international lenders with an aggregate facility limit of $685 million and facilities with maturities of either three or five years (the ***M2 Facility Agreement***).

The M2 Facility Agreement provided M2 with access to facilities to finance the acquisition of CallPlus Group and to refinance certain existing indebtedness of M2 and CallPlus Group. The M2 Facility Agreement also provided, and continues to provide, M2 with access to facilities to finance the general corporate purposes and working capital requirements of M2 and its Subsidiaries.

The facilities under the M2 Facility Agreement are guaranteed and secured by securities granted by M2 and certain of its Subsidiaries.

An overview of the financing arrangements for the Merged Group, including arrangements for the continuation of those facilities, is contained in Section 7.7.2.

5.15 Litigation

As at the date of this Booklet, M2 is not aware of any material contractual disputes or litigation matters in respect of M2, including with its customers or other third parties.

5.16 M2's historical and pro forma historical financial information

5.16.1 Overview

This Section contains the following M2 financial information, being:

(a) historical consolidated income statements for the financial years ended 30 June 2013 ("FY2013"), 30 June 2014 ("FY2014") and 30 June 2015 ("FY2015");

(b) historical consolidated statement of financial position as at 30 June 2015,

(together the ***M2 Historical Financial Information***); and

(c) the M2 pro forma historical consolidated income statement for FY2015;

(the ***M2 Pro Forma Historical Financial Information***)

The M2 Historical Financial Information in this Section has been derived from M2's general purpose financial reports for FY2013, FY2014 and FY2015, which were audited by Ernst & Young, and upon which unqualified audit opinions were issued.

The M2 Pro Forma Historical Financial Information in this Section has been derived from the historical consolidated income statement of M2 for FY2015, and adjusted for the effects of pro forma adjustments described in Section 5.16.3.

5.16.2 Basis of preparation

The M2 Historical Financial Information and M2 Pro Forma Historical Financial Information presented is in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an Annual Report prepared in accordance with the Corporations Act and should therefore be read in conjunction with the financial statements of M2 for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. A full description of M2's accounting policies can be found in its Annual Financial Report for FY2015.

M2's statutory historical consolidated income statements, statutory historical consolidated statements of financial position and historical consolidated cash flow statements are disclosed in the annual financial reports for FY2013, FY2014 and FY2015, which can be found at www.m2.com.au or the ASX website at www.asx.com.au.

The M2 Historical Financial Information has been prepared in accordance with the recognition and measurement principles of AAS (including the Australian Accounting Interpretations), issued by the AASB which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

The M2 Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in the AAS, other than it includes adjustments which have been prepared in a manner consistent with AAS that reflect: (i) the exclusion of certain transactions that occurred in FY2015; and (ii) the impact of certain transactions as if they occurred on or before 30 June 2015.

The pro forma historical financial effect of the Scheme on the Merged Group is set out in Section 7.8 of this Booklet.

M2 acquired CallPlus Group on 1 June 2015 (FY2015). In order to illustrate the financial effects of this acquisition, M2 has presented a pro forma historical consolidated income statement for FY2015 that has been adjusted as if the following transactions were effective from 1 July 2014:

(a) the acquisition of CallPlus Group; and

(b) the refinancing of M2's debt which arose as a result of the CallPlus Group acquisition.

As the acquisition was completed in FY2015, M2's consolidated historical statement of financial position as at 30 June 2015 includes the consolidation of CallPlus Group.

5.16.3 M2 historical consolidated income statements for FY2013, FY2014 and FY2015 and the M2 pro forma historical consolidated income statement for FY2015

A$000	Historical			Pro forma Historical		
	Historical FY2013 (30-Jun-13)	Historical FY2014 (30-Jun-14)	Historical FY2015 (30-Jun-15)	Notes	Pro forma adjustments	Pro forma Historical FY15 (30-Jun-15)
Revenue	**681,039**	**1,024,381**	**1,115,689**	i, ii	**212,236**	**1,327,925**
Expenses	(561,919)	(864,281)	(935,010)	i, ii	(181,965)	(1,116,975)
Underlying earnings before interest tax, depreciation and amortisation (EBITDA)	**119,120**	**160,100**	**180,679**		**30,271**	**210,950**
Depreciation and amortisation expense (excluding customer contracts)	(16,746)	(20,149)	(23,643)	i, iii	(14,475)	(38,118)
Financing costs	(11,739)	(19,034)	(14,095)	iv	(14,496)	(28,591)
Underlying profit before income tax	**90,635**	**120,917**	**142,941**		**1,299**	**144,240**
Underlying Income tax expense	(25,644)	(35,462)	(42,893)	v	(128)	(43,020)
Underlying net profit after tax (NPAT)	**64,991**	**85,455**	**100,048**		**1,172**	**101,220**
Reconciliation: Underlying EBITDA to Statutory NPAT						
Underlying EBITDA	**119,120**	**160,100**	**180,679**		**30,271**	**210,950**
Acquisition and integration costs	(11,000)	-	(10,214)		-	(10,214)
Statutory EBITDA	**108,120**	**160,100**	**170,465**		**30,271**	**200,736**
Depreciation and amortisation expense (excluding customer intangibles)	(16,746)	(20,149)	(23,643)	i, iii	(14,475)	(38,118)
Amortisation of customer intangibles	(14,590)	(26,276)	(25,346)	i, iii	(11,661)	(37,007)
Net finance costs	(11,739)	(19,034)	(14,095)	iv	(14,496)	(28,591)
Net profit before tax	**65,045**	**94,641**	**107,381**		**(10,362)**	**97,019**
Income tax expense	(21,267)	(27,579)	(33,720)	v	3,371	(30,349)
Net profit after tax (NPAT)	**43,778**	**67,062**	**73,661**		**(6,991)**	**66,670**

Non-IFRS financial measures:

EBITDA is a financial measure which is not prescribed by AAS and represents earnings before financing costs, income tax expense and depreciation and amortisation expense. Underlying earnings is a financial measure which is not prescribed by AAS and represents the earnings before acquisition and integration costs and customer intangibles amortisation expense. The M2 Directors believe that this non-IFRS financial information provides useful information to readers in measuring the financial performance of M2.

Pro forma adjustments:

The following pro forma adjustments have been included in M2's pro forma historical consolidated income statement for FY2015:

(i) On 1 June 2015, M2 acquired CallPlus Group. The M2 historical consolidated income statement for FY2015 has been adjusted to illustrate the financial effects as if the acquisition by M2 of CallPlus Group occurred on 1 July 2014. The pro forma financial contribution of CallPlus Group has been calculated based on the actual underlying results of CallPlus Group for the unaudited pre-acquisition period from 1 July 2014 to 31 May 2015, with adjustments to align CallPlus Group's results with M2's accounting policies.

(ii) The elimination of $4.2 million of revenue and costs arising on transactions between M2 and CallPlus Group which occurred on an arm's length basis in the ordinary course of business during the period from 1 July 2014 and 31 May 2015.

(iii) The incremental full year effect of the depreciation and amortisation expense arising from the acquisition of CallPlus Group, specifically the increase in the fair value of property, plant and equipment, and the recognition of customer intangibles, based on the purchase price accounting for M2's acquisition of CallPlus Group.

(iv) The incremental full year effect of financing costs and amortisation expense of capitalised debt establishment costs arising from the new fully underwritten $685m multi-year syndicated loan facility which was established by M2 in June 2015, which was used to fund M2's acquisition of CallPlus Group and to refinance existing debt.

(v) The income tax expense on the pro forma adjustments has been reflected at the statutory income tax rates of 28% and 30% for New Zealand and Australia, respectively.

5.16.4 M2 historical consolidated statement of financial position as at 30 June 2015

A$000	Historical as at 30-Jun-15
Current assets	
Cash and cash equivalents	84,723
Trade receivables	123,585
Inventories	7,920
Other assets	38,489
Financial assets	2,220
Total current assets	**256,937**
Non-current assets	
Plant and equipment	80,590
Intangible assets and goodwill	912,437
Deferred income tax assets	17,673
Other non-current assets	6,564
Financial assets	1,703
Total non-current assets	**1,018,967**
TOTAL ASSETS	**1,275,904**
Current liabilities	
Trade and other payables	269,369
Interest-bearing loans and borrowings	16,494
Income tax payable	19,988
Provisions	11,955
Financial liabilities	1,897
Total current liabilities	**319,703**
Non-current liabilities	
Interest-bearing loans and borrowings	555,163
Deferred tax liability	34,284
Provisions	4,315
Other non-current liabilities	4,105
Financial liabilities	76
Total non-current liabilities	**597,943**
TOTAL LIABILITIES	**917,646**
NET ASSETS	**358,258**
Equity	
Contributed equity	275,270
Reserves	(2,343)
Retained profits	93,501
Parent interests	366,428
Non-controlling interests	(8,170)
TOTAL EQUITY	**358,258**

The table above sets out the historical consolidated statement of financial position as at 30 June 2015 for M2.

As noted in Section 5.16.2, the acquisition of CallPlus Group and the associated M2 debt refinancing was completed during FY2015, therefore M2's historical consolidated statement of financial position as at 30 June 2015 includes the consolidation of CallPlus Group.

As at 30 June 2015, M2 had a deficiency of net current assets of $62,766,000 which relates primarily to liabilities for deferred commissions revenues of $23,397,000 and IRUs liability of $10,194,000. Commission revenue is deferred and will be recognised in the next financial year through the income statement in line with the accounting policy and is a non-cash item.

5.16.5 Material changes in the financial position of M2 since last accounts

To the knowledge of the M2 Directors at the date of this Booklet, other than:

(a) the accumulation of profits in the ordinary course of trading; or

(b) as disclosed in this Booklet or as otherwise disclosed to the ASX by M2,

the financial position of M2 has not materially changed since 30 June 2015, being the date of the M2 financial reports for the 12 months ended 30 June 2015 (released to the ASX on 24 August 2015).

5.17 Aggregato Global Limited

Aggregato is a specialist provider of prepaid international telecommunications services, with a large retail distribution network across Australia, New Zealand and the United States of America. M2 has had an investment in Aggregato since its incorporation.

On 9 July 2015, M2 announced on the ASX that it had acquired majority ownership in Aggregato through participation in a pro-rata rights issue in which it invested $4.9 million. Not all shareholders in Aggregato participated in the rights issue, resulting in M2's shareholding increasing to 61.2%.

Since becoming the majority shareholder in Aggregato, M2 has nominated and appointed two new directors to the Aggregato board: Michael Simmons (M2 Non-Executive Director) and John Allerton (M2 Commercial Director). Vaughan Bowen (M2 Executive Director) serves as a non-executive director of Aggregato and also retains a shareholding in Aggregato. In total, the board of Aggregato is comprised of five directors.

The reconstituted board of Aggregato conducted a review of its business and a key outcome of that review is that certain of the operations of Aggregato are proposed to be restructured to seek to simplify the business, enhance operational efficiencies and reduce costs.

Aggregato has a facility agreement and the financier under that facility agreement has provided consent to the Merger.

In consideration for that consent, the Aggregato facility agreement is to be varied, with additional support to be provided by M2.

5.18 M2 risk factors

Risk factors relating to M2 and its business are discussed in Section 8 of this Booklet.

5.19 M2 dividend

On 24 August 2015, M2 Directors declared a fully franked final dividend of 17 cents per M2 Share with a record date of 7 October 2015 and a payment date of 29 October 2015.

If the Scheme becomes Effective, M2 will not declare or pay an interim dividend in respect of the six month period ending 31 December 2015 prior to the Implementation Date and, accordingly, Scheme Shareholders will not receive an interim dividend from M2 in respect of that six month period.

See Section 7.3.5 for information in relation to dividends of the Merged Group, including the FY16 Interim Dividend and the Special Dividend.

The M2 Dividend Reinvestment Plan will be suspended if the Scheme becomes Effective.

5.20 M2 Employee Share Plan (Salary Sacrifice)

Holders of M2 Shares that have been purchased on-market under the M2 Employee Share Plan (Salary Sacrifice) will be entitled to vote on the Scheme alongside other M2 Shareholders and participate in the Scheme if they are registered on the M2 Register as a holder of Scheme Shares at the Record Date.

The M2 Employee Share Plan (Salary Sacrifice) will be suspended if the Scheme becomes Effective.

5.21 Publicly available information

M2 is a 'disclosing entity' for the purposes of section 111AC(1) of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations require M2 to notify ASX of information about specified matters and events as they arise for the purpose of ASX making that information available to participants in the market. M2 has an obligation under the Listing Rules (subject to some exceptions) to notify ASX immediately upon becoming aware of any information concerning it, which a reasonable person would expect to have a material effect on the price or value of M2 Shares.

Pursuant to the Corporations Act and the Listing Rules, M2 is required to prepare and lodge with ASIC and the ASX both annual and half-yearly financial statements accompanied by a statement and report from the M2 Directors and an audit or review report respectively.

Copies of each of these documents can be obtained free of charge on M2's website www.m2.com.au, by contacting the M2 Shareholder Information Line on 1300 853 781 (callers within Australia) or +61 1300 853 781 (callers outside Australia) on Business Days between 8.30am and 5.30pm (Melbourne time) or by visiting the ASX website at www.asx.com.au.

ASIC also maintains a record of documents lodged with it by M2, and these may be obtained from, or inspected at, any office of ASIC. Information is also available on M2's website at www.m2.com.au.

5. Overview of M2

M2's announcements to the ASX after the lodgement with the ASX of its financial statements for FY2015 and before the lodgement for registration of this Booklet by ASIC are listed in the table below.

Date	Announcement
4 December 2015	VOC: NZ Commerce Commission approves merger
17 November 2015	Investor Day Presentation
13 November 2015	Appendix 3B – exercise of options
5 November 2015	AXX: ACCC will not oppose Vocus proposed acquisition of M2
2 November 2015	Appendix 3B
2 November 2015	VOC: Presentation to Asian Investors
29 October 2015	Results of Meeting
29 October 2015	2015 AGM CEO Address
29 October 2015	MTU: 2015 AGM Chairman Address to Shareholders
28 October 2015	AGM Webcast Details
19 October 2015	Dividend Reinvestment Plan Allocation Price
14 October 2015	Ceasing to be a substantial holder - MTU (NAB)
12 October 2015	Becoming a substantial holder for MTU (NAB)
8 October 2015	Ceasing to be a substantial holder – MTU (NAB)
1 October 2015	Becoming a substantial holder for MTU (NAB)
29 September 2015	Ceasing to be a substantial holder for MTU (NAB)
28 September 2015	VOC: Investor Presentation
28 September 2015	MTU: Merger Implementation Agreement
28 September 2015	VOC: Merger Implementation Agreement
28 September 2015	VOC: Vocus and M2 to merge
25 September 2015	Becoming a substantial holder for MTU (NAB)
22 September 2015	Shareholder Review
22 September 2015	Notice of Annual General Meeting/Proxy Form
27 August 2015	Dividend/Distribution – MTU
25 August 2015	Preliminary Final Report – Correction

6. Information on Vocus

The Vocus Information contained in this Section 6 has been prepared by Vocus and is the responsibility of Vocus (except to the extent that the Vocus Information is based on information about M2, for which M2 takes responsibility). M2 and M2's Directors and officers do not assume any responsibility for the accuracy or completeness of this information (except to the extent that the Vocus Information is based on information about M2).

6.1 Overview

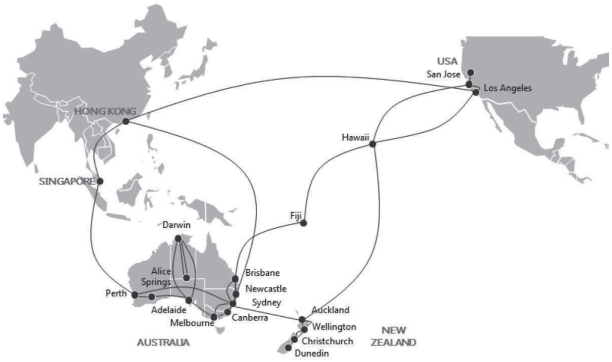
6.1.1 Introduction

Vocus is a leading trans-Tasman provider of integrated telecommunications services including Fibre, Ethernet, Internet, Data Centres and Unified Communications.

Vocus has metro fibre assets connecting over 3,500 buildings, over 4,300 km of intercity fibre and 22 data centres across 17 sites in Australia and New Zealand.

In addition to its fibre network, Vocus owns submarine cable capacity connecting Australia and New Zealand to Singapore, Hong Kong and the United States.

Vocus infrastructure network



Note: Map for illustrative purposes only and not a complete representation of Vocus' entire infrastructure network

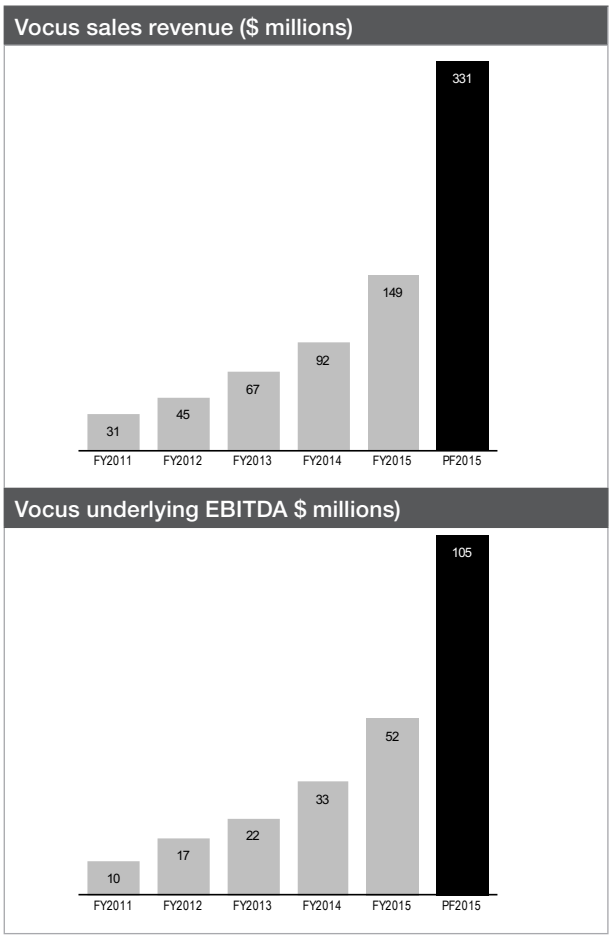
Launched in 2008, Vocus initially provided Internet and voice services. As part of its integrated product strategy, Vocus acquired data centre providers E3 Networks in 2010 and Perth iX in 2011, dark fibre provider Digital River in 2011, New Zealand data centre provider Maxnet in 2012 and integrated fibre and data centre provider Ipera Communications in 2012. These acquisitions enabled Vocus to evolve into a highly scalable business leveraged to demand for data and high speed connectivity.

More recently, Vocus acquired the Bentley Data Centre from ASG Group in August 2014 and further expanded its New Zealand presence with the acquisition of FX Networks in September 2014. Following the acquisition of FX Networks, Vocus is now one of the largest telecommunications infrastructure operators in New Zealand.

In July 2015, Vocus acquired Amcom, a telecommunications services provider based on the west coast of Australia, to create a leading trans-Tasman telecommunication infrastructure provider. The acquisition provided Vocus with a national network, enhancing its ability to offer products and services to approximately 3,750 customers across Australia and New Zealand.

The graphs below demonstrate Vocus' revenue and underlying EBITDA[16] growth from FY2011 to FY2015 as Vocus continues to implement its integrated product offering.

Vocus historical and PF2015 revenue and underlying EBITDA[17]



Vocus is a member of the S&P/ASX 200 Index and Vocus Shares trade on the ASX under the ticker code "VOC".

16 Underlying earnings before interest, income tax, depreciation and amortisation excludes gains on total return swaps, early repayment of borrowings, acquisition and integration costs and other gains and losses.

17 FY2015 PF is presented on a pro forma basis for the Amcom acquisition (including an associated refinancing of group debt) and Vocus' other acquisitions and divestments during FY2015. It is indicative as if Vocus had owned Amcom and the other acquisitions and divestments for FY2015 and excludes any cost or benefits from expected synergies. Refer to Section 6.12 for further information on Vocus' pro forma historical results.

6.1.2 Corporate timeline and key events

Date	Event
March 2008	Vocus is founded by James Spenceley (current Chief Executive Officer), following incorporation in 2007.
July 2010	Vocus is listed on the ASX via a reverse takeover of First Opportunity Fund Limited.
November 2010	Vocus entered the data centre business following the acquisition of the data centre assets of E3 Networks Pty Ltd which owned facilities in Sydney and Melbourne.
May 2011	Vocus acquired Perth data centre provider Perth iX increasing its data centre coverage.
May 2011	Vocus entered the fibre services market through the acquisition of the fibre assets of Digital River Networks Pty Ltd (Digital River Networks). Digital River Networks owned approximately 59km of metropolitan fibre networks primarily in Sydney and Melbourne.
May 2012	Vocus acquired the New Zealand data centre business Maxnet Limited adding data centres in Auckland and Christchurch to its existing network.
January 2013	Vocus acquired Ipera Communications Pty Limited which provided Vocus with premium fibre, data centre and cloud services in Newcastle, Australia.
February 2013	Vocus declared its first dividend.
July 2014	Vocus entered into agreements to acquire 100% of the issued capital of FX Networks Limited, a New Zealand fibre infrastructure owner. The transaction completed in September 2014.
August 2014	Vocus expanded its data centre presence in Western Australia by the purchase of the Bentley Data Centre from ASG Group Limited.
October 2014	Vocus announced the acquisition of a 10% relevant interest in Amcom and approached Amcom with a proposal to combine the two businesses.
December 2014	Vocus was admitted to the S&P/ASX 200 index. Vocus and Amcom entered into a Scheme Implementation Agreement under which Vocus would acquire the outstanding shares it did not own in Amcom via a scheme of arrangement.
February 2015	Vocus agreed to form a joint venture with Spark New Zealand Trading Limited under which Vocus agreed to sell its New Zealand Construction division into Connect 8 and hold 50% of the new entity. Vocus acquired the Sydney and Melbourne data centre assets of EDC for $23.5 million. Vocus entered a new long-term capacity purchase program with Southern Cross Cables Limited for additional submarine cable capacity.
April 2015	Vocus acquired a 14.5% relevant interest in Macquarie Telecommunications Group Limited. As at the date of this Booklet, Vocus' interest was approximately 16% following additional on-market purchases.
July 2015	Vocus completed the acquisition of Amcom to create a national telecommunications infrastructure provider.
September 2015	Vocus and M2 entered into the Merger Implementation Agreement to create a full-service vertically integrated telecommunications company.

6.2 Corporate structure

Vocus owns 100% of the issued capital in Vocus Group Pty Limited. The following entities are Subsidiaries of Vocus Group Pty Limited:

Name	Principal place of business / country of incorporation	Equity Interest
Vocus Holdings Pty Limited	Australia	100%
Vocus Pty Ltd	Australia	100%
Vocus Connect Pty Ltd	Australia	100%
Vocus Data Centres Pty Ltd	Australia	100%
• Perth International Exchange Pty. Ltd. and 100% of the units in the Perth IX Trust (trading as Perth IX)	Australia	100%
Vocus Fibre Pty Ltd	Australia	100%
Vocus Blue Pty Ltd	Australia	100%
Ipera Communications Pty Limited	Australia	100%
Amcom Telecommunications Limited	Australia	100%
• Amcom Pty Limited	Australia	100%
• Amcom IP Tel Pty Ltd	Australia	100%
• Amcom L7 Solutions Pty Ltd[18]	Australia	100%
• Amnet Broadband Pty Ltd	Australia	100%
• Amcom East Pty Ltd	Australia	100%
• Amcom Data Centres Pty Ltd	Australia	100%
• aCure Technology Pty Ltd	Australia	100%
• Global Networks AMC Data Centre Pty Ltd	Australia	100%
Vocus (New Zealand) Holdings Limited[19]	New Zealand	100%
• Vocus (New Zealand) Limited[20]	New Zealand	100%
• Vocus Data Centres (New Zealand) Limited	New Zealand	100%
• Data Lock Limited	New Zealand	100%

Vocus Blue Pty Limited is a wholly-owned Subsidiary of Vocus which holds Vocus Shares as trustee for the beneficiaries of the Vocus Loan Funded Share Plan (see Section 6.8.4 of this Booklet).

Additionally, Vocus is a 50% joint venture partner with Spark New Zealand Trading Limited in Connect 8, a New Zealand incorporated entity.

6.3 Vocus' business

6.3.1 Introduction

Vocus provides four main services to cater for the connectivity and data centre hosting requirements of its customers:

(a) **Internet:** provision of internet bandwidth that is used for internet connectivity for businesses, ISP and other telecommunications companies;

(b) **Fibre and Ethernet:** infrastructure that allows customers to establish a private, fast and secure connection to link their entire enterprise and/or to its data centres in order to run ultra-fast software solutions;

(c) **Data Centres:** specialised premises where Vocus customers can host their IT equipment and infrastructure, and the provision of public and private cloud services; and

(d) **Voice:** Unified Communications platforms, namely Broadsoft BroadWorks and Cisco Hosted Collaboration Solution, owned and operated under licence. Additionally, Vocus offers a voice network allowing telephone calls originating from any telephone user worldwide to be connected to a user on the Vocus voice network and vice versa.

18 On 3 December 2015, Vocus agreed to sell this entity to Cirrus Networks Holdings Limited. The sale has not yet completed as at the date of this Booklet.

19 Formerly FX Networks Limited (name changed on 28 April 2015).

20 Formerly Vocus (New Zealand) Limited (name changed on 17 April 2015).

6.3.2 Vocus product overview

(a) **Internet**

Vocus is an independent aggregator and manager of internet capacity in Australia and New Zealand, providing wholesale bandwidth and wholesale DSL services to ISPs, along with the provision of internet access to enterprise customers.

Vocus provides Internet primarily through capacity on two undersea cables:

(i) **Southern Cross Cable:** Cable connecting Australia and New Zealand to the USA; and

(ii) **Sea-Me-We 3 Cable:** Cable connecting Australia and Singapore and onward to Europe.

Other cable systems are also leased as required by Vocus on a periodic basis to provide connectivity to customers.

Vocus international cable network

Note: Map for illustrative purposes only and not a complete representation of Vocus' entire infrastructure network

Vocus operates the third largest IP Transit backbone in Australia behind Telstra and Optus and is fully integrated with the other Vocus businesses providing strong cross sales capability.

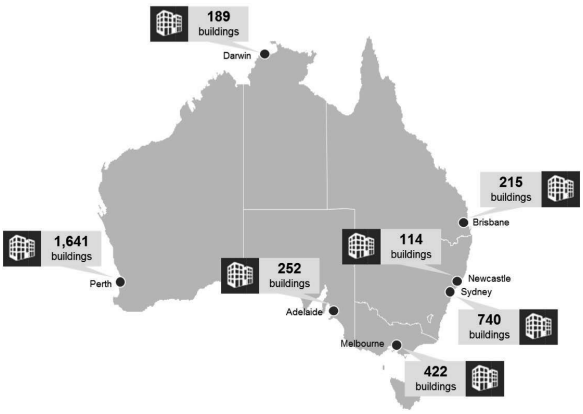
The majority of Vocus' Internet revenue is generated via purchased capacity on submarine cables (via a share of physical ownership or through IRUs) which is then subleased to its wholesale and enterprise customers. Once capacity has been purchased, Internet is a low maintenance business which requires little in the way of ongoing maintenance capital expenditure.

There are significant barriers to entry to laying undersea cable from Australia and New Zealand. Given the high upfront capital costs, Vocus expects limited incremental capacity to be added to submarine cable capacity over the near term with additional capacity likely to become available only through the building of new or expansion of existing cables.

(b) **Fibre & Ethernet**

Vocus entered the Australian domestic fibre market through the acquisition of Digital River Networks' fibre assets in May 2011, which included approximately 59km of fibre infrastructure connected to 50 on-net buildings. Through a combination of organic growth and accretive acquisitions, including the acquisition of Amcom in July 2015, this has increased to 1,600km with over 3,400 connected ("on-net") buildings. This steady growth has resulted in Vocus establishing one of the most connected networks in Australia, which in turn is expected to secure the continued growth of Vocus into the future.

Vocus' Australian on-net buildings[21]



Vocus has invested heavily in its fibre network since the acquisition of Digital River Networks in 2011 as a result of strong customer demand for high speed connectivity services. Vocus targets network density rather than fibre distance to maximise the number of addressable customers per kilometre of fibre. Fibre capacity is expected to be added to Vocus' network based on customer demand.

Vocus also owns a high quality intercity fibre optic network consisting of approximately 4,300km of modern fibre optic cable covering the North and South Islands of New Zealand, with approximately an additional 2,600km under third party leases.

Vocus is only one of five intercity network providers in New Zealand and provides high-speed bandwidth capable of transferring data and voice at speeds up to 100Gbps.

21 As at 1 September 2015.

Vocus New Zealand fibre network

Note: Map for illustrative purposes only

Vocus' Fibre & Ethernet division comprises two products:

(i) **Dark Fibre:** Secure point-to-point connectivity to clients at multi-gigabit speeds, facilitating the direct connection of two offices or offices with data centres. Dark Fibre services are available in major metropolitan cities in Australia and New Zealand; and

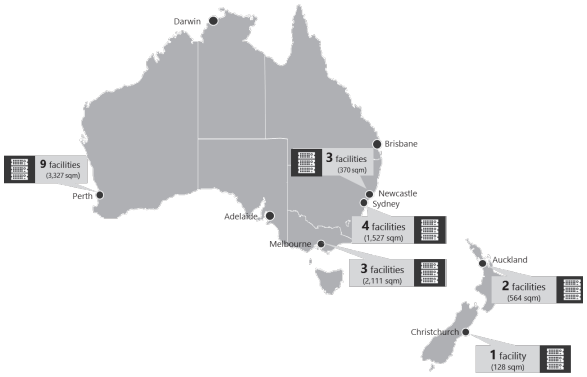
(ii) **Ethernet:** Metropolitan, intercity and international point-to-point or point-to-multipoint connectivity at speeds from 10Mbps to 10Gbps. Ethernet services are available to connect sites across Australia, New Zealand, Singapore, Hong Kong and the USA.

Customer contracts are typically 12 to 60 months in duration with low churn rates, and there are minimal additional costs to service customers once a site is connected to the Vocus network.

(c) **Data Centres**

Vocus' data centres provide co-location, public and private cloud services to the telecommunications industry, corporate, government and enterprise customers through the provision of purpose built facilities with power, cooling and security. Vocus operates 22 data centres across 17 sites, including two sites in New Zealand.

Vocus Data Centre locations



Note: Map for illustrative purposes only

Vocus operates in a different market segment from large "pure" data centre players and focuses specifically on CBD (or near CBD) locations.

Vocus offers data centre services to customers typically on fixed term contracts. Vocus has not historically experienced material levels of customer data centre churn as moving data centres can lead to higher operational risk and significant costs.

Vocus' data centre revenue is generated by charging a fee for housing the customer's IT equipment and infrastructure or via a cloud platform providing Infrastructure as a Service (**IaaS**) in one of Vocus' facilities across Australia and New Zealand. Data centre services provide strong leads to bundle Vocus' other services such as fibre and Internet connectivity at a compelling price for its customers.

The typical fee structure for Vocus data centre co-location customers is either:

(i) fee per rack of equipment with power costs included in the fee; and

(ii) fee based on the caged floor area (generally for larger customers) with the power billed separately.

Private and public cloud customers are typically billed a minimum fee per month with additional variable charges on the basis of their demands for server capacity.

Although Vocus' view is that data centre volume requirements will grow, data centre rates are expected to decline over the short-term largely due to the introduction of additional supply into the marketplace. However, pricing is underpinned by property lease costs and, as a result, this may help mitigate against price reductions.

Key drivers of data centre growth include corporates moving their information technology and telecommunications infrastructure off-premises. The reasons for doing this potentially include:

(i) tighter operating budgets and the need to manage energy costs more efficiently;

(ii) greater requirements for data storage and analytical solutions; and

(iii) comparative speed and efficiency benefits to accessing the enterprise's data and applications when stored remotely.

(d) **Voice**

An emerging market for Vocus is the provision of voice services to corporates. Vocus also works as an interconnect carrier with its voice network primarily providing the ability to route calls to/from Vocus clients to both national and international destinations. Vocus provides wholesale voice services primarily to VoIP service providers, the calling card industry and resellers.

Vocus operates and owns under licence two Unified Communications voice platforms, Broadsoft BroadWorks and Cisco Hosted Collaboration Solution, acquired as part of the Amcom acquisition.

(e) **Projects**

As part of the Amcom acquisition, Vocus acquired an IT services business which includes the sale of hardware, outsourced services and the provision of implementation consultancy services. This business sells IT hardware specialising in Cisco and EMC, selling licences and providing maintenance, professional services and a range of managed services. The IT services business was established following Amcom's acquisition of L7 Solutions in 2011.

Vocus acquired a Construction division as part of its acquisition of FX Networks. Vocus owned this division until it was sold into a joint venture with Spark New Zealand Trading Limited, called Connect 8, in February 2015. Connect 8 deploys fibre in New Zealand for both Vocus and Spark New Zealand Trading Limited and for third parties.

6.4 Vocus strategy

The telecommunications sector in both Australia and New Zealand is highly competitive with a considerable number of wholesale and retail service providers. Vocus seeks to differentiate itself by owning key infrastructure and bundling Internet connectivity, fibre and data centre products and providing superior service delivery to its customers.

Vocus' strategy to maximise Vocus shareholder value is supported by the following telecommunication industry dynamics:

(a) increasing data requirements: increase in data demand and requirements for reliable data delivery at high speeds for government, corporate and enterprise customers; and

(b) increasing IT outsourcing trends: increase in data centre services as government, corporate and enterprise customers move to cloud based IT solutions. Data centre services typically require the utilisation of two Vocus products including rack space or cloud capacity in a data centre and a data connection (fibre) to connect the data source to the office.

Vocus has focused on executing an integrated telecommunications services product offering across Internet, fibre and Ethernet and data centres, and following the acquisition of Amcom, Voice / Unified Communications. Vocus considers that the trend in cloud computing and data outsourcing will continue and intends to ensure that it is well positioned to benefit from the resulting demand for Internet, fibre and data centre capacity whilst maximising operational efficiencies. In order to achieve this Vocus has the following objectives:

(a) continue to expand its existing customer base and product penetration increasing operational leverage and utilisation of its assets;

(b) continue to evaluate strategic acquisitions where complementary to Vocus' current business;

(c) offer adjacent high margin products that are leveraged to the increased trends in data demand;

(d) focus on additional sales supported by increased sales staff;

(e) increase market awareness of its brand in the corporate market and its expanded product suite through targeted marketing campaigns;

(f) continue to expand its network (organically and/or by acquisition) driven by customer demand; and

(g) focus on automation of workflow to reduce service delivery costs and increase customer satisfaction by improving its internal systems and customer interface processes.

6.5 Vocus M&A opportunities

Over recent years, Vocus has engaged in a number of mergers and acquisitions. Vocus is currently evaluating or pursuing the opportunities described below.

Australia Singapore Cable

Vocus is currently negotiating the terms of a proposed joint venture in respect of the Australia Singapore Cable (***ASC***), a 4,600km high speed undersea cable connecting Australia to Singapore via Indonesia. ASC is proposed to be a 50/50 joint venture between Vocus and Nextgen Group (***Nextgen***), a leading provider of network connectivity, data centre facilities and cloud services for Australian businesses, government agencies and telecommunications service providers.

Vocus' participation in the ASC project is subject to conclusion of binding legal documentation and satisfaction

of applicable conditions precedent in relation to the joint venture.

If the project proceeds, ASC is likely to begin construction early in 2016 and take approximately 18 months to build. ASC will have at least a 20 Tb capacity, although final cable design will be approved by both Vocus and Nextgen. ASC is expected to cost approximately US$120 – 130 million to construct and will be funded by a mix of non-recourse debt and equity. Current forecast assumptions suggest that Vocus will invest a total of approximately US$44 million into the project, split between an upfront payment and contributions based on key construction milestones.

Projected ASC project returns are sufficient to support Vocus' investment and Vocus is testing the assumptions underpinning the projected returns through due diligence.

Sale of IT Services Business

On 3 December 2015, Vocus announced that it has agreed to sell the non-core IT Services business that it obtained through the acquisition of Amcom to Cirrus Networks Holdings Limited (Cirrus), an ASX-listed IT solutions provider headquartered in Perth. The disposal will not have a material impact on Vocus' EBITDA or NPAT.

Any further material developments in respect of the opportunities described above will be announced by Vocus to the ASX as and when required in accordance with its disclosure obligations in the ordinary course.

As at the date of this Booklet, Vocus is not party to any other binding agreements or arrangements in relation to mergers, acquisitions or disposals (other than this Merger).

6.6 Board and senior management

6.6.1 Board

Name	Biography
David Spence Non-Executive Chairman	David Spence has been involved in over 20 internet businesses, as Chairman, CEO, director, shareholder or adviser. Until February 2010, Mr Spence held the role of CEO at Unwired Ltd. From 1995 until 2000, he held various positions with OzEmail, including Managing Director and CEO. Mr Spence grew the business to become Australia's second largest ISP. Mr Spence is currently Chairman of PayPal Australia Pty Limited, a Director at Hills Limited and a Director at SAI Global Limited. Mr Spence is a past Chairman of the Board of the Internet Industry Association. Mr Spence is the Chairman of the Vocus Board and a member of the Nomination and Corporate Activity Committees.
Tony Grist Non-Executive Deputy Chairman	Tony Grist was appointed as Deputy Chairman of Vocus in July 2015 after Vocus' acquisition of Amcom. After managing the corporate underwriting division of an Australian Stockbroking firm, Mr Grist formed what became Albion Capital Partners, a private investment group based in Perth in 1991. He formed what became Amcom in 1999 to acquire and finance the then start up telco, Amcom Pty Ltd. Mr Grist led the acquisition of a major stake in iiNet Limited (iiNet) by Amcom in 2006 and joined the board of iiNet the same year. iiNet became the second largest broadband provider by customer number after a major period of expansion, and in 2011 Amcom divested its stake in iiNet via a distribution of the stake to Amcom shareholders. Mr Grist left the board of iiNet in September 2011. Mr Grist is a member of the Risk Management, Nomination and Corporate Activity Committees.

Name	Biography
James Spenceley Chief Executive Officer	James Spenceley is the founder and Chief Executive Officer of Vocus and a genuine industry innovator because he believes in the critical importance of the network and its role in transforming business. This transformation is experienced in the technology, but also in the relationships people and businesses need to have with their telecommunications providers. Mr Spenceley is a popular speaker at industry events around the Asia Pacific region and in a passionate advocate for "doing everything better". Mr Spenceley has been an active member of the communications industry for over 18 years. He is an elected member of the APNIC Executive Council, a founding director of AusNOG, and for many years has successfully sourced and deployed switches to non-profit Internet exchanges around the world. Mr Spenceley is a member of the Nomination Committee.
Jon Brett Non-Executive Director	Jon Brett has extensive experience in the areas of management, operations, finance and corporate advisory. Mr Brett's experience includes several years as managing director of a number of publicly listed companies and was also formerly the non-executive deputy president of the National Roads and Motoring Association. Mr Brett is currently a Non-Executive Director of both The PAS Group Limited and Godfreys Group Limited where he is the Chairman of the Audit and Risk Committees. Mr Brett is also currently on the board of several unlisted companies and was a director of Investec Wentworth Private Equity Limited. In the mid 1990's, he was the CEO of Techway Limited which pioneered internet banking in Australia. Mr Brett is the Chairman of the Audit Committee and a member of the Remuneration and Corporate Activity Committees.
John Murphy Non-Executive Director	John Murphy has extensive experience in corporate recovery, corporate finance and mergers and acquisitions. Mr Murphy was the founder and Managing Director of Investec Wentworth Private Equity Limited from 2002 to 2012. He was a director of Investec Bank (Australia) Limited from 2004 to 2014 where he was a member of the Audit, Risk and Investment Committees. Prior to working in private equity, Mr Murphy spent 26 years with an international accounting firm where he held national and regional responsibilities. Mr Murphy has extensive public company experience and is currently a director of Ariadne Australia Limited and Gale Pacific Limited. In the last three years, Mr Murphy was also a director of Clearview Wealth Limited, Kresta Holdings Limited and Redflex Holdings Limited. Mr Murphy is a member of the Audit and Remuneration Committees.
Stephen Baxter Non-Executive Director	Stephen Baxter co-founded dark fibre and peering company PIPE Networks in 2001 and has invested in a number of tech startups. Mr Baxter is an active supporter of Australia's startup ecosystem, as a founding board member of advocacy group StartupAUS, the founder of Brisbane co-working community River City Labs, and the mission leader for Startup Catalyst. Mr Baxter is also currently a director of Other Levels Limited and Indoor Skydive Australia Group Limited. Mr Baxter is the Chairman of the Risk Management Committee and a member of the Corporate Activity Committee.

Name	Biography
Paul Brandling Non-Executive Director	Paul Brandling was appointed as a director of Vocus in July 2015 after Vocus' acquisition of Amcom. Mr Brandling has more than 28 years' experience in the information technology industry and was formerly Vice President and Managing Director of Hewlett-Packard South Pacific from 2002 until 2012 and prior to that was Vice President and Managing Director of Compaq South Pacific. Mr Brandling was a member of the International CEO Forum (Australia) from 2001 to 2012 and served as a Director of the Australian Information Industry Association (***AIIA***) from 2002 to 2011. Mr Brandling is also a director of Integrated Research Limited. Mr Brandling is the Chairman of the Remuneration Committee and member of the Corporate Activity Committee.
Anthony Davies Non-Executive Director	Anthony Davies was appointed as a director of Vocus in July 2015 after Vocus' acquisition of Amcom. Mr Davies was an executive of Elders Ltd from 1989 until 2004 and was their Chief Financial Officer for 11 years. Previously he worked in areas of financial and risk management with public companies in Europe, North America and Australia. Mr Davies is a member of the Risk Management and Audit Committees.

6.6.2 Senior management team

Name	Biography
Christopher Deere Deputy Chief Executive Officer	Christopher Deere joined Vocus in 2013 following Vocus' acquisition of Ipera Telecommunications Pty Limited (***Ipera***) in January 2013 and was appointed Deputy Chief Executive Officer in March 2015. Mr Deere established Ipera in 2000 with the rollout of a high speed fibre network through the Newcastle CBD which developed into a diversified Infrastructure as a Service (***IaaS***) company. Mr Deere is responsible for the management of Vocus' significant infrastructure and new product development and strategy.
Richard Correll Chief Financial Officer	Richard Correll is responsible for all financial aspects of Vocus, including accounting and financial reporting, financial compliance and governance, taxation, treasury, balance sheet management, capital strategy and insurance. Mr Correll has extensively worked in finance, media and communications industries in the USA and Australia, holding senior financial and general executive roles in companies including Ernst & Young, News Limited and Austar.
Mark Simpson General Counsel & Company Secretary	Mark Simpson has been with Vocus since it listed in 2010 and is responsible for the legal and regulatory functions, as well as human resources management. Before joining Vocus, Mr Simpson worked as a corporate lawyer, with 18 years' experience to director/partner level with major law firms in the UK and Australia. Specialising in mergers and acquisitions, Mark has broad experience in all aspects of corporate advisory and compliance work.

6.6.3 Board and senior management team disclosures

As set out in the Notice of Meeting and accompanying Explanatory Statement in relation to Vocus' 2015 Annual General Meeting, following Vocus' acquisition of Amcom, Vocus' Remuneration Committee conducted a review of Mr Spenceley's terms of employment and, in order to bring them into line with market standards, agreed to amend Mr Spenceley's terms of employment such that (amongst other things):

- if Mr Spenceley is offered and accepts a role by Vocus or its subsidiaries which is materially reduced in terms of title, status, responsibility or pay; or
- if Mr Spenceley's employment is terminated by Vocus by reason of redundancy,

then:

- Vocus will make a one-off payment to Mr Spenceley equivalent to 12 months' base salary and pay Mr Spenceley's bonus and any stretch bonus applicable in the relevant financial year on a pro rata basis (as though relevant targets have been met) based on the number of months in the financial year which have passed compared to the total (***Payment Benefit***); and
- all of Mr Spenceley's issued but unvested shares acquired under Vocus' Loan Funded Share Plan will vest (***Accelerated Vesting***).

The actual value of the Payment Benefit will depend on Mr Spenceley's base remuneration at the relevant time and the maximum bonus or stretch bonus for the relevant financial year. At the date of this Booklet, Mr Spenceley's base remuneration (including superannuation) is $750,000 and the combined value of the on target bonus and stretch bonus for 2016 is $350,000.

The value of the Accelerated Vesting cannot be ascertained as at the date of this Booklet. However, the value of this benefit will be equal to the value of the Loan Funded Shares (determined as being equal to the closing market price of a Vocus share on ASX on the trading day on which the shares vest, multiplied by the number of shares), after repayment of the loan owed by Mr Spenceley to Vocus. At the date of this Booklet, Mr Spenceley has 1,088,071 unvested Loan Funded Shares.

Vocus shareholders approved these arrangements at Vocus' Annual General Meeting on 25 November 2015.

No Vocus Director listed in Section 6.6.1 was an officer of any company that entered into a form of external administration because of insolvency during the time that the proposed Vocus Director was an officer or within a 12 month period afterwards, other than as set out below.

Among his previous roles, David Spence was also a non-executive director of AWA Limited between 2010 and 2013. Subsequent to Mr Spence leaving office in 2013, AWA Limited was placed in voluntary administration by its then directors in February 2014.

Since July 2014, James Spenceley has been a director of Wollongong Hawks Pty Ltd, which was placed into voluntary administration in March 2015 and exited voluntary administration in June 2015 following acceptance of a deed of company arrangement by its creditors.

6.7 Corporate governance

The Vocus Board is responsible for the corporate governance of the Vocus Group. The Vocus Board has committed to incorporating each of the ASX Corporate Governance Council's Revised Principles and Recommendations, in accordance with Listing Rule 4.10.3 into its corporate governance policies.

Vocus' corporate governance policies are summarised below and full details are available on Vocus' website at www.vocus.com.au.

Vocus Board	The Vocus Board has adopted a Board Charter that formalises its roles and responsibilities, including defining matters that are reserved for the Vocus Board and matters that are delegated to management. The Vocus Board has established a Nomination Committee, a Remuneration Committee, a Risk Management Committee, an Audit Committee and a Corporate Activity Committee to assist the Vocus Board in fulfilling its responsibilities. It is intended that the Vocus Board comprise a majority of independent non-executive directors, and that those directors have a broad range of skills, expertise and experience. The performance of the Vocus Board and key executives is reviewed regularly using both measurable and qualitative indicators.

Ethical and responsible decision making	The Vocus Board has adopted a Code of Conduct which establishes a clear set of values that emphasise a culture of strong corporate governance, sound business practices and ethical conduct. The Vocus Board has also adopted a Diversity Policy which outlines objectives of the company in ensuring that it has a diverse workforce (to the extent that this is practicable). In particular, the policy sets out how to promote a diverse workplace culture, factors to be taken into account in selecting candidates for the Vocus Board and senior management positions in Vocus and reporting on the outcomes of the policy.
Safeguard integrity in financial reporting	The Vocus Board has established a Risk Management Committee and an Audit Committee which identify issues relevant to the integrity of Vocus' financial reporting and risk profile and report to the Vocus Board in relation to: (a) the implementation and maintenance of appropriate policies and procedures in relation to risk management and auditing; (b) financial reporting, internal control structure and internal and external audit functions; and (c) establishing a sound system of risk oversight and management and internal controls. The Audit Committee meets at least twice per year and the Risk Management Committee meets at least four times per year. Each committee comprises three non-executive directors. The powers and activities of the committees are reviewed regularly to ensure they meet the needs of the Vocus Board, comply with corporate governance requirements and reflect changes in Vocus.
Market disclosure and shareholder communications	Vocus has adopted a Continuous Disclosure and Communications policy to ensure that it complies with the continuous disclosure regime under the Listing Rules and the Corporations Act. To that end, the policy describes the circumstances in which price sensitive information must be disclosed to the market, requires all employees to be responsible for complying with Vocus' disclosure obligations and establishes a process for releasing information to the market. Vocus communicates with its shareholders via its website, half year and annual reports, market announcements and media disclosures. Vocus also encourages shareholder participation at general meetings.
Risk management	The Risk Management Committee is responsible for identifying and managing key risks within the business, although ultimate responsibility for risk oversight and risk management rests with the Vocus Board. The Risk Management Committee is required to establish and implement processes to capture and identify any issues or weaknesses in the risk management, internal control mechanisms and financial reporting of Vocus. Vocus management also monitors and manages risks in the ordinary course of business to ensure that these risks are addressed continuously. In that regard, key operational and financial risks are presented to and reviewed by the Vocus Board at each Vocus Board meeting.
Directors' fees and executive remuneration	The Vocus Board has established a Remuneration Committee which is responsible for determining and reviewing compensation arrangements for the directors, the CEO and executive team. Accordingly, no senior executive is involved directly in deciding their own remuneration. In order to retain a high quality Vocus Board and executive team, directors and key executives are remunerated fairly and appropriately with reference to relevant employment market conditions. In that regard, the Vocus Board links the nature and amount of executive directors' and officers' remuneration to Vocus' financial and operational performance.

6.8 Vocus' issued securities

6.8.1 Capital structure

The capital structure of Vocus as at the date of this Booklet is as follows:

Number of Vocus Shares	231,813,425
Number of Vocus Options	168,335
Number of Vocus Performance Rights	248,007

6.8.2 Employee share option plan

An employee share option plan was established by Vocus and approved by its shareholders at a general meeting, whereby Vocus may, at the discretion of the Vocus Board, grant options in respect of Vocus Shares to its employees.

Each Vocus Option converts into one Vocus Share on exercise. No amounts are paid or payable by the recipient of the Vocus Option in respect of the option grant, although an exercise price is set at the date the options are granted. Vocus Options carry neither rights to dividends nor voting rights. Vocus Options may be exercised at any time from the date of vesting to the date of their expiry.

The table below summarises the Vocus Options currently outstanding as at the date of this Booklet.

Issue Date	Expiry Date	Exercise Price	Number
1 October 2010	30 September 2017	$0.50	100,000
1 August 2011	31 July 2018	$2.50	46,668
11 May 2012	10 May 2019	$2.00	21,667
TOTAL			168,335

6.8.3 Performance Rights

As part of the Amcom Scheme Implementation Agreement, Vocus agreed to issue Vocus Performance Rights to replace existing Amcom performance rights held by certain Amcom employees.

As at the date of this Booklet there are 248,007 Vocus Performance Rights outstanding. The Vocus Performance Rights vest into Vocus Shares for nil consideration on the following dates:

(a) 50% of the outstanding Vocus Performance Rights vest on 8 January 2016, being 6 months after implementation of the Amcom scheme of arrangement; and

(b) 50% of the outstanding Vocus Performance Rights vest on 8 July 2016, being 12 months after implementation of the Amcom scheme of arrangement.

6.8.4 Loan Funded Share Plan

Vocus Shares were issued to Vocus Blue Pty Limited, a wholly-owned Subsidiary of Vocus, as part of Vocus' Loan Funded Share Plan remuneration scheme to attract and retain key employees. Vocus Blue Pty Limited's sole purpose is to hold shares as trustee for its beneficiaries (its ***Participants***).

The Participants are granted a loan by Vocus to purchase the beneficial interest in Vocus Shares set out in Section 6.8.1. The loans are limited recourse to the Participants and any dividends received on the plan shares are used to reduce the loan balance net of tax payable. Participants are required to meet service requirements and performance conditions before being entitled to acquire full title to the Vocus Shares and are required to repay the loan in order to do so.

The shares held by Vocus Blue Pty Limited are included in the number of Vocus Shares. As at the date of this Booklet, Vocus Blue Pty Limited held 5,410,434 Vocus Shares in trust under the Loan Funded Share Plan remuneration scheme of behalf of its Participants.

6.9 Notifiable interests

Name	Number of Vocus Shares in which they have voting power	Percentage of Vocus Shares on issue
National Australia Bank Limited	23,051,455	9.94%
TPG Telecom Ltd	18,336,667	7.91%
The Goldman Sachs Group, Inc.	14,364,283	6.20%[22]

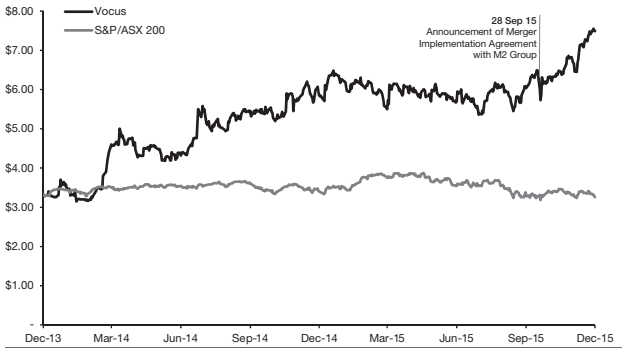
6.10 Trading price and volume of Vocus Shares

The Vocus Shares are listed on the ASX under the ticker code "VOC".

The accompanying chart shows Vocus' share price performance over the 24 months to 10 December 2015.

Vocus has had strong growth in its share price and the graph below demonstrates that the Vocus share price has outperformed the S&P/ASX 200 Index over the last 2 years since 10 December 2013.

Historical share price performance



Source: IRESS

Notes: S&P/ASX 200 Index indexed to Vocus closing price as at 10 December 2013. Past performance is not an indicator of future performance.

22 As at 13 November 2015

The recorded closing price for Vocus Shares on the ASX on 10 December 2015, being the last practicable trading day before the date of this Booklet, was $7.49.

During the three months ended 10 December 2015:

(a) the highest recorded daily closing price for Vocus Shares on the ASX was $7.55 on 8 December 2015; and

(b) the lowest recorded daily closing price for Vocus Shares on the ASX was $5.73 on 29 September 2015.

The closing price of Vocus Shares on the ASX on 25 September 2015 (i.e. the last trading day prior to the announcement of the Merger) was $6.49.

6.11 Financing arrangements

Vocus has historically adopted a diversified capital management and treasury policy to safeguard its ability to continue as a going concern, so that it can provide returns to Vocus Shareholders, support growth initiatives and to maintain an optimum capital structure to reduce its overall cost of capital.

Vocus has primarily financed itself with the operating cash flows from its business, the issue of equity, bank loans, finance leases and IRU contractual payment obligations. For its existing business, Vocus aims to continue to finance itself and any additional network build requirements primarily through its strong positive cash flows and through its overall financing capacity.

Vocus has syndicated multi-currency facilities with major Australian and international banks with amortising, term, capex and working capital tranches. The three year facilities expiring on 3 July 2018 have total limits of $213,000,000 and NZ$75,000,000. The facilities were established to refinance Vocus' and Amcom's previous bank facilities, fund capital expenditure and provide additional working capital as needed. The NZ$ denominated facility provides a natural hedge against Vocus' NZ$ denominated assets. At the close of the Amcom transaction, there was approximately $83,500,000 in undrawn capacity and the NZ$ facility was fully drawn.

An overview of the financing arrangements for the Merged Group, including arrangements for the continuation of those facilities, is contained in Section 7.7.2.

6.12 Litigation

As at the date of this Booklet, Vocus is not aware of any material contractual disputes or litigation matters in respect of the Vocus Group, including with its customers or other third parties.

6.13 Vocus historical and pro forma historical financial information

6.13.1 Overview

This Section contains the following Vocus financial information:

(a) historical consolidated income statements for the financial years ended 30 June 2013 ("FY2013"), 30 June 2014 ("FY2014") and 30 June 2015 ("FY2015");

(b) historical consolidated statement of financial position as at 30 June 2015;

(together the ***Vocus Historical Financial Information***)

(c) the Vocus pro forma historical consolidated income statement for FY2015; and

(d) the Vocus pro forma historical consolidated statement of financial position as at 30 June 2015 (collectively, (c) and (d) are referred to as ***Vocus Pro Forma Historical Financial Information***).

The Vocus Historical Financial Information in this Section has been derived from Vocus' general purpose financial statements for FY2013, FY2014 and FY2015, which were audited by Deloitte Touche Tohmatsu and upon which unqualified audit opinions were issued.

The Vocus Pro Forma Historical Financial Information has been derived from the Vocus Historical Financial Information, and adjusted for the effects of pro forma adjustments described in Sections 6.13.3 and 6.13.4.

6.13.2 Basis of preparation

The Vocus Historical Financial Information and the Vocus Pro Forma Historical Financial Information presented is in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act, and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. A full description of Vocus' accounting policies can be found in its annual financial report for FY2015. No substantial or material changes are expected to those policies.

Vocus' recent statutory historical consolidated income statements, historical consolidated statements of financial position and historical consolidated cash flow statements are disclosed in the annual financial report for FY2013, FY2014 and FY2015, all of which can be found on the Vocus website at www.vocus.com.au/investors or the ASX website at www.asx.com.au.

The Vocus Historical Financial Information has been prepared in accordance with the recognition and measurement principles of AAS (including the Australian

Accounting Interpretations), issued by the AASB which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

The Vocus Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in the AAS, other than it includes adjustments which have been prepared in a manner consistent with AAS that reflect: (i) the exclusion of certain transactions that occurred in FY2015; and (ii) the impact of certain events or transactions as if they occurred on or before 30 June 2015.

The pro forma historical financial effect of the Scheme on the Merged Group is set out in Section 7.8 of this Booklet.

During FY2015, Vocus undertook the following acquisitions and divestments:

(a) acquisition of the Bentley Data Centre in Perth from ASG Group Limited in August 2014;

(b) acquisition of FX Networks Limited in September 2014;

(c) acquisition of the Sydney and Melbourne data centre and business continuity assets of Enterprise Data Corporation Pty Ltd in February 2015; and

(d) divestment of Vocus' New Zealand Construction division, which Vocus acquired as part of the FX Networks Limited acquisition, into a joint venture, called Connect 8, with Spark New Zealand Trading Limited in February 2015.

Subsequent to 30 June 2015, Vocus completed the acquisition of Amcom on 8 July 2015.

In order to illustrate the financial effects of these acquisitions and divestments, Vocus has presented a pro forma historical consolidated income statement for FY2015 that has been adjusted as if the following transactions were effective from 1 July 2014:

(a) the Bentley Data Centre acquisition;

(b) the FX Networks Limited acquisition less contributions from Vocus' New Zealand Construction division given Vocus' divestment of the Construction division to Connect 8 (Vocus' share of the earnings of the joint venture are included in the Vocus historical consolidated income statement for FY2015);

(c) the acquisition of the Sydney and Melbourne data centre and business continuity assets of Enterprise Data Corporation Pty Ltd;

(d) the acquisition of Amcom; and

(e) the refinancing of Vocus Group debt which arose as a result of the Amcom acquisition.

Vocus has also presented a pro forma historical consolidated statement of financial position as at 30 June 2015 to illustrate the financial effect of the below transactions which occurred subsequent to 30 June 2015:

(a) the acquisition of Amcom;

(b) the refinancing of Vocus Group debt; and

(c) the payment of the one-off special dividend of 5.1 cents per Vocus Share which was conditional on the scheme of arrangement with Amcom becoming effective.

6.13.3 Vocus historical consolidated income statements for FY2013, FY2014 and FY2015 and pro forma historical consolidated income statement for FY2015

	Historical			Pro Forma Historical		
A$'000	Historical FY2013	Historical FY2014	Historical FY2015	Notes	Pro forma adjustments	Pro forma Historical FY2015
Sales revenue	66,500	91,753	149,004	i, ii, v, vi, vii	182,401	331,405
Expenses (exc. other gains and losses)	(44,075)	(58,778)	(97,434)	i, ii, v, vi, vii	(128,732)	(226,166)
Underlying earnings before interest tax, depreciation and amortisation (EBITDA)	**22,425**	**32,975**	**51,570**		**53,670**	**105,240**
Depreciation and amortisation (excluding Customer Intangibles)	(8,428)	(11,406)	(18,090)	i, iii, v, vi, vii, viii	(19,958)	(38,048)
Net finance costs	(1,035)	(1,821)	(5,278)	vi, ix	(7,179)	(12,457)
Underlying profit before income tax	**12,962**	**19,748**	**28,202**		**26,533**	**54,735**
Underlying income tax expense	(3,644)	(6,163)	(10,053)	xi	(7,960)	(18,013)
Underlying net profit after tax (NPAT)	**9,318**	**13,585**	**18,149**		**18,573**	**36,722**

	Historical			Pro Forma Historical		
A$'000	Historical FY2013	Historical FY2014	Historical FY2015	Notes	Pro forma adjustments	Pro forma Historical FY2015
Reconciliation: Underlying EBITDA to Statutory NPAT						
Underlying EBITDA	**22,425**	**32,975**	**51,570**		**53,670**	**105,240**
Other gains and losses including foreign exchange	(5,199)	495	3,591		-	3,591
Gains on total return swaps	-	-	7,486		-	7,486
Acquisition and integration costs	(207)	(1,403)	(10,400)	iv	(10,528)	(20,928)
EBITDA	**17,019**	**32,067**	**52,247**		**43,142**	**95,389**
Depreciation and amortisation (excluding Customer Intangibles)	(8,428)	(11,406)	(18,090)	i, iii, v, vi, vii, viii	(19,958)	(38,048)
Amortisation of Customer Intangibles	(436)	(306)	(594)	x	(6,134)	(6,728)
Net finance costs	(1,035)	(1,821)	(5,278)	vi, ix	(7,179)	(12,457)
Net profit before tax	**7,120**	**18,534**	**28,285**		**9,871**	**38,156**
Income tax expense	(2,022)	(5,609)	(8,435)	xi	(2,961)	(11,396)
Net profit after tax (NPAT)	**5,098**	**12,925**	**19,850**		**6,910**	**26,760**

Non-IFRS financial measures:

EBITDA is a financial measure which is not prescribed by AAS and represents earnings before financing costs, income tax expense and depreciation and amortisation expense as detailed in the table above. Underlying earnings is a financial measure which is not prescribed by AAS and represents the earnings before acquisition and integration costs, customer intangibles amortisation expense and other non-recurring items.

Pro forma adjustments:

The following pro forma adjustments have been included in Vocus' pro forma historical consolidated income statement for FY2015 and are described above:

(i) the inclusion of the financial contributions based on the underlying results of Amcom for FY2015, as if the acquisition was effective on 1 July 2014;

(ii) the elimination of $1.3 million of revenue (and cost of sales) arising on transactions between Vocus and Amcom which occurred on an arm's length basis in the ordinary course of business during FY2015;

(iii) the incremental depreciation expense arising from the purchase price accounting for the Amcom acquisition, specifically the increase in value of property, plant and equipment to the fair market values based on a provisional assessment of preliminary information. The incremental depreciation expense for Amcom is for the full FY2015 financial year;

(iv) transaction costs arising subsequent to 30 June 2015 as a result of the Amcom acquisition as if they occurred during FY2015;

(v) the inclusion of the financial contributions of the Bentley Data Centre for the pre-acquisition period in FY2015 on a pro forma basis taking account of the profile of Bentley Data Centre's earnings since the acquisition by Vocus during the period. These pro forma adjustments are made as if the acquisition of the Bentley Data Centre was effective on 1 July 2014;

(vi) the inclusion of the financial contributions for the pre-acquisition period in FY2015 on a pro forma basis taking account of the profile of the earnings since the acquisition of FX Networks Limited (now named Vocus (New Zealand) Limited) as if the acquisition was effective on 1 July 2014, excluding the financial contribution of Vocus' New Zealand construction division, which Vocus divested into a joint venture with Spark New Zealand Trading Limited, named Connect 8 Limited;

(vii) the inclusion of the financial contributions for the pre-acquisition period in FY2015 on a pro forma basis taking account of the profile of earnings since acquisition of the two data centres and business continuity assets of Enterprise Data Corporation Pty Ltd acquired in April 2015 as if the acquisition was effective on 1 July 2014;

(viii) the incremental depreciation expense arising from the purchase price accounting for the Bentley Data Centre, FX Networks and Enterprise Data Corporation acquisitions, specifically the increase in value of property, plant and equipment (where applicable) to the fair market values based on a provisional assessment of preliminary information. The incremental depreciation expense is for the period prior to acquisition;

(ix) the inclusion of incremental net financing costs and depreciation of capitalised debt establishment costs arising as a result of the Amcom acquisition as if the acquisition and the associated re-financing was effective on 1 July 2014, and financing costs on non-bank debt in FX Networks;

Summarised in the table below is the impact of adjustments (i) to (ix) discussed above and (xi) discussed below:

A$'000	Amcom	Others	Pro forma adjustments
Note reference	*(i) to (iv)*	*(v) to (ix)*	
Sales revenue	164,363	18,038	182,401
Expenses (exc. other gains and losses)	(115,671)	(13,061)	(128,732)
Underlying earnings before interest tax, depreciation and amortisation (EBITDA)	**48,692**	**4,978**	**53,670**
Depreciation and amortisation (excluding Customer Intangibles)	(15,779)	(4,179)	(19,958)
Net finance costs	(918)	(6,261)	(7,179)
Underlying profit before income tax	**31,995**	**(5,462)**	**26,533**
Underlying income tax expense	(9,599)	1,639	(7,960)
Underlying net profit after tax (NPAT)	**22,397**	**(3,823)**	**18,573**

Note: It was announced on 3 December 2015 that Vocus and Cirrus Networks Holdings Limited signed agreements for the sale of the IT Services business for $500,000. The IT Services business, also known as Amcom L7 Solutions Pty Limited, was acquired through the takeover of Amcom and identified as non-core following a strategic review during the integration process. The IT Services business generated $28 million of revenue and a small contribution to EBITDA for Amcom in FY15, which is included in the Amcom financial contribution in the table above.

(x) the incremental amortisation expense arising from the purchase price accounting for the acquisitions above, specifically the increase in the value of customer intangibles (where applicable) to their fair market values based on a provisional assessment of preliminary information. The incremental amortisation expense for the Bentley Data Centre and Enterprise Data Corporation is for the period prior to acquisition, with Amcom being for the full FY2015 financial year; and

(xi) income tax expense on the pro forma adjustments has been reflected at a rate of 30% less permanent differences.

6.13.4 Vocus historical consolidated statement of financial position as at 30 June 2015 and Vocus pro forma historical consolidated statement of financial position as at 30 June 2015

A$'000	Historical as at 30 June 2015	Pro forma Amcom acquisition (note i)	Pro forma Historical including Amcom	Notes	Pro forma adjustments (notes ii – iii)	Pro forma Historical as at 30 June 2015
Assets						
Current Assets						
Cash and cash equivalents	15,170	(5,440)	**9,730**	ii, iii	26,307	**36,037**
Trade and other receivables	22,682	14,000	**36,682**		-	**36,682**
Derivative financial instruments	1,027	-	**1,027**		-	**1,027**
Other	3,051	10,892	**13,943**	ii	7,082	**21,025**
Total current assets	**41,930**	**19,452**	**61,382**		**33,389**	**94,771**
Non-current assets						
Property, plant and equipment	204,619	183,432	**388,051**		-	**388,051**
Intangibles	125,394	605,856	**731,250**		-	**731,250**
Deferred tax	5,443	-	**5,443**		-	**5,443**
Equity accounted investments	3,708	-	**2,250**		-	**3,708**
Other	2,250	-	**3,708**		-	**2,250**
Total non-current assets	341,414	789,288	**1,130,702**		-	**1,130,702**
Total assets	383,344	808,740	**1,192,084**		33,389	**1,225,473**

A$'000	Historical as at 30 June 2015	Pro forma Amcom acquisition (note i)	Pro forma Historical including Amcom	Notes	Pro forma adjustments (notes ii – iii)	Pro forma Historical as at 30 June 2015
Liabilities						
Current liabilities						
Trade and other payables	24,177	14,657	**38,834**		-	**38,834**
Borrowings	1,764	6,015	**7,779**	ii	14,467	**22,246**
Income tax	3,533	-	**3,533**		-	**3,533**
Provisions	10,127	8,795	**18,922**	iii	(5,381)	**13,541**
Other	1,277	10,986	**12,263**		-	**12,263**
Total current liabilities	**40,878**	**40,453**	**81,331**		**9,086**	**90,417**
Non-current liabilities		-	**-**			
Borrowings	117,959	56,869	**174,828**	ii	24,303	**199,131**
Deferred tax	21,299	24,091	**45,390**		-	**45,390**
Provisions	2,441	7,133	**9,574**		-	**9,574**
Other	4,528	4,061	**8,589**		-	**8,589**
Total non-current liabilities	**146,227**	**92,154**	**238,381**		**24,303**	**262,684**
Total liabilities	**187,105**	**132,607**	**319,712**		**33,389**	**353,101**
Net Assets	**196,239**	**676,133**	**872,372**		**-**	**872,372**
Equity						
Contributed equity	144,244	684,657	**828,901**		-	**828,901**
Reserves	3,847	2,004	**5,851**		-	**5,851**
Retained profits	48,148	(10,528)	**37,620**		-	**37,620**
Total equity	**196,239**	**676,133**	**872,372**		**-**	**872,372**

The following pro forma adjustments have been made to Vocus' historical consolidated statement of financial position as at 30 June 2015:

(i) the acquisition of Amcom, reflecting:

(a) total purchase consideration of $686,661,000 comprising $684,657,000 of Vocus Shares and $2,004,000 of Vocus Performance Rights (replacing existing Amcom performance rights);

(b) recognition of transaction costs incurred by Vocus subsequent to 30 June 2015 relating to the acquisition of Amcom totalling $10,528,000;

(c) preliminary purchase price accounting for the acquisition of Amcom has been determined on a provisional basis by Vocus, which has undertaken a fair value assessment of the carrying value of Amcom's net assets resulting in the increase in value of property, plant and equipment (by $28.6 million) and the recognition of customer intangibles (of $66.1 million) to their respective fair market values;

(d) an increase in deferred tax liabilities on the written up value of customer intangibles at a tax rate of 30%; and

(e) recognition of goodwill in respect of the unallocated excess purchase price.

	$000
Amcom net assets as at 30 June 2015	132,181
Add: uplift in customer contracts	66,143
Add: uplift in fair value of property, plant and equipment	28,593
Less: deferred tax liability on customer contracts	(19,843)
Adjusted net assets of Amcom	**207,074**
Scheme Consideration	686,661
Goodwill arising under the Amcom Scheme	479,587

The table below summarises the impact of pro forma adjustments to intangible assets and goodwill:

	$000
Vocus intangible assets and goodwill as at 30 June 2015	125,394
Amcom intangible assets and goodwill as at 30 June 2015	60,126
Pro forma adjustments:	
Goodwill arising under the Amcom Scheme	479,587
Add: uplift in Amcom customer contracts	66,143
Vocus pro forma historical intangible assets and goodwill	**731,250**

(ii) the refinancing of Vocus Group debt, reflecting:

(a) drawdown of $123,000,000 and NZ$75,000,000 under the Vocus' syndicated multi-currency facilities;

(b) repayment of existing Vocus and Amcom bank facilities totalling $106,235,000 and $45,000,000, respectively; and

(c) the payment of establishment costs arising from the underwritten and syndicated multi-currency facility totalling $7,082,000, which has been capitalised in other assets.

The following table summarises the impact of the pro forma adjustment to borrowings:

Borrowings	A$'000
Current	1,764
Non-current	117,959
Vocus borrowings as at 30 June 2015	**119,723**
Amcom borrowings as at 30 June 2015	62,884
Drawdown under new syndicated facilities – AUD facilities	123,000
Drawdown under new syndicated facilities – NZD facilities	67,005
Repayment of existing facilities – Vocus	(106,235)
Repayment of existing facilities – Amcom	(45,000)
Pro Forma Historical borrowings	**221,377**
Current	22,246
Non-current	199,131
Pro Forma Historical borrowings	**221,377**

(iii) the payment of the one-off special dividend to Vocus shareholders totalling $5,381,000 which was provided for at 30 June 2015 and paid on 8 July 2015 following the implementation of the scheme of arrangement under which Amcom was acquired by Vocus.

The following table summaries the impact of pro forma adjustments (i), (ii) and (iii) on cash:

Cash and cash equivalents	A$'000
Vocus cash and cash equivalents as at 30 June 2015	15,170
Amcom cash as at 30 June 2015	5,088
Drawdown under new syndicated facilities	190,005
Repayment of existing facilities – Vocus	(106,235)
Repayment of existing facilities – Amcom	(45,000)
Transaction costs paid	(10,528)
Debt establishment costs paid	(7,082)
Special dividend paid to Vocus shareholders	(5,381)
Pro Forma Historical cash and cash equivalents	**36,037**

6.14 Material changes in the financial position of Vocus

To the knowledge of Vocus Directors, there have been no material changes to the financial position of Vocus since the date of its financial reports for FY2015, except as set out above in Section 6.13 and as publicly disclosed on Vocus' ASX profile located on the ASX's website at www.asx.com.au or in this Booklet.

6.15 Vocus risk factors

Risk factors relating to Vocus and its business are discussed in Section 8 of this Booklet.

6.16 Additional information

6.16.1 Interests of Vocus Directors

No Vocus Shares, Vocus Options or Vocus Performance Rights are held or controlled by Vocus Directors and no such persons are otherwise entitled to such securities as at the date of this Booklet, other than as listed below.

(a) Vocus Directors' interests in Vocus Shares

Vocus Director	Number of Vocus Shares	Percentage of outstanding Vocus Shares, calculated on a non-diluted basis
David Spence	471,218	0.20%
James Spenceley	4,200,000	1.81%
Stephen Baxter	25,000	0.01%
Paul Brandling	10,981	0.00%
Jon Brett	400,000	0.17%
Anthony Davies	169,180	0.07%
Tony Grist	3,000,000	1.29%
John Murphy	337,000	0.15%
Total	8,613,379	3.72%

(b) Directors' interests in Vocus Options and Vocus Performance Rights

As at the date of this Booklet, the Vocus Directors do not hold or control any Vocus Options or Vocus Performance Rights and do not otherwise have a Relevant Interest in Vocus Options or Vocus Performance Rights, either directly or indirectly.

6.16.2 Benefits during the previous four months

Neither Vocus nor any of its Associates, during the period of four months before the date of this Booklet, gave, or offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an Associate of the other person, to:

(a) vote in favour of the Scheme; or

(b) dispose of M2 Shares,

and where the benefit is not being offered to all M2 Shareholders.

6.16.3 Interests of Vocus Directors

As at the date of this Booklet, the Vocus Directors do not have a Relevant Interest in M2 Shares.

6.17 Vocus dividend

As at the date of this Booklet, Vocus does not have a formal dividend policy. Historically, the Vocus Board has elected to reinvest the profits of Vocus into its various businesses to support growth initiatives.

The Vocus Board has acknowledged that yield in addition to Vocus' capital growth is important for Vocus Shareholders. As such, Vocus declared its first fully franked dividend in February 2013 and has increased and maintained the payment of dividends since this date whilst preserving the flexibility to continue to reinvest in the business if required.

A summary of Vocus' historical fully franked declared dividends can be found below:

Dividend type (cents per share)				
	Final	Interim	Special	Total
FY2013	0.6	0.4	-	1.0
FY2014	1.0	0.8	-	1.8
FY2015	2.0	1.2	5.1	7.3

Unless the Scheme does not become Effective, Vocus will not, prior to the Implementation Date, declare, determine or pay an interim dividend in respect of the six month period ending 31 December 2015, except for the FY16 Interim Dividend and the Special Dividend.

See Section 7.3.5 for information in relation to dividends of the Merged Group, including the FY16 Interim Dividend and the Special Dividend.

6.18 Rights and liabilities attached to New Vocus Shares

The New Vocus Shares issued as consideration under the Scheme will be issued as fully paid ordinary shares and will rank equally with all issued ordinary shares of Vocus from the date of their allotment, including the right to participate in any FY16 Interim Dividend and any Special Dividend.

6.18.1 General meetings

Each holder of Vocus Shares is entitled to receive notice of and to attend and vote at all meetings of members of Vocus. They are entitled to be present and vote at meetings in person, or by proxy, attorney or authorised representative.

Vocus shareholders are also entitled to call a general meeting in accordance with the Corporations Act.

6.18.2 Voting

Each Vocus Share confers the right to vote at general meetings. On a show of hands, each Vocus shareholder has one vote. On a poll, each Vocus shareholder has one vote for each fully paid share held by the shareholder and a fraction of a vote proportional to the amount paid on each partly-paid share.

6.18.3 Dividends

Vocus shareholders are entitled to receive dividends declared in respect of ordinary shares in proportion to the number of Vocus Shares they hold.

The Vocus Directors may declare dividends as and when they see fit. See Section 7.3.5 for information in relation to the FY16 Interim Dividend and the Special Dividend that Vocus expects to declare and pay after the Implementation Date subject to the Scheme becoming Effective.

6.18.4 Transfer of Vocus Shares

A Vocus shareholder may transfer all or any of the Vocus Shares held by them to a third party, subject to formal requirements.

The Vocus Board may refuse to register a transfer of Vocus Shares in any circumstances permitted by the Listing Rules. The Vocus Board must refuse to register a transfer during an applicable escrow period (except as permitted by the Listing Rules or the ASX) or in circumstances where it is required to do so by the Listing Rules.

6.18.5 Small parcels

As permitted by the Listing Rules, the Vocus constitution confers the power on Vocus to dispose of small parcels of Vocus Shares (being parcels of Vocus Shares, the number of which in aggregate constitutes less than a marketable parcel of shares under the Listing Rules). Vocus must not sell a small parcel unless it has given 42 days' written notice to the shareholder of its intention to sell the Vocus Shares. The shareholder may ask Vocus to exempt their Vocus Shares, in

which case Vocus will not sell the parcel. If Vocus does sell the Vocus Shares, the proceeds of the sale are remitted to the shareholder.

6.18.6 Winding-up

Each Vocus Share confers on its holder the right to participate equally in the distribution of the assets of Vocus in a winding up, subject only to any amounts unpaid on the share.

If Vocus is wound up, the liquidator may, with the sanction of a special resolution, divide among the members in kind all or any of Vocus' assets and for that purpose determine how the liquidator will carry out the division between the members. The liquidator may also vest all or any of Vocus' assets in a trustee on trusts determined by the liquidator for the benefit of the contributories.

6.18.7 Variation

The rights and liabilities attached to the Vocus Shares may, unless their terms of issue state otherwise, only be varied or cancelled:

(a) with the written consent of holders of such shares with at least 75% of the votes in the class; or

(b) with the sanction of a special resolution passed at a meeting of the class of holders holding shares in the class.

The rights and liabilities attaching to Vocus Shares (including New Vocus Shares) are governed by the Corporations Act and Vocus' constitution. A copy of Vocus' constitution is available on the ASX announcements platform or shareholders may request a copy from Vocus on (02) 8999 8999 or by email at info@vocus.com.au.

6.19 Publicly available information

As an ASX listed company and a "disclosing entity" under the Corporations Act, Vocus is subject to regular reporting and disclosure obligations. Among other things, these obligations require Vocus to announce price sensitive information to the ASX as soon as Vocus becomes aware of information, subject to some exceptions.

Pursuant to the Corporations Act, Vocus is required to prepare and lodge with ASIC and the ASX both annual and half-yearly financial statements accompanied by a statement and report from the Vocus directors and an audit or review report.

Copies of each of these documents can be obtained (free of charge) by contacting Vocus on (02) 8999 8999 or by email at info@vocus.com.au.

ASIC also maintains a record of documents lodged with it by Vocus, and these may be obtained from, or inspected at, any office of ASIC. Information is also available on Vocus' website at www.vocus.com.au.

Vocus' continuous disclosure notices to the ASX after the lodgement with the ASX of its annual report for the year ended 30 June 2015 on 22 October 2015 and before the lodgement for registration of this Booklet by ASIC are listed in the table below.

Date	Announcement
10 December 2015	Appendix 3B
4 December 2015	NZ Commerce Commission approves merger
3 December 2015	CNW: Acquires IT Services Provider L7 Solutions
3 December 2015	Sale of ITS business
30 November 2015	Appendix 3B
25 November 2015	Results of Meeting
25 November 2015	Chairman's Address to Shareholders
18 November 2015	Change in substantial holding
17 November 2015	New Zealand Investor Presentation
11 November 2015	Australian Singapore Cable – Media Response
5 November 2015	Appendix 3B
5 November 2015	AXX: ACCC will not oppose Vocus proposed acquisition of M2
2 November 2015	Presentation to Asian Investors
29 October 2015	MTU: 2015 AGM Chairman Address to Shareholders

Vocus' recent announcements are available from the ASX's website at www.asx.com.au. Further announcements concerning Vocus will continue to be made available on this website after the date of this Booklet.

7. Information on the Merged Group

The Vocus Information contained in Sections 7.1 to 7.7 has been prepared by Vocus and is the responsibility of Vocus (except to the extent that the Vocus Information is based on information about M2, for which M2 takes responsibility). M2 and M2's Directors and officers do not assume any responsibility for the accuracy or completeness of this information (except to the extent that the Vocus Information is based on information about M2). The Merged Group financial information contained in Sections 7.8 to 7.9 has been prepared by M2 and is the responsibility of M2 (except to the extent that the financial information is based on information about Vocus, for which Vocus takes responsibility).

7.1 The Merged Group

7.1.1 Overview

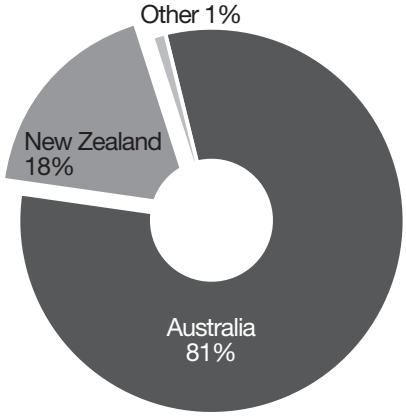
The merger of M2 and Vocus combines two highly complementary and culturally aligned businesses with track records of creating substantial value for shareholders to form a full-service vertically integrated trans-Tasman telecommunications provider. The merger brings telecommunications infrastructure and customers together across Australia and New Zealand.

The combination provides both companies a step change in size, providing M2 with access to Vocus' extensive telecommunications infrastructure network and operating scale to leverage into its existing consumer and SMB businesses whilst mobilising its expansive distribution capabilities to increase Vocus' asset utilisation and own customer penetration.

The Merged Group would have a market capitalisation of approximately $4 billion which would make it the fourth largest telecommunications company in Australia by reference to market capitalisation[23] and third largest in New Zealand by reference to subscribers.

While the Merged Group is expected to generate the majority of its earnings in Australia, it is expected to have a meaningful New Zealand presence.

PF2015 Merged Group revenue by geography (%)[24]

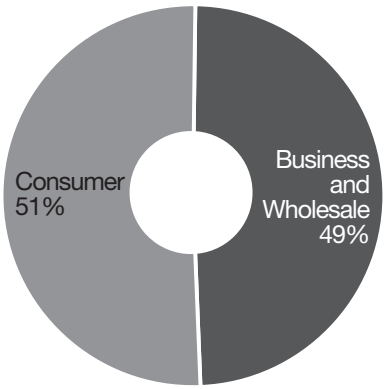


7.1.2 Customers and products

M2 and Vocus have complementary assets and skill-sets, and the Merger will potentially allow the Merged Group to win more new customers and increase cross-selling of new products to M2's and Vocus' existing customers.

M2 has historically focused on the consumer and SMB markets while Vocus has concentrated on corporate, government and wholesale markets. The chart below highlights the vertical integration of the Merged Group to illustrate that it is expected to have an approximately even split between consumer and business and wholesale revenue contribution:

PF2015 Merged Group Revenue by Segment (%)[25]



Given M2's and Vocus' established presence in different segments of the market, the Merged Group will maintain a multi-brand strategy. It intends to retain M2's market-leading brands in the consumer and SMB segments and Vocus' brands in the corporate, government and wholesale segments.

23 Based on the combination of M2's and Vocus' stand-alone market capitalisations of approximately $2.1 billion and $1.7 billion respectively as at the close of trading on 10 December 2015.

24 Based on FY2015 pro-forma to include the full year revenue contribution of the acquisition of CallPlus Group for M2 and the acquisition of Amcom for Vocus.

25 Based on FY2015 pro-forma to include the full year revenue contribution of the acquisition of CallPlus Group for M2 and the acquisition of Amcom for Vocus.

Combined brand portfolio

	Consumer	Small and medium sized businesses	Corporate and Government	Wholesale
	Households in Australia and New Zealand	2-49 employees	50-2,000 employees and government departments	
Australian Brands	dodo, iPRIMUS	COMMANDER	VOCUS communications	VOCUS communications
New Zealand Brands	slingshot, orcon, flip	CallPlus, talk	VOCUS communications	VOCUS communications

The Merger creates a portfolio of products and services that is relevant to individuals and corporate and government entities across Australia and New Zealand.

The Merged Group's diverse product portfolio will encompass:

- Retail Internet;
- Retail electricity and gas;
- Corporate Internet and IP voice;
- Wholesale Internet and IP voice;
- Data centres and cloud services;
- International and domestic bandwidth;
- Dark fibre; and
- Insurance.

7.1.3 Telecommunications infrastructure and distribution

The Merged Group will have a significant infrastructure network spanning all major cities in Australia and New Zealand together with global transmission capacity positioned to deliver NBN and UFB across Australia and New Zealand.

COMBINED NETWORK INFRASTRUCTURE ASSETS

Merged Group Infrastructure	
Fibre Infrastructure	✓ 1,800km of metropolitan fibre in Australia ✓ 3,400+ Australian on-net buildings ✓ 4,700km of New Zealand intercity fibre
Internet Infrastructure	✓ 532 DSL enabled exchanges across Australia and New Zealand ✓ Submarine cable capacity connecting Australia and New Zealand to the United States, Hong Kong and Singapore ✓ 100% coverage of NBN POIs in Australia ✓ Access to 100% of UFB POIs in New Zealand
Data Centres	✓ 22 facilities across 17 sites totalling over 8,000m^2 ✓ Data centres with locations in Sydney, Melbourne, Perth, Auckland, Christchurch and Newcastle
Voice Infrastructure	✓ Next-generation voice platform and provide carrier-grade services in Australia and New Zealand ✓ Broadsoft and Cisco enterprise voice products

M2 has a very strong sales force and channel partners but does not have an extensive infrastructure network, which has previously limited the products and services it could provide to its business customers. M2 will now have the ability to use dark fibre to provide backhaul to its existing DSLAM network thereby enabling it to offer more on-net service (usually at higher margins) with higher levels of reliability.

Conversely, the Merger will allow Vocus to leverage its on-net building presence totalling over 3,500 with M2's expansive distribution network to sell Vocus' products to small and

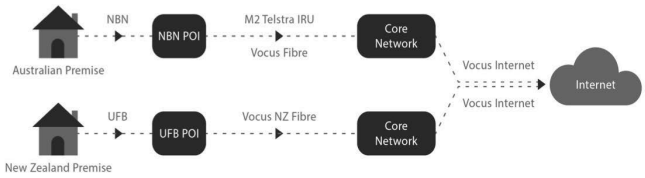
medium businesses. This is expected to increase the Merged Group's operating leverage significantly as the cost of connecting a new customer is very low once a fibre cable has been installed to an existing building.

Summary of Merged Group's distribution network

Segment	Key channel to market
Consumer	✓ 2,600+ strong inbound sales and contact centre ✓ 70+ kiosk locations across Victoria, New South Wales, Queensland and South Australia
Small and Medium sized Business	✓ 210+ sales people comprising of a national dealer network in Australia and direct sales team across Australia and New Zealand
Corporate and Government	✓ 400+ channel partners in Australia and New Zealand ✓ Direct sales team across Australia and New Zealand
Wholesale	✓ Direct sales teams across Australia and New Zealand

The combination of Vocus' significant fibre network and M2's Telstra IRU will also provide NBN and UFB POIs coverage across Australia and New Zealand. This end-to-end product and service capability will strategically position the Merged Group to take advantage of the NBN in Australia and UFB in New Zealand.

NBN AND UFB CAPABILITY



Note: Diagram for illustrative purposes only

7.2 Benefits of the transaction

The Vocus Directors and M2 Directors believe that the Merged Group will generate significant benefits to all shareholders through exposure to a larger, more diversified vertically integrated telecommunications company with enhanced capability for growth and wealth creation. In addition to the combined product offering and services, the Vocus Directors and M2 Directors have identified the following potential cost and revenue synergies.

7.2.1 Cost synergies

The annualised cost synergies have been estimated by Vocus and M2 management teams at approximately $40 million per annum, which are expected to be realised by the end of FY2018.

These cost synergies are expected to be realised through both network and non-network efficiencies, including:

(a) **Network synergies:** savings from network optimisation and consolidation leveraging the Merged Group's existing assets; and

(b) **Non-network synergies:** savings from duplicated public company costs, rationalisation of facilities and premises and other selling, general and administrative costs.

The Vocus and M2 management teams estimate the one-time costs associated with achieving the abovementioned cost synergies to be approximately $20 million.

7.2.2 Revenue synergies

The Merged Group may also realise revenue enhancement opportunities through:

(a) Vocus' fibre to complement M2's DSLAM network in Australia and New Zealand;

(b) mobilisation of M2's expansive distribution to further penetrate Vocus' on-net buildings; and

(c) cross-selling of the Merged Group's complementary products and services to both M2 and Vocus customers in Australia and New Zealand.

M2 and Vocus have both had experience of integrating assets and businesses, however the achievement of any synergies is not certain.

There is a risk that synergies may not be realised at all or not realised to their full extent, or that they may be realised over a longer period of time than anticipated. Further detail regarding these risks is set out in Section 8.

7.3 Intentions in relation to M2 and the Merged Group

7.3.1 Overview

This Section sets out the intentions of M2 and Vocus for the Merged Group if the Scheme is implemented in relation to:

(a) the continuation of M2's and Vocus' businesses;

(b) business integration;

(c) composition of the Merged Group Board;

(d) the intended dividend policy for the Merged Group;

(e) removal of M2 from the ASX; and

(f) the name of the Merged Group.

The statements of intention made in this Section 7.3.1 are based on the information concerning M2 and Vocus and the circumstances affecting the businesses of M2 and Vocus that are known to both companies at the date of this Booklet.

Final decisions on these matters will only be made by the Merged Group Board in light of all material information, facts and circumstances at the relevant time if the Scheme is implemented. Accordingly, it is important to recognise that the statements set out in this Section are statements of

M2's and Vocus' current intentions only, which may change as new information becomes available or circumstances change, and which will be superseded by the intentions, strategic focus, outlook and decisions of the Merged Group Board.

7.3.2 Continuation of M2's and Vocus' businesses

It is the current intention of M2 and Vocus that the Merged Group will continue to go to market in substantially the same manner as at present.

While M2 and Vocus do not have any specific intention in relation to the current M2 and Vocus businesses, each expects that the Merged Group will continue to review all opportunities that may optimise capital requirements, returns and other opportunities to improve the business and maximise value for all shareholders.

7.3.3 Business integration

M2 and Vocus have no current intention to make significant changes to any parts of M2 or Vocus, nor redeploy any of M2's or Vocus' fixed assets or transfer any of M2's or Vocus' current businesses or material assets.

While M2 and Vocus have no current intention to make any significant changes to any parts of either M2's or Vocus' businesses, there may be some instances where a compelling logic exists to rationalise existing operations or processes. Examples of these instances may include relocating M2's leased data centre racks into Vocus' facilities thereby avoiding the need to pay rental and power fees to external third parties.

Through the integration of these businesses and processes, M2 and Vocus expect to achieve increased efficiency and synergy benefits over time.

7.3.4 Members of the Merged Group Board

In accordance with the Merger Implementation Agreement, four persons nominated by M2 (being Craig Farrow as Deputy Chairman, Vaughan Bowen as Executive Director and Rhoda Phillippo and Michael Simmons as Non-Executive Directors) will be nominated to the Merged Group Board so that it comprises four M2 nominees and four Vocus nominees (see Section 7.4.1 below for further information).

7.3.5 Dividend

(a) **FY16 Interim Dividend and Special Dividend**

Subject to the Scheme becoming Effective, Vocus expects to pay the following dividends to all Vocus Shareholders on the Vocus Register on the Dividends Record Date:

- a fully franked interim dividend in respect of the six month period ending 31 December 2015 of M2 and Vocus, of 7.6 cents per Vocus Share (***FY16 Interim Dividend***); and
- a fully franked dividend of 1.9 cents per Vocus Share (***Special Dividend***).

The Dividends Record Date will be after, but no later than 20 Business Days after, the Implementation Date, and such that the date on which the Vocus Shares trade on an "ex" basis (under the Listing Rules) in respect of the FY16 Interim Dividend and the Special Dividend is after the date by which the Sale Nominee has sold all of the New Vocus Shares issued to it in respect of the Ineligible Foreign Shareholders.

Accordingly, Scheme Shareholders who continue to hold their New Vocus Shares on the Dividends Record Date will be entitled to receive any FY16 Interim Dividend and any Special Dividend paid by Vocus. See Section 9 for important dates relating to the availability of franking offsets in respect of any FY16 Interim Dividend and any Special Dividend.

Subject to the Scheme becoming Effective, final details in relation to the FY16 Interim Dividend and Special Dividend are expected to be announced to ASX by Vocus on announcement of its half-yearly report for the six months ending 31 December 2015.

(b) **Future Dividend Policy**

If the Scheme is implemented, the Merged Group Board will determine the dividend policy of the Merged Group having regard to its profits, its financial position and an assessment of the capital required to grow its businesses.

Accordingly, there is no guarantee that the Merged Group will continue to pay dividends, or provide a yield return, in line with M2's historical dividend policy and historical yield as this will be determined by the Merged Group Board, although it is M2's and Vocus' current intention that the Merged Group will continue to pay a dividend consistent with a continued balance and focus upon both yield and capital growth.

Following Implementation of the Scheme, all Vocus Shareholders (including M2 Shareholders who continue to hold the New Vocus Shares issued to them pursuant to the terms of the Scheme) who hold their Vocus Shares on the relevant record dates will rank equally for any final dividend of Vocus for the year ending 30 June 2016 and any other future dividends.

7.3.6 Removal of M2 from the official list of the ASX

Once the Scheme has been implemented, it is the intention of M2 and Vocus to procure that M2 apply for termination from the official quotation on the ASX of M2 Shares and apply to have itself removed from the official list of the ASX.

Vocus intends to remain listed on the ASX.

7.3.7 Name of the Merged Group

The structure of the transaction, which was considered the most efficient way to effect the Merger, will result in Vocus issuing New Vocus Shares to Scheme Shareholders. Accordingly, M2 and Vocus intend that the Merged

Group will continue to trade under the name Vocus Communications Limited.

7.3.8 M&A opportunities

Both M2 and Vocus have adopted growth strategies which included mergers and acquisitions in recent years. Moving forward, the Merged Group Board may pursue mergers, acquisitions and disposals which it considers to be in the best interests of the Merged Group.

7.4 Merged Group Board and senior management

7.4.1 Merged Group's board of directors

Under the Merger Implementation Agreement, Vocus has agreed to do all things necessary to procure that the Merged Group Board following the Scheme is comprised of four nominees of Vocus and four nominees of M2 acceptable to M2 and Vocus, acting reasonably. Vocus' and M2's current intention is that the Merged Group Board following the Scheme will be comprised as follows:

Name	Position
David Spence	Non Executive Chairman
Craig Farrow	Non Executive Deputy Chairman
James Spenceley	Executive Director
Vaughan Bowen	Executive Director
Jon Brett	Non Executive Director
Anthony Grist	Non Executive Director
Rhoda Phillippo	Non Executive Director
Michael Simmons	Non Executive Director

7.4.2 Merged Group senior management

James Spenceley, the current Chief Executive Officer and founder of Vocus, will join the Merged Group Board as Executive Director with a focus on telecommunications infrastructure strategy.

Vaughan Bowen, the current Executive Director and founder of M2, will also join the Merged Group Board as Executive Director, with a focus on strategic acquisition opportunities.

Geoff Horth, the current Chief Executive Officer of M2, will be appointed as the Chief Executive Officer of the Merged Group.

The remaining members of the Merged Group's senior management team have not been finalised as at the date of this Booklet and will be determined by the Merged Group Board.

It is expected that the Merged Group's senior management team will be comprised of individuals from both Vocus' senior management team in Section 6.6.2 and M2's senior management team in Section 5.6.2.

7.5 Corporate structure following implementation of the Scheme

It is intended that M2 and its Related Bodies Corporate will be acquired by Vocus Group Pty Limited, a 100% owned Subsidiary of Vocus. If the Scheme is implemented, the Subsidiaries of Vocus Group Pty Ltd will be as follows:

Name	Principal place of business / country of incorporation	Equity Interest
Vocus Holdings Pty Limited	Australia	100%
Vocus Pty Ltd	Australia	100%
Vocus Connect Pty Ltd	Australia	100%
Vocus Data Centres Pty Ltd	Australia	100%
• Perth International Exchange Pty. Ltd. and 100% of the units in the Perth IX Trust (trading as Perth IX)	Australia	100%
Vocus Fibre Pty Ltd	Australia	100%
Vocus Blue Pty Ltd	Australia	100%
Ipera Communications Pty Limited	Australia	100%
Amcom Telecommunications Limited	Australia	100%
• Amcom Pty Limited	Australia	100%
• Amcom IP Tel Pty Ltd	Australia	100%
• Amcom L7 Solutions Pty Ltd[26]	Australia	100%
• Amnet Broadband Pty Ltd	Australia	100%
• Amcom East Pty Ltd	Australia	100%
• Amcom Data Centres Pty Ltd	Australia	100%
• aCure Technology Pty Ltd	Australia	100%
• Global Networks AMC Data Centre Pty Ltd	Australia	100%
Vocus (New Zealand) Holdings Limited[27]	New Zealand	100%
• Vocus (New Zealand) Limited[28]	New Zealand	100%
• Vocus Data Centres (New Zealand) Limited	New Zealand	100%
• Data Lock Limited	New Zealand	100%
M2 Group Limited	Australia	100%
• M2 Telecommunications Pty Ltd	Australia	100%
• People Telecom Pty Ltd	Australia	100%
• People Telecommunications Pty Ltd	Australia	100%
• M2 NZ Ltd	New Zealand	100%

26 On 3 December 2015, Vocus agreed to sell this entity to Cirrus Networks Holdings Limited. The sale has not yet completed as at the date of this Booklet.

27 Formerly FX Networks Limited (name changed on 28 April 2015).

28 Formerly Vocus (New Zealand) Limited (name changed on 17 April 2015).

Name	Principal place of business / country of incorporation	Equity Interest
• Southern Cross Telco Pty Ltd	Australia	100%
• M2 Clear Pty Ltd	Australia	100%
• M2 Loyalty Programs Pty Ltd	Australia	100%
• M2 Wholesale Pty Ltd	Australia	100%
• M2 Wholesale Services Pty Ltd	Australia	100%
• Wholesale Communications Group Pty Ltd	Australia	100%
• M2 Commander Pty Ltd	Australia	100%
• Primus Telecom Holdings Pty Ltd	Australia	100%
• Primus Network (Australia) Pty Ltd	Australia	100%
• Primus Telecom Pty Ltd	Australia	100%
• Hotkey Internet Services Pty Ltd	Australia	100%
• Primus Telecommunications Pty Ltd	Australia	100%
• Primus Telecommunications (Australia) Pty Ltd	Australia	100%
• Dodo Australia Holdings Pty Ltd	Australia	100%
• Dodo Group Services Pty Ltd	Australia	100%
• Pendo Industries Pty Ltd	Australia	100%
• Dodo Services Pty Ltd	Australia	100%
• Dodo Insurance Pty Ltd	Australia	100%
• Secureway Pty Ltd	Australia	100%
• M2 Energy Pty Ltd (previously named Dodo Power and Gas Pty Ltd)	Australia	100%
• No Worries Online Pty Ltd	Australia	100%
• Eftel Ltd	Australia	100%
• Eftel Wholesale Pty Ltd	Australia	100%
• Visage Telecom Pty Ltd	Australia	100%
• Keypoint Pty Ltd	Australia	100%
• ClubTelco Pty Ltd	Australia	100%
• Eftel Corporate Pty Ltd	Australia	100%
• Engin Pty Ltd	Australia	100%
• Datafast Telecommunications Pty Ltd	Australia	100%
• Eftel Retail Pty Ltd	Australia	100%
• Eftel Radio Pty Ltd	Australia	100%
• Eftel Tasmania Pty Ltd	Australia	100%
• Spacenet Holdings Pty Ltd	Australia	100%
• Eftel Rural Pty Ltd	Australia	100%
• Q-Net Australia Pty Ltd	Australia	100%
• Business Technologies Pty Ltd	Australia	100%
• M2 Group NZ Limited	New Zealand	100%
• CallPlus Australia Holdings Limited	New Zealand	100%
• CallPlus Services Australia Limited	New Zealand	100%
• CallPlus Holdings Limited	New Zealand	100%
• CallPlus Assets Limited	New Zealand	100%
• Slingshot Communications Limited	New Zealand	100%
• Flip Services Limited	New Zealand	100%
• CallPlus Services Limited	New Zealand	100%
• CallPlus Trustee Limited	New Zealand	100%
• Orcon Limited	New Zealand	100%
• CallPlus Limited	New Zealand	100%
• Blue Reach Limited	New Zealand	100%
• 2Talk Limited	New Zealand	100%
• M2 Group Franchising Pty Ltd	Australia	100%
• 2Talk Pty Ltd	Australia	100%
• Aggregato Global Limited	Australia	62%

7.6 Corporate governance of the Merged Group

As Vocus will be the ultimate parent company of the Merged Group, Vocus expects that the corporate governance policies and practices of the Merged Group will be the same as Vocus' existing policies and practices. However, this will ultimately be determined by the Merged Group Board after implementation of the Scheme having regard to the nature and size of the Merged Group. Any changes to Vocus' policies and practices will be published on Vocus' website (www.vocus.com.au) and announced to the ASX in accordance with Vocus' disclosure obligations.

See Section 6.7 for information about the corporate governance of Vocus.

7.7 Capital structure and financing arrangements following implementation of the Scheme

7.7.1 Capital structure

(a) **Share capital**

If the Scheme is implemented Vocus will issue approximately 300.1 million New Vocus Shares to Scheme Shareholders.

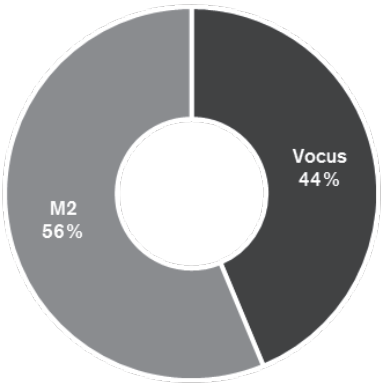
As a result of the Scheme, the number of Vocus Shares on issue will increase from approximately 231.8 million (being the number currently on issue) to approximately 531.9 million, as illustrated below:

Merged Group share capital	
Vocus	
Vocus Shares outstanding	231,813,425
M2	
Projected M2 Shares on issue immediately prior to implementation of the Scheme	184,665,675
Merger Ratio	1.625x
New Vocus Shares to be issued to M2 Shareholders	300,081,722
Total Vocus Shares	531,895,147

(b) **Shareholding structure**[29]

Upon implementation of the Scheme, M2 Shareholders are expected to own approximately 56% of the Merged Group with Vocus Shareholders owning the remaining 44%.

Merged Group ownership structure



It is expected that the free float of the Merged Group will be approximately 100%, which is sufficient for the Merged Group to be included in key indices including the S&P/ASX 100.

(c) **Options and performance rights**

As at the date of this Booklet, M2 has 250,000 M2 Options on issue that have not vested, and a further 83,333 M2 Options which have vested but which have not been exercised. Upon becoming exercisable, M2 Options may be exercised in order to acquire M2 Shares.

As at the date of this Booklet, M2 has 482,857 M2 Performance Rights on issue that remain unvested, which on vesting, require the issue or transfer to the holder of M2 Shares in accordance with the terms of the M2 Long Term Incentive Plan.

Details regarding the treatment of M2 Options and M2 Performance Rights if the Scheme proceeds are set out in Section 5.13 of this Booklet.

If the Scheme is implemented, it is expected that the Merged Group will have the following performance rights on issue:

Merged Group options and performance rights		
	Options	**Performance Rights**
As at the date of this Booklet	168,335	248,007
Number to be issued by Vocus in connection with the Scheme	135,418	784,643
Following implementation of the Scheme	303,753	1,032,650

7.7.2 Financing arrangements

As at the date of this Booklet, both M2 and Vocus have obtained the necessary consents from their financiers to permit the implementation of the Scheme (for example, for M2, a consent under change of control provisions under the M2 Facility Agreement). At the date of this Booklet, M2's financiers have agreed, subject to the satisfaction (or waiver) of customary conditions precedent, to:

- grant their consent to the Scheme and its related transactions;
- provide a waiver of any rights or remedies available to the financiers under the M2 Facility Agreement which may arise as a result of the Scheme and its related transactions; and
- make amendments to the M2 Facility Agreement as are necessary for the agreement to continue to operate as intended following the Implementation Date.

Vocus' financiers have agreed to provide substantially similar consents and waivers, and make necessary amendments in respect of Vocus' financing arrangements subject to the satisfaction (or waiver) of customary conditions precedent.

Subject to the satisfaction (or waiver) of these conditions precedent prior to the implementation of the Scheme, M2, Vocus and each of their Subsidiaries will continue to have access to committed bank facilities under the terms and conditions of their respective existing facility agreements following the implementation of the Scheme.

Following implementation of the Scheme, M2 and Vocus intend to restructure the Merged Group's existing funding arrangements.

Other than as set out above, the Merged Group does not expect to require any further capital following implementation of the Scheme. However, any further debt or capital raisings will be circumstantially considered as possible future growth initiatives may require funding based on the magnitude of the opportunity.

29 Based on M2 and Vocus ordinary shares on issue as at the date of this Booklet and projected M2 Shares on issue immediately prior to implementation of the Scheme.

7.8 Merged Group Pro Forma Historical Financial Information following implementation of the Scheme

7.8.1 Basis of preparation

This Section 7.8 contains the following financial information:

(a) M2 pro forma historical consolidated income statement for FY2015;

(b) Vocus pro forma historical consolidated income statement for FY2015;

and adjusted for the effects of pro forma adjustments described in Section 7.8.2 (together the ***Merged Group Pro Forma Historical Consolidated Income Statement***); and

(c) M2 historical consolidated statement of financial position as at 30 June 2015;

(d) Vocus pro forma historical consolidated statement of financial position as at 30 June 2015;

and adjusted for the effects of pro forma adjustments described in Section 7.8.3 (together the ***Merged Group Pro Forma Historical Consolidated Statement of Financial Position***),

(together, the ***Merged Group Pro Forma Historical Financial Information***).

The Merged Group Pro Forma Historical Financial Information has been prepared to provide M2 Shareholders with an indication of the historical consolidated income statement and historical consolidated statement of financial position of the Merged Group and to illustrate the financial effect on the Merged Group if the Scheme is implemented. This is not intended to present the financial information that would have actually resulted and would have been contained in Vocus' financial statements had the Scheme actually been implemented in the past.

The Merged Group Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in the AAS, other than it includes adjustments which have been prepared in a manner consistent with AAS that reflect: (i) the exclusion of certain transactions that occurred in FY2015; and (ii) the impact of certain transactions as if they occurred on or before 30 June 2015.

The Merged Group Pro Forma Historical Financial Information set out in this Section 7.8 should be read in conjunction with the risk factors set out in Section 8 of this Booklet, other information contained in this Booklet and the accounting policies of Vocus as disclosed in its most recent financial statements for FY2015.

A preliminary comparison of the Vocus and M2 accounting policies has not identified any material differences.

The Merged Group Pro Forma Historical Financial Information contained in this Section 7.8 has been derived from:

(a) M2 pro forma historical consolidated income statement for FY2015;

(b) M2 historical consolidated statement of financial position as at 30 June 2015; and

(c) Vocus Pro Forma Historical Financial Information,

and adjusted for the effects of pro forma adjustments described in Sections 7.8.2 and 7.8.3.

The Merged Group Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all of the presentation and disclosures that are usually provided in general purpose financial statements prepared in accordance with the Corporations Act.

Ernst & Young Transaction Advisory Services Limited has been appointed as the Investigating Accountant to prepare an Independent Limited Assurance Report on the M2 Pro Forma Historical Financial Information as set out in Section 5.16, the Vocus Pro Forma Historical Financial Information as set out in Section 6.13 and the Merged Group Pro Forma Historical Financial Information in this Section 7.8. The Independent Limited Assurance Report is set out in Appendix 2 to this Booklet. M2 Shareholders should note the scope and limitations of the Independent Limited Assurance Report.

Assumptions regarding capital structure

The Merged Group Pro Forma Historical Financial Information has been prepared on the basis that Vocus, via a wholly owned subsidiary, will own 100% of M2 following implementation of the Scheme.

The merger ratio for each M2 Share is 1.625 New Vocus Shares. The table below shows the calculation of the number of New Vocus Shares to be issued and the value of the purchase consideration:

M2 Shares currently on issue	184,415,676
M2 Shares to be issued upon vesting of M2 Options as a result of the Scheme	249,999
Projected M2 Shares on issue immediately prior to implementation of the Scheme	**184,665,675**
Exchange ratio	1.625
New Vocus Shares to be issued	300,081,722
Vocus Share price (note 1)	$6.66
Scheme Consideration	**$1,998,544,268**

Note 1: for the purposes of presenting the Merged Group Pro Forma Historical Financial Information, a Vocus Share price of $6.66 has been used being the closing Vocus Share price on 12 November 2015.

7.8.2 Merged Group Pro Forma Historical Consolidated Income Statement for FY2015

A$000	M2 Pro forma Historical FY2015	Vocus Pro forma Historical FY2015	Notes	Pro forma adjustments	Merged Group Pro forma Historical FY2015
Revenue	**1,327,925**	**331,405**	**i**	**(7,750)**	**1,651,580**
Expenses	(1,116,975)	(226,166)	i, iii	23,710	(1,319,430)
Underlying earnings before interest tax, depreciation and amortisation (EBITDA)	**210,950**	**105,240**		**15,960**	**332,150**
Depreciation and amortisation expense (excluding customer contracts)	(38,118)	(38,048)		-	(76,165)
Financing costs	(28,591)	(12,457)		-	(41,048)
Underlying profit before income tax	**144,240**	**54,735**		**15,960**	**214,936**
Underlying Income tax expense	(42,833)	(18,013)	iv	(4,788)	(65,634)
Underlying net profit after tax (NPAT)	**101,408**	**36,722**		**11,172**	**149,302**

Reconciliation: Underlying EBITDA to Statutory NPAT

Underlying EBITDA	**210,950**	**105,240**		**15,960**	**332,150**
Other gains and losses including foreign exchange	-	3,591		-	3,591
Gains on total return swaps	-	7,486		-	7,486
Acquisition and integration costs	(10,214)	(20,928)		-	(31,142)
Statutory EBITDA	**200,736**	**95,389**		**15,960**	**312,085**
Depreciation and amortisation expense (excluding customer intangibles)	(38,118)	(38,048)		-	(76,165)
Amortisation of customer intangibles	(37,007)	(6,728)	ii	(48,239)	(91,975)
Net finance costs	(28,591)	(12,457)		-	(41,048)
Net profit before tax	**97,019**	**38,156**		**(32,279)**	**102,896**
Income tax expense	(30,349)	(11,396)	iv	9,684	(32,061)
Net profit after tax (NPAT)	**66,670**	**26,760**		**(22,596)**	**70,835**

Non-IFRS financial measures:

EBITDA is a financial measure which is not prescribed by AAS and represents earnings before financing costs, income tax expense and depreciation and amortisation expense. Underlying earnings is a financial measure which is not prescribed by AAS and represents the earnings before acquisition and integration costs and customer intangibles amortisation expense.

Pro forma adjustments:

The following pro forma adjustments have been included in the Merged Group Pro Forma Historical Consolidated Income Statement for FY2015 as if the Scheme had occurred on 1 July 2014:

(i) Elimination of $7,750,000 of revenue (and cost of sales) arising on transactions between M2 and Vocus which occurred on an arm's length basis in the ordinary course of business during FY2015.

(ii) Incremental amortisation expense of $48,239,000 arising from the purchase price accounting for Vocus' acquisition of M2, specifically the write up of M2's customer intangibles to their respective fair market values based on a provisional assessment of preliminary information.

(iii) Elimination of $15,960,000 from M2's cost of sales, attributed to amortisation expense during FY2015 of deferred customer acquisition costs capitalised as at 1 July 2014, on the basis that under purchase price accounting for Vocus' acquisition of M2, the cost of deferred customer acquisition costs will be reset to zero, and replaced by the fair value of customer acquired intangibles, amortised in item (ii) above.

(iv) Income tax expense on the pro forma adjustments has been reflected at a rate of 30%.

The Merged Group Pro Forma Historical Consolidated Income Statement for FY2015 does not include any termination payment to James Spenceley described in Section 6.6.3 of this Booklet or the following non-recurring items directly attributable to the Scheme:

(i) Transaction costs expected to be incurred by M2 post 30 June 2015 of $12,170,000 which will be treated as pre-acquisition expenses.

(ii) Transaction costs expected to be incurred by Vocus post 30 June 2015 of $13,145,000 which will be expensed.

(iii) Synergy benefits which are expected to occur following implementation of the Scheme. On this basis integration costs and costs of achieving synergies have not been included.

(iv) Following implementation of the Scheme, M2 and its 100% owned subsidiaries domiciled in Australia will join the Vocus tax consolidated group. As a result of the tax consolidation regime, the existing tax base of M2's assets will be reset, which may have an impact on income tax expense. A detailed assessment of the consequences of joining the Vocus tax consolidated group will be undertaken following implementation of the Scheme, and have not been included in the Merged Group Pro Forma Historical Consolidated Income Statement.

7.8.3 Merged Group Pro Forma Historical Consolidated Statement of Financial Position as at 30 June 2015

A$000	M2 Historical as at 30 June 2015	Vocus Pro forma Historical as at 30 June 2015	Notes	Pro forma adjustments	Merged Group Pro forma Historical as at 30 June 2015
Current assets					
Cash and cash equivalents	84,723	36,037		-	120,760
Trade receivables	123,585	36,682		-	160,267
Inventories	7,920	-		-	7,920
Other assets	38,489	21,025	ii	(28,073)	31,441
Financial assets	2,220	1,027		-	3,247
Total current assets	**256,937**	**94,771**		**(28,073)**	**323,635**
Non-current assets					
Plant and equipment	80,590	388,051		-	468,641
Intangible assets and goodwill	912,437	731,250	ii	1,722,267	3,365,954
Deferred income tax ssets	17,673	5,443		-	23,116
Other non-current assets	6,564	2,250	ii	(6,103)	2,711
Investment in associates	-	3,708		-	3,708
Financial assets	1,703	-		-	1,703
Total non-current assets	**1,018,967**	**1,130,702**		**1,716,164**	**3,865,833**
TOTAL ASSETS	**1,275,904**	**1,225,473**		**1,688,091**	**4,189,468**

A$000	M2 Historical as at 30 June 2015	Vocus Pro forma Historical as at 30 June 2015	Notes	Pro forma adjustments	Merged Group Pro forma Historical as at 30 June 2015
Current liabilities					
Trade and other payables	269,369	38,834	i	25,315	333,518
Interest-bearing loans and borrowings	16,494	22,246		-	38,740
Income tax payable	19,988	3,533		-	23,521
Provisions	11,955	13,541		-	25,496
Other current assets	-	12,263		-	12,263
Financial liabilities	1,897	-		-	1,897
Total current liabilities	**319,703**	**90,417**		**25,315**	**435,435**
Non-current liabilities					
Interest-bearing loans and borrowings	555,163	199,131		-	754,294
Deferred tax liability	34,284	45,390	ii	43,805	123,479
Provisions	4,315	9,574		-	13,889
Other non-current liabilities	4,105	8,589		-	12,694
Financial liabilities	76	-		-	76
Total non-current liabilities	**597,943**	**262,684**		**43,805**	**904,432**
TOTAL LIABILITIES	**917,646**	**353,101**		**69,121**	**1,339,868**
NET ASSETS	**358,258**	**872,372**		**1,618,970**	**2,849,600**
Equity					
Contributed equity	275,270	828,901	iii	1,723,273	2,827,444
Reserves	(2,343)	5,851	iv	2,343	5,851
Retained profits	93,501	37,620	v	(106,646)	24,475
Parent interests	**366,428**	**872,372**		**1,618,970**	**2,857,770**
Non-controlling interests	(8,170)	-		-	(8,170)
TOTAL EQUITY	**358,258**	**872,372**		**1,618,970**	**2,849,600**

The following pro forma adjustments have been made for the purposes of illustrating the Merged Group Pro Forma Historical Consolidated Statement of Financial Position as if the Scheme had occurred on 30 June 2015:

(i) Transaction costs of $25,315,000 have been included as an increase in trade and other payables and accounted for as follows:

(A) $13,145,000 of transaction costs expected to be incurred by Vocus will be expensed and are therefore reflected in retained profits; and

(B) $12,170,000 of transaction costs expected to be incurred by M2 will be a pre-acquisition expense and will reduce M2's net assets, and are therefore reflected as an increase in goodwill upon acquisition.

Transaction costs are assumed to be non-deductible for income tax purposes.

(ii) The purchase price accounting for Vocus' acquisition of M2 has been determined on a provisional basis by the M2 Directors who have undertaken a provisional fair value assessment of the carrying value of M2's net assets and as a result have made provisional adjustments as summarised in the table below, resulting in the:

(A) recognition of $1,529,897,000 of goodwill arising from the implementation of the Scheme;

(B) increase in the fair value of customer contracts by $180,194,000 to $248,635,000;

(C) reset of capitalised deferred acquisition costs of $28,073,000 current and $6,103,000 non-current to zero;

(D) increase in the fair value of brands by $12,176,000 to $89,171,000; and

(E) Increase in deferred tax liability of $54,058,000 to reflect the increase in customer contracts, offset by a $10,253,000 decrease attributed to reset of capitalised deferred acquisition costs.

	$000
M2 net assets as at 30 June 2015	358,258
Add: uplift in customer contracts	180,194
Add: uplift in fair value of brands	12,176
Less: reset of deferred acquisition costs ("DAC")	(34,176)
Less: deferred tax liability on customer contracts and DAC	(43,805)
Less: transaction costs incurred by M2	(12,170)
Add: non-controlling interests as at 30 June 2015	8,170
Adjusted net assets of M2	**468,647**
Scheme Consideration	1,998,544
Goodwill arising	1,529,897

The table below summarises the impact of pro forma adjustments to intangible assets and goodwill:

	$000
M2 intangible assets and goodwill as at 30 June 2015	912,437
Vocus pro forma intangible assets and goodwill as at 30 June 2015	731,250
Pro forma adjustments:	
Goodwill arising under the Scheme	1,529,897
Add: uplift in M2 customer contracts	180,194
Add: uplift in fair value of brands	12,176
Merged Group intangible assets and goodwill	**3,365,954**

Subsequent to implementation, Vocus will undertake a full and proper assessment of the purchase price allocation, which by its nature requires judgement. Accordingly, that assessment may give rise to material differences in values allocated to the statement of financial position items and may also give rise to fair value being allocated to other statement of financial position balances.

(iii) Elimination of M2 contributed equity of $275,270,000, offset by an increase to contributed equity for the Scheme Consideration of $1,998,544,268. Scheme Consideration has been calculated based on a Vocus Share price of $6.66 and a merger ratio of 1.625 New Vocus Shares per M2 Share, such that Vocus will issue 300,081,722 New Vocus Shares for a Scheme Consideration of $1,998,544,268.

(iv) Elimination of M2 reserves of $2,343,000 as at 30 June 2015.

(v) Elimination of the $93,501,000 retained profits of M2 as at 30 June 2015, together with a decrease in retained profits of $13,145,000 in relation to Vocus transaction costs expensed.

The Merged Group Pro Forma Consolidated Historical Statement of Financial Position as at 30 June 2015 presents a deficiency of net current assets of $111,800,000. Although there is a net current asset deficiency, the M2 Directors and Vocus Directors believe that the Merged Group will generate sufficient operating cash flows to finance its ongoing operations, including meeting future interest payments on its borrowings.

7.9 Forecast financial information for the Merged Group

M2 and Vocus have given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. The M2 Directors and Vocus Directors have concluded that, as at the date of this Booklet, a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice, and that the inclusion of such forecasts could be potentially misleading.

The financial performance of the Merged Group in any period will be influenced by various factors that are outside the control of M2 and Vocus and that cannot, at this time, be predicted with a high level of confidence. In particular, the financial performance of the Merged Group will be affected by:

(a) the timing and level of network expansion in response to data demand;

(b) prevailing exchange rates, especially the AUD:USD and AUD:NZD exchange rates, which are subject to material change from time to time;

(c) the extent of opportunities, benefits and costs that are associated with combining Vocus and M2;

(d) changes in respect of existing operations and the provision of services to customers and the overall customer profile;

(e) the impacts of purchase price allocation;

(f) the timing and quantum of realised synergies;

(g) changes in the regulatory environment and the potential impact of the NBN initiative in Australia; and

(h) the integration of recently acquired businesses for both M2 and Vocus.

Vocus does not have an established practice of issuing financial forecasts given the potential impact of the considerations referred to above, however M2 has historically issued guidance.

7.10 Other material information

Except as set out in this Booklet, there is no information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any M2 Director at the time of lodging this Booklet with ASIC for registration, which has not been previously disclosed to M2 Shareholders.

8. Key Risks

8.1 Introduction

Scheme Shareholders should be aware that there are a range of general and specific risks associated with the Scheme. These risks may, either individually or jointly, affect the future performance, financial position, regulation or reputation of the Merged Group.

This Section sets out:

(a) risks specific to the implementation of the Scheme and the creation of the Merged Group;

(b) risks that are specific to M2 and/or Vocus as stand-alone entities which will continue to be relevant to the Merged Group if the Scheme is implemented; and

(c) risks of a general nature that are relevant to both M2 and Vocus as stand-alone entities and which will also be relevant to the Merged Group if the Scheme is implemented.

The risks summarised in this Section:

- should be considered in conjunction with the other information contained in this Booklet;
- are a summary only and are not an exhaustive list of the risks that Scheme Shareholders may be exposed to if the Scheme is implemented; and
- do not take into account the investment objectives, financial situation, position or individual needs of any Scheme Shareholder.

Additional risks and uncertainties that M2 and Vocus are currently unaware of, or that may currently be considered immaterial, may also become important factors that can adversely affect the Merged Group's operating and financial performance.

8.2 Risks relating to the Scheme and the creation of the Merged Group

The following risk factors will apply to the Merged Group if the Scheme proceeds. As they are related to the Scheme, they do not currently apply to either M2 or Vocus as stand-alone businesses.

8.2.1 Integration risks and realisation of anticipated cost savings

The long-term success of the Merged Group will depend, amongst other things, on the success of management in integrating the respective businesses of M2 and Vocus. Whilst both Vocus and M2 expect that value can be added to the Merged Group through the realisation of cost savings, there is a risk that implementation of the Scheme may not result in the full realisation of the cost savings due to various factors including unexpected delays, challenges, liabilities and costs in relation, but not limited, to integrating operating and management systems such as IT, information or accounting systems and the loss of key personnel of the Merged Group.

If the integration is not achieved in an orderly manner, the full benefits, cost savings, and other expected cost savings, efficiencies and benefits may be achieved only in part, or not at all. This could adversely impact the Merged Group's financial performance and position, and the future prospects of the Merged Group.

8.2.2 The exact value of the Scheme Consideration is not certain

The implied value of the Scheme Consideration will vary over time depending on the prevailing Vocus Share price and as a result, the implied value of the Scheme Consideration is likely to change, including between the date of this Booklet, the date of the Scheme Meeting and the date on which the Scheme Consideration is received.

Following implementation of the Scheme, the Merged Group's share price may rise or fall based on market conditions and the Merged Group's financial and operating performance. If the Merged Group's share price falls, the value of those New Vocus Shares received by Scheme Shareholders as Scheme Consideration will decline. In relation to Ineligible Foreign Shareholders, the Sale Nominee will be issued New Vocus Shares attributable to Ineligible Foreign Shareholders and will be seeking to sell those securities on the ASX as soon as reasonably practicable and in any event no more than 15 Business Days after the Implementation Date. There is no guarantee regarding the price that will be realised by the Sale Nominee or the future share price of New Vocus Shares. Future share prices may be either above or below current or historical share prices. Information about the current trading prices of Vocus Shares may be obtained from asx.com.au. In providing services to Vocus in connection with the sale of New Vocus Shares to which the Ineligible Foreign Shareholders would otherwise have been entitled, the Sale Nominee is not acting as agent or sub agent of any Ineligible Foreign Shareholder.

8.2.3 Accounting risk

M2 has particular accounting policies and methods which are fundamental to how it records and reports its financial position and results of operations. The M2 Directors may have exercised judgement in selecting and applying certain accounting policies or methods which might have been reasonable under the circumstances yet might have resulted in reporting materially different outcomes than would have been reported under Vocus' policies and methods. The integration of M2's accounting functions may lead to revisions of these accounting policies, which may adversely impact on the Merged Group's reported results of operations and/or financial position and performance.

In accordance with AAS, goodwill, other indefinite life intangibles and identifiable intangibles (such as customer contracts) recognised will be subject to impairment testing in future periods. In the event that the value of the intangible assets reduces, this is likely to be reflected as an impairment charge. Any future impairment of goodwill, other indefinite life intangibles and identifiable intangibles may have an adverse impact on the reported financial performance of the Merged Group.

8.2.4 Court approval and delays

There is a risk that the Court may not approve the Scheme or that the approval of the Court is delayed. In particular, if there is a material change in circumstances between the Scheme Meeting and the Second Court Date, then the Court will have regard to that change in deciding how it should proceed. If such changes are so important that they materially alter the Scheme, there is a risk that the Court may not approve the Scheme at the Second Court Hearing.

8.2.5 Tax consequences for Scheme Shareholders

If the Scheme proceeds, there may be tax consequences for Scheme Shareholders. Scheme Shareholders should seek their own professional advice regarding the individual tax consequences of the Scheme applicable to them.

Further information on the tax consequences of the Scheme is set out in Section 9 of this Booklet.

8.2.6 Risks of trading during deferred settlement trading period

Scheme Shareholders will not necessarily know the exact number of New Vocus Shares (due to rounding) that they will receive (if any) as Scheme Consideration until a number of days after those securities can be traded on the ASX on a deferred settlement basis. Scheme Shareholders who trade New Vocus Shares on a deferred settlement basis without knowing the number of New Vocus Shares they will receive as Scheme Consideration may risk adverse financial consequences if they purport to sell more New Vocus Shares than they receive.

8.2.7 Financing risk

Information in respect of the M2 Facility Agreement is set out in Section 5.13 of this Booklet and information in respect of the Vocus Facility Agreement is set out in Section 6.11 of this Booklet.

The entry into the Scheme and its related transactions may give rise to a default under M2's and/or Vocus' facility agreements, permitting the lenders to demand immediate or early repayment and/or exercise rights under the securities granted in their favour.

M2 and Vocus have sought to address the above by obtaining from their respective financiers the necessary consents and waivers under their respective facility agreements and make such amendments to their facility agreements as are necessary for the agreements to continue to operate as intended following the Implementation Date.

At the date of this Booklet, M2's financiers have agreed to:

- grant their consent to the Scheme and its related transactions;
- provide a waiver of any rights or remedies available to the financiers under the M2 Facility Agreement which may arise as a result of the Scheme and its related transactions (including as described above); and
- make amendments to the M2 Facility Agreement as are necessary for the agreement to continue to operate as intended following the Implementation Date (such amendments to become effective subject to M2 executing the amendment deed that gives effect to these amendments and the delivery of that amendment deed).

Vocus' financiers have agreed to provide substantially similar consents and waivers, and make necessary amendments, in respect of the Vocus Facility Agreement subject to the satisfaction (or waiver) of customary conditions precedent.

If the amendment deed described above is not delivered, or the conditions precedent described above are not satisfied or waived, by the Implementation Date, the consents and waivers from M2's and Vocus' lenders respectively will not take effect. This may allow M2's and/or Vocus' lenders to demand immediate or early repayment and/or exercise rights under the securities granted in their favour.

The relatively short timetable for implementing the Scheme and, consequently, for delivery of the amendment deed and/or satisfying all conditions precedent to the lenders' consents and/or waivers becoming effective, could potentially have the consequence of M2 and/or Vocus needing to procure replacement financing of their existing bank facilities in a short period of time. This may expose M2 and/or Vocus to the risk of unfavourable markets in terms of pricing and volume. The ability of M2 and/or Vocus to procure replacement financing on acceptable terms will depend on a number of factors (some of which are out of their control) including general economic, political and debt capital market conditions, credit availability and the performance, reputation and financial strength of each business. An adverse change in one or more of these factors could impact the ability of M2 and/or Vocus to procure replacement financing on acceptable terms, or at all.

If M2 and/or Vocus are unable to procure replacement financing for their respective debt facilities on acceptable terms or at all, they may need to seek alternative funding such as asset disposals or equity capital raisings.

8.2.8 Change of control

Some contracts to which M2 or Vocus or their Subsidiaries are party may contain change of control or deemed assignment provisions that could be triggered by entry into the Merger Implementation Agreement, the Scheme, the acquisition of Scheme Shares or the issue of New Vocus Shares following the implementation of the Scheme, changes to the composition or control of the M2 Board or the suspension from trade or delisting of M2. If such a provision is triggered, this may allow the counterparty to demand immediate or earlier repayment of monies, or review, adversely modify, exercise rights under or terminate the contract. If a counterparty to any such contract were to do so, this may have an adverse effect on the Merged Group, depending on the relevant contract.

At the date of this Booklet, M2 has sought and obtained some, but not all, of the consents and waivers from the operation of such provisions which are included in M2's material contracts.

8.2.9 Change in risk and investment profile

After implementation of the Scheme, Scheme Shareholders will be exposed to risk factors relating to Vocus, and to certain additional risks relating to the Merged Group and the integration of the two businesses. These include risks relating to the operation of a broader suite of assets (both in nature and scale) than M2 owns and manages and risks associated with Vocus' infrastructure going forward. The asset portfolio, capital structure and size of the Merged Group will be different from that of M2 on a stand-alone basis. These changes in risk and investment profile may be considered a disadvantage by some M2 Shareholders.

8.3 Specific risks relating to the Merged Group

The following risk factors are specific to M2 and/or Vocus as stand-alone entities and will continue to be relevant to the Merged Group if the Scheme is implemented and may also continue to be relevant to M2 on a stand-alone basis if the Scheme is not implemented.

8.3.1 Cash flow risk and liquidity

The Merged Group's ability to service its debt and other obligations depends on the future performance and cash flow of its business which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond its control. The Merged Group's historical financial results (on a pro-forma basis) have been, and it is anticipated that the Merged Group's future financial results will continue to be, subject to fluctuations. Cash flows can vary and the Merged Group's business will continue to be subject to fluctuations, and the Merged Group's business may not generate sufficient cash flow from operations to enable it to satisfy its debt and other obligations. Any inability to secure sufficient debt funding (including to refinance on acceptable terms) or to service its existing and new debt may have a material adverse effect on the Merged Group's financial performance and prospects.

8.3.2 Ultra-Fast Broadband (New Zealand)

The New Zealand Government is rolling out UFB over the medium term. All telecommunication retail service providers will have equivalent access to acquiring wholesale services on the UFB, which are intended to create a more level competitive playing field in the industry. This new competitive environment with the UFB may enable the entry of new competitors in the market which could have an adverse impact on the future financial performance of the Merged Group if it is unable to effectively compete against the new competitors. In addition, to move to a UFB service requires customers to disconnect their existing broadband connection and establish a new connection, which could create a risk to customer retention.

8.3.3 National Broadband Network (Australia)

The Australian Federal Government is rolling out a NBN. All telecommunication retail service providers will have equivalent access to acquiring wholesale services on the NBN, which is intended to create a more level competitive playing field in the industry. This new competitive environment may facilitate the entry of new competitors in the relevant market which could have an adverse impact on the future financial performance of the Merged Group if it is unable to effectively compete against the new competitors. In addition, to move to an NBN service may require customers to disconnect their existing copper or HFC broadband connection and establish a new connection, which could create a risk to customer retention.

8.3.4 Network operation risks including cyber attacks

Any material damage or disruption to the Merged Group's network or services will impair the Merged Group's ability to provide products and services and result in significant disruption to the business and the Merged Group's customers.

This disruption could arise as a result of events which are beyond the Merged Group's control, such as network failure, failure of other carrier/supplier equipment networks, improper or negligent operation of the Merged Group's systems by employees, consultants, unauthorised physical or electrical access, general network failure and/or natural disasters.

In addition, the Merged Group could be adversely impacted by electronic attacks, viruses and other forms of cybercrime, such as attempts by hackers to gain access to or damage the Merged Group's systems and databases. This could cause failures, faults and billing issues and problems for the Merged Group's customers.

Any damage to the Merged Group's network operation and/or information technology systems could lead to extended downtime of the Merged Group's websites or corporate systems, in addition to the potential loss of private company or customer information including credit card information. This could adversely affect the Merged Group's reputation, operations and financial performance, and result in significant regulatory fines.

8.3.5 Seismic activity

There has historically been significant seismic activity across the New Zealand markets in which the Merged Group will operate. It is possible that a future earthquake might cause damage or disruption to the Merged Group's network and impair its ability to provide its products and services resulting in significant disruption.

8.3.6 Third party suppliers

The Merged Group's ability to provide services and products is highly dependent on securing services, infrastructure and other equipment, as well as network-related and other significant support services from third party suppliers. The

business of the Merged Group would be materially impacted if any of those suppliers were unwilling or unable to provide services as contracted or made a decision to supply services on unfavourable terms. If suppliers failed to supply the services, terminated the contracts connected with the supply of services (or allowed them to expire without renewing them) or changed terms to be less favourable than those currently offered, and the Merged Group was unable to arrange for the supply of replacement services from another supplier on similar terms, this change might materially impact the financial performance of the Merged Group.

The Merged Group's ability to provide services and products is also dependent on securing access to services which are currently regulated by the ACCC under Part XIC of the Competition and Consumer Act 2010 (Cth). If the ACCC determines that these services should no longer be regulated, or should be regulated on different terms which are less favourable than current terms, this change might materially impact the financial performance of the Merged Group.

8.3.7 Technology changes

The information, communication and technology industries are constantly evolving with new technologies and products which could act as substitutes for the products and services offered by M2 and Vocus. In addition, the behaviours of consumers of those technologies and products are constantly evolving.

There is no guarantee that the Merged Group can effectively keep up with changes in technological developments and failure to keep pace with changes in technology could result in the Merged Group finding it increasingly difficult to compete in its chosen target segments. If there are new or improved products that are superior, or perceived by the market to be superior, to those of the Merged Group then this may adversely impact on the Merged Group's ability to compete in its chosen market segments. In addition, if there are changes in behaviours of consumers in the use of technologies and products (including continued increased customer demand for data and therefore bandwidth), and the Merged Group is not able to effectively keep up with such changes in behaviours of consumers, then it could result in the Merged Group finding it increasingly difficult to compete in its chosen target segments.

8.3.8 Security or privacy of data

The protection of customer, employee, third party and company data is critical to the Merged Group's operations. The Merged Group has access to a significant amount of customer, employee and third party information, including through its database of customers. The legal and regulatory environment surrounding information security and privacy is increasingly complex and demanding. Customers, employees and third parties such as suppliers also have an expectation that the Merged Group will adequately protect their personal information. A breach of customer, employee, third party or company data could attract significant media attention, damage the Merged Group's reputation and customer or supplier relationships and ultimately result in lost sales, penalties or litigation. This could have a material adverse effect on the Merged Group's future financial performance and position.

New data retention laws were introduced in October 2015 which include obligations to collect and store metadata. M2 has prepared a data retention implementation plan that has been approved by the Attorney-General. As a result, M2 has been granted an extension to comply with certain of the new obligations until April 2017. Vocus has prepared a draft implementation plan and is in discussions with the Attorney-General's Department as to final content. Vocus has requested an extension on the finalisation of the plan to April 2016, and is waiting for confirmation of that request.

8.3.9 Sustainability of growth

The continued strong growth in sales and profitability of the Merged Group is dependent on a number of factors, including the Merged Group's ability to win new customers on a profitable basis and to retain and grow revenues from existing customers. This organic growth is conditional on the continued performance of the Merged Group's various channels to market, the ongoing achievement of sales objectives by the Merged Group's sales teams and the provision of consistent high quality customer service. If any of these growth factors were negatively impacted and growth was impaired then the financial performance and reputation of the Merged Group's business would be negatively impacted.

8.3.10 Retention of key personnel

The Merged Group will be dependent upon a number of key management personnel and executives to manage the day-to-day requirements of the business. The loss of the services of one or more key management personnel could have an adverse effect on the Merged Group. The Merged Group's ability to operate effectively will depend in large parts on the efforts of these individuals. The Merged Group will face competition for qualified personnel, and there can be no assurance that it will be able to attract and retain such personnel.

8.3.11 Regulatory risk and changes in law (and interpretation)

M2 and Vocus operate in increasingly regulated industries with significant penalties for non-compliance with regulations, including fines and undertakings that may include customer redress and restrictions on future marketing of services.

The Merged Group's future growth prospects are heavily reliant on its ability to market its services through its various sales channels. Any regulatory change, event or enforcement action which would restrict those activities could have a material adverse impact on the Merged Group's growth and future financial performance.

Amendments to current laws and regulations governing operations or more stringent implementation of laws and regulations could have an adverse impact on the Merged Group, including increases in expenses, capital expenditures or costs. The impact of future regulatory and legislative change upon the business of the Merged Group cannot be predicted.

Failure to comply with applicable laws, regulations, agreements and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring compensation for those suffering loss or damage by reason of the activities and/or civil or criminal fines or penalties.

8.3.12 Interest rate risk

The Merged Group will be subject to the risk of rising interest rates associated with borrowing on a floating rate basis. M2 Group seeks to hedge part of its exposure to adverse fluctuations in floating interest rates by entering into interest rate hedging arrangements, including derivative financial instruments. The Merged Group may continue to seek to manage all or part of its exposure to adverse fluctuations through equivalent arrangements. Such arrangements involve risk, such as the risk that counterparties may fail to honour their obligations under these arrangements, and that such arrangements may not be effective in reducing exposure to movements in interest rates. To the extent that the Merged Group does not hedge effectively (or at all) against movements in interest rates, such interest rate movements may adversely affect the Merged Group's results.

8.3.13 Energy price risks

M2 Group is exposed to commodity price risk associated with the purchase and/or sale of electricity and gas. Prices for electricity and gas fluctuate with demand. M2 Group seeks to hedge part of its exposure to adverse fluctuations through the use of over the counter derivatives and contracts via the futures market. To the extent that M2 Group or the Merged Group does not hedge effectively (or at all) against movements in these commodity prices, such commodity price movements may adversely affect the Merged Group's results.

8.3.14 Energy business licences and authorisations

A member of the M2 Group holds an AFSL, which is necessary for the trading of energy derivatives, and holds other licences and authorisations that are necessary for the M2 Group to retail electricity and gas in Victoria, New South Wales, South Australia and Queensland. If the M2 Group or the Merged Group fail to comply with the conditions or obligations of the AFSL or any other licence or authorisation, this could result in the suspension or cancellation of the licence or authorisation which could have a material adverse effect on the Merged Group's business.

8.3.15 Integration of recent acquisitions

M2 and Vocus have recently completed substantial acquisitions. In the case of M2, it was the acquisition of CallPlus Group completed in June 2015. In the case of Vocus, it was the acquisition of Amcom completed in July 2015. Whilst the integration of each business into the respective acquirer's business is well underway, the task of integrating the businesses of the Merged Group is made more complex by the need to finalise the integration of these recent acquisitions. To the extent that the Merged Group does not complete integration of those prior acquisitions in an orderly manner, the full benefits, expected cost savings, efficiencies and benefits from those acquisitions may be achieved only in part, or not at all. This could adversely impact the Merged Group's financial performance and position, and the future prospects of the Merged Group.

8.4 General risks relating to the Merged Group

The following risk factors are of a general nature and are relevant to both M2 and Vocus as stand-alone entities and will also be relevant to the Merged Group if the Scheme is implemented.

8.4.1 Litigation risk

Like any business, disputes or litigation may arise from time to time in the course of the business activities of the Merged Group. There is a risk that any material or costly dispute or litigation could adversely affect the Merged Group's reputation, financial performance or share price.

8.4.2 Accounting standards

AAS are set by the AASB. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in M2's, Vocus' or the Merged Group's financial statements.

8.4.3 Taxation risks

A change to the current taxation regime may affect M2, Vocus or the Merged Group and Scheme Shareholders. Personal tax liabilities are the responsibility of each individual Scheme Shareholder. M2, Vocus and the Merged Group are not responsible for taxation or penalties incurred by Scheme Shareholders.

8.4.4 Insurance and force majeure risk

The Merged Group will carry insurances on its properties with policy specifications and insured limits that the Merged Group considers are customarily carried for similar businesses.

Potential losses arising from events such as floods, earthquakes, terrorism or other similar catastrophic events, which may also include other force majeure events, may be either uninsurable, or, in the judgement of the Merged Group, not insurable on a financially reasonable basis, or may not be insured at full replacement cost or may be subject to larger excesses.

In the event that there are insufficient insurance arrangements in place, the Merged Group may be exposed to material capital losses, or losses that may impact revenue generation and the financial performance of the Merged Group.

8.4.5 Counterparty risk

A counterparty may fail to meet its contractual obligations resulting in financial loss to the Merged Group and impacting on the Merged Group's business relationships and operations. The Merged Group can provide no guarantee that its counterparties will fulfil these obligations or that the Merged Group will successfully manage counterparty credit risk.

8.4.6 Climate change risk

The Merged Group may be exposed to a number of potential impacts of climate change over time which could lead to demographic changes, change in consumption patterns and physical risks to property. As a result, the potential impact from climate change, both physical and as a result of new related legislation and regulation, may have an adverse impact on the Merged Group's operations or financial performance.

8.4.7 Foreign exchange risk

The Merged Group may manage the impact of exchange rate movements on its earnings, payment of supplies, inventory, and balance sheet by entering into hedging transactions, including derivative financial instruments. To the extent the Merged Group does not hedge effectively (or at all) against movements in the exchange rate of these currencies, such exchange rate movements may adversely affect its earnings and/or balance sheet.

8.4.8 Competition

The Merged Group will face competition, including from new competitors entering relevant markets. The existence of such competition may have an adverse impact on the Merged Group's business.

8.4.9 General market conditions

The performance of New Vocus Shares on the ASX may be determined by a range of factors. These include movements in the local and international equity and bond markets and general investor sentiment in those markets, recommendations by brokers and analysts, inflation, interest rates, exchange rates, general economic conditions and outlooks, changes in government, fiscal, monetary and regulatory policies, consumer confidence levels, global geo-political events and hostilities and acts of terrorism, the announcement of new technologies and changes in the supply of and demand for relevant stocks. A number of these factors could affect the trading price of shares, regardless of operating performance.

9. Australian taxation implications of the Scheme

9.1 Introduction

This Section summarises the general taxation position of Scheme Shareholders in relation to the Scheme if it is implemented. This Section does not provide a complete analysis of the potential tax implications of the Scheme. Rather, it is only a general guide on the tax implications in Australia. This Section does not constitute tax advice. It should not be relied upon as a substitute for advice from an appropriate professional adviser having regard to your individual circumstances. Scheme Shareholders are strongly advised to seek their own independent professional advice on the tax implications of the Scheme based on their own specific circumstances.

The following information is a general summary of the Scheme's Australian tax implications for Scheme Shareholders on the Record Date who hold their M2 Shares on capital account. This includes general information for Scheme Shareholders who are not considered residents of Australia for taxation purposes.

This summary does not apply to Scheme Shareholders who are exempt from Australian income tax or hold their M2 Shares on revenue account (for example, as trading stock or as revenue assets or are subject to the Taxation of Financial Arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (the ***ITAA97***)).

This Section has been prepared on the basis of Australian taxation law and administrative practice as at the date of this Booklet.

In this summary, references to ***Australian resident Scheme Shareholders*** are to Scheme Shareholders who are residents of Australia for Australian income tax purposes. Likewise, references to ***Scheme Shareholders that are not residents of Australia*** are to Scheme Shareholders who are not residents of Australia for Australian income tax purposes.

9.2 Australian resident Scheme Shareholders

9.2.1 Disposal of M2 Shares

Under the Scheme you will be entitled to receive the Scheme Consideration, as described in Section 1.3.

The transfer of your M2 Shares on the Implementation Date in exchange for the Scheme Consideration will constitute a disposal of those M2 Shares by you for CGT purposes, which will give rise to a CGT event.

In certain cases, you will be entitled to choose CGT rollover relief. This is outlined further in Section 9.2.2.

In the event you do not elect or cannot elect to apply CGT rollover relief:

- you will make a capital gain if the capital proceeds from the disposal of your M2 Shares are greater than the cost base of those M2 Shares;
- you will make a capital loss if the capital proceeds from the disposal of your M2 Shares are less than the reduced cost base of those M2 Shares;
- the first element of the cost base of your New Vocus Shares will be equal to the market value of the New Vocus Shares received; and
- the acquisition date of the New Vocus Shares (relevant for future CGT events) will be the Implementation Date.

The capital proceeds from the disposal of your M2 Shares will be equal to the market value of the New Vocus Shares received by you (determined at the Implementation Date).

Individuals, complying superannuation entities or trusts may be entitled to reduce the amount of any capital gain made on the disposal of their M2 Shares if, amongst other things, they have held their M2 Shares for at least 12 months before the Implementation Date (this reduction is referred to as the ***CGT discount***). The CGT discount is applied only after any available capital losses have been applied to reduce the capital gain and is not generally available to companies.

The discount rate is:

- 50% for individuals and trusts; or
- 33⅓% for complying superannuation entities.

If you would realise a capital loss as a result of disposing of your M2 Shares under the Scheme, no roll-over relief will be available to you and the capital loss will be crystallised. Capital losses can only be offset against capital gains realised by you in the same income year or in a subsequent income year (subject to satisfaction of the relevant loss recoupment rules).

9.2.2 Scrip for scrip roll-over relief from capital gains tax

Scrip for scrip roll-over relief may be available to defer a capital gain made by a taxpayer pursuant to provisions in subdivision 124-M of the ITAA97 if, under an arrangement, a taxpayer exchanges a share in a company for a share in another company, and a number of other requirements are satisfied.

Based on the Scheme, these requirements should be satisfied and, accordingly, should you otherwise realise a capital gain in respect of the disposal of your M2 Shares, you should be able to choose scrip for scrip roll-over relief. As outlined above, if you would otherwise make a capital loss, roll-over relief will not be available.

Broadly the consequences of you choosing the scrip for scrip roll-over relief will be that:

- the capital gain made upon the disposal of M2 Shares will be disregarded;
- you will be deemed (for CGT purposes only) to have acquired your New Vocus Shares at the time that you originally acquired, or are deemed to have acquired,

your M2 Shares. This may be relevant for CGT discount purposes in respect of future disposals (refer to Section 9.2.1); and

- the first element of the cost base of the New Vocus Shares acquired by you will be equal to the cost base of your M2 Shares, and will be apportioned on a reasonable basis across the New Vocus Shares.

If you wish to choose scrip for scrip roll-over relief, you should not include any capital gain that is attributable to the New Vocus Shares received by you in your tax return. The lodgement of your tax return on that basis is sufficient evidence of that choice having been made and no formal election is required to be lodged in order to choose to obtain the roll-over relief.

If you do not wish to or cannot choose scrip for scrip roll-over relief, you should include in your net capital gain calculation for the year in which the Implementation Date occurs the amount of the capital gain realised by you on the disposal of your M2 Shares. The amount ultimately included may be impacted by losses available to you and/or the CGT discount and appropriate advice should be sought on the amount to include and the manner in which the amounts are disclosed.

9.2.3 Subsequent disposals on or after the Implementation Date

The subsequent disposal of New Vocus Shares received pursuant to the Scheme will result in you realising a capital gain or a capital loss. The amount of that capital gain or capital loss will depend on your cost base, or reduced cost base, of your New Vocus Shares. This, in turn, will depend on whether you chose scrip for scrip roll over relief.

For the purposes of claiming the CGT discount in respect of any capital gain realised on the subsequent disposal of your New Vocus Shares, the acquisition time for your New Vocus Shares will be, where scrip for scrip roll-over relief:

- is available in respect of the Scheme and is chosen by you – the original acquisition time of your former M2 Shares; or
- is either not available in respect of the Scheme, or is available but is not chosen by you – the Implementation Date.

9.3 Scheme Shareholders that are not residents of Australia

If you are a Scheme Shareholder who is not a resident of Australia for tax purposes and:

- have not held, with associates, 10% or more of the M2 Shares on the Implementation Date and have not held 10% or more of M2 Shares throughout a 12 month period during the two years preceding the sale of your M2 Shares; and
- have not, at any time, used your M2 Shares in carrying on a business through a permanent establishment in Australia,

you can disregard a capital gain or capital loss you make from the disposal of your M2 Shares under the Scheme. Scheme Shareholders who are not residents of Australia who hold greater than 10% of the M2 Shares should also be entitled to either disregard any capital gain or loss arising on the basis that the M2 Shares are not taxable Australian property.

However, if at any time you have used your M2 Shares in carrying on a business through a permanent establishment in Australia and you realise a capital gain from the disposal of your M2 Shares under the Scheme, then partial scrip for scrip roll over relief will only be available to you if you also use the New Vocus Shares that you receive in carrying on a business through a permanent establishment in Australia.

9.3.1 Australian stamp duty

Scheme Shareholders will not be liable to pay Australian stamp duty on the disposal of their M2 Shares or on the issue to Scheme Shareholders of the New Vocus Shares pursuant to the Scheme.

9.3.2 Australian goods and services tax

Scheme Shareholders will not be liable for (nor be required to pay) goods and services tax on the disposal of their M2 Shares or on the issue to Scheme Shareholders of the New Vocus Shares, or any other payments received by them in connection with the Scheme.

However, Scheme Shareholders should seek their own advice regarding their entitlement to claim input tax credits in respect of any GST on expenses incurred relating to the acquisition or disposal of the M2 Shares or New Vocus Shares (this may include, for example, legal fees).

9.4 Availability of the franking offset associated with any FY16 Interim Dividend and any Special Dividend

If you hold New Vocus Shares for 45 continuous days (excluding the Implementation Date and the date of sale of any New Vocus Shares) 'at risk' from the Implementation Date and you are an Australian resident Scheme Shareholder, you should be able to benefit from the franking tax offset associated with any FY16 Interim Dividend and any Special Dividend.

Any days on which you have materially diminished risks of loss or opportunities for gains in respect of the New Vocus Shares must be excluded from the 45 day period.

Holders of New Vocus Shares who receive less than $5,000 in total franking offset entitlements in the year ended 30 June 2016 do not need to satisfy the 45 continuous day holding rule referred to above.

All M2 Shareholders should consult with their own taxation advisers regarding the Australian and, if applicable, foreign taxation implications regarding the availability of any franking offset for them.

10. Implementation of the Scheme

10.1 Introduction

On 28 September 2015, M2 announced that it had entered into the Merger Implementation Agreement with Vocus, under which it is proposed that Vocus (or a wholly-owned subsidiary of Vocus) will acquire all M2 Shares pursuant to the Scheme.

If the Scheme is approved by M2 Shareholders and by the Court, and all other Conditions are satisfied or waived (as applicable), M2 will become a wholly-owned indirect Subsidiary of Vocus and will be delisted from ASX.

10.2 What you will receive – Scheme Consideration

If the Scheme is implemented, Scheme Shareholders will receive 1.625 New Vocus Shares for each Scheme Share, subject to:

- rounding for fractional entitlements (as discussed in Section 10.9); and
- whether the Scheme Shareholder is an Ineligible Foreign Shareholder (as discussed in Sections 1.4 and 10.6).

10.3 Scheme elements

For the Scheme to proceed, M2 Shareholders must vote in favour of the Scheme (by the majorities set out in Section 10.10(c)(iii)) and the Scheme must be approved by the Court. These steps are discussed in more detail in Section 10.10.

The Scheme is also subject to the satisfaction or waiver (as applicable) of the other Conditions. The Conditions are described in Section 10.13.

Following approval of the Scheme by M2 Shareholders, and approval of the Scheme by the Court, there are three important dates in respect of the implementation of the Scheme – the Effective Date, the Record Date and the Implementation Date.

- The Effective Date is the date on which the Court order approving the Scheme is lodged with ASIC and takes effect.
- The Record Date is 7.00pm (Melbourne time) on the fifth Business Day after the Effective Date (or such other Business Day as M2 and Vocus agree in writing) and is the time and date when the M2 Register is examined to determine who is entitled to participate in the Scheme (refer to Section 10.5).
- The Implementation Date is the fifth Business Day (or such other Business Day as M2 and Vocus agree in writing) after the Record Date and is the date when the Scheme is implemented and M2 Shares held by Scheme Shareholders as at the Record Date are transferred to Vocus Subsidiary.

In addition, the Dividends Record Date is important. To be eligible to receive any FY16 Interim Dividend and any Special Dividend, Scheme Shareholders who receive New Vocus Shares must continue to be the registered holder of their New Vocus Shares on the Dividends Record Date. See also Section 9 for important dates relating to the availability of franking offsets in respect of any FY16 Interim Dividend and any Special Dividend.

10.4 Scheme

If the Scheme is approved by M2 Shareholders and the Court, and all other Conditions are satisfied or waived (as applicable):

- the Scheme will become Effective on the Effective Date;
- at the close of trading on the Effective Date, M2 Shares will cease trading on ASX;
- on the Implementation Date, all of the M2 Shares held by Scheme Shareholders as at the Record Date will be transferred to Vocus Subsidiary, without any need for action by Scheme Shareholders; and
- Vocus will issue the New Vocus Shares to the Scheme Shareholders (or the Sale Nominee in respect of Ineligible Foreign Shareholders), which are expected to commence trading as soon as practicable after the Effective Date, initially on a deferred settlement basis and thereafter on a normal settlement basis.

As a result of the implementation of the Scheme, Scheme Shareholders will cease to hold M2 Shares and M2 will become a wholly-owned indirect Subsidiary of Vocus and will be delisted from ASX.

The Scheme is conditional upon, among other things, the Scheme Resolution being passed by M2 Shareholders and the approval of the Scheme by the Court. This means that the Scheme will not become Effective if the Scheme Resolution is not approved by M2 Shareholders or if the Court does not approve the Scheme. The Scheme is also conditional upon the other Conditions detailed in Section 10.13.

10.5 Entitlement to participate in the Scheme

Scheme Shareholders will be entitled to participate in the Scheme.

For the purpose of determining which M2 Shareholders are eligible to participate in the Scheme, dealings in M2 Shares will be recognised only if:

- in the case of dealings of the type to be effected by CHESS, the transferee is registered on the M2 Register as the holder of the relevant M2 Shares by the Record Date; and
- in all other cases, share transfer forms in registrable form or transmission applications in respect of those dealings are received at the place where the M2 Register is kept by 5.00pm on the day which is the Record Date (and the transferee remains registered as at the Record Date).

M2 will not accept for registration or recognise for any purpose any transfer, transmission or application in respect

of M2 Shares received after the times specified above, or received prior to such times but not in registrable form, other than a transfer to Vocus Subsidiary in accordance with the Scheme and any subsequent transfer by Vocus Subsidiary or its successors in title.

Subject to the Corporations Act, Listing Rules and the constitution of M2, M2 must register registrable transfers or transmission applications of the kind recognised above by the Record Date.

For the purpose of determining entitlements to Scheme Consideration, M2 will, until the Scheme Consideration has been provided, maintain, or cause the M2 registrar to maintain, the M2 Register, subject to the comments above, and entitlements to the Scheme Consideration will be determined solely on the basis of the M2 Register.

After the Record Date:

- all share certificates and statements of holding in respect of M2 Shares (other than statements of holding in respect of Vocus Subsidiary and its successors in title) cease to have any effect as a document of title in respect of such M2 Shares; and
- each entry on the M2 Register as at the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration (other than the entries in relation to Vocus Subsidiary).

To be eligible to receive any FY16 Interim Dividend and any Special Dividend, Scheme Shareholders must continue to be the registered holder their New Vocus Shares on the Dividends Record Date.

10.6 Scheme Consideration in respect of Ineligible Foreign Shareholders

A Scheme Shareholder will be an Ineligible Foreign Shareholder if their address as shown in the M2 Register (as at the Record Date) is a place outside of Australia and its external territories, New Zealand, Hong Kong, Singapore, the United Kingdom and the states of California, Florida, Georgia, Minnesota, New York, Texas, and Virginia in the United States of America, unless Vocus is satisfied, acting reasonably, that it is permitted to allot and issue New Vocus Shares to that Scheme Shareholder pursuant to the Scheme by the laws of that place either unconditionally or after compliance with conditions that Vocus in its sole discretion regards as acceptable and not unduly onerous or impracticable.

Vocus will be under no obligation under the Scheme to issue, and will not issue, any New Vocus Shares to Ineligible Foreign Shareholders, and will instead issue the New Vocus Shares that would have otherwise been issued to the Ineligible Foreign Shareholder to the Sale Nominee as set out in the Scheme and summarised below.

10.6.1 Sale mechanics

Vocus will appoint the Sale Nominee to sell any New Vocus Shares that would otherwise be issued to Ineligible Foreign Shareholders.

If the Scheme becomes Effective, the New Vocus Shares that would otherwise have been issued to Ineligible Foreign Shareholders will instead be issued by Vocus to the Sale Nominee on the Implementation Date.

Vocus will procure that as soon as reasonably practicable, and in any event no more than 15 Business Days after the Implementation Date, the Sale Nominee sells the New Vocus Shares issued to the Sale Nominee on the ASX in such manner, at such price and on such other terms as the Sale Nominee determines in good faith.

The net proceeds (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges) of sale of the New Vocus Shares (the ***Sale Proceeds***) will be promptly remitted by the Sale Nominee into an account controlled by Vocus. Promptly (and within 5 Business Days) after the remittance to Vocus of the Sale Proceeds, Vocus will remit the Sale Proceeds to each Ineligible Foreign Shareholder in accordance with their entitlement.

Each Ineligible Foreign Shareholder will receive, for each New Vocus Share which they would otherwise have been entitled to receive, an amount equivalent to the average price per New Vocus Share obtained by the Sale Nominee (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges).

10.6.2 Value of the Sale Proceeds

The cash amount received by Ineligible Foreign Shareholders will depend on the price at which the New Vocus Shares can be sold by the Sale Nominee at the relevant time and the amount of any brokerage, stamp duty and other selling costs, taxes and charges incurred in connection with the sales described above.

The cash amount received by an Ineligible Foreign Shareholder may be more or less than the value of the New Vocus Shares that the shareholder would have received had they not been an Ineligible Foreign Shareholder.

None of M2, Vocus Subsidiary, Vocus or the Sale Nominee gives any assurance as to the price that will be achieved for the sale of New Vocus Shares by the Sale Nominee described above and the sale of the New Vocus Shares by the Sale Nominee will be at the risk of the Ineligible Foreign Shareholder.

The portion of the Sale Proceeds attributable to each Ineligible Foreign Shareholder will be paid as soon as reasonably practicable by either:

- cheque in Australian dollars and sent by prepaid post (at the risk of the Ineligible Foreign Shareholder) to the address recorded on the M2 Register on the Record Date; or

- deposit into an account with any Australian ADI in Australia notified by the relevant Ineligible Foreign Shareholder to M2 and recorded in or for the purposes of the M2 Register as at the Record Date.

For further information regarding payment of the Sale Proceeds, including the timing for receipt of that payment, see Section 10.6.1.

10.7 Commencement of trading of New Vocus Shares

Deferred settlement trading of New Vocus Shares is expected to be available on ASX from 9 February 2016.

Trading on ASX of New Vocus Shares is expected to commence on a normal settlement basis on 23 February 2016.

10.8 Issuing the Scheme Consideration

If the Scheme becomes Effective, Vocus must:

(a) allot and issue the New Vocus Shares in accordance with the Scheme on terms such that each New Vocus Share will rank equally in all respects with all other Vocus Shares then on issue, including the right to participate in any FY16 Interim Dividend and any Special Dividend;

(b) do everything reasonably necessary to ensure that the New Vocus Shares are approved for official quotation on ASX and that trading in the New Vocus Shares commences as soon as practicable after the Effective Date, initially on a deferred settlement basis and thereafter on a normal settlement basis;

(c) ensure that on issue, each New Vocus Share will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest; and

(d) procure that:

  (i) the name and address of each Scheme Shareholder is entered into the Vocus Register on the Implementation Date in respect of the New Vocus Shares to which it is entitled under the Scheme; and

  (ii) a holding statement (or equivalent document) is sent to the registered address of each such Scheme Shareholder representing the number of New Vocus Shares issued to the Scheme Shareholder pursuant to the Scheme within 10 Business Days after the Implementation Date.

Under the terms of the Scheme, each Scheme Shareholder to be issued New Vocus Shares:

(a) agrees to be bound by Vocus' constitution; and

(b) agrees to become a member of Vocus and to have their name and address entered into the Vocus Register.

10.9 Fractional entitlements and share splitting

(a) **Fractional entitlements**

Any fractional entitlement of a Scheme Shareholder to a part of a New Vocus Share will be rounded up or down to the nearest whole number of New Vocus Shares (rounded up if the fractional entitlement is equal to or greater than one half, and rounded down if the fractional entitlement is less than one half), but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares.

(b) **Share splitting**

Vocus may, acting reasonably and in consultation with M2, deem the holdings of two or more Scheme Shareholders to be held by one Scheme Shareholder in order to prevent any Share Splitting designed to obtain an unfair advantage by reference to the rounding referred to in Section 10.9(a).

10.10 Steps in implementing the Scheme

(a) **Execution of Merger Implementation Agreement**

On 27 September 2015, M2 and Vocus entered into the Merger Implementation Agreement under which M2 agreed to propose the Scheme to M2 Shareholders.

A summary of the terms of the Merger Implementation Agreement is set out in Section 10.12. A copy of the Merger Implementation Agreement was released to ASX alongside M2's announcement on 28 September 2015.

(b) **Execution of the Vocus Deed Poll by Vocus**

On 9 December 2015, Vocus and Vocus Subsidiary executed the Vocus Deed Poll, pursuant to which Vocus and Vocus Subsidiary agreed to perform their obligations under the Scheme, including the obligation to provide Scheme Consideration to Scheme Shareholders, subject to the Scheme becoming Effective.

A copy of the Vocus Deed Poll is attached as Appendix 3 to this Booklet.

(c) **Scheme Meeting**

  (i) **Time and date of Scheme Meeting**

  In accordance with an order of the Court dated 11 December 2015, M2 has convened the Scheme Meeting to be held on 28 January 2016 at the Auditorium, Mezzanine Level, 452 Flinders Street, Melbourne, Victoria, commencing at 10.30am. The notice convening the Scheme Meeting is set out in Appendix 5 to this Booklet and the terms of the Scheme are set out in Appendix 4 to this Booklet. The purpose of the Scheme Meeting is for M2 Shareholders to consider whether to approve the Scheme.

The fact that the Court has ordered the Scheme Meeting does not mean that the Court has formed any view as to the merits of the Scheme or as to how M2 Shareholders should vote on the Scheme Resolution. On these matters, M2 Shareholders must reach their own decision.

(ii) **Scheme Resolution**

At the Scheme Meeting, M2 Shareholders[30] will be asked to consider and, if thought fit, to pass the Scheme Resolution to approve the Scheme.

(iii) **Majorities required to pass the Scheme Resolution**

For the Merger to proceed, the Scheme Resolution must be passed by:

- unless the Court orders otherwise, a majority in number (more than 50%) of M2 Shareholders present and voting at the Scheme Meeting (in person or by proxy, body corporate representative or attorney); and
- at least 75% of the total number of votes cast on the Scheme Resolution.

(iv) **Entitlement to vote**

Each M2 Shareholder who is registered on the M2 Register on the Voting Record Date is entitled to attend and vote at the Scheme Meeting (excluding Vocus and any Related Body Corporate of Vocus).

If the Scheme Resolution is approved by the M2 Shareholders and all other Conditions (other than Court approval of the Scheme and the orders of the Court approving the Scheme being lodged with ASIC) have been satisfied or waived (as applicable), the steps described below will be taken to implement the Scheme.

The description of these general steps is based on the obligations of M2 and Vocus under the Merger Implementation Agreement. Vocus and Vocus Subsidiary have also executed the Vocus Deed Poll in which each of them covenants in favour of each Scheme Shareholder to perform the steps attributable to it under, and otherwise comply with, the Scheme. A copy of the Merger Implementation Agreement was released to the ASX in full on 28 September 2015 and a summary of the key terms is provided in Section 10.12 below.

(d) **Court approving the Scheme**

If the Scheme is approved by the requisite majorities of M2 Shareholders, and all other Conditions (other than the orders of the Court approving the Scheme pursuant to section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act coming into effect) have been satisfied or waived (if applicable), M2 will apply to the Court for orders approving the Scheme at the Second Court Hearing.

The Court has a broad discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act.

The Second Court Hearing is currently expected to be 5 February 2016. Any change to this date will be announced through ASX and will be available on M2's website, www.m2.com.au. Further details regarding the Second Court Hearing will be advertised in a prominently published newspaper that is circulated generally throughout Australia (e.g. The Australian Financial Review).

Any M2 Shareholder, or with the Court's permission, any other interested person may appear at the Second Court Hearing in person or through counsel to support or oppose the approval by the Court of the Scheme or make representations to the Court in relation to the Scheme.

(e) **Receipt of Court orders – Effective Date**

If the Court makes orders approving the Scheme, M2 will promptly lodge a copy of those orders with ASIC under section 411(10) of the Corporations Act. As soon as the copies of the Court orders approving the Scheme are lodged with ASIC, the Scheme will become Effective. This is expected to occur on the same day as, or the Business Day following, the issue of the Court orders approving the Scheme (currently expected to be 5 February 2016).

If the Scheme becomes Effective, M2, Vocus and the Vocus Subsidiary will become bound to implement the Scheme in accordance with the terms of the Scheme and the Vocus Deed Poll.

Only M2 Shareholders who qualify as Scheme Shareholders will be bound by and have the benefit of the Scheme. Section 10.5 describes the principles for determining the identity of Scheme Shareholders.

(f) **Suspension of trading of M2 Shares**

If the Court approves the Scheme, M2 will notify ASX of that approval on the day it is received (expected to be 5 February 2016) and apply to the ASX to suspend trading in M2 Shares.

It is expected that suspension of trading in M2 Shares on ASX will occur from the close of trading on the Effective Date.

M2 Shareholders are able to sell M2 Shares on market in the usual manner on or before the Effective Date. For the purpose of determining entitlements under the Scheme, see Section 10.5.

30 Excluding Vocus and any Related Bodies Corporate of Vocus.

(g) **Implementation Date – transfer and registration of M2 Shares**

The Implementation Date is expected to be 22 February 2016.

On the Implementation Date, Vocus must issue New Vocus Shares to each Scheme Shareholder (or the Sale Nominee in relation to New Vocus Shares that would have otherwise been issued to the Ineligible Foreign Shareholders) as the Scheme Consideration and cause their names and addresses to be entered in the Vocus Register. Within 10 Business Days after the Implementation Date, Vocus must send a certificate or holding statement (or equivalent document) to each Scheme Shareholder representing the number of New Vocus Shares issued to the Scheme Shareholder pursuant to the Scheme.

For further information regarding provision of the Scheme Consideration, see Section 10.8 and clause 5 of the Scheme set out in Appendix 4 to this Booklet.

Under the Scheme, each Scheme Shareholder is deemed to have warranted to M2, and authorised M2 as its attorney and agent to warrant to Vocus and Vocus Subsidiary, that:

- all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred to Vocus Subsidiary under the Scheme will, at the date of transfer, be:
  - fully paid; and
  - free from mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise; and
- they have full power and capacity to sell and transfer their M2 Shares (including any rights and entitlements attaching to those shares) to Vocus Subsidiary under the Scheme.

Under the Scheme, each Scheme Shareholder agrees to execute documents and do all things necessary or expedient in order to implement the Scheme, and is also deemed to have consented to M2 doing all things necessary for or incidental to the implementation of the Scheme.

(h) **Issue of Scheme Consideration**

If the Scheme becomes Effective, Vocus must allot and issue the New Vocus Shares to Scheme Shareholders in accordance with the Scheme as summarised in Section 10.8.

(i) **Delisting of M2**

After the Implementation Date, M2 will apply for the cessation of the official quotation of M2 Shares on ASX and to have itself removed from the official list of ASX.

The date on which delisting will occur will be a date after the Implementation Date as determined by Vocus.

10.11 Effect of the Scheme

If the Scheme is implemented, the Scheme Shareholders will no longer hold M2 Shares and the M2 Shares held by Scheme Shareholders as at the Record Date will be transferred to Vocus Subsidiary.

Further detail about the Scheme Consideration is set out in Section 1.3.

10.12 Merger Implementation Agreement

The Merger Implementation Agreement sets out the steps required to be taken by M2 and Vocus to implement the Scheme. A copy of the Merger Implementation Agreement was released to the ASX in full on 28 September 2015 and is available on ASX's website (www.asx.com.au) and on M2's website (www.m2.com.au). A summary of the key terms is provided below.

10.12.1 Conditions

Implementation of the Scheme is subject to the Conditions, which are summarised in Section 10.13. The Scheme will not become Effective unless all of the Conditions are satisfied or waived (if applicable) in accordance with the Merger Implementation Agreement and the Scheme. The summary below applies in relation to the Conditions set out in the Merger Implementation Agreement.

Clause 3.2 of the Merger Implementation Agreement sets out which party can waive each of the Conditions.

M2 and Vocus have agreed to use reasonable endeavours to procure that each of the Conditions is satisfied.

If:

- any of the Conditions are not satisfied or waived (if applicable) by the date specified for their satisfaction (or if an event occurs which would, or is likely to, prevent any of the Conditions from being satisfied by the date specified for their satisfaction);
- a circumstance occurs with the result that a Condition is not capable of being fulfilled and, if the Condition is able to be waived by a party and that party does not waive the Condition within five Business Days after the occurrence of the circumstance; or
- the Scheme does not become Effective by the End Date,

and neither the Independent Expert opines to the effect that the Scheme is not in the best interests of M2 Shareholders nor an M2 Superior Proposal or a Vocus Superior Proposal has been publically announced, then M2 and Vocus must consult in good faith with a view to determining whether:

- the Scheme may proceed by way of alternative means or methods;

- to extend the relevant time or date for satisfaction of the Condition;
- to change the date of the application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by M2 and Vocus; or
- to extend the End Date.

If a Condition becomes incapable of being satisfied before the End Date and M2 and Vocus are unable to reach agreement within 5 Business Days of the date on which they both become aware that the Condition has become incapable of being satisfied (or, if earlier, by 8.00am on the Second Court Date), then unless the relevant Condition is waived (if applicable):

- in relation to the Conditions concerning regulatory approvals, ASX quotation, shareholder approval, court approval and restraining orders – either Vocus or M2 may terminate the Merger Implementation Agreement by giving the other notice (without any liability to the other party because of that termination, except as otherwise contemplated in the Merger Implementation Agreement);
- in relation to the Conditions concerning M2 Material Adverse Changes, M2 Prescribed Occurrences, the representations and warranties given by M2, material breaches by M2 and M2 Options and M2 Performance Rights – Vocus may terminate the Merger Implementation Agreement by giving M2 notice (without any liability to M2 because of that termination, except as otherwise contemplated in the Merger Implementation Agreement); and
- in relation to the Conditions concerning Vocus Material Adverse Changes, Vocus Prescribed Occurrences, the representations and warranties given by Vocus, the Independent Expert's conclusion and material breaches by Vocus – M2 may terminate the Merger Implementation Agreement by giving Vocus notice (without any liability to Vocus because of that termination, except as otherwise contemplated in the Merger Implementation Agreement).

Notwithstanding the above, a party is not entitled to terminate the Merger Implementation Agreement if a Condition is not satisfied as a result of a breach of the Merger Implementation Agreement by that party or a deliberate act or omission by that party.

10.12.2 Exclusivity Restrictions

Restrictions on M2

From the date of the Merger Implementation Agreement to the earlier of the End Date, the Implementation Date and termination of the Merger Implementation Agreement:

- (**No shop**) M2 must not, and must ensure that its Related Bodies Corporate and their respective authorised representatives do not, solicit, invite, initiate or encourage any M2 Competing Proposal or any enquiries, proposals, discussions or negotiations with any third party in relation to (or that could reasonably be expected to lead to) an M2 Competing Proposal or to M2 abandoning or not proceeding with the Merger.
- (**No talk**) M2 must not, and must ensure that its Related Bodies Corporate and their respective authorised representatives do not, directly or indirectly, enter into or participate in negotiations or discussions with any person, or communicate an intention to do so, in relation to (or which may reasonably be expected to lead to) an M2 Competing Proposal (even if the M2 Competing Proposal was not directly or indirectly solicited, encouraged or initiated by M2 or any of its Related Bodies Corporate, or has been publicly announced). This is subject to a fiduciary carve out.
- (**No due diligence**) M2, except with the prior written consent of Vocus, must not, and must ensure that its Related Bodies Corporate and their respective authorised representatives do not, directly or indirectly:
  - solicit, invite, initiate, or encourage, or (subject to a fiduciary carve out) facilitate or permit, any person (other than Vocus) to undertake due diligence investigations in respect of M2, its Related Bodies Corporate, or any of their businesses and operations, in connection with an M2 Competing Proposal; or
  - subject to a fiduciary carve out, make available to any person (other than Vocus) or permit any such person to receive any non-public information relating to M2, its Related Bodies Corporate, or any of their businesses and operations, in connection with an M2 Competing Proposal.
- (**Notification of approaches**) M2 must promptly notify Vocus in writing of:
  - any approach, inquiry or proposal made by any person to M2, any of its Related Bodies Corporate or any of their respective authorised representatives, to initiate any discussions or negotiations that concern, or that could reasonably be expected to lead to, an M2 Competing Proposal; and
  - any request made by any person to M2, any of its Related Bodies Corporate, or any of their respective authorised representatives, for any information relating to M2, its Related Bodies Corporate, or any of their businesses and operations, in connection with an M2 Competing Proposal.

Subject to a fiduciary carve out, if any event requiring notification by M2 to Vocus occurs, the written notice must contain all material details of the relevant event, including the identity of the person who made the approach, inquiry, proposal or request for information and the material terms and conditions of any actual or proposed M2 Competing Proposal.

- (**Provision of information**) M2 must promptly provide Vocus with a copy of or a written statement of (as applicable) any non-public information relating to M2, its Related Bodies Corporate, or any of their businesses and operations made available or received by any person in connection with an M2 Competing Proposal (which has not previously been provided to Vocus).
- (**Notification of M2 Competing Proposal and Vocus' matching right**) if M2 receives an M2 Competing Proposal, M2 must ensure that no M2 director changes, withdraws or modifies their recommendation of the Scheme or approves or recommends entry into any agreement, commitment, arrangement or understanding relating to the M2 Competing Proposal (other than a confidentiality agreement as contemplated by the Merger Implementation Agreement):
  - unless the M2 Competing Proposal is bona fide;
  - until the M2 directors have determined in good faith that the M2 Competing Proposal is, or may reasonably be expected to lead to, an M2 Superior Proposal and that failing to take the action contemplated would be likely to constitute a breach of the M2 Board's fiduciary or statutory obligations;
  - until M2 has given Vocus written notice that an M2 director proposes to change, withdraw or modify their recommendation of the Scheme or approve or recommend entry into any agreement, commitment, arrangement or understanding relating to the M2 Competing Proposal (***M2 Relevant Notice***), and all material information, including the identity of the person who made the M2 Competing Proposal and the material terms and conditions of it; and
  - until Vocus' matching rights (see below) have been exhausted and, after that time, the M2 directors have determined in good faith that the M2 Competing Proposal is, or may reasonably be expected to lead to, an M2 Superior Proposal and that failing to take the contemplated action would be likely to constitute a breach of the M2 Board's fiduciary or statutory obligations, and after evaluation of any counterproposal made by Vocus.

If M2 gives Vocus an M2 Relevant Notice, Vocus has the right, within 3 Business Days of receipt of the M2 Relevant Notice, to make a counterproposal. If it does so, the M2 directors must review the Vocus counterproposal in good faith and, if they determine that it would be more favourable or not less favourable than the M2 Competing Proposal, must use their best endeavours to agree on, and enter into, an amended merger implementation agreement to reflect Vocus' counterproposal and to implement the counterproposal.

- (**Fiduciary carve out**) where a restriction or an obligation is subject to a fiduciary carve out, it will not apply to the extent that it restricts M2 or any M2 Director from taking, or refusing to take, any action with respect to an M2 Competing Proposal (in relation to which there has been no breach of the exclusivity provisions) provided that:
  - the M2 Competing Proposal is bona fide and is made by or on behalf of a person that the M2 Board considers is of reputable commercial standing; and
  - the M2 Board has determined in good faith (after consultation with M2's financial and legal advisers) that:
    - the M2 Competing Proposal is or may reasonably be expected to lead to an M2 Superior Proposal; and
    - failing to take the action or refusing to take the action (as the case may be) with respect to the M2 Competing Proposal would be likely to constitute a breach of the M2 Board's fiduciary or statutory obligations.

Restrictions on Vocus

From the date of the Merger Implementation Agreement to the earlier of the End Date, the Implementation Date and termination of the Merger Implementation Agreement, equivalent restrictions to the restrictions on M2 that are described above apply in relation to Vocus.

10.12.3 Break Fees

Break fees amounting to $15 million have been agreed to be payable by M2 and Vocus in certain circumstances.

Payment by M2 to Vocus

M2 must pay Vocus the break fee in the following circumstances:

- (**M2 Superior Proposal**) an M2 Superior Proposal is publicly announced prior to the End Date and within 12 months after the date on which it is announced, the proponent of the M2 Superior Proposal (i) completes, implements or consummates the M2 Superior Proposal, or (ii) acquires a relevant interest in at least 50% of M2 Shares under an unconditional transaction or otherwise acquires control of M2 or the M2 Group.
- (**M2 Competing Proposal**) an M2 Competing Proposal is publically announced prior to the End Date and within 12 months after the date it is announced, the proponent of the M2 Competing Proposal (i) completes, implements or consummates the M2 Competing Proposal, or (ii) acquires a relevant interest in at least 50% of M2 Shares under an unconditional transaction or otherwise acquires control of M2 or the M2 Group.
- (**Change of recommendation**) prior to the Second Court Date, a majority of the directors of M2 withdraw or adversely modify or qualify their recommendation of the Merger, recommend an M2 Competing Proposal, fail to recommend in this Booklet that the M2 Shareholders approve the Scheme or make any public statement to the effect that the Scheme is not recommended, other than as a result of:

- the Independent Expert opining to the effect that the Scheme is not in the best interests of the M2 Shareholders (other than where the reason for that opinion is an M2 Competing Proposal);
- any matter or thing giving M2 the right to terminate under certain provisions of the Merger Implementation Agreement;
- a Vocus Material Adverse Change or a Vocus Prescribed Occurrence occurring and M2 terminating in accordance with the Merger Implementation Agreement; or
- a failure of the Condition in relation to regulatory approvals (other than as a result of a breach by M2 of its obligations to use reasonable endeavours and take other action towards satisfaction of that Condition).

- (**Material breach**) Vocus terminates the Merger Implementation Agreement due to a material breach by M2.
- (**M2 Material Adverse Change**) an M2 Material Adverse Changes occurs prior to 8:00am on the Second Court Date (except if it occurs solely due a change in any applicable law) and Vocus terminates in accordance with the Merger Implementation Agreement.
- (**M2 Prescribed Occurrence**) an M2 Prescribed Occurrence occurs prior to 8:00am on the Second Court Date and Vocus terminates in accordance with the Merger Implementation Agreement.

Payment by Vocus to M2

Vocus must pay M2 the break fee in the following circumstances:

- (**Vocus Superior Proposal**) a Vocus Superior Proposal is publically announced prior to the End Date and within 12 months after the date on which it is announced, the proponent of the Vocus Superior Proposal (i) completes, implements or consummates the Vocus Superior Proposal, or (ii) acquires a relevant interest in at least 50% of Vocus Shares under an unconditional transaction or otherwise acquires control of Vocus or the Vocus Group.
- (**Vocus Competing Proposal**) a Vocus Competing Proposal is publicly announced prior to the End Date and within 12 months after the date it is announced, the proponent of the Vocus Competing Proposal (i) completes, implements or consummates the Vocus Competing Proposal or (ii) acquires a relevant interest in at least 50% of Vocus Shares under an unconditional transaction or otherwise acquires control of Vocus or the Vocus Group.
- (**Vocus director determination**) a majority of the directors of Vocus determine, after M2's matching rights under the Merger Implementation Agreement are exhausted, that a Vocus Competing Proposal constitutes a Vocus Superior Proposal, other than as a result of:
  - any matter or thing giving Vocus the right to terminate under certain provisions of the Merger Implementation Agreement;
  - an M2 Material Adverse Change or an M2 Prescribed Occurrence occurring and Vocus terminating in accordance with the Merger Implementation Agreement; or
  - a failure of the Condition in relation to regulatory approvals (other than as a result of a breach by Vocus of its obligations to use reasonable endeavours and take other action towards satisfaction of that Condition).
- (**Material breach**) M2 terminates the Merger Implementation Agreement due to a material breach by Vocus.
- (**Vocus Material Adverse Change**) a Vocus Material Adverse Changes occurs prior to 8:00am on the Second Court Date (except if it occurs solely due a change in any applicable law) and M2 terminates in accordance with the Merger Implementation Agreement.
- (**Vocus Prescribed Occurrence**) a Vocus Prescribed Occurrence occurs prior to 8:00am on the Second Court Date and M2 terminates in accordance with the Merger Implementation Agreement.
- (**Scheme Consideration**) Vocus does not pay the Scheme Consideration in accordance with the terms and conditions of the Merger Implementation Agreement and the Vocus Deed Poll.

Notwithstanding the above, M2 and Vocus (as applicable) will not be liable to pay the break fee if the Scheme becomes Effective (except in the case of Vocus if it does not pay the Scheme Consideration in accordance with the terms and conditions of the Merger Implementation Agreement and the Vocus Deed Poll), and the break fee is only payable once. Furthermore M2 will not be liable to pay the break fee to Vocus merely because the Scheme is not approved by the M2 Shareholders.

10.12.4 Cost Sharing

M2 and Vocus have agreed that, in the event that the Scheme is not implemented, certain costs will be shared. These costs are:

- fees for financial, legal, accounting and taxation advice in planning and implementing the Merger;
- costs associated with engaging the Independent Expert and the Investigating Accountant;
- out of pocket expenses incurred in planning and implementing the Merger, including printing, registry and postage costs; and
- costs associated with the Refinancing.

These costs will be shared equally between M2 and Vocus if:

- (**Mutual termination**) the Merger Implementation Agreement is terminated by mutual agreement; or
- (**Conditions**) the Scheme is not implemented as a result of a failure to satisfy or waive one or more of the Conditions in relation to regulatory approvals, ASX quotation, shareholder approval, court approval, the Independent Expert's Report and restraining orders.

Costs will not be shared in the event that a break fee is payable by either M2 or Vocus.

10.12.5 Termination Rights

Either M2 or Vocus may terminate the Merger Implementation Agreement, at any time prior to 8:00am on the Second Court Date, by written notice to the other if:

- (**breach of Merger Implementation Agreement**) the other party is in material breach of any of its material obligations under the Merger Implementation Agreement and:
  - the party wishing to terminate gives the appropriate written notice and the party in breach does not remedy the breach within 5 Business Days of that written notice (or by 8:00am on the Second Court Date, if earlier); or
  - the breach cannot be remedied by that party before 8:00am on the Second Court Date; or
- (**Conditions**) a Condition under the Merger Implementation Agreement becomes incapable of being satisfied before the End Date, M2 and Vocus are unable to reach agreement within 5 Business Days of the date on which they both become aware that the Condition has become incapable of being satisfied (or, if earlier, by 8.00am on the Second Court Date), and the Condition has not been waived (where capable of waiver). See Section 10.12.2 for further information.

M2 may terminate the Merger Implementation Agreement, at any time prior to 8:00am on the Second Court Date, by written notice to Vocus if:

- (**Change of recommendation**) a majority of the directors of M2 withdraw or adversely modify their recommendation of the Merger, or publicly recommend an M2 Competing Proposal in accordance with the Merger Implementation Agreement;
- (**Vocus Competing Proposal**) there is a Vocus Competing Proposal:
  - pursuant to which a third party actually acquires a relevant interest in at least 50% of the issued shares of Vocus under an unconditional transaction or otherwise acquires control of Vocus or the Vocus Group;
  - which is not open to participation or acceptance by the holders of the New Vocus Shares if the Scheme becomes Effective; or
  - which is recommended by a majority of the Vocus directors;
- (**Mutually Exclusive Competing Proposal**) a majority of the directors of Vocus recommend a Mutually Exclusive Competing Proposal; or
- (**Breach of Vocus warranty**) Vocus breaches a warranty that it has provided under the Merger Implementation Agreement and:
  - M2 has given the appropriate written notice and Vocus fails to remedy the breach within 5 Business Days of that written notice or Vocus cannot remedy the breach to M2's reasonable satisfaction before 8.00am on the Second Court Date; and
  - the breach was of a kind that, if it had been disclosed to M2 prior to its entry into the Merger Implementation Agreement, it could reasonably be expected that M2 either would not have entered into the Merger Implementation Agreement or would have done so on materially different terms.

Vocus may terminate the Merger Implementation Agreement, at any time prior to 8:00am on the Second Court Date, by written notice to M2 if:

- (**Change of recommendation**) a majority of the directors of M2 fail to recommend the Scheme, withdraw or adversely modify their recommendation of the Scheme or make any public statement which is inconsistent with a recommendation of the Scheme, in breach of M2's obligation under the Merger Implementation Agreement to use best endeavours to procure such a recommendation;
- (**Vocus Superior Proposal**) a majority of the directors of Vocus determine, after M2's matching rights under the Merger Implementation Agreement are exhausted, that a Vocus Competing Proposal constitutes a Vocus Superior Proposal, and the Vocus Board has made a reasonable and good faith determination that failing to take this action would (or would be likely to) constitute a breach of the Vocus directors' fiduciary or statutory obligations;
- (**M2 Competing Proposal**) there is an M2 Competing Proposal pursuant to which a third party acquires a relevant interest under an unconditional transaction in more than the percentage of M2's issued shares that would result in the person making the M2 Competing Proposal having a relevant interest in more than 20% of Vocus' issued shares based on the Merger Ratio and assuming that the Scheme becomes Effective; or
- (**Breach of M2 warranty**) M2 breaches a warranty that it has provided under the Merger Implementation Agreement and:
  - Vocus has given the appropriate written notice and M2 fails to remedy the breach within 5 Business Days of that written notice or M2 cannot remedy the breach to Vocus' reasonable satisfaction before 8.00am on the Second Court Date; and

- the breach was of a kind that, if it had been disclosed to Vocus prior to its entry into the Merger Implementation Agreement, it could reasonably be expected that Vocus either would not have entered into the Merger Implementation Agreement or would have done so on materially different terms.

10.12.6 Representations and Warranties

Each of M2 and Vocus has given representations and warranties to the other which are customary for an agreement of this kind.

10.12.7 Restrictions

M2 and Vocus have agreed that, up to and including the Implementation Date, they will each conduct (and will cause their Subsidiaries to conduct) their businesses in the ordinary and usual course and consistently with past practice. Consistent with that requirement, the Merger Implementation Agreement contains a number of specific prohibitions on M2 and Vocus in relation to the conduct of their respective businesses, including (among others):

- (**Finance**) incurring any additional financial indebtedness (except for draw-downs on existing facilities), or guaranteeing or indemnifying the obligations of any person other than a member of the M2 Group or the Vocus Group (as the case may be), other than in the usual and ordinary course of business and consistent with past practice or in connection with the Refinancing;
- (**Acquisitions and disposals**) acquiring or disposing (in respect of any single transaction or series of related or similar transactions) any interest in a business, real property, entity or undertaking, the value of which exceeds $5 million, individually or when aggregated with all such businesses, real property, entities or undertakings the subject of the transaction or series of related or similar transactions;
- (**Accounting policies**) materially altering any accounting policy of any member of the M2 Group or the Vocus Group (as the case may be) other than any change required by the Accounting Standards; and
- (**Investor agreements and arrangements**) materially amending or terminating any existing shareholders agreement, joint venture agreement or other similar investor agreements or arrangements, or entering into any shareholders agreement, joint venture agreement or other similar investor agreement or arrangement.

10.12.8 Refinancing

M2 and Vocus have agreed to use their respective reasonable endeavours to procure that as soon as practicable after the date of the Merger Implementation Agreement and before 8:00am on the Second Court Date:

- the lenders under the existing finance documents of each member of the M2 Group and the Vocus Group have given the necessary consents to the change of control of M2 as a result of the Merger; have consented to any provision under the existing finance documents that will not be complied with as a result of the Merger; and have waived all termination, amendment, acceleration or enforcement rights that may be triggered by the Merger, either unconditionally or after compliance with terms which Vocus and M2 reasonably regard as acceptable and practicable; or
- M2 and/or Vocus have entered into one or more replacement financing facilities that are acceptable to each of M2 and Vocus, and each condition precedent to any such replacement financing facilities is satisfied or waived by the relevant lenders.

Section 7.7.2 of this Booklet describes the arrangements in place for the continuation of the M2 Facility Agreement and the Vocus Facility Agreement.

10.13 Conditions

The Scheme will not proceed unless all of the Conditions are satisfied or waived (if applicable) in accordance with the Merger Implementation Agreement and the Scheme. It is important to note that some of the Conditions may not be satisfied even if the Scheme is approved at the Scheme Meeting (for example, the Court may refuse to grant an order approving the Scheme, as referred to in Condition 4 below). As at the date of this Booklet, M2 and Vocus are not aware of any circumstances which would cause the Conditions to not be satisfied.

No.	Condition	Status
1.	(**Regulatory approvals**) required approvals from ASIC, ASX, ACCC and NZCC.	As at the date of this Booklet, the ACCC approval condition has been satisfied. The ACCC announced its decision not to oppose the Merger on 5 November 2015. As at the date of this Booklet, the NZCC approval condition has been satisfied. The NZCC gave clearance for the New Zealand aspects of the Merger on 4 December 2015. As at the date of this Booklet, the ASIC approval condition has been satisfied. ASIC granted M2 relief from complying with paragraph 8302(d) of Part 3 of Schedule 8 to the Corporations Act. See Section 11.4 below for further detail. As at the date of this Booklet, the ASX approval condition has been satisfied. ASX has granted M2 a waiver in respect of Listing Rule 6.23.2, as well as other confirmations in respect of the Scheme. See Section 11.4 below for further detail.
2.	(**ASX quotation**) ASX approval for official quotation on the ASX of the New Vocus Shares.	It is expected that Vocus will lodge the application closer to the time of the Second Court Date. As at the date of this Booklet, Vocus is not aware of anything that will cause this Condition not to be satisfied.
3.	(**Shareholder approval**) the resolution in relation to the Scheme is approved by M2 Shareholders by the requisite majorities under the Corporations Act.	The Scheme Meeting to consider the resolution will be held at the Auditorium at 452 Flinders Street, Melbourne, Victoria commencing at 10.30am on 28 January 2016.
4.	(**Court approval**) Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act.	As at the date of this Booklet, the Second Court Hearing is scheduled for 5 February 2016.
5.	(**Independent Expert's conclusion**) the Independent Expert concluding in the Independent Expert's Report that in its opinion the Scheme is in the best interests of M2 Shareholders and the Independent Expert not having notified M2 in writing that it has withdrawn or qualified this conclusion as at 8.00am on the Second Court Date.	Satisfied as at the date of this Booklet.
6.	(**Other prescribed events**) the following do not occur between the date of the Merger Implementation Agreement and 8.00am on the Second Court Date: • M2 Material Adverse Change; • Vocus Material Adverse Change; • M2 Prescribed Occurrence; • Vocus Prescribed Occurrence; • material breach of the Merger Implementation Agreement by M2; and • material breach of the Merger Implementation Agreement by Vocus.	As at the date of this Booklet, neither M2 nor Vocus is aware of anything that will cause these Conditions not to be satisfied.
7.	(**Representations and warranties**) the representations and warranties given by M2 and Vocus being true and correct in all material respects as required under the Merger Implementation Agreement.	As at the date of this Booklet, neither M2 nor Vocus is aware of any material inaccuracies in its representations and warranties.

No.	Condition	Status
8.	(**Restraining orders**) no judgment, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other regulatory authority of competent jurisdiction remains in effect as at 8.00am on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the completion of the Scheme or any transaction document.	As at the date of this Booklet, neither M2 nor Vocus is aware of anything that will cause this Condition not to be satisfied.
9.	(**M2 Options and M2 Performance Rights**) before 8.00am on the Second Court Date, arrangements have been put in place and all necessary regulatory approvals, consents and waivers have been obtained so that all of the M2 Options and M2 Performance Rights will be cancelled or acquired for consideration as contemplated by the Merger Implementation Agreement.	Section 5.13 contains details of the arrangements that are intended to be put in place in relation to the M2 Options and M2 Performance Rights to enable the satisfaction or waiver of these conditions, and Section 11.4 contains details of the waiver obtained by M2 of ASX Listing Rule 6.23.2 to permit the cancellation of 83,334 M2 Options and 482,857 M2 Performance Rights as contemplated by the arrangements referred to above.

The Scheme also includes, as conditions, that:

- neither the Merger Implementation Agreement nor the Vocus Deed Poll are terminated, as at 8.00am on the Second Court Date; and
- the orders of the Court approving the Scheme pursuant to section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act comes into effect, pursuant to section 411(10) of the Corporations Act.

10.14 Vocus Deed Poll

Vocus and Vocus Subsidiary entered into the Vocus Deed Poll in favour of Scheme Shareholders, pursuant to which each of Vocus and Vocus Subsidiary has, amongst other things, agreed to perform their obligations under, and otherwise comply with, the Scheme, including the obligation of Vocus to provide the Scheme Consideration in accordance with the Scheme (and subject to the Scheme becoming Effective).

The terms of the Vocus Deed Poll are set out in Appendix 3 to this Booklet.

11. Additional information

11.1 Consents and disclaimers

The following parties have given and have not before the date of this Booklet withdrawn their written consent to:

- be named in this Booklet in the form and context in which they are named;
- the inclusion of their respective reports or statements noted next to their names or the references to those reports or statements in the form and context in which they are included in this Booklet; and
- the inclusion of other statements in this Booklet which are based on or referable to other statements made by those persons in the form and context in which they are included:

Name of person	Named as	Reports or statements
Vocus	Vocus	Vocus Information
Allens	Australian legal adviser to M2	-
Goldman Sachs Australia Pty Ltd	Financial advisers to M2	-
Grant Samuel & Associates Pty Limited	Independent Expert	Independent Expert's Report set out in Appendix 1 to this Booklet and to statements in this Booklet attributed to Grant Samuel & Associates Pty Limited in relation to its role as Independent Expert
Link Market Services Limited	M2 Registry	-
KPMG	Australian taxation adviser to M2	Statement in the Important Notices that KPMG has reviewed the Australian taxation implication of the Scheme contained in Section 9 in its capacity as the Australian tax advisor to M2 on this transaction.
Ernst & Young Transaction Advisory Services Limited	Investigating Accountant on the M2 Pro Forma Historical Financial Information, Vocus Pro Forma Historical Financial Information and Merged Group Pro Forma Historical Financial Information	Independent Limited Assurance Report set out in Appendix 2 to this Booklet
Deloitte Touche Tohmatsu	Auditor of Vocus	Statements in this Booklet in relation to its role as auditor of Vocus' financial statements
Ernst & Young	Auditor of M2	
Minter Ellison	Australian legal adviser to Vocus	-
Credit Suisse Emerging Companies (Australia) Pty Ltd	Financial adviser to Vocus	-

Each of the above persons:

- does not make, or purport to make, any statement in this Booklet or any statement on which a statement in this Booklet is based, other than a statement or report included in this Booklet with the consent of that party; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Booklet, other than, in the case of:
  - Vocus;
  - Grant Samuel & Associates Pty Limited as the Independent Expert; and
  - Ernst & Young Transaction Advisory Services Limited as Investigating Accountant with respect to their Independent Limited Assurance Report set out in Appendix 2 to this Booklet;

  a statement or report included in this Booklet with the consent of that party.

Vocus has given, and has not withdrawn before the date of this Booklet, its consent to be named in this Booklet in the form and context in which it is named and to the inclusion of the Vocus Information (including that contained in Section 6), on the basis set out in the 'Responsibility for information' statement contained in the 'Important Notices and Disclaimers' included at the start of this Booklet.

11.2 M2 registry

M2's registry is Link Market Services.

11.3 Independent Expert

The Independent Expert has prepared the Independent Expert's report set out in Appendix 1 to this Booklet advising as to whether, in its opinion, the Merger is in the best interests of M2 Shareholders.

The Independent Expert has concluded that the Merger is in the best interests of M2 Shareholders, in the absence of a superior proposal.

The Independent Expert will be paid a fee of $525,000 (plus GST and disbursements) for the preparation of its report.

11.4 Transaction costs

The persons named in this Booklet as performing a material function in a professional or advisory capacity in connection with the Scheme and with the preparation of the Scheme Booklet on behalf of M2 are:

- Allens as Australian legal adviser. The fee for professional services paid or payable to Allens as at the date of this Scheme Booklet is approximately $1,400,000 (plus GST and disbursements). Further amounts may be paid to Allens in accordance with its time-based charge-out rates. An additional fee of up to $350,000 (plus GST) is payable to Allens if the Scheme is implemented.
- Ernst & Young, who has undertaken financial due diligence. The fee for professional services paid or payable to Ernst & Young for those services to the date of this Scheme Booklet is approximately $225,000 (plus GST and disbursements). Further amounts may be paid to Ernst & Young in accordance with its time-based charge-out rates.
- Ernst & Young Transaction Advisory Services Limited, as the Investigating Accountant has prepared the Independent Limited Assurance Report included in Appendix 2 of this Scheme Booklet. The fee for professional services paid or payable to Ernst & Young Transaction Advisory Services Limited for these services to the date of this Scheme Booklet is approximately $25,000 (plus GST and disbursements). For further details of the fees M2 has paid, or agreed to pay, refer to the Financial Services Guide attached to the Independent Limited Assurance Report. Further amounts may be paid to Ernst & Young Transaction Advisory Services Limited in accordance with its time-based charge-out rates.
- Goldman Sachs Australia Pty Limited as financial advisor. The fee for professional services payable to Goldman Sachs Australia Pty Limited is $8,000,000 (plus GST), if the Scheme is implemented.
- Grant Samuel & Associates Pty Limited as the independent expert. The fee payable to Grant Samuel & Associates Pty Limited is $525,000 (plus GST and disbursements).
- KPMG as tax advisor. The fee or professional services paid or payable to KPMG is approximately $38,000 (plus GST and disbursements).
- Link Market Services Limited as the M2 Registry. The fee or professional services paid or payable to Link Market Services Limited is approximately $30,000 (plus GST).

The persons named in this Booklet as performing a material function in a professional or advisory capacity in connection with the Scheme and with the preparation of the Scheme Booklet on behalf of Vocus are:

- Minter Ellison as Australian legal adviser. The fee for professional services paid or payable to Minter Ellison as Australian legal adviser is approximately $800,000 (plus GST and disbursements).
- Credit Suisse Emerging Companies (Australia) Pty Ltd (***CSEC***) as financial adviser. The fee for professional services payable to CSEC is $8,000,000 (plus GST), if the Scheme is implemented.
- Deloitte Touche Tohmatsu as auditor, who has also undertaken financial due diligence. The fee for professional services paid or payable to Deloitte Touche Tohmatsu is approximately $142,000 (plus GST and disbursements).

11.5 Regulatory consents, waivers and exemptions

(a) ASX relief

M2 has applied for, and ASX has granted, confirmations in relation to the following Listing Rules as they apply to M2:

(i) confirmation under Listing Rule 15.1.3 that ASX does not object to the draft Booklet;

(ii) confirmation that the timetable for the implementation of the Scheme is acceptable to ASX; and

(iii) waiver of ASX Listing Rule 6.23.2 to permit the cancellation of up to a maximum of 83,334 M2 Options and up to a maximum of 482,857 M2 Performance Rights for consideration without obtaining the approval of M2 Shareholders. The waiver is conditional upon the Scheme being approved by M2 Shareholders and the Court. Further details regarding the treatment of the M2 Options and the M2 Performance Rights are set out in Section 5.13 of this Scheme Booklet.

(b) ASIC relief

ASIC has granted relief to M2 from the operation of paragraph 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations 2001, which requires the Booklet to disclose particulars of payments made or benefits given to a director, secretary or executive offer of M2 in relation to their resignation or retirement from office, except where those payments or benefits are made in connection with the implementation of the Scheme.

(c) ACCC

The Merger is subject to regulatory approval by the ACCC.

M2 and Vocus notified the ACCC of the Merger prior to it being publicly announced. On 16 October 2015, M2 and Vocus lodged an application for clearance under the ACCC's informal merger guidelines. On 5 November 2015, the ACCC announced its decision not to oppose the Merger.

(d) NZCC

The Merger is subject to regulatory approval by the NZCC.

On 9 October 2015, Vocus registered a clearance application for determination under the New Zealand Commerce Act. On 4 December 2015, the NZCC gave clearance for the New Zealand aspects of the Merger.

11.6 Directors' statements

(a) The issue of this Booklet has been authorised by the M2 Board.

(b) The M2 Board has given (and not withdrawn) its consent to lodgement of this Booklet with ASIC.

11.7 Interests of directors

Disclosures in relation to the M2 Directors are set out in Section 5.7 and disclosures in relation to the Vocus Directors are set out in Section 6.6.3.

11.8 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any of the M2 Directors, or any director of any Related Body Corporate of M2, which has not been previously disclosed to M2 Shareholders.

11.9 Supplementary information

To the extent required by the Listing Rules, the Corporations Act or any other applicable law, M2 will issue a supplementary document to this Booklet if it becomes aware of any of the following between the date of lodgement of this Booklet for registration with ASIC and the Effective Date:

(a) a material statement in this Booklet is or becomes false or misleading;

(b) a material omission from this Booklet;

(c) a significant change affecting a matter included in this Booklet; or

(d) a significant new matter has arisen and it would have been required to be included in this Booklet if it had arisen before the date of lodgement of this Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, M2 may circulate and publish any supplementary document by:

(a) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;

(b) posting the supplementary document on M2's website, www.m2.com.au;

(c) making an announcement to ASX; or

(d) issuing a supplementary document.

12. Glossary

The meanings of the terms used in this Booklet are set out below.

Term	Meaning
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
ACCC	Australian Competition and Consumer Commission.
ADSL	Asymmetric digital subscriber line.
AFSL	Australian Financial Services Licence.
Aggregato	Aggregato Global Limited.
Amcom	Amcom Telecommunications Limited, acquired by Vocus by way of scheme of arrangement on 8 July 2015.
Amcom Scheme Implementation Agreement	the Scheme Implementation Agreement entered into between Amcom and Vocus on 17 December 2014 (as varied by a letter dated 5 March 2015).
ASIC	Australian Securities and Investments Commission.
Associate	the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to the Merger Implementation Agreement and, when the term "Associate" is used in the definition of "M2 Competing Proposal", M2 was the designated body, and when the term "Associate" is used in the definition of "Vocus Competing Proposal", Vocus was the designated body.
ASX	ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market operated by it.
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532) as a holder of a licence to operate a clearing and settlement facility.
Australian ADI	the meaning given in the Corporations Act.
Booklet	this Scheme Booklet dated 11 December 2015, including all of the Appendices and the Scheme Meeting Proxy Form which accompany this Booklet.
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Melbourne, Australia or Sydney, Australia.
CallPlus	each member of the CallPlus Group excluding: (a) 2Talk Limited (NZ Co No 1870536); (b) 2Talk Pty Ltd (ACN 161 656 499); and (c) each wholly-owned Subsidiary of any entity listed in paragraph (a) and (b) above.
CallPlus Group	(a) CallPlus Australia Holdings Limited (NZ Co No 1584275); (b) CallPlus Holdings Limited (NZ Co No 1265108); (c) CallPlus Limited (NZ Co No 801180); (d) Blue Reach Limited (NZ Co No 1718948); (e) 2Talk Limited (NZ Co No 1870536); (f) 2Talk Pty Ltd (ACN 161 656 499); and (g) each wholly-owned Subsidiary of any entity listed in paragraphs (a) to (f) above.
CGT	capital gains tax.
CHESS	the clearing house electronic subregister system of share transfers operated by ASX Settlement.
Conditions	the conditions precedent to the Scheme set out in Section 10.13 of this Booklet.
Connect 8	Connect 8 Limited (NZ Company number 5578826).
Corporations Act	the *Corporations Act 2001* (Cth).
Corporations Regulations	the *Corporations Regulations 2001* (Cth).
Court	the Supreme Court of Victoria or any other court of competent jurisdiction under the Corporations Act as M2 and Vocus may agree in writing.
Dividends Record Date	the record date determined by Vocus in respect of any FY16 Interim Dividend and any Special Dividend, which will be a date after, but no later than 20 Business Days after, the Implementation Date, and such that the date on which the Vocus Shares trade on an "ex" basis (under the Listing Rules) in respect of any FY16 Interim Dividend and any Special Dividend is after the date by which the Sale Nominee has sold all of the New Vocus Shares issued to it in respect of the Ineligible Foreign Shareholders.

Term	Meaning
DSLAM	Digital Subscriber Line Access Multiplexers.
DSL	Digital Subscriber Line.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EDC	Enterprise Data Corporation Pty Limited (ACN 081 017 914) (now Securus Holdings Pty Ltd).
Effective	when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective, which is currently anticipated to be 8 February 2016.
EFM	ethernet in the first mile.
End Date	30 April 2016 or such other date and time agreed in writing between Vocus and M2.
Excluded Shareholder	any M2 Shareholder who is Vocus or a Related Body Corporate of Vocus.
FSMA	the *Financial Services and Markets Act 2000* (UK), as amended.
FY2013	the financial year ended 30 June 2013.
FY2014	the financial year ended 30 June 2014.
FY2015	the financial year ended 30 June 2015.
FY2016	the financial year ending 30 June 2016.
FY16 Interim Dividend	the meaning given in Section 7.3.5(a) of this Booklet.
FY2018	the financial year ending 30 June 2018.
Implementation Date	the fifth Business Day, or such other Business Day as may be agreed in writing by M2 and Vocus, following the Record Date for the Scheme.
Independent Expert	Grant Samuel & Associates Pty Limited (ABN 28 050 036 372).
Independent Expert's Report	the report prepared by the Independent Expert and stating whether the Merger is in the best interests of M2 Shareholders, a copy of which is set out in Appendix 1 to this Booklet, and any update to such report that the Independent Expert issues prior to the Scheme Meeting.
Independent Limited Assurance Report	the report prepared by the Investigating Accountant, a copy of which is set out in Appendix 2 to this Booklet.
Ineligible Foreign Shareholder	a Scheme Shareholder whose address as shown in the M2 Register (as at the Record Date) is located outside of Australia and its external territories, New Zealand, Hong Kong, Singapore, the United Kingdom and the states of California, Florida, Georgia, Minnesota, New York, Texas, and Virginia in the United States of America, unless Vocus is satisfied, acting reasonably, that it is permitted to allot and issue New Vocus Shares to that Scheme Shareholder pursuant to the Scheme by the laws of that place either unconditionally or after compliance with conditions that Vocus in its sole discretion regards as acceptable and not unduly onerous or impracticable.
Investigating Accountant	Ernst & Young Transaction Advisory Services Limited (ACN 003 599 844).
IRU	an indefeasible right of use.
Listing Rules	the official listing rules of ASX as amended from time to time.
M2	M2 Group Ltd (ABN 74 091 575 021) of Level 10, 452 Flinders Street, Melbourne, VIC 3000.
M2 Board	the board of directors of M2 as constituted from time to time.
M2 Competing Proposal	any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement other than the Merger) under which, if ultimately completed substantially in accordance with its terms, a person or two or more persons who are Associates would directly or indirectly: (a) acquire a relevant interest or voting power in or become the holder of more than 20% of the M2 Shares; (b) acquire, obtain a right to acquire, or otherwise obtain an economic interest in, 20% or more by value of the business or property of M2 or any member of the M2 Group; (c) acquire control of M2;

Term	Meaning
	(d) otherwise acquire or merge with M2 or amalgamate with, or acquire a significant shareholding or economic interest in M2 or any member of M2 Group or 20% or more by value of the total assets or business of any member of M2 Group, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for M2 or the M2 Group or other synthetic merger or any other transaction or arrangement; or (e) M2 will cease to be admitted to the official list of ASX or the M2 Shares will cease to be officially quoted on the market operated by ASX, or which may otherwise compete with, or be inconsistent in any material respect with the implementation of, the Merger.
M2 Director	a director of M2.
M2 Facility Agreement	the meaning given in Section 5.13 of this Booklet.
M2 Group	M2 and its Subsidiaries.
M2 Historical Financial Information	the meaning given in Section 5.16.1 of this Booklet.
M2 Material Adverse Change	an event, matter or circumstance (including a change in law) that occurs, is announced or becomes known (in each case whether or not it becomes public) after the date of the Merger Implementation Agreement which: (a) has or could reasonably be expected to have individually or when aggregated with all such events, matters or circumstances the effect of diminishing the net assets of the M2 Group by 10% or more (as compared to M2's most recent audited financial statements as at the date of the Merger Implementation Agreement); (b) has the result that the impact on the EBITDA of the M2 Group that was generated from contracts that are either lost or become non-revenue generating exceeds $23.1 million on an annualised basis; (c) has the result (or is reasonably likely to have the result) that the business of the M2 Group is unable to be carried on in substantially the same manner as carried on at the date of the Merger Implementation Agreement; or (d) has the result (or is reasonably likely to have the result) that present or future third party monetary obligations of a member of the M2 Group in respect of moneys borrowed or raised totalling at least $10 million (or, without limitation, its equivalent in any other currency or currencies) becomes capable of being declared due and payable before their stated maturity or expiry (other than as a result of the Merger), but does not include any event, matter or circumstance: (e) required to be done or procured by M2 or a member of the M2 Group pursuant to the Merger Implementation Agreement or the Scheme; (f) done with the express prior written consent of Vocus; (g) to the extent that it was fairly disclosed by M2 in the due diligence material or the due diligence letter provided to Vocus; (h) to the extent that it was fairly disclosed in documents that were publicly available prior to the date which is two Business Days prior to the date of the Merger Implementation Agreement from public filings of M2 with ASX or ASIC or public registers; (i) relating to costs and expenses incurred by M2 associated with the Scheme process, including all fees payable to external advisers of M2, to the extent such amounts are fairly disclosed by M2 in the due diligence material or the due diligence letter provided to Vocus; or (j) to the extent that event, matter or circumstance was actually known to Vocus prior to the date of the Merger Implementation Agreement (which does not include knowledge of the risk of an event, matter or circumstance occurring).
M2 Option	an option granted by M2 to acquire by way of issue one or more M2 Shares.
M2 Parties	M2 and each member of the M2 Group and their respective directors, officers, employees and advisers.
M2 Performance Right	a right granted under M2's Long Term Incentive Plan to acquire by way of issue or transfer one or more M2 Shares subject to the terms of such plan.

Term	Meaning
M2 Performance Right Holder	a person who is the holder of M2 Performance Rights.
M2 Permitted Securities	M2 Options and M2 Performance Rights issued with the consent of Vocus, such consent not to be withheld: (a) unreasonably; or (b) where the M2 Options or M2 Performance Rights are issued by M2 in the ordinary course of business and in accordance with past practice.
M2 Prescribed Occurrence	the occurrence of any of the following on or after the date of the Merger Implementation Agreement: (a) M2 converts all or any of its shares into a larger or smaller number of shares; (b) any member of the M2 Group reduces or resolves to reduce its share capital in any way; (c) any member of the M2 Group: (i) enters into a buy back agreement; or (ii) resolves to approve the terms of a buy back agreement under subsections 257C(1) or 257D(1) of the Corporations Act; (d) any member of the M2 Group issues securities, or grants a performance right or an option over its securities or to subscribe for its securities, or agrees to make such an issue or grant such a right or an option, other than: (iii) pursuant to the exercise of an M2 Option or M2 Performance Right on issue immediately before the date of the Merger Implementation Agreement; (iv) as a result of an issue under a dividend reinvestment plan; or (v) the issue of M2 Permitted Securities; (e) any member of the M2 Group issues, or agrees to issue, convertible notes or any other security or instrument convertible into shares; (f) any member of the M2 Group disposes, or agrees to dispose, of any assets, properties or businesses where the amount or value involved in such transactions exceeds $20 million in aggregate; (g) any member of the M2 Group acquires, or agrees to acquire, any assets, properties or businesses where the amount or value involved in such transactions exceeds $20 million in aggregate; (h) any member of the M2 Group enters into a commitment or a series of commitments for capital expenditure where the amounts or value involved in such commitments or commitments exceeds $5 million in aggregate; (i) any member of the M2 Group creates or agrees to create, any security interest over the whole, or a substantial part, of its business or property, other than in relation to the Refinancing; (j) an insolvency event occurs in relation to any member of the M2 Group; (k) M2 pays, declares, distributes or incurs a liability to make or pay a dividend, bonus or other share of its profits, income, capital or assets by way of dividend or other form of distribution; (l) any member of the M2 Group makes any change to its constitution or convenes a meeting to consider a resolution to change a constitution of any member of the M2 Group; (m) any member of the M2 Group ceases, or threatens to cease to, carry on the business conducted as at the date of Merger Implementation Agreement; (n) any member of the M2 Group (other than a dormant, non-operating member of the M2 Group) being deregistered as a company or being otherwise dissolved; (o) any disposal of shares or securities by a member of the M2 Group in any member of the M2 Group other than to a member of the M2 Group; or (p) any member of the M2 Group directly or indirectly authorising, committing or agreeing to take or announcing any of the actions referred to in paragraphs (a) to (o) above insofar as it applies to the member of the M2 Group the subject of such direct or indirect authorisation, commitment, agreement or announcement, provided that an M2 Prescribed Occurrence will not include any matter: (q) required to be done or procured by M2 or a member of the M2 Group pursuant to the Merger Implementation Agreement or the Scheme;

Term	Meaning
	(r) fairly disclosed in filings of M2 with the ASX prior to the date of the Merger Implementation Agreement; (s) to the extent it is fairly disclosed by M2 in the due diligence material or the due diligence letter provided to Vocus; or (t) the undertaking of which Vocus has approved in writing.
M2 Pro Forma Historical Financial Information	the meaning given in Section 5.16.1.
M2 Register	the register of members of M2 maintained by or on behalf of M2 in accordance with section 168(1) of the Corporations Act.
M2 Registry	the share registry of M2, being Link Market Services Limited (ACN 083 214 537).
M2 Share	an issued fully paid ordinary share in the capital of M2.
M2 Shareholder	each person who is registered in the M2 Register as the holder of an M2 Share.
M2 Shareholder Information Line	the information line set up for the purpose of answering enquiries from M2 Shareholders in relation to the Scheme, being on 1300 853 781 (callers within Australia) or +61 1300 853 781 (callers outside Australia), open on Business Days between 8.30am and 5.30pm (Melbourne time).
M2 Superior Proposal	a bona fide M2 Competing Proposal which in the determination of the M2 Board acting in good faith in order to satisfy what the M2 Board considers to be its fiduciary or statutory duties (after having taken advice from their legal and, if appropriate, financial advisers): (a) is reasonably likely to be completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the M2 Competing Proposal; and (b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to M2 Shareholders as a whole than the Merger, taking into account all of the terms and conditions of the M2 Competing Proposal.
Merged Group	the merged M2 Group and Vocus Group following implementation of the Scheme.
Merged Group Board	the proposed board of directors of the Merged Group as constituted from time to time.
Merged Group Pro Forma Historical Consolidated Income Statement	the meaning given in Section 7.8.1.
Merged Group Pro Forma Historical Consolidated Statement of Financial Position	the meaning given in Section 7.8.1.
Merged Group Pro Forma Historical Financial Information	the meaning given in Section 7.8.1.
Merger	the proposed acquisition by Vocus Subsidiary of all of the Scheme Shares through the implementation of the Scheme.
Merger Implementation Agreement	the implementation agreement between M2 and Vocus dated 27 September 2015 relating to the implementation of the Scheme and summarised in Section 10.12 of this Booklet, a copy of which was released in full to the ASX on 28 September 2015.
Merger Ratio	1.625 New Vocus Shares per Scheme Share.
Mutually Exclusive Competing Proposal	a bona fide Vocus Competing Proposal which is conditional on the Scheme not becoming Effective or which requires Vocus to abandon the Merger.
NBN	National Broadband Network.
New Zealand Commerce Act	the Commerce Act 1986 of New Zealand.
New Vocus Share	a new Vocus Share to be issued under the terms of the Scheme as Scheme Consideration.
Notice of Meeting	the notice set out in Appendix 5 to this Booklet to convene the Scheme Meeting.

Term	Meaning
NZCC	New Zealand Commerce Commission.
POI	Point of Interconnect.
Record Date	7.00pm on the fifth Business Day (or such other Business Day as M2 and Vocus agree in writing) following the Effective Date.
Refinancing	the refinancing of one or more of the existing finance documents of any member of the M2 Group and/or the Vocus Group, as contemplated by the Merger Implementation Agreement.
Regulatory Authorities	(a) any government or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; and (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.
Related Body Corporate	a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted.
Sale Facility	a facility established for the sale of New Vocus Shares issued to the Sale Nominee instead of Ineligible Foreign Shareholders, as described in Section 10.6 of this Booklet.
Sale Nominee	the appropriately licensed agent appointed by Vocus to administer the Sale Facility in accordance with the Scheme.
Sale Proceeds	the meaning given in Section 10.6.1.
Scheme	the proposed scheme of arrangement pursuant to Part 5.1 of the Corporations Act between M2 and Scheme Shareholders in respect of all Scheme Shares, substantially in the form set out in Appendix 4 to this Booklet or in such other form as M2 and Vocus agree in writing, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by each of M2 and Vocus.
Scheme Consideration	the consideration to be provided by Vocus to Scheme Shareholders under the terms of the Scheme, being the number of New Vocus Shares for every Scheme Share specified in the Merger Ratio, as more fully described in Section 1.3 of this Booklet.
Scheme Meeting	the meeting of M2 Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment of that meeting. The Scheme Meeting is currently scheduled to be held at the Auditorium, Mezzanine Level, 452 Flinders Street, Melbourne, Victoria on 28 January 2016 at 10.30am.
Scheme Meeting Proxy Form	the proxy form for the Scheme Meeting which accompanies the Notice of Meeting set out in Appendix 5 to this Booklet.
Scheme Resolution	the resolution to approve the Scheme to be considered by M2 Shareholders at the Scheme Meeting, set out in the Notice of Meeting contained in Appendix 5 to this Booklet.
Scheme Share	an M2 Share on issue as at the Record Date other than any M2 Share then held by an Excluded Shareholder.
Scheme Shareholder	each person who is registered on the M2 Register as a holder of Scheme Shares at the Record Date.
Second Court Date	the date of the Second Court Hearing.
Second Court Hearing	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard or scheduled to be heard.
Section	a section of this Booklet.
Share Splitting	the splitting by a holder of M2 Shares into two or more parcels of M2 Shares, whether or not it results in any change in beneficial ownership of the M2 Shares.
SMB	small-to-medium business.
SME	small and medium-sized enterprises.
Special Dividend	the meaning given in Section 7.3.5(a) of this Booklet.
Subsidiary	the meaning given to that term in section 46 of the Corporations Act.

Term	Meaning
UFB	Ultra-Fast Broadband.
Vocus	Vocus Communications Limited (ABN 96 084 115 499) of Level 1, Vocus House, 189 Miller Street, North Sydney, NSW 2060.
Vocus Board	the board of directors of Vocus as constituted from time to time.
Vocus Competing Proposal	any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement other than the Merger) under which, if ultimately completed substantially in accordance with its terms, a person or two or more persons who are Associates would directly or indirectly: (a) acquire a relevant interest or voting power in or become the holder of more than 20% of the Vocus Shares; (b) acquire, obtain a right to acquire, or otherwise obtain an economic interest in, 20% or more by value of the business or property of Vocus or any member of the Vocus Group; (c) acquire control of Vocus; (d) otherwise acquire or merge with Vocus or amalgamate with, or acquire a significant shareholding or economic interest in Vocus or any member of Vocus Group or 20% or more by value of the total assets or business of any member of Vocus Group, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for Vocus or the Vocus Group or other synthetic merger or any other transaction or arrangement; or (e) Vocus will cease to be admitted to the official list of ASX or the Vocus Shares will cease to be officially quoted on the market operated by ASX, or which may otherwise compete with, or be inconsistent in any material respect with the consummation of, the Merger.
Vocus Deed Poll	the deed poll dated 9 December 2015 executed by Vocus and Vocus Subsidiary relating to the Scheme, the terms of which are set out in Appendix 3 to this Booklet.
Vocus Director	a director of Vocus.
Vocus Facility Agreement	the meaning given in Section 6.11 of this Booklet.
Vocus Group	Vocus and its Subsidiaries.
Vocus Historical Financial Information	the meaning given in Section 6.13.1 of this Booklet.
Vocus Information	such information regarding the Vocus Group, the Merged Group following implementation of the Scheme, the Scheme Consideration and Vocus' intentions in relation to M2 Group's business, assets and employees that is provided by or on behalf of Vocus to M2, the Independent Expert or the Investigating Accountant: (a) to enable this Booklet to be prepared and completed in compliance with all applicable laws; (b) to enable applications for approvals from Regulatory Authorities to be made; and (c) otherwise in compliance with Vocus' obligations under the Merger Implementation Agreement.
Vocus LFSP Shares	Vocus Shares issued under the Vocus Loan Funded Share Plan.
Vocus Material Adverse Change	an event, matter or circumstance (including a change in law) that occurs, is announced or becomes known (in each case whether or not it becomes public) after the date of the Merger Implementation Agreement which: (a) has or could reasonably be expected to have individually or when aggregated with all such events, matters or circumstances the effect of diminishing the net assets of the Vocus Group by 10% or more (as compared to Vocus' most recent audited financial statements as at the date of the Merger Implementation Agreement); (b) has the result that the impact on the EBITDA of the Vocus Group that was generated from contracts that are either lost or become non-revenue generating exceeds $12.1 million on an annualised basis; (c) has the result (or is reasonably likely to have the result) that the business of the Vocus Group is unable to be carried on in substantially the same manner as carried on at the date of the Merger Implementation Agreement; or

Term	Meaning
	(d) has the result (or is reasonably likely to have the result) that present or future third party monetary obligations of a member of the Vocus Group in respect of moneys borrowed or raised totalling at least $10 million (or, without limitation, its equivalent in any other currency or currencies) becomes capable of being declared due and payable before their stated maturity or expiry (other than as a result of the Merger), but does not include any event, matter or circumstance: (e) required to be done or procured by Vocus or a member of the Vocus Group pursuant to the Merger Implementation Agreement or the Scheme; (f) done with the express prior written consent of M2; (g) to the extent that it was fairly disclosed by Vocus in the disclosure letter or the due diligence material provided to M2; (h) to the extent that it was fairly disclosed in documents that were publicly available prior to the date which is two Business Days prior to the date of the Merger Implementation Agreement from public filings of Vocus with ASX or ASIC or public registers; (i) relating to costs and expenses incurred by Vocus associated with the Scheme process, including all fees payable to external advisers of Vocus, to the extent such amounts are fairly disclosed by Vocus in the disclosure letter or the due diligence material provided to M2; or (j) to the extent that event, matter or circumstance was actually known to M2 prior to the date of the Merger Implementation Agreement (which does not include knowledge of the risk of an event, matter or circumstance occurring).
Vocus Option	an option granted by Vocus to acquire by way of issue one or more Vocus Shares.
Vocus Parties	Vocus and each member of the Vocus Group and their respective directors, officers, employees and advisers.
Vocus Performance Right	a right granted under Vocus' Performance Rights Long Term Incentive Plan to acquire by way of issue or transfer a Vocus Share subject to the terms of such plan.
Vocus Permitted Securities	Vocus Options, Vocus LFSP Shares and Vocus Performance Rights issued with the consent of M2, such consent not to be withheld: (a) unreasonably; or (b) where the Vocus Options, Vocus LFSP or Vocus Performance Rights are issued by Vocus in the ordinary course of business and in accordance with past practice.

Term	Meaning
Vocus Prescribed Occurrence	the occurrence of any of the following on or after the date of the Merger Implementation Agreement: (a) Vocus converts all or any of its shares into a larger or smaller number of shares; (b) any member of the Vocus Group reduces or resolves to reduce its share capital in any way; (c) any member of the Vocus Group: (i) enters into a buy back agreement; or (ii) resolves to approve the terms of a buy back agreement under subsections 257C(1) or 257D(1) of the Corporations Act; (d) any member of the Vocus Group issues securities, or grants a performance right or an option over its securities or to subscribe for its securities, or agrees to make such an issue or grant such a right or an option other than: (i) pursuant to the exercise of a Vocus Option or a Vocus Performance Right on issue immediately before the date of the Merger Implementation Agreement; or (ii) the issue of Vocus Permitted Securities; (e) any member of the Vocus Group issues, or agrees to issue, convertible notes or any other security convertible into shares; (f) any member of the Vocus Group disposes, or agrees to dispose, of any assets, properties or businesses where the amount or value involved in such transactions exceeds $20 million in aggregate; (g) any member of the Vocus Group acquires, or agrees to acquire, any assets, properties or businesses where the amount or value involved in such transactions exceeds $20 million in aggregate; (h) any member of the Vocus Group enters into a commitment or a series of commitments for capital expenditure where the amounts or value involved in such commitments or commitments exceeds $5 million in aggregate; (i) any member of the Vocus Group creates or agrees to create, any security interest over the whole, or a substantial part, of its business or property, other than in relation to the Refinancing; (j) an insolvency event occurs in relation to any member of the Vocus Group; (k) Vocus pays, declares, distributes or incurs a liability to make or pay a dividend, bonus or other share of its profits, income, capital or assets by way of dividend or other form of distribution; (l) any member of the Vocus Group makes any change to its constitution or convenes a meeting to consider a resolution to change a constitution of any member of the Vocus Group; (m) any member of the Vocus Group ceases, or threatens to cease to, carry on the business conducted as at the date of the Merger Implementation Agreement; (n) any member of the Vocus Group (other than a dormant, non-operating member of the Vocus Group) being deregistered as a company or being otherwise dissolved; (o) any disposal of shares or securities by a member of the Vocus Group in any member of the Vocus Group other than to a member of the Vocus Group; or (p) any member of the Vocus Group directly or indirectly authorising, committing or agreeing to take or announcing any of the actions referred to in paragraphs (a) to (o) above insofar as it applies to the member of the Vocus Group the subject of such direct or indirect authorisation, commitment, agreement or announcement, provided that a Vocus Prescribed Occurrence will not include any matter: (q) required to be done or procured by Vocus or a member of the Vocus Group pursuant to the Merger Implementation Agreement or the Scheme; (r) fairly disclosed in filings of Vocus with the ASX prior to the date of the Merger Implementation Agreement; (s) to the extent it is fairly disclosed by Vocus in the disclosure letter or the due diligence material provided to M2; (t) the undertaking of which M2 has approved in writing.
Vocus Pro Forma Historical Financial Information	the meaning given in Section 6.13.1 of this Booklet.
Vocus Register	the register of members of Vocus maintained by or on behalf of Vocus in accordance with section 168(1) of the Corporations Act.

Term	Meaning
Vocus Share	a fully paid ordinary share in the capital of Vocus.
Vocus Subsidiary	Vocus Group Pty Limited (ACN 130 364 359).
Vocus Superior Proposal	a bona fide Vocus Competing Proposal which in the determination of the Vocus Board acting in good faith in order to satisfy what the Vocus Board considers to be its fiduciary or statutory duties (after having taken advice from their legal and, if appropriate, financial advisers): (a) is reasonably likely to be completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the Vocus Competing Proposal; and (b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to Vocus' shareholders as a whole than the Merger, taking into account all of the terms and conditions of the Vocus Competing Proposal.
VoIP	Voice over Internet Protocol.
Voting Record Date	7.00pm (Melbourne Time) on 26 January 2016.
VWAP	Volume Weighted Average Price.

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11 December 2015

The Directors
M2 Group Ltd
Level 10
452 Flinders Street
Melbourne VIC 3000

Dear Directors

Merger with Vocus Communications Limited

1 Introduction

On 28 September 2015, M2 Group Ltd ("M2 Group") announced that it had entered into a merger implementation agreement with Vocus Communications Limited ("Vocus") ("the Merger"). The Merger is to be implemented by way of a scheme of arrangement. If the Merger is implemented, M2 Group shareholders will receive 1.625 Vocus shares for each share in M2 Group. As a result, M2 Group shareholders will collectively hold approximately 56.4% of the shares in the merged company (referred to in this report as "the Merged Group"), while existing Vocus shareholders will hold the remaining 43.6%.

M2 Group provides a range of telecommunications and other products and services to residential and small business customers across Australia and New Zealand. It is listed on the Australian Securities Exchange ("ASX"), had proforma revenue in FY15[1] of around $1.3 billion and, prior to the announcement of the Merger, had a market capitalisation of approximately $1.55 billion.

Vocus is a telecommunications infrastructure provider with extensive fibre networks in both Australia and New Zealand, focused principally on large corporate and medium sized business customers. It is listed on the ASX, had proforma revenue in FY15 of approximately $330 million and, prior to the announcement of the Merger, had a market capitalisation of approximately $1.5 billion.

The Merger is subject to a number of conditions that are set out in full in the Notice of Meeting and Explanatory Statement ("Scheme Booklet") to be sent by M2 Group to shareholders.

Subject to an independent expert determining that the Merger is in the best interests of shareholders and in the absence of a superior proposal, each director of M2 Group has recommended the Merger and intends to vote shares held or controlled by them in favour of the Merger.

The directors of M2 Group have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Merger is in the best interests of shareholders. A copy of the report (including this letter) will accompany the Scheme Booklet to be sent to shareholders by M2 Group. This letter contains a summary of Grant Samuel's opinion and main conclusions.

[1] FYXX = financial year end is 30 June 20XX.

2 Opinion

In Grant Samuel's opinion, the Merger is in the best interests of M2 Group shareholders, in the absence of a superior proposal.

3 Summary of Conclusions

The Merger will be transformational for M2 Group. M2 Group, which today is essentially a reseller of broadband, voice and other services to residential and small business customers, will become part of a far larger vertically integrated trans-Tasman telecommunications company. In this context, evaluation of the Merger requires an assessment of the strategic circumstances and consequences of the Merger as much as an analysis of financial metrics.

Having regard to M2 Group and Vocus share prices before the announcement of the Merger, M2 Group and Vocus shareholders are contributing broadly similar values to the Merged Group. The board of the Merged Group will comprise four current M2 Group directors and four current Vocus directors. The senior management team of the Merged Group is expected to be drawn from the ranks of both M2 and Vocus senior management. Neither M2 Group nor Vocus shareholders will dominate the share register, either individually or on a collective basis. Accordingly, Grant Samuel has assessed the Merger as a "merger of equals". Evaluation of the Merger involves addressing two questions:

- is the share of the Merged Group to be held by M2 Group shareholders consistent with their relative value contribution to the Merged Group? and
- do the benefits of the Merger outweigh the disadvantages, such that M2 Group shareholders are likely to be better off if the Merger proceeds?

Based on sharemarket prices immediately before the announcement of the Merger, M2 Group shareholders are contributing around 50% of the value of the Merged Group. Given that M2 Group shareholders will collectively hold 56.4% of the shares in the Merged Group, this suggests that M2 Group shareholders are receiving a disproportionate interest in the Merged Group: that is, the merger terms deliver a modest premium to M2 Group shareholders. Based on sharemarket prices over longer periods before the announcement of the Merger, M2 Group shareholders appear to be contributing around 53-58% of the value of the Merged Group. On this basis, the share of the Merged Group to be held by M2 Group shareholders appears proportionate to their contribution.

Assessment of relative value contributions based on the estimated underlying values of M2 Group and Vocus is less straightforward. Both M2 Group and Vocus are participants in the dynamic and rapidly changing telecommunications sector. Both have grown rapidly in recent years, organically and through multiple significant acquisitions. While estimates of the underlying values of M2 Group and Vocus are essentially based on the respective businesses in their current form on a "business as usual" basis, the reality is that absent the Merger both M2 Group and Vocus can be expected to continue to evolve in response to continuing change in the telecommunications sector. In this context, estimates of underlying value should be viewed as no more than indicative. Nonetheless, on the basis of Grant Samuel's estimates of the underlying values of M2 Group and Vocus, M2 Group shareholders are contributing around 51-52% of the underlying value of the Merged Group. This relative contribution is less than the 56.4% shareholding that M2 Group shareholders will collectively hold in the Merged Group.

Overall, whilst recognising the uncertainties inherent in valuation analysis for M2 Group and Vocus, in Grant Samuel's view M2 Group shareholders will hold a collective interest in the Merged Group that is consistent with, and potentially greater than, their contribution of value to the Merged Group. On this basis, the terms of the Merger are fair to M2 Group shareholders:

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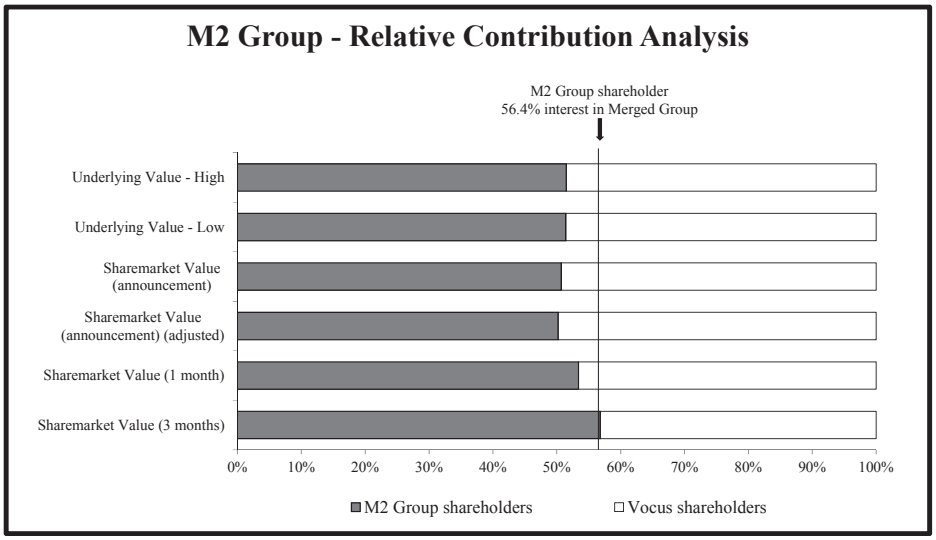

The Merger has the potential to deliver considerable value in terms of synergies and other benefits. M2 Group and Vocus have announced that they expect to realise annual cost synergies of around $40 million (on a pre-tax basis), to be fully delivered by 30 June 2018. These synergies include network synergies (network optimisation and rationalisation) and savings associated with duplicated public company costs, premises rationalisation and management integration. In addition, the Merger could yield significant further (unquantified) revenue synergies. In particular, there is an opportunity to leverage the Vocus network infrastructure to deliver improved services to M2 Group's Dodo and iPrimus broadband customers, reduce churn rates, grow revenue and lower costs. Similarly, there is an opportunity to use Vocus' infrastructure and product set to deliver improved small business products under the Commander brand. From a Vocus perspective, the Merger provides an opportunity to use M2 Group's sales and marketing capabilities to accelerate the growth of Vocus' business in the small and medium enterprise sector and increase the utilisation of its extensive infrastructure investment. Collectively, these and other opportunities have the potential to deliver material additional earnings in the medium term.

More broadly, the Merger represents a combination of complementary strengths and capabilities. M2 Group will bring to the Merged Group a portfolio of strong residential and business brands, supported by extensive sales and marketing capabilities, while Vocus will contribute its underutilised network infrastructure assets and networking technical expertise. The combination provides diversification, flexibility and strategic optionality, and should ensure that the Merged Group enjoys a substantially stronger strategic position than M2 Group on a standalone basis. In particular, the Merged Group will be able to leverage its combined strengths to ensure that it takes maximum advantage of the opportunities represented by the progressive roll out of the National Broadband Network in Australia and the Ultra-Fast Broadband initiative in New Zealand.

The Merger will result in the creation of a far larger and financially more robust company. The Merged Group will be well equipped to continue to participate in merger and acquisition opportunities, should have access to both equity and debt on more attractive terms than would be available to M2 Group on a standalone basis, and should have more attractive investment characteristics for sharemarket investors.

The disadvantages of the Merger are not material. Earnings per share attributable to M2 Group shareholders will fall in the short term, given that Vocus is trading on much higher multiples of earnings than M2 Group. The earnings multiple differential reflects market expectations that Vocus earnings will grow more rapidly than those of M2 Group. Accordingly, the fall in attributable earnings per share for M2 Group shareholders should be offset by higher trading multiples and increased rates of earnings growth into the future.

The major risk associated with the Merger relates to the integration of the two businesses and the ongoing management of the Merged Group. The management teams of both M2 Group and Vocus have a track record of successful integration of acquisitions. Nonetheless, merger implementation is inherently risky, and the Merged Group will be more complex and will have a broader range of activities than either M2 Group or Vocus on a standalone basis. Accordingly, it is likely that sharemarket values for the Merged Group will only fully reflect the merger benefits over time, as management is able to demonstrate the successful integration of the Merged Group and the delivery of enhanced earnings growth.

Grant Samuel has concluded that the terms of the Merger are fair to M2 Group shareholders. The combination of M2 Group and Vocus should yield significant synergies in the short to medium term and will create in the Merged Group a trans-Tasman telecommunications company with a strategic position materially stronger than that of M2 Group on a standalone basis. In Grant Samuel's view, the benefits of the Merger outweigh the disadvantages and M2 Group shareholders are likely to be better off if the Merger proceeds. Accordingly, the Merger is in the best interests of M2 Group shareholders.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual M2 Group shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by M2 Group in relation to the Merger.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Merger, the responsibility for which lies with the directors of M2 Group. In any event, the decision whether to vote for or against the Merger is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Merger should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in M2 Group, Vocus or the Merged Group. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote for the Merger. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

Financial Services Guide and Independent Expert's Report in relation to the Proposed Merger with Vocus Communications Limited

Grant Samuel & Associates Pty Limited
(ABN 28 050 036 372)

11 December 2015

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Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for M2 Group Limited ("M2 Group") in relation to the proposal to merge with Vocus Communications Limited ("the M2 Group Report"), Grant Samuel will receive a fixed fee of $525,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 9.3 of the M2 Group Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the M2 Group Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 9.3 of the M2 Group Report:

> *"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with M2 Group or Vocus or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Merger.*
>
> *Grant Samuel had no part in the formulation of the Merger. Its only role has been the preparation of this report.*
>
> *Grant Samuel will receive a fixed fee of $525,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Merger. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.*
>
> *Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.*

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the M2 Group Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the M2 Group Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

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1 Terms of the Merger

On 28 September 2015, M2 Group Ltd ("M2 Group") announced that it had entered into a merger implementation agreement with Vocus Communications Limited ("Vocus") ("the Merger"). Vocus is an Australian Securities Exchange ("ASX") listed, trans-Tasman telecommunications infrastructure provider with annual revenue in excess of $300 million.

The Merger is to be implemented by way of a scheme of arrangement under Section 411 of the Corporations Act, 2001 ("Corporations Act") between M2 Group and its shareholders. Under the terms of the Merger, M2 Group shareholders will receive 1.625 Vocus shares for every M2 Group share. As a result, Vocus will acquire M2 Group and existing M2 Group shareholders will, in aggregate, hold approximately 56.4% of the shares in the merged company (referred to in this report as "the Merged Group") while existing Vocus shareholders will hold the remaining 43.6%.

The Merger is subject to a number of conditions which are set out in full in the Notice of Meeting and Explanatory Statement ("Scheme Booklet") to be sent by M2 Group to shareholders, including that M2 Group shareholders approve the Merger by the requisite majorities. Other elements of the Merger include:

- M2 Group and Vocus have agreed to certain exclusivity arrangements (including no-shop, no-talk and no-due diligence restrictions and a notification obligation) that apply during the exclusivity period[1]. The no-talk, no-due diligence and notification provisions are subject to a carve out in respect of the fiduciary and statutory obligations of M2 Group and Vocus directors (as applicable);
- both M2 Group and Vocus have been granted the right to match a competing proposal[2];
- break fees of $15 million (exclusive of GST) are payable by M2 Group and Vocus in certain (differing) circumstances;
- the board of the Merged Group will comprise eight directors, of whom four are current directors of M2 Group and four are current directors of Vocus. There will be six non-executive directors and two executive directors. The current Chairman of Vocus will be Chairman of the Merged Group and the current Chairman of M2 Group will be Deputy Chairman. The current Chief Executive Officer ("CEO") of M2 Group will be CEO of the Merged Group while the current CEO of Vocus will continue as an executive director focused on infrastructure strategy. A current M2 Group executive director will continue as an executive director focused on strategic acquisitions. The remaining senior management of the Merged Group is expected to be drawn from the existing management teams of M2 Group and Vocus;
- M2 Group shareholders with registered addresses outside Australia and its external territories, New Zealand, Hong Kong. Singapore, the United Kingdom and certain states in the United States of America and any other jurisdiction as may be agreed in writing by M2 Group and Vocus (unless Vocus determines otherwise) will be "ineligible overseas shareholders" and will not receive Vocus shares. Such shareholders will receive in cash the net proceeds (i.e. after brokerage and transaction costs) of the sale on the ASX of the Vocus shares to which they would otherwise have been entitled; and
- Vocus shares issued to M2 Group shareholders will rank equally with all other Vocus shares on issue. If the Merger is implemented Vocus expects to declare and pay a dividend in respect of the six months ending 31 December 2015 of 7.6 cents per share and a special dividend of 1.9 cents per share (a total of 9.5 cents per share).

Subject to an independent expert determining that the Merger is in the best interests of shareholders and in the absence of a superior proposal, each director of M2 Group has recommended the Merger and intends to vote shares held or controlled by them in favour of the Merger.

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1 The period from 27 September 2015 to the earlier of the implementation date for the Merger, the date the Merger Implementation Agreement is terminated and 30 April 2016 (or such later date as may be agreed in writing by the parties).

2 A competing proposal means (whether for M2 Group or Vocus) any offer, proposal or expression of interest, transaction or arrangement under which, if completed substantially in accordance with its terms, a person (or two or more persons who are associates) would directly or indirectly:

- acquire a relevant interest in or become the holder of more than 20% of the company's shares;
- acquire, obtain a right to acquire or otherwise obtain an economic interest in, 20% or more by value of the business or property of the company or any member of the company group;
- acquire control of the company;
- otherwise acquire or merge with the company or acquire a significant shareholding or economic interest in the company or any member of the company group or 20% or more by value of the total assets or business of any member of the company group;
- would result in the company ceasing to be admitted to the official list of the ASX or ceasing to be officially quoted on the ASX; or
- which may otherwise compete with, or be inconsistent in any material respect with, consummation of the Merger.

2 Scope of the Report

2.1 Purpose of the Report

The Merger is to be implemented by a scheme of arrangement between M2 Group and its shareholders under Section 411 of the Corporations Act. Such a scheme must be approved by a majority in number (i.e. more than 50%) of each class of shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. If approved by M2 Group shareholders, the scheme will then be subject to approval by the Supreme Court of Victoria.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to such schemes. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

Although there is no requirement in the present circumstances for an independent expert's report pursuant to the Corporations Act or the ASX Listing Rules, the directors of M2 Group have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Merger is in the best interests of M2 Group shareholders and to state reasons for that opinion. A copy of the report will accompany the Scheme Booklet to be sent to shareholders by M2 Group.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual M2 Group shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by M2 Group in relation to the Merger.

Voting for or against the Merger is a matter for individual shareholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Merger should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in M2 Group, Vocus or the Merged Group. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote for or against the Merger. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

There is no legal definition of the expression "in the best interests". However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 ("RG111") which establishes guidelines in respect of independent expert's reports. RG111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of shareholders (being the opinion required under Part 3 of Schedule 8).

For most other transactions the expert should consider the overall commercial effect of the proposal, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether the shareholders are likely to be better off if the proposal is implemented than if it is not. If the advantages outweigh the disadvantages, a proposal would be in the best interests of shareholders.

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For the purposes of a control transaction, "fair" and "reasonable" are treated as two separate concepts. Fairness involves questions of value while reasonableness relates to a variety of other issues that might impact on a shareholder's decision as to whether or not to accept an offer or vote in favour of a change of control transaction.

Fairness is a more demanding criteria. A "fair" proposal will always be "reasonable" but a "reasonable" proposal will not necessarily be "fair". A proposal could be considered "reasonable" if there were valid reasons to accept an offer or vote in favour notwithstanding that it was not "fair" (e.g. if the bidder already controlled the target and the offer was well above the prevailing market price).

Under RG111, fairness in a control transaction is to be assessed by comparing the value of the consideration offered with the full underlying value of the target assuming 100% of target was available to be acquired. Where the consideration comprises scrip in the offeror, the value of the consideration is to be assessed as the expected trading price of those securities (i.e. on a minority or portfolio interest basis) after the completion of the transaction.

RG111 does provide for some flexibility in the basis of the assessment depending on the particular circumstances of the transaction. RG111.31 states that a different approach may be appropriate where there is a *"merger of entities of equivalent value when control of the merged entity will be shared between the "bidder" and "target"."* In this case, *"the expert may be justified in using an equivalent approach to valuing the securities of the "bidder" and the "target"."*

From the perspective of M2 Group shareholders, the Merger is technically a control transaction (as Vocus is acquiring M2 Group). However, the commercial reality is that the transaction is a merger. In particular:

- the market capitalisations of M2 Group and Vocus immediately prior to announcement of the Merger were broadly equal;
- M2 Group shareholders will collectively hold approximately 56.4% of the Merged Group and, accordingly, will share in a little over half of the synergies;
- no shareholder is expected to hold more than 5% of the Merged Group on implementation of the Merger;
- the board of the Merged Group is expected to comprise individuals from both the M2 Group board (four nominees) and the Vocus board (four nominees). The Chairman of the Merged Group will be the former Vocus Chairman and the former M2 Group Chairman will be Deputy Chairman;
- the senior management team of the Merged Group will comprise members of both the M2 Group and Vocus management teams. The CEO will be the former CEO of M2 Group, the founder and former executive director of M2 Group will be an executive director and the founder and former CEO of Vocus will be an executive director; and
- M2 Group shareholders will retain the opportunity to receive a control premium at some time in the future through a change of control proposal for the Merged Group.

Accordingly, Grant Samuel has evaluated the Merger as a "merger of equals". On this basis, in assessing fairness Grant Samuel has compared the share of the Merged Group received by M2 Group shareholders (56.4%) with the value contributed by M2 Group shareholders to the Merged Group. For this purpose, Grant Samuel has had regard to relative contributions of both sharemarket value and estimated full underlying value.

In assessing the advantages and disadvantages of the Merger, Grant Samuel has considered:

- the expected quantum and timing of synergies expected as a result of the Merger;
- the impact of the Merger on the strategic positioning of the Merged Group and the longer term benefits that might flow from that positioning;

- the impact of the Merger on key investment metrics for M2 Group shareholders (e.g. earnings, distributions);
- the investment characteristics of the Merged Group compared to M2 Group on a standalone basis;
- the impact of the Merger on the composition of the share register and sharemarket liquidity;
- the likelihood of an alternative offer and the opportunity for alternative transactions in the future;
- other benefits and advantages of the Merger for M2 Group shareholders; and
- other costs, disadvantages and risks of the Merger for M2 Group shareholders

2.3 Sources of the Information

In preparing this report, Grant Samuel held discussions with, and obtained information from, senior management of M2 Group and its advisers and senior management of Vocus and its advisers.

The following information was utilised and relied upon, without independent verification, in preparing this report:

- the Scheme Booklet (including earlier drafts);
- annual reports of M2 Group and Vocus for the five years ended 30 June 2015;
- press releases, public announcements, media and analyst presentation material and other public filings by M2 Group and Vocus including information available on their websites;
- brokers' reports and recent press articles on M2 Group, Vocus and the telecommunications sector;
- sharemarket data and related information on Australian and New Zealand listed companies engaged in the telecommunications sector and on acquisitions of companies and businesses in that sector;
- information relating to the Australian, New Zealand and international telecommunications sectors (as appropriate); and
- other non-public and confidential documents, board papers, presentations, working papers and third party reports provided by M2 Group including:
  - the budget for FY16[3] and longer term projections for M2 Group prepared by M2 Group management; and
  - management results for M2 Group for the period to 30 September 2015.

In addition, Vocus provided non-public confidential information including the budget for FY16 and longer term projections prepared by Vocus management.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change

[3] FYXX = financial year end 30 June 20XX

significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by M2 Group and its advisers. Grant Samuel has considered and relied upon this information. M2 Group has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. The report is also based upon financial and other information provided by Vocus and its advisers. Grant Samuel has considered and utilised this information. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Merger is in the best interests of M2 Group shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of M2 Group or Vocus. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included:

- the budget for M2 Group for FY16 ("M2 Group Budget") prepared by management and adopted by the directors of M2 Group;
- the budget for Vocus for FY16 ("Vocus Budget") prepared by management and adopted by the directors of Vocus;
- the proforma historical income statement for M2 Group FY15 assuming the CallPlus Group acquisition occurred on 1 July 2014 ("M2 Group Proforma FY15 Income Statement");
- the proforma historical income statement for Vocus for FY15 assuming that the acquisitions of the Bentley data centre, FX Networks, the data centre business of Enterprise Data Corporation and Amcom occurred on 1 July 2014 ("Vocus Proforma FY15 Income Statement");
- the proforma financial position for Vocus at 30 June 2015 assuming that Amcom was acquired on 30 June 2015 ("Vocus Proforma Financial Position");
- the proforma consolidated income statement for the Merged Group for FY15 assuming the Merger was implemented on 1 July 2014 ("Merged Group Proforma Income Statement"); and
- the proforma consolidated financial position for the Merged Group as at 30 June 2015 assuming the Merger was implemented on that date ("Merged Group Proforma Financial Position").

M2 Group is responsible for the M2 Group Budget and Vocus is responsible for the Vocus Budget (collectively "the forward looking information"). M2 Group is responsible for the M2 Group Proforma FY15 Income Statement and the Merged Group Proforma Income Statement and the Merged Group Proforma Financial Position (except to the extent that the Merged Group Proforma Income Statement and the Merged Group Financial Position is based on information provided by Vocus, for which Vocus takes responsibility) and Vocus is responsible for the Vocus Proforma FY15 Income Statement and the Vocus Proforma Financial Position, (collectively "the proforma information").

Grant Samuel has considered and, to the extent deemed appropriate, relied on the forward looking information and the proforma information for the purposes of its analysis. Grant Samuel has not investigated this financial information in terms of the reasonableness of the underlying assumptions, accuracy of compilation or application of assumptions. However, Grant Samuel considers that, based on the enquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant's examination), there are reasonable grounds to believe that this financial information has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors into account:

- the M2 Group Budget has been adopted by the Directors of M2 Group;
- the Vocus Budget has been adopted by the Directors of Vocus;
- both M2 Group and Vocus have sophisticated management and financial reporting processes. The prospective financial information is based on detailed budgeting processes involving preparation of "ground up" forecasts by the respective managements and is subject to ongoing analysis and revision to reflect the impact of actual performance or assessments of likely future performance;
- M2 Group and Vocus undertook due diligence investigations on each other; and
- the Merged Group Proforma Income Statement and the Merged Group Proforma Financial Position set out in Section 7.8 of the Scheme Booklet has been subject to review by Ernst & Young Transaction Advisory Services Limited ("EY") and its Investigating Accountant's Report is attached as Appendix 2 to the Scheme Booklet.

The directors of M2 Group and Vocus have not included the forward looking information in the Scheme Booklet and therefore it has not been disclosed in this report. In order to provide an indication of the expected financial performance of M2 Group and Vocus, Grant Samuel has considered brokers' forecasts for M2 Group (see Appendix 2) and Vocus (see Appendix 3). Grant Samuel has used the median of the brokers' forecasts to review the parameters implied by its valuations of M2 Group and Vocus. Based on the information it has reviewed, Grant Samuel considers that the median brokers' forecasts represent information that is useful for analytical purposes.

The information provided to Grant Samuel also included longer term earnings projections prepared by the management of M2 Group ("M2 Group Projections") and Vocus ("Vocus Projections") (collectively "the projections"). M2 Group is responsible for the M2 Group Projections and Vocus is responsible for the Vocus Projections. Grant Samuel has not relied on the projections for the purposes of its report but has considered this information in its review of the future business strategies and prospects of M2 Group and Vocus.

Grant Samuel has no reason to believe that the forward looking information and the projections reflect any material bias, either positive or negative. However, the achievability of the forward looking information and the projections is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

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As part of its valuation analysis, Grant Samuel has reviewed the sensitivity of net present values to changes in key variables. The sensitivity analysis isolates a limited number of assumptions and shows the impact of variations to those assumptions. No opinion is expressed as to the probability or otherwise of those variations occurring. Actual variations may be greater or less than those modelled. In addition to not representing best and worst outcomes, the sensitivity analysis does not, and does not purport to, show the impact of all possible variations to the business model. The actual performance of the business may be negatively or positively affected by a range of factors including, but not limited to:

- changes to the assumptions other than those considered in the sensitivity analysis;
- variations to the assumptions considered in the sensitivity analysis greater or lesser than those modelled; and
- combinations of different variations to a number of different assumptions that may produce outcomes different to the combinations modelled.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Scheme Booklet sent by M2 Group to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Merger will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Merger are correct and will be effective.

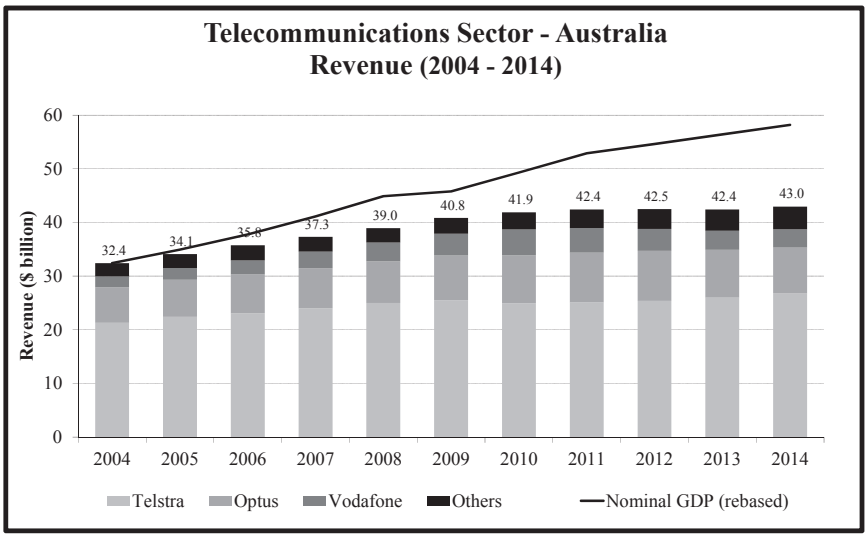
To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

3 Telecommunications Sector in Australia and New Zealand

3.1 Overview

Since the Australian and New Zealand governments commenced deregulation of their respective telecommunications sectors in the early 1990s, the sector has been dramatically transformed in terms of the range of services offered, the technologies used to deliver them and market structure[4]. Rapid change continues today as users consume increasing amounts of video and other content through smartphones and tablets and internet connectivity of devices such as home appliances and vehicles becomes increasingly widespread. While substantially more network bandwidth is required to meet this demand, revenue growth for the sector has stalled, presenting challenges for carriers.

Revenue growth in Australia has slowed from an average of 4.7% per annum in the five years to 2009 to around 1.0% per annum to 2014, a significantly lower rate than growth in gross domestic product ("GDP") in the period and negative in real terms:



Source: BuddeComm
Note: Includes wholesale revenue

Similarly, average revenue growth in the New Zealand sector over FY09-FY14 period was 0.9% per annum (to NZ$6.8 billion) compared to nominal GDP growth of 4.5% per annum in the same period.

Direct government participation in the sector declined with the progressive privatisations of Telstra and Telecom New Zealand[5], but Australia's National Broadband Network ("NBN") and New Zealand's Ultra-Fast Broadband ("UFB") projects represent renewed government involvement in the sector.

While the structure of the telecommunications sector in both Australia and New Zealand is now arguably mature, the significant rate of change in the sector continues to present both challenges and opportunities for participants.

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4 Information in this report on the telecommunications sector is from a range of sources including Australian Communications and Media Authority, *"Communications Report 2013–14"*, November 2014 ("ACMA Report"), Paul Budde Communications Pty Limited ("BuddeComm"), "*Australia - Telecoms Industry - Statistics and Forecasts (27th Edition)*", November 2014, IBISWorld Industry Report J5800, *"Telecommunication Services in Australia"*, January 2015, IBISWorld Industry Report J5801, *"Wired Telecommunication Network Operation in Australia"*, February 2015 and TeleGeography *"GlobalComms Database"*, 2015. Further information has been sourced from company announcements, reports and websites.

5 In 2011, Telecom Corporation of New Zealand Limited was separated into two entities now known as Spark New Zealand Limited ("Spark") and Chorus Limited ("Chorus").

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3.2 Market Segments and Products

The telecommunications market is typically segmented by customer type, as the products offered and customer behaviour differ between households, small businesses and large corporates. There is some commonality but also important differences in the infrastructure used to service these customer segments.

There is a close relationship between the telecommunications sector and several other sectors of the economy. Telecommunications services are a key delivery channel for, and are commonly bundled with, media and entertainment products in the consumer segment and they are closely linked with information technology ("IT") services in the corporate and enterprise sectors. As the telecommunications sector has evolved, these linkages have become deeper and more important and the distinction between telecommunications services and other sectors has become blurred in some areas.

Generally, the telecommunications sector can be viewed as the "plumbing" used by consumers and businesses to access content or enable upstream IT services and can be summarised as follows:

Telecommunications and Adjacent Sectors – Market Segments and Products

Segment	Key Products	
	Telecommunications Sector	Adjacent Sectors
Consumer (Household)	▪ Broadband internet ▪ Home phone ▪ Mobile devices	▪ Subscription TV ▪ Video and music streaming ▪ Remote storage and back-up
Small to Medium Business	▪ Broadband internet ▪ Phone services (PABX[6] and VoIP[7]) ▪ Mobile devices ▪ High speed data connections (Ethernet and IP-VPN[8])	▪ Web hosting ▪ Ecommerce services ▪ IT services (e.g. storage, disaster recovery, cloud services[9])
Corporate, Enterprise and Government	▪ High speed data connections (dark fibre[10], Ethernet and IP-VPN) ▪ Internet connection ▪ Phone services (PABX and VoIP) ▪ Mobile devices ▪ Data centre space	▪ Outsourced IT and hosted services ▪ IT consulting and integration services ▪ Ecommerce services ▪ Content delivery services ▪ Internet security services ▪ Mobile device management and security
Wholesale	▪ Local access infrastructure (copper lines and DSL[11]) ▪ High speed data connections (dark fibre, Ethernet) ▪ Internet connection ▪ Services to MVNOs[12]	

Source: Grant Samuel

6 PABX is a traditional product that provides a phone system with multiple internal and/or external lines for a business.

7 VoIP (voice over internet protocol) is a technology for delivering single or multi-line phone services to businesses and households more effectively over modern high speed data links.

8 Ethernet and IP-VPN are types of private high speed data links commonly provided by carriers to medium and large businesses.

9 A cloud service is an application, data processing or storage service operated remotely by a third party, allowing the customer to use a complex application with minimal hardware onsite, using a high speed data connection to the cloud service provider (e.g. accounting systems, inventory and stock management systems, customer relationship management systems).

10 Dark fibre is a service provided by carriers to large businesses for high speed, private data links where the business is able to connect its own equipment directly to the carrier's optical fibre cable.

11 DSL (digital subscriber line) refers to a family of technologies used to provide a broadband connection over a traditional copper phone line.

12 MVNO (mobile virtual network operator) refers to a carrier that buys wholesale access to a mobile network.

3.3 Market Structure

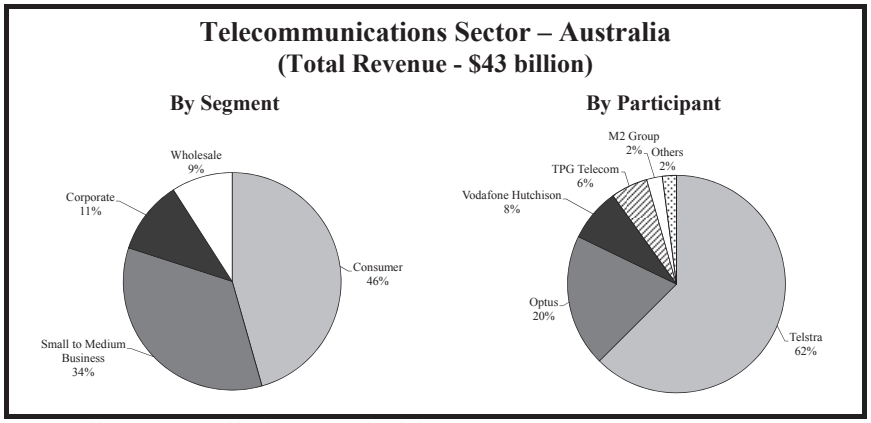
Following a proliferation in the number of telecommunications service providers in the 1990s and early 2000s, mergers and acquisitions in the last ten years have significantly reduced the number of market participants. This consolidation is evident in the number of small to mid-tier carriers that have been acquired by competitors. For example:

- in 2009 there were five mobile network operators in Australia (Telstra, Optus, Vodafone, Hutchison and Unwired) but today there are only three (Telstra, Optus, Vodafone Hutchison);
- since 2010, internet service providers iiNet Limited ("iiNet"), Internode, Adam Internet, AAPT, iPrimus and Dodo have been acquired by competitors in Australia and TelstraClear, Snap, Orcon, WorldxChange, Woosh and Farmside have been acquired in New Zealand;
- since 2007, fibre network and data centre operators PowerTel, AAPT, PIPE Networks and Amcom have been acquired by competitors in Australia and FX Networks, Maxnet, Revera and Maxserv have been acquired in New Zealand.

The telecommunications sector in Australia is estimated at $43 billion. The major participants are:

- three large integrated carriers: Telstra, Optus and TPG Telecom Limited ("TPG Telecom") (although TPG Telecom does not own a mobile network);
- NBN Co, providing wholesale only local access; and
- a small number of mid-size specialist service providers: Vodafone Hutchison (mobile), Vocus (metropolitan fibre and data centres), M2 Group (consumer and small business reseller), NextDC (data centres), Nextgen Group (intercapital fibre) and Macquarie Telecom Limited ("Macquarie Telecom") (data centres).

Revenue by segment and major participant in Australia is set out below:

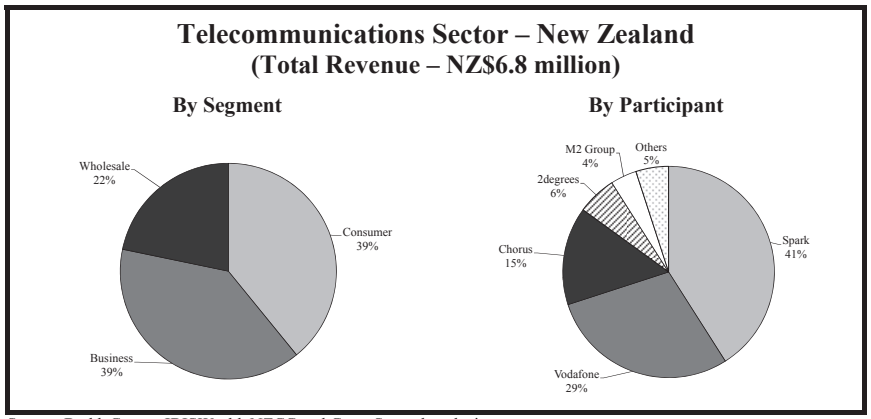


Source: BuddeComm, IBISWorld and Grant Samuel analysis

The New Zealand market is estimated at NZ$6.8 billion. The major participants are:

- two large integrated carriers: Spark and Vodafone New Zealand ("Vodafone");
- Chorus and three other local fibre companies providing wholesale only local access; and
- a small number of mid-size carriers: 2degrees (mobile and fixed line broadband), Vocus (intercity fibre and data centres), M2 Group (consumer and small business reseller), Teamtalk (consumer and business segments) and Kordia (business segment).

Revenue by segment and major participant in New Zealand is set out below:



Source: BuddeComm, IBISWorld, NZCC and Grant Samuel analysis

Consolidation of smaller competitors has enabled carriers in Australia and New Zealand to achieve cost efficiencies through increased scale and national reach. However, relatively few consolidation opportunities remain and there is increased scrutiny of competition issues by regulators (the Australian Competition & Consumer Commission ("ACCC") in Australia and the Commerce Commission in New Zealand ("NZCC")).

3.4 Infrastructure

Telecommunications infrastructure can be categorised as follows:

- **Local Access Infrastructure (Fixed and Mobile)**

  Commonly known as "last mile" or "first mile", local access infrastructure is the immediate connection between the user's device or premises and the carrier's network. For households this can be:

  - the twisted pair copper phone line to the local exchange or street cabinet which can carry PSTN[13] (traditional phone) and DSL (broadband internet) services. In Australia ownership of this network is progressively being transferred from Telstra to NBN. In New Zealand the copper network is owned by Chorus;
  - the hybrid fibre-coaxial ("HFC") cable to the nearest optical node which can carry subscription TV, broadband internet and phone services. Telstra and Optus own HFC networks in Australia, which are being transferred to NBN. Vodafone operates an HFC network in parts of New Zealand;
  - passive optical fibre to the nearest fibre access node, provided by NBN in Australia and UFB networks in New Zealand, which carry broadband internet and phone services; and
  - household antennas, fixed wireless base stations and associated radio spectrum licences used by NBN to provide broadband internet and phone services to households in some rural and regional areas of Australia.

  For mobile services, the local access infrastructure comprises the antennas, radio spectrum licences and associated equipment at the carrier's network of base stations. In Australia, mobile networks are operated by Telstra, Optus and Vodafone Hutchison. In New Zealand, mobile networks are operated by Spark, Vodafone and 2degrees.

  For businesses, local access infrastructure can be an optical fibre to the carrier's nearest node or a legacy copper phone line to a local exchange. Businesses will also have access to the NBN and UFB local access infrastructure.

[13] PSTN (public switched telephone network) is the traditional telephone system.

- **Core Network**

  A carrier's core network comprises high capacity optical fibre cables connecting each element of the network to switches that route data around the network. Core networks can be categorised as:

  - metropolitan networks: connections between business districts, local exchanges, data centres, mobile base stations and other network equipment within capital cities. Several service providers have metropolitan fibre networks in Australia including Telstra, Optus, TPG Telecom and Vocus. In New Zealand, Chorus and the other local fibre companies are building fibre-to-the-premises networks to reach 80% of homes and businesses; and
  - long haul and intercapital networks: connections between capital cities, regional cities and remote locations such as mining, scientific and defence sites. Major intercapital fibre networks in Australia are owned by Telstra, Optus, Nextgen Networks and TPG Telecom and in New Zealand by Spark, Vodafone and Vocus.

  To provide customers with a connection to the internet, a carrier must connect its network to other carriers in Australia or New Zealand and global carriers offshore via a submarine optical fibre cable (typically known as "IP transit"). The submarine cables connecting Australia and New Zealand to offshore locations form a critical element of telecommunications infrastructure. The key submarine cables are:

  - Southern Cross Cable, connecting Sydney, Auckland, Fiji and the United States (Hawaii, California and Oregon) and owned by Spark (50.01%), Optus (39.99%) and Verizon (10%);
  - Telstra Endeavour, connecting Sydney and Hawaii and wholly owned by Telstra;
  - PIPE Pacific Cable 1, connecting Sydney to Guam (United States territory and a hub for trans-Pacific submarine cables) and wholly owned by TPG Telecom;
  - Australia-Japan Cable, connecting Sydney, Guam and southern Japan and owned by Telstra (46.9%), AT&T, Verizon, NTT and SoftBank; and
  - SEA-ME-WE-3, connecting Perth to Jakarta, Singapore and a range of countries in Asia, the Middle East and Europe and owned by a large consortium of telecommunications providers, including Telstra. Vocus owns 10% of the Perth-Singapore leg of the cable.

  While access to bandwidth on international cables is and will remain a crucial asset for all Australian and New Zealand carriers, content providers such as Google (including YouTube), Netflix and Apple have deployed data storage locally to reduce lag times and international transit costs.

- **Data Centres**

  Data centres allow corporate, enterprise and wholesale customers to locate network and storage equipment directly on a carrier's network, providing a secure environment, improved network performance and the ability to directly connect with other customers' equipment located at the same data centre. Data centre space is typically sold as racks which hold an item of equipment. The limiting factors for a data centre's capacity are physical space, the amount of electrical power that can be delivered to the centre and the air-conditioning capacity of the centre.

  A large number of local and international carriers and data centre specialists operate data centres in Australia and New Zealand, including Telstra, Optus, Spark, NextDC, TPG Telecom, Vocus, Macquarie Telecom, Equinix and Global Switch.

- **Other Infrastructure**

  Other elements of telecommunications infrastructure in use in Australia and New Zealand include

  - private networks built for a single customer or group of customers – typically fibre, mobile networks and radio networks for transport infrastructure, utilities, emergency services and remote mining and natural resources sites. These networks may be owned by the user, a carrier or a specialist service provider;
  - satellites in geostationary orbits providing broadband data services to rural and remote sites and high bandwidth mobile users such as TV news crews. Satellites covering Australian territory are operated by Optus, NBN and Thaicom (IPSTAR); and
  - satellite constellations providing portable phone services, such as Iridium, Thuraya and Inmarsat.

3.5 Wholesale Access to Infrastructure

Most telecommunications carriers do not own all the infrastructure required to deliver services to their customers. There is a well-developed wholesale market for access to most (but not all) telecommunications infrastructure in Australia and New Zealand, comprising regulated access and commercially negotiated arrangements:

- **Regulated Access:** Access to certain infrastructure elements is available at fixed maximum prices determined by the ACCC in Australia and the NZCC in New Zealand, typically where the owner has a monopoly on that form of infrastructure. Regulated infrastructure includes the copper access network and duct space and fibre in certain locations. Telstra and Chorus are the primary operators of regulated infrastructure. The NBN and UFB networks will be subject to ACCC and NZCC regulation respectively; and
- **Commercially Negotiated Access:** Wholesale access to infrastructure is typically available on commercial terms for mobile networks, DSL broadband services, metropolitan and intercapital fibre, international transit and satellite services.

  Wholesale access to fibre, international transit and satellite services is often sold as an indefeasible right of use ("IRU") which is typically paid upfront in a single sum or by instalments and gives the buyer the right to use a maximum amount of bandwidth for a long term duration (typically 5-15 years). Wholesale access to mobile networks and DSL broadband services is more commonly charged on an ongoing basis depending on the bandwidth utilised or number of services in use.

Business models employed by telecommunications carriers vary from owning all or almost all of the infrastructure (e.g. Telstra) to owning minimal infrastructure and relying heavily on wholesale arrangements (i.e. a reseller).

The relative importance of the wholesale market may decline in the future as a result of ongoing consolidation of the sector into a smaller set of larger, more vertically integrated participants with greater in-house network assets. Furthermore, the deployment of the NBN in Australia and UFB in New Zealand is reshaping the wholesale markets in each country.

3.6 National Broadband Network / Ultra-Fast Broadband

Both the Australian and New Zealand governments have implemented policies and invested capital to provide improved broadband access for households and business:

- **National Broadband Network:** The NBN was launched by the Federal Labor government in 2009 with the objective of connecting 93% of premises on a fibre-to-the-premises network and the remaining 7% of premises with fixed wireless and satellite services. The initiative was redefined by the Liberal/National Coalition government in 2014 to a "multi-technology-mix" relying on existing infrastructure where available in preference to building fibre-to-the premises. Most premises in urban areas will be connected by:

- a fibre-to-the-node network using DSL services over existing copper phone lines terminating at street cabinets (nodes) rather than local exchanges. The shorter distance of copper will result in improved speeds for these DSL services; or
- existing HFC cable networks which will be upgraded for higher speeds.

NBN has entered into long term agreements with Telstra, Optus and other local access infrastructure owners to either shut down or grant exclusive use of their infrastructure to NBN.

The NBN is a wholesale only network that will not provide services to end users. All carriers seeking to operate on the network will be able to access it on equal terms. The roll-out of the NBN will effectively result in the elimination of competition in the local access infrastructure market, transforming this sector of the market to a regulated utility akin to an electricity or gas distribution network.

The NBN will aggregate end user data at 121 points of interconnect. In order to serve a national customer base on the NBN a carrier will need to provide its own backhaul[14] connection to the 121 points of interconnect, either on its own fibre or by renting fibre from a wholesale provider.

The NBN will drive a significant transformation of the Australian telecommunications sector:

- Telstra's business model for fixed line services in the consumer and small business segments will migrate from a fixed-cost infrastructure-heavy model to a more variable cost model. Telstra will still retain an infrastructure advantage in its fibre network that already reaches all or almost all of the 121 points of interconnect;
- the NBN provides a significant opportunity for other carriers to access the national market, where previously their market reach would have been constrained to some extent by their own infrastructure; and
- as each region of the NBN is built and activated, users in that region will be required to disconnect from their existing voice and broadband services and establish a connection with a carrier on the NBN. This represents a valuable opportunity for smaller carriers to market to users migrating to the NBN on a targeted geographical basis.

As at October 2015, NBN had achieved 1.39 million premises ready for service, representing approximately 17% of its target to reach eight million premises by 2020.

- **Ultra-Fast Broadband:** The UFB initiative was launched by the New Zealand government as a public-private-partnership tender in 2010 with the objective of connecting 75% of homes to a fibre-to-the premises network by 2019. In 2014 the target was increased to 80% of homes and the completion date extended to 2022. Similar to the NBN, the UFB will be an equal access wholesale only network. While end users can elect to retain or reconnect their old copper connection, it is expected that the UFB network will effectively become a local access monopoly.

  The government has selected four partners to deliver the UFB network: Chorus (approximately 70% of premises), Enable Networks (15%), Ultrafast Fibre (14%) and Northpower Fibre (1.6%). The UFB network features 20 points of interconnect to which a carrier needs to connect in order to offer nationwide services

  The Rural Broadband Initiative ("RBI") was launched in 2011 to improve broadband access for premises not covered by the UFB. The RBI will provide DSL services to 57% of rural households and fixed wireless access to a further 30% of rural households.

  As at June 2015, there were 724,000 end users able to connect to UFB network, with 54% of the UFB roll out complete, together with 312,000 premises able to connect to RBI services.

[14] Backhaul refers to links within a carrier's network that transport data from the local access infrastructure to destinations within the core network.

3.7 Outlook

Technology, products and customer preferences in the telecommunications sector continue to evolve rapidly, along with the market structure and regulatory environment. These factors present both challenges and opportunities for participants. Much of the change in the sector can be characterised as the rapid move to a more interconnected society where high speed data is universally available and connected technology reaches into more facets of business and personal life. These changes affect the sector in different ways:

- **Slowing Revenue Growth**

  Revenue growth for the sector has slowed in recent years to around 1% per annum. This slowing has resulted from a number of factors including:

  - the mobile market has reached or is approaching maturity, characterised by high levels of penetration. While the number of connected devices continues to rise (e.g. entertainment devices, vehicles, machine-to-machine communications), these services typically add only a small amount of incremental revenue to an existing customer's account;
  - the fixed broadband market is close to reaching maturity; and
  - cost reductions achieved by carriers have manifested as lower prices in a competitive environment. Cost reductions have been driven by:
    - lower prices for network equipment;
    - consolidation of carriers enabling efficiencies of scale; and
    - regulatory decisions that reduce wholesale access prices for copper networks and mobile call termination.

  Slowing market growth presents a challenge for carriers – organic growth must come by taking market share from competitors rather than price rises or new customers. In this context, customer retention (i.e. reducing churn) is a key driver of profitability.

- **Increase in Data Volumes**

  The volume of data downloaded by internet users has grown at dramatic rates since broadband connections became available in the early 2000s. Data demand has intensified in recent years, driven by the popularity of video streaming services such as subscription services (e.g. Netflix, Stan), catch-up services for broadcast television (e.g. ABC iView), video content on news websites, social media and user generated content.

  The volume of data downloaded over broadband services in Australia rose at an average rate of 57% per annum in the five years to June 2015. Cisco predicts that this volume will grow at an annual rate of 24% between 2014 and 2019 and that video data will represent 81% of all traffic on networks in Australian by 2019 (up from 63% in 2014)[15].

  The increase in data demand has presented challenges for carriers as infrastructure needs to be upgraded on a regular basis to satisfy demand. Users are far less tolerant of poor network performance when watching streaming video, as interruptions are immediately obvious, than when using other applications that do not require continuous bandwidth (e.g. web browsing).

  The increasing demand for bandwidth favours infrastructure owners over resellers, as large upgrades to the capacity of an owned fibre network can be made for relatively little cost, while resellers may be subject to wholesale arrangements priced per unit of capacity.

  Increasing data demand directly benefits owners of certain key infrastructure elements such as intercapital networks and submarine cables.

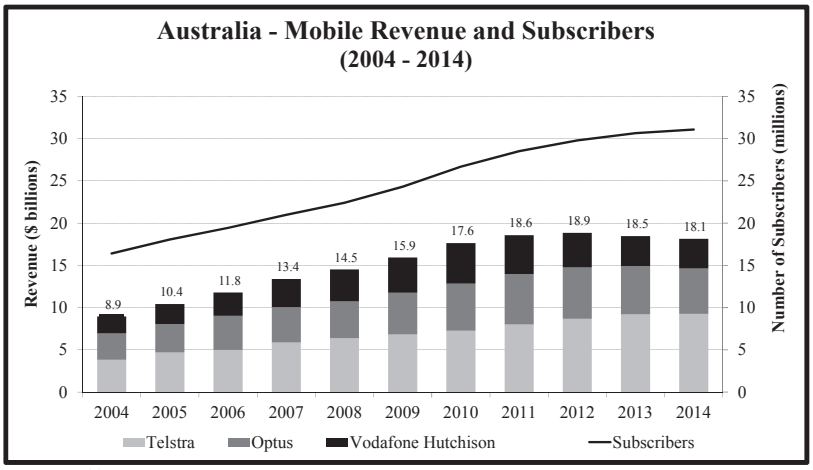
[15] Source: Cisco Systems, Inc., *"Visual Networking Index Global IP Traffic Forecast, 2014-2019"*, May 2015.

- **Migration of Business and Consumer Services to the Cloud**

  Enterprise customers that store and process large amounts of data were the first users of data centres located outside their premises, where high powered computing and high density storage can be operated under controlled conditions. The use of external processing and storage has spread to large and small businesses and consumers and is often referred to as cloud services. Examples of cloud services include a document management system for an engineering firm, a photo storage library for a consumer, or a customer database and billing system for an insurance company. The increasing use of cloud services by businesses and consumers drives greater demand for data centre space and high speed network connections to those data centres.

- **Growth in Mobile Data**

  Mobile networks have also experienced dramatic growth in demand for mobile data services. Since 2012, competition between Australia's three mobile networks has resulted in a reduction in market revenue, while subscriber numbers and data demand have continued to grow:



Source: BuddeComm
Note: Vodafone and Hutchison merged in 2009.

With the greatest network coverage and performance of the three, Telstra has benefitted at the expense of Optus and Vodafone Hutchison. In New Zealand, Spark responded to the launch of the 2degrees network with the introduction of its own secondary brand, Skinny.

The increased demand for data has driven increased capital expenditure on base stations by mobile network operators. This has provided opportunities to fibre network owners that can provide backhaul connections to those base stations (e.g. in September 2015 TPG Telecom announced a deal with Vodafone Hutchison to provide backhaul to 3,000 Vodafone Hutchison sites for a term of 15 years).

While the trend of fixed to mobile substitution (i.e. where households abandon fixed phone and internet services for mobile services) is still evident to some degree, the physical constraints on mobile bandwidth (finite spectrum, cost of base stations, topography and buildings that block signals) mean that fixed broadband services will continue to play the major role in delivering high speed data to households.

- **Internet of Things**

  A rapidly increasing range and number of devices are becoming connected to the internet. These range from:

  - consumer devices and appliances such as entertainment devices (e.g. tablets, televisions), air-conditioning systems and security systems;
  - vehicles such as trains and buses (public safety, passenger internet access), cars (in-car entertainment, navigation, fault reporting) and commercial vehicles (tracking, fleet management);
  - stationary devices such as gas and electricity meters, parking meters, vending machines and industrial equipment; and
  - surveillance and security systems for businesses and public spaces.

  As the number of devices proliferates, this presents opportunities for carriers to provide broader coverage through wireless and fibre networks and managed services to activate and monitor fleets of network-connected devices.

Given the nearly constant and rapid rate of change in the sector and frequent development of new technology, it is difficult to make accurate predictions for the telecommunications sector beyond the short to medium term. It is expected that the sector will continue to experience:

- growth in demand for data, higher data rates and more connected devices;
- relatively low revenue growth in the absence of a major catalyst for price increases; and
- a steady stream of new products, services and technologies.

4 Profile of M2 Group Limited

4.1 Background

M2 Group was established in December 1999 to develop, manufacture and distribute a range of digital messaging systems for small business. It experienced rapid growth and its business evolved to that of a national reseller of telecommunication services for small enterprises. M2 Group listed on the ASX in October 2004 as M2 Telecommunications Group Limited[16] with 50 employees and 45 sales agents and projected revenue of $27 million.

Following listing, M2 Group continued to grow strongly both:

- organically, including expansion of its product and service offerings (e.g. M2 Group entered an MVNO12 relationship with Optus in FY06); and
- by acquisition (e.g. M2 Group acquired Orion Telecommunications, Unitel Australia, People Telecom, assets of Commander Communications, Clear Telecoms and Clever Communications).

By 2011, M2 Group was generating over $400 million in annual revenue. It was admitted to the S&P/ASX 300 Index in September 2011 and the S&P/ASX 200 Index in June 2012. Since 2012, the scale of the business has expanded substantially (particularly in the consumer segment) by acquisition. The major acquisitions in this period were:

- Primus Telecom ("Primus"), an internet service provider with its own backbone network and fibre assets and around 165,000 customers across the consumer, business and wholesale segments (June 2012);
- Dodo Australia Holdings Pty Ltd ("Dodo"), an internet service provider, mobile reseller and energy retailer to residential customers (including broadband, mobile, home phones, wireless broadband and power and gas) with over 400,000 customers and 660,000 active services (May 2013);
- Eftel Limited ("Eftel"), a telecommunications service provider to consumers, corporates, government and the wholesale market with over 130,000 active services (June 2013); and
- the CallPlus group of companies and 2Talk Limited ("CallPlus Group"), New Zealand's third largest provider of broadband and fixed voice services with over 430,000 services across the consumer, business and wholesale segments (June 2015).

On 27 April 2015, M2 Group announced a proposal to acquire internet service provider iiNet for scrip in competition to TPG Telecom's recommended $1.4 billion all-cash offer. In response, TPG Telecom exercised its matching right and increased its offer to $1.56 billion. The increased offer was recommended by the iiNet board and, as a consequence, M2 Group's proposal lapsed.

Today, M2 Group provides a range of telecommunications, energy and insurance products to residential and business customers across Australia and New Zealand. It is headquartered in Melbourne, has operations in Australia, New Zealand and the Philippines and generates over $1.1 billion in annual revenue. Prior to the announcement of the Merger, M2 Group had a market capitalisation of around $1.55 billion.

4.2 Business Operations

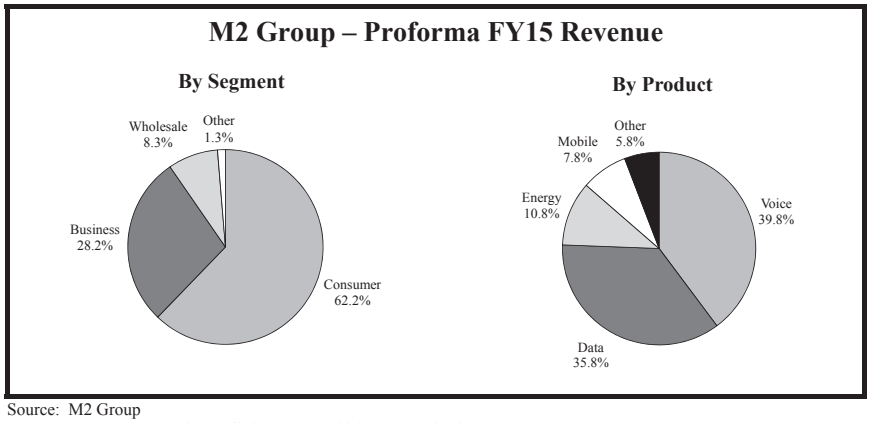
4.2.1 Overview

M2 Group provides telecommunication services, electricity and gas to residential and business customers in Australia and telecommunications services to residential and business customers in New Zealand. It also resells insurance services to residential customers in Australia and has a

[16] Its name was changed to M2 Group Limited in December 2013.

61.2% interest in a prepaid international calling card operator. M2 Group currently has more than two million services in operation. It has approximately 4,000 team members in Australia, New Zealand and the Philippines, of which around 1,400 are employees in Australia and New Zealand.

M2 Group operates an "infrastructure light" business model focused on reselling services utilising a portfolio of brands across the consumer, business and wholesale market segments. In FY15 (proforma basis) around 80% of M2 Group's revenue was derived in Australia with the consumer segment contributing around 62% of total revenue:



Source: M2 Group
Notes: (1) Incorporating CallPlus Group which was acquired on 30 June 2015.
(2) "Other" segment includes interest income.
(3) "Other" product includes equipment sales, commission revenue and interest income.
(4) Bundle revenue is allocated by product on a pro rata basis.

M2 Group is a low cost operator with a multi-channel, multi-brand distribution model. It achieves substantial efficiencies by leveraging shared support services (including IT and network services, commercial services, human resources, legal and finance) across a variety of segments and products. Its operations are described in the following sections.

4.2.2 Australia

Although it owns a traditional voice network and optical fibre network in five capital cities[17], M2 Group's Australian operations primarily resell telecommunication services, electricity and gas to residential and business customers and insurance services to residential customers. It has more than 1.67 million services in operation and, based on number of subscribers, is the fourth largest retail broadband provider in Australia (behind Telstra, Optus and TPG Telecom).

M2 Group's business model is dependent on:

- sourcing wholesale backhaul, broadband and mobile capacity;
- the positioning and customer perception of its brands (*Dodo*, *iPrimus*, *Commander*, *Engin*);
- the sophistication of its lead generation systems and experience of its sales and marketing teams;
- its product bundling capability (i.e. across a range of services);
- its competitive low cost pricing offer and its ability to deliver services within this cost constraint; and
- its customer support services.

[17] The networks in Sydney, Melbourne, Brisbane, Perth and Adelaide were acquired as part of Primus in June 2012.

M2 Group uses both internal and external sales and marketing teams. Critical to M2 Group's Australian internal team is its customer service operations located in Manila, Philippines. Importantly, this outsourced service is a highly flexible support operation staffed by M2 Group team members (albeit located offshore). Externally, M2 Group works closely with around 100 channel partners, enabling it to extend the reach of its national sales network. It has also recently rolled out a unique retail distribution network ("Dodo Connect Kiosks") which is aimed at increasing sales of Dodo branded products and promoting overall brand awareness. To date, 71 kiosks have been established in New South Wales, Queensland and South Australia, with 10 of these locations operated by franchisees.

M2 Group focuses on customer retention as a means of controlling operating costs. While customer retention is dependent on a range of factors, customer broadband experience is becoming increasingly critical. The popularity and high bandwidth demand of video streaming services (such as Netflix and Stan) mean that any network constraints have the potential, at peak demand times, to result in a significantly poorer customer experience, with implications for both customer retention and brand reputation. This is a particular issue for a reseller such as M2 Group which has network capacity that is constrained by contractual entitlements. In the transition period ahead of the full roll out of the NBN, M2 Group is carefully managing this issue and will, if necessary, access more backhaul capacity (although this may involve increased cost).

The NBN represents a one off opportunity for M2 Group to grow its Australian operations and it has been positioning itself to capitalise on the opportunity. In this regard, M2 Group:

- is an active NBN participant having connected into 52 NBN points of interconnect and is currently selling NBN products under its *Dodo*, *iPrimus* and *Commander* brands;
- has rolled out Dodo Connect Kiosks giving a direct retail point of sale for NBN products; and
- has secured long term backhaul capacity by way of a 15 year IRU agreement with Telstra enabling it to connect to all 121 NBN points of interconnect.

M2 Group proposes to commence mainstream marketing activities in relation to NBN in order to grow its share of the market.

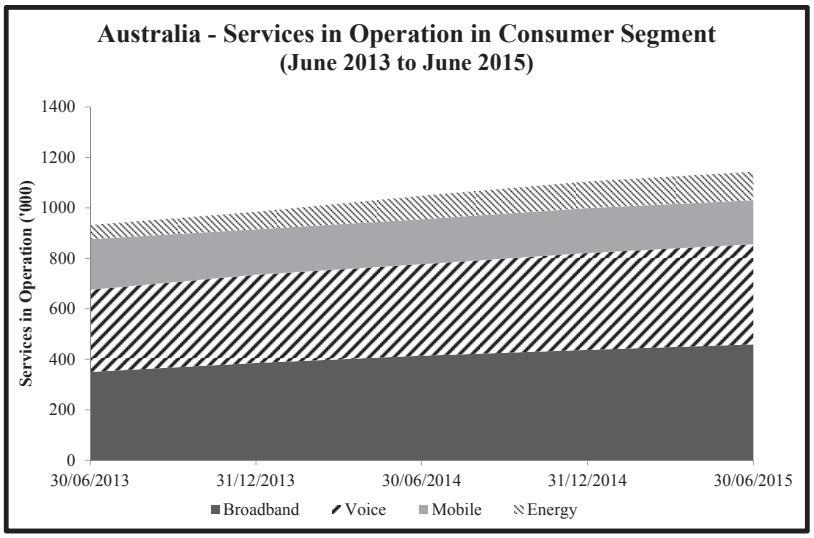
M2 Group's Australian operations can be summarised as follows:

- **Consumer Segment**

  M2 Group provides fixed voice, broadband (inclusive of NBN products), mobile, energy (gas and electricity) and insurance services using two brands targeted at different consumers:

Brand	Key Features	Competitors
dodo	A low-cost provider of telecommunications, electricity, gas and insurance products and services. A one-stop provider with bundled packages. Aimed at the budget conscious consumer. Payment is via direct debit or credit card in advance.	TPG Telecom Exetel
iPRIMUS	Provides broadband, home phone and mobile products and services to households. Operates a traditional voice network and optical fibre assets. Positioned at a premium to *Dodo* with flexible payment options.	Telstra Optus iiNet (TPG Telecom)

In FY15, services in operation in the consumer segment increased by 95,000 to over 1.143 million. Broadband is the key product for M2 Group in this segment, representing around 40% of all services in operation. Since June 2013, M2 Group has experienced average annual growth in services of 10.7% (with broadband services growing by 14.5% per annum). Broadband will continue to be a strategically important product with the roll out of the NBN:



Source: M2 Group

M2 Group sells fixed voice services to the consumer segment on third party and owned networks. With 93% of new broadband sales bundled with fixed voice services, there is a strong overlap in the growth of services between these two products. M2 Group sells mobile services as a MVNO on the Optus network. Reflecting vigorous competition in the mobile market, M2 Group's mobile services in operation have declined to around 174,000.

M2 Group is a retailer of electricity and gas in Victoria and New South Wales and a retailer of electricity in Queensland and South Australia. This product is growing strongly (42% per annum since 30 June 2013, albeit off a relatively low base) and provides M2 Group with the opportunity to offer unique product bundles in the consumer segment.

M2 Group is focused on increasing overall average revenue per unit per month ("ARPU") in the consumer segment, improving customer retention and leveraging its existing brands into other product and service categories. In particular, it has recently commenced reselling insurance products (including travel, car and home insurance) under the *Dodo* brand.

- **Business Segment**

M2 Group provides fixed voice, broadband (inclusive of NBN products), mobile and energy (gas and electricity) services to the business segment. Its two brands are targeted at small business (2-20 employees) and sole traders as follows:

Brand	Key Features	Competitors
COMMANDER	A full service communications provider of office phone, mobile, broadband and data technologies for small businesses. Also offers electricity bundles. Supplies NBN ready phones and competitive NBN offers Supported by a franchised dealer network of over 30 Commander sites around Australia.	Telstra Optus iiNet (TPG Telecom)
engin	Provides micro and small office/home office businesses with communications products including broadband and phone bundles, hosted voice and cloud services	TPG Telecom

At 30 June 2015 M2 Group had 363,000 services in operation in the business segment. Fixed voice represents around 75% of services in operation and M2 Group is focused on retaining these services and capitalising on the opportunity to grow the business during the NBN roll

out period. To this end, it is positioning *Commander* as the small business NBN experts, and has increased marketing support for the brand and for the 30 site franchised *Commander* dealer network. In addition, M2 Group is focused on maximising its unique *Commander* offering (being the only business providing bundled telecommunications and energy services) and leveraging the brand into the sale of NBN ready phones. These strategies have resulted in a 3.5% increase in services in operation in FY15.

- **M2 Wholesale**

  M2 Wholesale offers wholesale telecommunications services to small and mid-sized telecommunications customers and internet service providers. It allows customers to market products via their existing sales channels and under their own brands. At 30 June 2015, M2 Wholesale had 165,000 services in operation.

  This business is transitioning from being a reseller of legacy voice and broadband services into a network operator. Its intention is to become the "NBN enabler" of choice for smaller internet service providers and, to this end, proposes to leverage the access to the NBN points of interconnect provided by the Telstra backhaul IRU agreement. As part of this strategy, the M2 Wholesale Cloud Communications Platform (which incorporates NBN as well as broadband and hosted voice services) was launched during FY15. M2 Wholesale's strategy is to target a broader range of telecommunication service providers as well as encourage new market entrants.

- **Aggregato**

  M2 Group has a 61.2% interest in a provider of prepaid international calling cards, Aggregato Global Limited ("Aggregato"), which distributes cards primarily in Australia and New Zealand.

4.2.3 New Zealand

M2 Group's New Zealand operations consist primarily of the CallPlus Group business acquired in June 2015. The business is headquartered in Auckland and operates in the same segments with similar multi-brand strategies as the Australian operations. It has more than 220,000 customers and 431,000 services in operation (224,000 fixed voice, 196,000 broadband and 11,000 mobile). M2 Group is the third largest provider of broadband and fixed voice services in New Zealand (behind Spark and Vodafone) with an estimated 15% market share.

Although it has invested in a national DSL network for its Slingshot brand, M2 Group's New Zealand operations primarily resell services on the Spark, Chorus and Vodafone networks. It has also positioned itself as a provider of UFB products in all segments and is focused on growing market share. M2 Group's New Zealand operations can be summarised as follows:

- **Consumer Segment**

  M2 Group provides fixed voice, broadband (inclusive of UFB products) and mobile services using three brands targeted at different consumers:

Brand	Key Features	Competitors
slingshot	Offers broadband, home phone and mobile products and bundles to the New Zealand households.	Spark 2 Degrees
orcon	A premium internet service provider offering super fast fibre services to high demand consumers. Offers broadband and bundles. A nationwide UFB provider.	Spark Vodafone
flip	Only contract free internet service provider with all sales and support online only. Aimed at cost-conscious consumers with payment in advance via direct debit or credit card only. Offers broadband and bundles.	Spark 2 Degrees

- **Business Segment**

  M2 Group provides fixed voice, broadband (inclusive of UFB products), mobile, hosted voice and cloud services to the business segment using two brands:

Brand	Key Features	Competitors
CallPlus	A full service provider to small and medium sized businesses including managed voice products, voice calling, mobile and internet services	Spark Vodafone
talk	A VoIP service provider aimed at small office/home offices and small businesses. Operates a prepaid, no contract model.	Voyager

- **CallPlus Wholesale**

  M2 Group's wholesale business in New Zealand leverages the same network investment and technologies as its business segment operations. It primarily targets retail service providers and IT system integrators with a full suite of communication solutions.

4.3 Financial Performance

The five years to 30 June 2015 have seen a substantial expansion in the scale and service offering of M2 Group. This has been largely driven by the acquisitions of Primus (FY12), Dodo and Eftel (FY13) and CallPlus Group (FY15). Since FY10, total revenue has grown by an average of around 26% per annum (proforma basis) while EBITDA has grown by around 46% (proforma basis):

M2 Group - Financial Performance ($ millions)

	Year ended 30 June					
	2011 actual	2012 actual	2013 actual	2014 actual	2015 actual	2015 proforma[18]
Revenue						
Consumer			263.9	579.8	672.1	822.8
Business			333.2	344.0	344.3	387.4
Retail	257.9	319.3	597.1	923.8	1,016.4	1,210.2
Wholesale	169.0	73.3	83.1	99.0	98.0	116.5
Total revenue	**426.9**	**392.6**	**680.2**	**1,022.8**	**1,114.4**	**1,326.7**
EBITDA[19]	**47.2**	**64.2**	**118.1**	**157.8**	**178.3**	**208.5**
Depreciation and other amortisation	(2.3)	(5.1)	(16.7)	(20.1)	(23.7)	(38.1)
EBITA[20]	**44.9**	**59.1**	**101.4**	**137.7**	**154.6**	**170.4**
Amortisation of customer contracts and relationships	(3.7)	(5.1)	(14.6)	(26.3)	(25.3)	(37.0)
EBIT[21]	**41.2**	**54.0**	**86.8**	**111.4**	**129.3**	**133.4**
Net interest expense	(0.8)	(2.0)	(10.9)	(17.5)	(12.8)	(27.3)
Share of profit of equity accounted associates	-	-	0.2	0.8	1.1	1.1
Significant and non-recurring items	-	(5.0)	(11.0)	-	(10.2)	(10.2)
Operating profit before tax	**40.4**	**47.0**	**65.1**	**94.7**	**107.4**	**97.0**
Income tax expense	(12.8)	(14.0)	(21.3)	(27.6)	(33.7)	(30.3)
Operating profit after tax	**27.6**	**33.0**	**43.8**	**67.1**	**73.7**	**66.7**
Outside equity interests	0.1	-	0.3	(0.1)	-	-
NPAT[22] attributable to M2 Group shareholders	**27.7**	**33.0**	**44.1**	**67.0**	**73.7**	**66.7**
NPAT (underlying)[23]	**31.3**	**38.1**	**65.0**	**85.5**	**100.0**	**101.2**
Statistics						
Basic earnings per share	*22.6¢*	*25.9¢*	*27.4¢*	*37.4¢*	*40.5¢*	*36.7¢[24]*
Basic earnings per share (underlying)	*25.3¢*	*29.8¢*	*40.4¢*	*47.7¢*	*55.0¢*	*55.7¢[24]*
Dividends per share	*16.0¢*	*18.0¢*	*20.0¢*	*26.0¢*	*32.0¢*	
Dividend payout ratio	*70.9%*	*69.7%*	*73.1%*	*69.6%*	*78.9%*	
Amount of dividend franked	*100%*	*100%*	*100%*	*100%*	*100%*	
Total revenue growth	*5.1%*	*(8.0%)*	*73.2%*	*50.4%*	*9.0%*	*29.7%*
EBITDA growth	*51.6%*	*35.9%*	*84.1%*	*33.5%*	*13.0%*	*32.2%*
EBITA growth	*57.5%*	*31.5%*	*71.6%*	*35.7%*	*12.4%*	*23.9%*
EBIT growth	*58.0%*	*31.1%*	*60.8%*	*28.3%*	*16.1%*	*19.8%*
EBITDA margin	*11.1%*	*16.3%*	*17.4%*	*15.4%*	*16.0%*	*15.7%*
EBITA margin	*10.5%*	*15.1%*	*14.9%*	*13.5%*	*13.9%*	*12.8%*
EBIT margin	*9.7%*	*13.8%*	*12.8%*	*10.9%*	*11.6%*	*10.1%*
Interest cover[25]	*60.0x*	*32.4x*	*10.8x*	*9.0x*	*13.9x*	*7.6x*

Source: M2 Group, Scheme Booklet and Grant Samuel analysis

18 Proforma FY15 financial performance for M2 Group as set out in Section 5.16 of Scheme Booklet which assumes that acquisition of CallPlus Group and the associated refinancing of M2 Group's borrowings occurred on 1 July 2014. Grant Samuel has adjusted the proforma FY15 financial performance to exclude interest income and share of profit of equity accounted associates from revenue, EBIT, EBITA and EBITDA.

19 EBITDA is earnings before net interest, tax, depreciation and other amortisation, amortisation of customer contracts and relationships, share of profits of equity accounted associates and significant and non-recurring items.

20 EBITA is earnings before net interest, tax, amortisation of customer contracts and relationships, share of profits of equity accounted associates and significant and non-recurring assets.

21 EBIT is earnings before net interest, tax, share of profits of equity accounted associates and significant and non-recurring items.

22 NPAT is net profit after tax.

23 NPAT (underlying) is NPAT plus amortisation of customer contracts and relationships and significant and non-recurring (after tax). For FY11-FY12 as reported by M2 Group and for FY13-FY15 as set out in Section 5.16 of the Scheme Booklet.

24 Calculated as NPAT divided by 181.8 million shares (being weighted average number of shares on issue in FY15).

25 Interest cover is EBITDA divided by net interest.

In reviewing M2 Group's financial performance the following points should be noted:

- FY15 (proforma) represents the aggregation of the FY15 financial results for M2 Group and CallPlus Group, assuming CallPlus Group was acquired on 1 July 2014. No allowance has been made for any synergies from the acquisition;
- M2 Group reports its operations by market segment. Historically, it reported two segments (retail and wholesale) but since the acquisition of Dodo and Eftel in FY13 the retail segment has been split into consumer and business segments;
- the decline in wholesale revenue in FY12 reflects the decision to eliminate some high volume, low margin revenue of the Edirect business following its acquisition in March 2011;
- depreciation and other amortisation relates to the depreciation of plant and equipment and the amortisation of software and IRU capacity (M2 Group acquired an IRU intangible asset in the acquisition of Primus in FY12). Amortisation of customer contracts and relationships relates to customer contracts and relationships acquired by M2 Group;
- share of profits of associates are M2 Group's interest in Aggregato from acquisition in December 2012 until 30 June 2015 when it increased its interest to 61.2% and Aggregato became a subsidiary;
- significant and non-recurring items relate to acquisition and integration costs associated with the Primus (FY12), Dodo and Eftel (FY13) and CallPlus Group (FY15);
- outside equity interests are the 30% of M2 NZ Ltd that M2 Group did not acquire until June 2015, following which M2 NZ Ltd has been integrated with CallPlus Group; and
- M2 Group has maintained a dividend policy of 70% of reported NPAT since listing on the ASX. The FY15 dividend (which represented a payout ratio of 78.9%) was determined having regard to one off transaction costs.

Analysis of M2 Group's operating performance on a consolidated basis is complicated by the major acquisitions in the last five years (e.g. FY12 reflects only one month's contribution from Primus, FY13 reflects two month's contribution from Dodo and one month's contribution from Eftel and FY15 reflects one month's contribution from CallPlus Group). Nevertheless, the FY14 and FY15 results illustrate M2 Group's operating performance prior to the acquisition of CallPlus Group. This period shows a decline in consolidated EBITDA margin due to the increased proportion of earnings derived from the lower margin consumer segment. With around 65% of CallPlus Group's revenue earned from the consumer segment, the consolidated FY15 (proforma) performance shows a similar EBITDA margin.

Analysis of M2 Group's segment reporting over the period (see Appendix 1) provides some operational insights (although this analysis should be treated with caution as M2 Group operates an integrated business model and segment results should be viewed only as an indication of underlying trends):

- revenue growth has primarily been derived as a consequence of the acquisition of the consumer businesses with revenue growth in the business and wholesale segments relatively flat, until the acquisition of CallPlus Group. Prior to this acquisition, M2 Group's revenue growth was slowing across the business;
- revenue growth has been achieved on a profitable basis with overall EBITDA and NPAT growing at average annual growth rates over the five years (on a proforma basis) of 46% and 33% respectively; and
- while overall EBITDA margins have grown (and maintained on acquisition of CallPlus Group), margins in the consumer segment have come under pressure.

M2 Group has not publicly released earnings forecasts for the year ending FY16 or beyond. However, on 24 August 2015, it provided guidance for FY16 as follows:

- revenue growth of 24-26% relative to FY15 (as reported);
- NPAT growth of 30-35% relative to FY15 (as reported); and
- capital expenditure of approximately 2.5% of revenue.

In order to provide an indication of the expected future financial performance of M2 Group, Grant Samuel has considered brokers' forecasts for M2 Group (see Appendix 2) as follows:

M2 Group – Financial Performance ($ millions)					
	Year end 30 June				
	2015		Broker Consensus (Median)		
	actual	proforma	2016	2017	2018
Total revenue	1,114.4	1,326.7	1,402.3	1,478.5	1,554.4
EBITDA	178.3	208.5	234.9	252.2	264.2
EBITA	154.6	170.4	200.0	218.7	233.9
EBIT	129.3	133.4	163.9	185.7	204.2
NPAT	73.7	66.7	97.5	115.4	131.0
NPAT (underlying)	100.0	101.2	122.8	137.0	147.7

Source: Scheme Booklet and Grant Samuel analysis (see Appendix 2).

The median broker consensus forecasts for FY16 projects a 25.8% increase in revenue and a 32.3% increase in NPAT over FY15 (actual) which is consistent with M2 Group's guidance. Over the longer term, the median broker forecasts indicate slowing revenue and profit growth but some increase in margins:

- revenue growth declines from around 6% to 5% across the period to FY18;
- EBITDA growth is 12% in FY16 (over proforma FY15) reflecting operational efficiencies emerging following the acquisition of CallPlus Group. Growth declines to 5% in FY18;
- the growth rates for EBIT and NPAT are higher than for EBITDA (albeit also declining over the period), reflecting the amortisation profile for M2 Group's IRU intangible assets and (at NPAT level) the impact of operating cash flow on reducing borrowings and therefore net interest; and
- EBITDA margin strengthens by around 1% over the period to FY18.

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4.4 Financial Position

The financial position of M2 Group at 30 June 2015 is summarised below:

M2 Group - Financial Position ($ millions)	
	As at 30 June 2015 actual
Debtors, prepayments, inventories and other current assets	170.0
Creditors, accruals, provisions and other current liabilities	(301.3)
Derivative instruments (electricity hedges and forward exchange contracts) (net)	2.3
Net working capital	**(129.0)**
Property, plant and equipment (net)	80.6
Goodwill	671.1
IRU capacity (net)	58.2
Other intangible assets (net)	183.2
Investment in Inabox Group Limited (8.3%)	1.7
Deferred tax assets (net)	(16.6)
Other non-current assets and liabilities (net)	(1.9)
Total funds employed	**847.3**
Cash and deposits	84.7
Interest bearing loans and other borrowings	(571.7)
Interest rate swaps (net)	(2.0)
Net borrowings	**(489.0)**
Net assets	**358.3**
Outside equity interests	8.1[26]
Equity attributable to M2 Group shareholders	**366.4**
Statistics	
Shares on issue at period end (million)	*183.4*
Net assets per share	*$1.95*
NTA[27] per share	*($3.02)*
NTA per share (inclusive of IRU capacity)[28]	*($2.70)*
Book gearing[29]	*57.6%*
Market gearing[30]	*19.9%*

Source: M2 Group and Grant Samuel analysis

Net working capital is negative reflecting the extent to which M2 Group receives income on a prepaid basis, comprising unearned revenue (i.e. revenue billed and paid for in advance of the provision of the service) and deferred commission revenue (i.e. commissions received from suppliers which are recognised over the average customer contract).

Goodwill and other intangibles (net) increased materially in FY15 (by $279.1 million) primarily as a consequence of the acquisition of CallPlus Group and the increased investment in Aggregato. Other intangible assets (net) include acquired customer contracts and brands and software purchased in the ordinary course of business. Customer contracts are amortised on a straight line basis over a period of two to four years and software over periods of two to ten years. Brands are assessed to have indefinite lives and are subject to impairment testing.

IRU capacity represents contractual capacity on third party telecommunications infrastructure. It is recognised as an intangible asset at cost, being the fair value on acquisition or the present value of the future cash flows payable for the right (as applicable). The intangible asset is amortised on a straight line basis over the remaining life of the underlying contracts. M2 Group's IRU capacity comprises arrangements held by Primus at acquisition in June 2012 (net $20.9 million) which are being amortised over two to 12 years and a NBN backhaul agreement with Telstra which began on 1 July 2015 ($37.2 million) which is to be amortised on a straight line basis over 15 years.

26 Outside equity interest is the 38.8% minority interest in Aggregato.
27 NTA is net tangible assets, which is calculated as net assets less intangible assets (including IRU capacity).
28 Calculated as net assets less intangible assets (excluding IRU capacity).
29 Book gearing is net borrowings divided by net assets plus net borrowings.
30 Market gearing is net borrowings divided by market capitalisation (at period end) plus net borrowings.

M2 Group uses derivative financial instruments to manage its exposure to various risks including fluctuations in electricity prices, foreign exchange rates and interest rates. The fair value of derivative instruments in relation to electricity prices and foreign exchange rates relates to M2 Group's business operations and is included in net working capital while the fair value of interest rate derivative instruments has been included as a component of net borrowings.

During FY15, M2 Group's book gearing increased from 43.7% to 57.6%, principally as a consequence of the acquisition of CallPlus Group. Net borrowings consist principally of a syndicated loan facility and the liabilities in relation to IRU capacity as follows:

M2 Group – Net Borrowings at 30 June 2015 ($ millions)

Facility	Facility Size	Amount Drawn	Term/Maturity
Syndicated loan facility	685.0	530.2	June 2018, June 2020
Finance leases and hire purchase contracts	0.7	0.7	Various to 2017
IRU capacity liability	40.8	40.8	July 2021
Total interest bearing liabilities	**726.5**	**571.7**	
Cash and short term deposits		(84.7)	
Interest rate swaps (net)		2.0	
Net borrowings		**489.0**	

Source: M2 Group

On the acquisition of the CallPlus Group, M2 Group refinanced into a new multi-year syndicated loan facility which is secured by fixed and floating charges over M2 Group's business assets and subject to financial covenants. Finance leases and hire purchase liabilities are secured over the subject assets. The IRU capacity liability primarily relates to the NBN backhaul agreement with Telstra. M2 Group's liquidity obligations in relation to its energy retailing activities are addressed by bank guarantees and loan facility headroom and cash balances are generally considered surplus.

Under the Australian tax consolidation regime, M2 Group and its wholly owned Australian resident entities have elected to be taxed as a single entity. At 30 June 2015, M2 Group had no material carried forward income tax losses and no carried forward Australian capital losses. M2 Group had $12 million in accumulated franking credits after allowing for the payment of income tax for FY15 and payment of the final FY15 dividend on 29 October 2015.

4.5 Cash Flow

M2 Group's growth over the last five years has been funded largely from operating cash flow and borrowings. As the business has grown, M2 Group has maintained a 70% payout ratio and therefore dividend payment have also grown across the period:

M2 Group - Cash Flow ($ millions)

	Year ended 30 June				
	2011 actual	2012 actual	2013 actual	2014 actual	2015 actual
EBITDA	**47.3**	**64.1**	**118.2**	**157.8**	**178.3**
Changes in working capital and other adjustments	(2.8)	(10.8)	(20.3)	(27.8)	(26.2)
Capital expenditure (net)	(44.3)	(6.0)	(20.2)	(23.7)	(28.2)
Operating cash flow	**0.2**	**47.3**	**77.7**	**106.3**	**123.9**
Tax paid	(4.1)	(9.7)	(24.7)	(27.0)	(18.9)
Net interest paid	(0.8)	(2.0)	(10.9)	(17.3)	(11.8)
Dividends paid	(12.1)	(19.1)	(23.6)	(28.9)	(39.3)
Business acquisitions (net of cash)	-	(195.2)	(153.8)	-	(237.9)
Proceeds from share issues (net)	1.0	84.0	2.3	0.8	3.4
Repayment of borrowings	(6.9)	(9.1)	(142.9)	(33.4)	(308.6)
Proceeds of borrowings	20.1	119.5	307.6	-	532.8
Other	-	(3.2)	(8.7)	(7.5)	0.1
Net cash generated (used)	**(2.6)**	**12.5**	**23.0**	**(7.0)**	**43.7**
Opening cash	*15.1*	*12.5*	*25.0*	*48.0*	*41.0*
Closing cash	*12.5*	*25.0*	*48.0*	*41.0*	*84.7*

Source: M2 Group and Grant Samuel analysis

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4.6 Capital Structure and Ownership

M2 Group has the following securities on issue:

- 184,415,676 ordinary shares;
- 333,333 options over unissued ordinary shares; and
- 482,857 performance rights which may be settled in ordinary shares or cash.

At 30 October 2015, there were 16,706 registered shareholders in M2 Group. The top 20 registered shareholders accounted for approximately 61% of the ordinary shares on issue and are principally institutional nominee or custodian companies. M2 Group's registered shareholders are predominantly Australian based investors (almost 96% of registered shareholders and 97% of securities on issue) and over 93% hold less than 10,000 shares although this represents less than 17% of shares on issue. M2 Group has no substantial shareholders.

M2 Group operates the following long term incentive plans as a key element of its executive remuneration:

- under an Executive Management Team Share Option Plan participants are granted options to receive M2 Group shares. Each option entitles the participant to receive one M2 Group share at a future time for the exercise price subject to achievement of continuous service conditions and vesting periods. Options have no dividend entitlements or voting rights. In the event of a change of control, the Board has discretion to determine the treatment of unvested options; and
- under a Long Term Incentive Plan participants are granted performance rights that can be settled in M2 Group shares or cash subject to achievement of performance hurdles over a three year performance period. Performance rights have no dividend entitlements or voting rights. In the event of a change of control, the Board has discretion to determine the treatment of unvested performance rights.

4.7 Share Price Performance

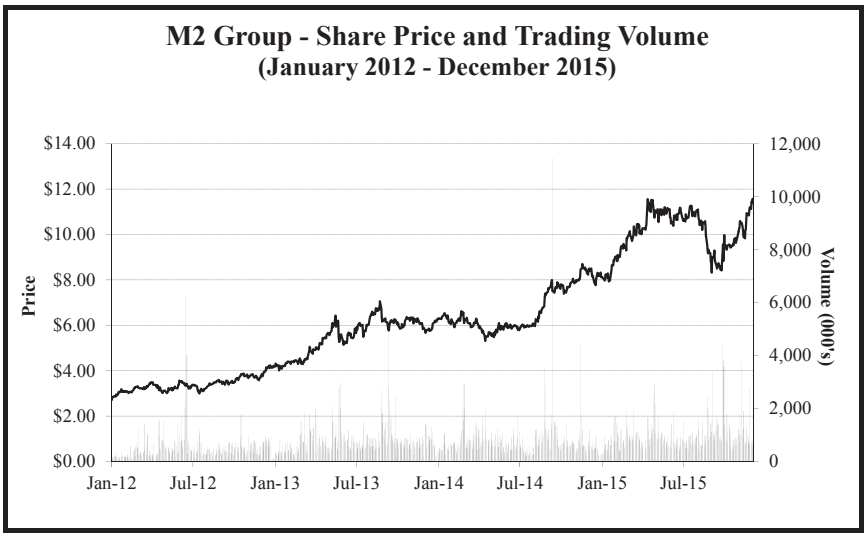
A summary of the price and trading history of M2 Group since 1 January 2010 is set out below:

M2 Group - Share Price History

	Share Price ($)			Average Weekly Volume (000's)	Average Weekly Transactions
	High	Low	Close		
Year ended 31 December					
2010	2.80	1.32	2.79	691	406
2011	3.93	2.27	2.70	1,238	1,476
2012	4.23	2.72	4.18	2,532	3,931
2013	7.27	4.01	6.27	4,016	9,913
2014	8.75	5.27	8.13	3,958	11,931
Quarter ended					
31 March 2015	10.53	7.70	10.14	4,222	14,982
30 June 2015	11.79	10.00	10.70	4,471	20,037
Month ended					
31 July 2015	11.38	10.50	11.04	4,275	22,464
31 August 2015	11.15	8.76	9.16	4,956	20,845
30 September 2015	10.47	8.32	9.49	8,399	26,992
31 October 2015	10.13	9.15	9.90	5,313	19,587
30 November 2015	11.27	9.76	11.12	6,067	21,084
31 December 2015 (to 4 December)	11.59	11.05	11.53	5,194	31,757

Source: IRESS
Note: Prices adjusted for 1 for 4 renounceable entitlements offer announced on 16 April 2012.

The following graph illustrates the movement in the M2 Group share price and trading volumes since January 2012:



Source: IRESS

During 2012, M2 Group announced the acquisition of Primus and an associated $2.66 entitlement offer (April 2012), was admitted to the S&P/ASX 200 Index in June 2012 and released strong FY12 results in August 2012. As a result, its share price rose steadily across the period from around $2.70 to around $4.20 (at a VWAP[31] of $3.43) on increased trading volumes. The share price continued to rise during 2013 on the back of continuing positive earnings results and the acquisition of Dodo and Eftel. M2 Group's share price peaked at $7.27 in intra-day trade on 26 August 2013 before settling to trade in the range of $5.27-6.93 (at a VWAP of $6.03) until August 2014.

The M2 Group share price rose steeply to around $6.80 ahead of the release of its FY14 results on 25 August 2014. It continued to rise to around $8.00 following the release of FY14 results (showing a 60% increase in underlying profit) notwithstanding the sale on 11 September 2014 of around 5% of issued capital by interests associated with the former owner of Dodo. For the remainder of 2014 M2 Group shares traded in the range $7.32-8.75 (at a VWAP of $7.88) and closed at $8.13 on 31 December 2014.

In mid January 2015, the M2 Group share price started rising and reached a record high of $11.79 in intra-day trade on 24 April 2015. Although no specific company news was released in the period from November 2014 to mid February 2015, the catalyst for the price increase is likely to have been speculation as to further corporate activity in the telecommunications sector following the signing of a scheme implementation agreement between Vocus and Amcom on 17 December 2014. The price rise was further supported by M2 Group's record half year profit result on 23 February 2015, the announcement of TPG Telecom's $1.4 billion, all-cash bid for iiNet on 13 March 2015, the announcement of M2 Group's acquisition of CallPlus Group on 13 April 2015 and the announcement of M2 Group's counter bid for iiNet on 27 April 2015. Overall, during the first half of 2015, M2 Group's shares traded in the range $7.70-11.79 (at a VWAP of $10.18) and closed at $10.70 on 30 June 2015.

Subsequently, until the announcement of the FY15 results on 24 August 2015 (a period which included a 12% stockmarket correction), M2 Group's shares traded broadly in the range of $9.80-11.25, at a VWAP of $10.75. The market response to the FY15 result was lukewarm. The share price fell by 15% over the next five weeks to close at $8.42 on 25 September 2015 (the last trading

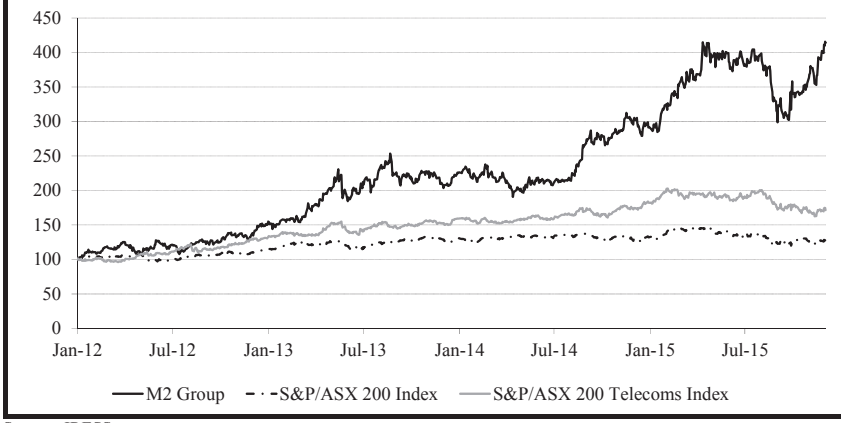
[31] VWAP is volume weighted average price.

day prior to the announcement of the Merger). On announcement of the Merger on 28 September 2015, the M2 Group share price jumped sharply (around 13%) to close at $9.55. Since then, the share price has strengthened further to trade in the range $8.83-11.59 (at a VWAP of $9.53). M2 Group shares closed at $11.53 on 4 December 2015.

M2 Group has been a moderately liquid stock. Average weekly volume over the twelve months prior to the announcement of the Merger represented approximately 2.4% of average shares on issue or annual turnover of around 122% of total average issued capital.

M2 Group is a member of various indices including the S&P/ASX 200 Index, S&P/ASX 200 Telecoms and the S&P/ASX Small Industrials. Its weighting in these indices is approximately 0.12%, 2.08% and 1.14% respectively. The following graph illustrates the performance of M2 Group shares since January 2012 relative to the S&P/ASX 200 Index and S&P/ASX 200 Telecoms Index:

M2 Group vs S&P/ASX 200 Index vs S&P/ASX 200 Telecoms Index
(January 2012 - December 2015)



Source: IRESS

After underperforming the S&P/ASX 200 in the first quarter of 2012, the S&P/ASX 200 Telecoms Index (in which Telstra has a 79% weighting) outperformed during the remainder of 2012 and performed in line until November 2014. During 2012 and through to August 2013, M2 Group generally outperformed both indices. Subsequently until November 2014 M2 Group had periods of significant under performance (August/September 2013) and over performance (August-September 2014), generally coinciding with corporate financial announcements.

Following the announcement of Vocus' approach to Amcom on 27 October 2014, the sector index initially outperformed before mirroring the performance of the wider market through to September 2015. In this period, M2 Group mirrored the S&P/ASX Telecoms Index until mid February 2015 before significantly outperforming through to late April 2015 (during a period of corporate activity). Subsequently, M2 Group performed in line with the market (including the 12% decline that occurred in the first three weeks of August 2015) but underperformed in the week following the release of its FY15 results on 24 August 2015. Since the announcement of the Merger, the sector index has underperformed the wider market (primarily reflecting the decline in the Telstra share price following the ACCC's decision to decrease access prices to Telstra's copper network by 9.4% from 1 November 2015) while M2 Group has, after a short period of volatility, outperformed the S&P/ASX Telecoms Index and traded broadly in line with the wider market.

5 Profile of Vocus Communications Limited

5.1 Background

Vocus was launched in March 2008 as an independent provider of wholesale services to the ISP and telecommunications markets in Australia and New Zealand. This business was based on leveraging a contractual right of access to the Southern Cross Cable. Vocus was listed on the ASX in July 2010 following a reverse takeover of an existing ASX listed entity. At that time, it had over 100 customers and annual revenue of around $17.5 million (of which around 63% was derived from IP transit services).

Since listing, Vocus has grown its business both organically and by acquisition. Key acquisitions in the period to June 2015 were:

- the Sydney and Melbourne data centre businesses of E3 Networks in November 2010 and the Perth IX data centre business in May 2011. By way of these acquisitions, Vocus entered the data centre market;
- the fibre network assets of Digital River Networks in May 2011. This represented Vocus' entry into the dark fibre market;
- the New Zealand based data centre provider Maxnet Limited in June 2012;
- the integrated fibre and data centre provider Ipera Communications in January 2013;
- the New Zealand intercity fibre network business FX Networks Limited ("FX Networks") in September 2014;
- the Bentley data centre business in Perth in August 2014; and
- the Sydney and Melbourne data centres of Enterprise Data Corporation in April 2015.

During this period, Vocus also invested in building out a metropolitan fibre network in Australian capital cities, developing data centres and increasing its capacity rights to the Southern Cross Cable and disposed FX Network's cable installation business to form Connect 8 Pty Limited ("Connect 8"), a joint venture with Spark.

By June 2015, Vocus was a major provider of telecommunication services primarily to large corporate and wholesale clients on the east coast of Australia and in New Zealand, with annual revenue in excess of $150 million. However, the $660 million scrip acquisition of ASX listed Amcom Communications Limited ("Amcom") completed on 8 July 2015 has transformed Vocus into a trans-Tasman telecommunication infrastructure provider with a national footprint in Australia and annual revenue of over $300 million.

Amcom had a business offering services similar to Vocus but focused on Western Australia, South Australia and the Northern Territory. After acquiring a 10% interest in October 2014, Vocus announced a proposal to combine the businesses. Following a period of due diligence, a scheme implementation agreement was executed on 17 December 2014 with the intention of completing the transaction prior to 30 June 2015. The transaction did not proceed as smoothly as expected as existing Amcom shareholder, TPG Telecom, increased its shareholding from 6.7% to 18.6% (and subsequently to 19.99%) and announced that it would vote against the transaction. However, although the Amcom scheme meeting was delayed, the Amcom shareholders approved the transaction on 15 June 2015 and it was implemented on 8 July 2015.

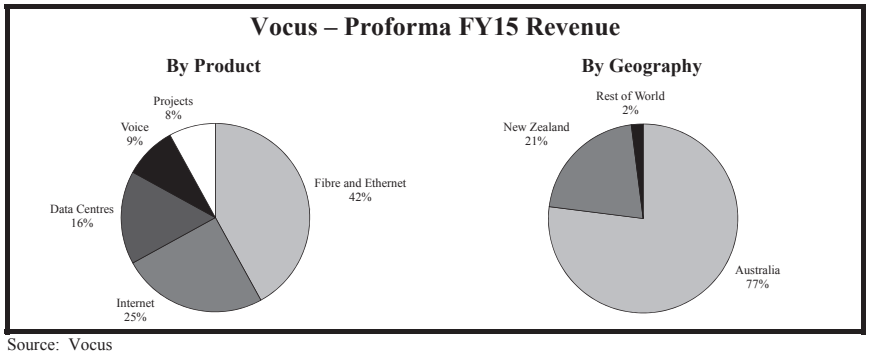
On 11 November 2015, Vocus announced that it had signed a non-binding term sheet with Nextgen Group regarding a 50/50 joint venture to build the Australia Singapore Cable (which will connect Australia to Singapore and Indonesia). It is currently engaged in due diligence on this opportunity.

Vocus is headquartered in Sydney, employs around 590 people and had a market capitalisation of around $1.5 billion prior to the announcement of the Merger.

5.2 Business Operations

Vocus provides high speed telecommunications services across Australia and New Zealand. In addition to providing internet capacity, it designs, develops, owns and operates fibre networks and data centres. This infrastructure network enables Vocus to provide high performance, scalable communications solutions primarily to wholesale, corporate and government customers.

Vocus operates an integrated business but discloses revenue by product and geography as follows:



Source: Vocus

Vocus operates a dedicated wholesale and direct sales team focused on corporate and government customers as well as an indirect sales distribution channel of around 140 channel partners in Australia and New Zealand. It has sought to differentiate itself from its competition through a highly responsive, customer-centric approach to its target market. Vocus' core network and service delivery functions support all of its products and segments.

Vocus is currently focused on integrating Amcom and its other recent acquisitions with the objective of increasing operational leverage across all its activities. It has refreshed its corporate brand, positioning itself as a leading trans-Tasman telecommunications alternative for business and enterprise communication solutions. In particular, it is focused on selling services to customers located in buildings already connected to its network.

Vocus' business operations are described below and its operating performance is discussed in Section 5.3 of this report.

Fibre and Ethernet

Vocus owns and operates a fibre network that allows customers to establish a private, fast and secure connection to link their enterprise locations, to link to data centres and to access the internet. Vocus entered the fibre market in May 2011 with the acquisition of the Digital River Networks fibre assets and has grown its network by a combination of organic growth (i.e. building of fibre networks) and through acquisitions (e.g. FX Networks, Amcom). Vocus' fibre infrastructure comprises:

- **Australia:** approximately 1,600 kilometres of fibre in nine metropolitan areas[32] connecting over 3,400 buildings and over 100 third party data centres. Vocus' network (excluding the recently acquired Amcom fibre network) is currently operating at around 15.8% utilisation[33]. Having targeted network density rather than fibre distance (i.e. maximising the number of addressable customers per kilometre), Vocus is now focusing on increasing utilisation (i.e. adding more customers to the existing network). The network is digitally mapped, a competitive advantage in marketing and network service terms. New fibre capacity will be added in response to customer demand; and
- **New Zealand:** a 4,300 kilometre ducted intercity optical fibre network with access to 100% UFB points of interconnect.

With this infrastructure Vocus provides customers with two key products:

- dark fibre services that provide secure point to point connectivity for customers. These services are available in major metropolitan cities in Australia and New Zealand; and
- ethernet services which provide metropolitan, intercity and international point to point or point to multi-point connectivity for customers. These services are available to connect sites across Australia, New Zealand, Singapore, Hong Kong and the United States.

32 Sydney, Melbourne, Brisbane, Newcastle, Perth, Adelaide, Canberra, Darwin and Alice Springs.

33 Utilisation is used fibre kilometres (i.e. used to deliver customer traffic) divided by total fibre kilometres (i.e. capacity available to sell) at a point in time.

Vocus provides design and build management services but outsources fibre installation to third parties. A relationship marketing approach has successfully underpinned the growth of Vocus' fibre network but targeting increased network utilisation will require modifications to this approach in order to reach small to medium businesses. The acquisition of Amcom has enhanced Vocus' marketing capabilities in the corporate sector. Customers contract for periods of 12 to 60 months and churn rates are low. There are minimal additional costs to service customers once a site is connected to the network.

Internet

Vocus aggregates and manages internet capacity in Australia and New Zealand. It provides wholesale bandwidth and DSL services to internet service providers and other telecommunications companies as well as internet access to business enterprises and, with the Perth based Amnet brand, residential and small business customers.

Vocus operates the third largest IP transit capacity in Australia behind Telstra and Optus and the second largest in New Zealand behind Spark. It provides internet connectivity primarily through capacity on two submarine optical fibre cables which link Australia and New Zealand to the global internet backbone[34]. Vocus:

- has entered into a series of capacity use agreements for the life of the Southern Cross Cable, currently November 2030. In February 2015, Vocus entered into purchase commitments for additional capacity to ensure that it will continue to meet demand; and
- owns capacity rights via a 10% interest in the Perth-Singapore leg of the SEA-ME-WE 3 Cable. The cable has an effective life to 2025 but upgrades are expected.

While the volume of internet traffic has increased in recent years, prices have declined due to increased competition. Notwithstanding this decline in yield, Vocus has experienced revenue growth from its internet product.

Data Centres

Vocus owns and operates 22 data centres (at 17 locations) with an area totalling 8,027m2. Of these data centres, 19 are located in Australia (15 locations) and three in New Zealand. These data centres provide co-location services to telecommunications sector and business enterprise customers. Vocus focuses on central business district or near central business district locations for data centres. It offers space to customers typically on fixed term contracts and revenue is derived by charging a fee for housing the customer's IT equipment and infrastructure. Vocus' data centre portfolio represents an important lead generation tool for its fibre network and internet businesses.

Voice

Vocus operates as an interconnect carrier with its voice network primarily providing the ability to route calls to/from Vocus clients to both national and international destinations. It provides wholesale voice services primarily to VoIP service providers, the calling card industry and resellers. Vocus has recently invested to shift its platform towards providing voice services to corporate clients as part of a bundled service offering. Following the Amcom acquisition, this business now also provides "hosted" data, voice and video solutions to customers across Australia using Broadsoft and CISCO unified communications platforms.

Projects

This segment comprises IT Services, which sells and licences IT hardware, provides IT consulting services and provides a range of managed services (such as network management) in Australia, and a 50% interest in Connect 8, a New Zealand based cable installation business. On 3 December 2015, following a strategic review, Vocus announced the sale of IT Services.

[34] Access to other cable systems is leased as required.

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5.3 Financial Performance

At its listing in July 2010 over 60% of Vocus' revenue was principally derived from IP transit services utilising its access to capacity on the Southern Cross Cable. Since then Vocus has expanded its services offering, both through organic growth and by acquisition. Between FY10 and FY14 Vocus grew revenue and EBITDA at an average rate of around 50% per annum. As a result of four acquisitions (including Amcom and FX Networks) and strong organic growth, Vocus has effectively tripled in size in FY15.

The financial performance of Vocus for the five years ended 30 June 2015 and the proforma financial performance for Vocus for FY15 is summarised below:

Vocus - Financial Performance ($ millions)

	Year ended 30 June					
	2011 actual	2012 actual	2013 actual	2014 actual	2015 actual	2015 proforma[35]
Revenue						
Fibre and ethernet	1.8	5.4	15.1	28.2	64.5	139.6
Internet	16.8	20.5	27.1	37.6	43.9	81.3
Data centres	3.1	9.4	15.6	18.6	26.6	51.8
Voice	9.0	9.8	8.7	7.4	12.3	28.3
Projects	-	-	-	-	1.7	30.4
Total revenue	**30.7**	**45.1**	**66.5**	**91.8**	**149.0**	**331.4**
EBITDA	**10.1**	**16.0**	**21.7**	**33.0**	**51.0**	**104.8**
Depreciation and other amortisation	(2.9)	(4.7)	(8.4)	(11.5)	(18.1)	(38.0)
EBITA	**7.2**	**11.3**	**13.3**	**21.5**	**32.9**	**66.8**
Amortisation of customer contracts	(0.1)	(0.5)	(0.5)	(0.3)	(0.5)	(6.7)
EBIT	**7.1**	**10.8**	**12.8**	**21.2**	**32.4**	**60.1**
Net interest expense	(0.6)	(0.5)	(1.0)	(1.8)	(5.3)	(12.5)
Share of profits of associates	-	-	-	-	0.5	0.5
Significant and non-recurring items (net)	3.7	(0.5)	(4.7)	(0.9)	0.7	(9.9)
Operating profit before tax	**10.2**	**9.8**	**7.1**	**18.5**	**28.3**	**38.2**
Income tax expense	(2.1)	(2.0)	(2.0)	(5.6)	(8.4)	(11.4)
NPAT attributable to Vocus shareholders	**8.1**	**7.8**	**5.1**	**12.9**	**19.9**	**26.8**
NPAT (underlying)[36]	**5.5**	**8.4**	**8.9**	**13.7**	**18.1**	**36.7**
Statistics						
Basic earnings per share[37]	*15.0¢*	*12.8¢*	*6.9¢*	*15.9¢*	*19.3¢*	*11.8¢[38]*
Basic earnings per share (underlying)[37]	*10.1¢*	*13.9¢*	*11.9¢*	*16.8¢*	*17.7¢*	*16.2¢[38]*
Dividends per share	-	-	*1.0¢*	*1.8¢*	*3.2¢[39]*	
Dividend payout ratio	-	-	*14.6%*	*11.3%*	*16.6%*	
Amount of dividend franked	-	-	*100%*	*100%*	*100%*	
Total revenue growth	*75.7%*	*46.8%*	*47.5%*	*38.0%*	*62.4%*	*261.2%*
EBITDA growth	*44.5%*	*58.2%*	*35.7%*	*52.5%*	*54.8%*	*217.6%*
EBITA growth	*46.6%*	*56.7%*	*17.4%*	*63.0%*	*52.8%*	*209.1%*
EBIT growth	*45.3%*	*50.9%*	*18.9%*	*66.2%*	*52.2%*	*181.9%*
EBITDA margin	*32.9%*	*35.4%*	*32.6%*	*35.9%*	*34.3%*	*31.6%*
EBITA margin	*23.4%*	*25.0%*	*19.9%*	*23.5%*	*22.1%*	*20.1%*
EBIT margin	*23.2%*	*23.9%*	*19.2%*	*23.2%*	*21.7%*	*18.1%*
Interest cover	*17.6x*	*31.9x*	*20.9x*	*18.1x*	*9.7x*	*8.4x*

Source: Vocus, Scheme Booklet and Grant Samuel analysis

35 Proforma FY15 financial performance for Vocus as per Section 6.13 of Scheme Booklet which assumes the acquisitions of the Bentley data centre, FX Networks, the data centre business of Enterprise Data Corporation and Amcom occurred on 1 July 2014. Grant Samuel has adjusted the proforma FY15 financial performance to exclude share of profits of equity accounted associates from EBIT, EBITA and EBITDA.

36 NPAT (underlying) is NPAT plus amortisation of customer contracts and significant and non-recurring (after tax). For FY11-FY12 it is as reported by Vocus and for FY13-FY15 it is as set out in Section 6.13 of the Scheme Booklet.

37 Basic earnings per share is calculated based on the weighted number of shares on issue (i.e. including treasury shares).

38 Calculated as proforma NPAT divided by 227.3 shares (being proforma weighted average shares on issue in FY15).

39 Excluding the special dividend of 5.1 cents per share declared during FY15 subject to completion of the acquisition of Amcom.

In reviewing Vocus' financial performance the following points should be noted:

- FY15 (proforma) represents the aggregation of the FY15 financial results for Vocus, Amcom, the Bentley data centre, two data centres of Enterprise Data Corporation and FX Networks assuming all acquisitions occurred on 1 July 2014;
- depreciation and other amortisation expense relates to the depreciation of fibre assets, data centre assets, network equipment and other plant and equipment and the amortisation of IRU capacity, capitalised software costs and other intangibles. Amortisation of customer contracts relates to the amortisation of amounts paid for customer contracts by Vocus;
- share of profits of associates relates to a 50% interest in the NPAT of Connect 8 from establishment of the joint venture in March 2015 to 30 June 2015;
- significant and non-recurring items reported by Vocus are summarised below:

Vocus – Significant and Non-Recurring Items ($ millions)

	Year ended 30 June					
	2011 actual	2012 actual	2013 actual	2014 actual	2015 actual	2015 proforma
Net foreign exchange gains/(losses)	3.7	(1.0)	(5.2)	(0.2)	(0.6)	(0.6)
Gain on early borrowings repayment	-	-	-	0.6	5.5	5.5
Gain on total return swaps (Amcom)	-	-	-	-	7.5	7.5
Acquisition and integration costs	-	-	(0.2)	(1.4)	(10.4)	(21.0)
Other (net)	-	0.5	0.7	0.1	(1.3)	(1.3)
Total	**3.7**	**(0.5)**	**(4.7)**	**(0.9)**	**0.7**	**(9.9)**

Source: Vocus

- earnings per share has grown at around 4.3% per annum since FY10. While most of Vocus' operating cash flows have been reinvested in growth initiatives, Vocus commenced paying dividends in FY13.

The number of acquisitions made over the period complicates analysis of Vocus' operating performance. Vocus has generally achieved high growth in revenue and profits across the period, although growth in profits slowed (and operating margins dipped) in FY13 reflecting the significant investment in new infrastructure and the integration process for previous acquisitions. These factors, together with a significant unrealised net foreign exchange loss, an institutional equity placement and an increase in the effective tax rate, resulted in earnings per share nearly halving in FY13.

Vocus operates an integrated business but discloses revenue by product. This data reveals that:

- the financial contribution of Vocus' internet business has become less important over time as its service offering has expanded, its fibre network has been built out and its data centre business developed. On a proforma basis, the internet business accounts for around 25% of total revenue. Although prices for internet services have declined in recent years, volume growth has meant that Vocus has experienced average growth in internal revenue of around 48% per annum from its internet product (proforma basis);
- investment in its fibre network and data centres has been rewarded by substantial growth in the recurring revenue from these products. Organic growth and the acquisitions made in FY15 (including Amcom) effectively quadrupled revenue from fibre and ethernet and more than doubled revenue from data centres;
- revenue from voice increased in FY15 (actual) reflecting the refresh of Vocus' platform and greater focus on the wholesale client segment. The acquisition of Amcom has added hosted data, voice and video services to the product offering, doubling revenue for this product; and
- projects represents Amcom's IT services business as well as the revenue of the New Zealand construction business until Connect 8 was created in March 2015.

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Proforma FY15 financial performance shows the substantial step up in scale of the Vocus' business during that year. On a proforma basis, operating margins have contracted but it should be noted that the proforma results do not reflect any cost or other synergies available to Vocus as a consequence of the recent acquisitions and due to the inclusion of Amcom's lower margin IT services business. In this regard, the annualised cost savings associated with the acquisition of Amcom were estimated to be $13-15 million, expected to be realised by the end of FY17. Integration of Amcom is well progressed with a significant proportion of the estimated cost savings already achieved and work is underway to leverage potential revenue and operational synergies. Consequently, the operating margins implied by the FY15 proforma financial performance are unlikely to be indicative of Vocus' future margins.

Outlook

Vocus has not publicly released earnings forecasts for the year ending FY16 or beyond. In order to provide an indication of the expected future financial performance of Vocus, Grant Samuel has considered brokers' forecasts for Vocus (see Appendix 2) as follows:

Vocus – Financial Performance ($ millions)

	Year end 30 June				
	2015		Broker Consensus (Median)		
	actual	proforma	2016	2017	2018
Total revenue	149.0	331.4	376.6	462.9	469.4
EBITDA	51.0	104.8	135.1	164.4	180.7
EBITA	32.9	66.8	96.0	121.9	142.3
EBIT	32.4	60.1	88.6	115.1	135.5
NPAT	19.9	26.8	56.4	75.5	93.4
NPAT (underlying)	18.1	36.7	61.2	80.4	98.3

Source: Scheme Booklet and Grant Samuel analysis (see Appendix 3).

The median broker consensus forecasts indicate high revenue and profit growth (albeit slowing in FY18) and strengthening profit margins:

- revenue growth of 13-14% in FY16-FY17 declining to 9% in FY18;
- EBITDA growth of 29% in FY16, declining to 22% in FY17 and 10% in FY18. The rate of growth exceeds revenue growth due to the cost synergies and efficiencies to emerge following the acquisition of Amcom and Vocus' focus on increasing the utilisation of its fibre network;
- EBIT and NPAT grow at rates higher than for EBITDA (albeit also slowing over the period) reflecting the amortisation profile for Vocus' IRU intangible assets and (at NPAT level) the impact of operating cash flow on reducing borrowings and therefore interest expense; and
- EBITDA margin strengthens by around 3% over the period to FY18.

5.4 Financial Position

The actual and proforma financial position of Vocus at 30 June 2015 is summarised below:

Vocus - Financial Position ($ millions)		
	As at 30 June 2015	
	actual	proforma[40]
Debtors and prepayments	25.7	50.7
Creditors, accruals and provisions	(30.4)	(64.9)
Net working capital	**(4.7)**	**(14.2)**
Property, plant and equipment (net)	204.6	388.1
Goodwill	43.2	575.7
IRU capacity (net)	58.3	58.3
Other intangible assets (net)	23.8	97.2
Investment in Connect 8 (50%)	3.7	3.7
Investment in Macquarie Telecom (net)	0.5	0.5
Deferred tax liabilities (net)	(15.8)	(39.9)
Provisions (non-current)	(2.4)	(9.6)
Provision for special dividend (Amcom acquisition)	(5.4)[41]	-
Deferred purchase consideration	(3.3)	(3.3)
Other assets and liabilities (net)	(1.8)	1.2
Total funds employed	**300.7**	**1,057.7**
Cash and deposits	15.2	36.0
Bank loans and finance leases	(119.7)	(221.3)
Net borrowings	**(104.5)**	**(185.3)**
Net assets attributable to Vocus shareholders	**196.2**	**872.4**
Statistics		
Shares on issue at period end (net of treasury shares) (million)	*101.5*	*224.8*
Net assets per share	*$1.93*	*$3.88*
NTA per share[42]	*$0.70*	*$0.63*
NTA per share (inclusive of IRU capacity)[42]	*$1.27*	*$0.89*
Book gearing	*34.8%*	*17.5%*
Market gearing	*14.7%*	*12.3%*

Source: Vocus, Scheme Booklet and Grant Samuel analysis

Property, plant and equipment (net) comprises fibre assets (including the 10% interest in the SEA-ME-WE 3 Cable), data centre assets, network equipment and other plant and equipment. Fibre assets and network equipment with net book values totalling $14.9 million are subject to finance leases.

Goodwill increased materially in FY15 primarily reflecting the acquisition of FX Networks ($31.6 million) and Amcom ($532.6 million), net of the disposal of the New Zealand construction business to form Connect 8 ($5.5 million).

IRU capacity (net) represents capacity on the Southern Cross Cable which is being amortised on a straight line basis over the usage period (currently to November 2030). The additional capacity on this cable arranged in February 2015 will be allocated and paid for in annual instalments over a six year period commencing in FY16.

Other intangible assets (net) include acquired customer contracts and relationships, capitalised software and licences and other intangibles. Customer contracts and relationships are being amortised on a straight line basis over periods of 1-14 years, software and licences over periods of 3-8 years and other intangibles over the period of expected benefit.

40 Proforma FY15 financial position of Vocus as per Section 6.13 of the Scheme Booklet which assumes that Amcom was acquired on 30 June 2015. Grant Samuel has adjusted the presentation of the proforma FY15 position for the purposes of valuation analysis.

41 Provision for special dividend relates to the 5.1 cent per share dividend declared pre June 2015 subject to completion of the Amcom acquisition, which was paid to shareholders on 8 July 2015.

42 NTA per share is calculated by reference to shares on issue at period end, net of treasury shares.

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Investment in Connect 8 represents Vocus' 50% interest in the joint venture formed with Spark in March 2015. Connect 8 builds fibre and telecommunications assets in New Zealand for Vocus, Spark and other clients. The ownership and operations of Connect 8 are governed by a Shareholders' Agreement. In particular, the parties have committed to annual construction spend which, if not met, requires the party to reimburse 30% of any shortfall to the joint venture. This investment is accounted for as an equity accounted investment and therefore the book value at 30 June 2015 of $3.7 million represents a 50% interest in the net assets of Connect 8.

Vocus holds a 16.02% relevant interest in Macquarie Telecom, an ASX listed managed hosting provider. This interest has been acquired under a physically settled equity swap transaction which is scheduled to settle on 30 June 2016 (but can be extended by mutual consent). The book value of the equity swap ($0.5 million) represents the fair value of the swap arrangement at 30 June 2015.

Vocus uses derivative financial instruments to manage its exposure to various risks including fluctuations in foreign exchange rates and interest rates. At 30 June 2015, Vocus had a net derivative asset of $0.5 million relating to forward foreign exchange contracts.

Deferred purchase consideration ($3.3 million) represents the consideration remaining to be paid in relation to the acquisition of the Bentley data centre ($1 million) and of certain data centre assets of Enterprise Data Corporation ($2.3 million). These amounts are due to be paid in FY16.

Vocus' net borrowings on both a reported and proforma basis at 30 June 2015 are summarised below:

Vocus – Net Borrowings at 30 June 2015 ($ millions)

Facility	As Reported			Proforma		
	Limit	Drawn	Maturity	Limit	Drawn	Maturity
Syndicated multi-currency facility:						
- Australian dollars				A$213.0	129.5	June 2018
- New Zealand dollars				NZ$75.0	66.5	June 2018
Senior finance facility	131.2	106.2	July 2018			
Lease liabilities	13.5	13.5	Various	25.3	25.3	Various
Total interest bearing liabilities	**144.7**	**119.7**			**221.3**	
Cash and deposits		(15.2)			(36.0)	
Total		**104.5**			**185.3**	

Source: Vocus, Scheme Booklet and Grant Samuel analysis

As part of the acquisition of Amcom, Vocus entered into a new syndicated loan facility. The facility is secured by general security interest over the assets of the consolidated Vocus group and is subject to various covenants. Finance lease liabilities are secured over the subject assets.

At 30 June 2015, Vocus also had:

- guarantees totalling $3.3 million were disclosed as contingent liabilities;
- operating lease commitments totalling $68.7 million, 38% of which is payable within five years; and
- purchase commitments totalling US$58.5 million for additional IRU capacity on the Southern Cross Cable. This capacity is to be paid for in annual instalments over a six year period commencing in FY16.

Under the Australian tax consolidation regime, Vocus and its wholly owned Australian resident entities have elected to be taxed as a single entity. Vocus has no material carried forward income tax losses and no carried forward Australian capital losses. At 30 June 2015, Vocus had $12.0 million in accumulated franking credits after allowing for payment of FY15 income tax and the special dividend but not the final FY15 dividend of 2 cents per share paid on 24 September 2015.

5.5 Cash Flow

Vocus has funded its growth through the reinvestment of earnings, equity capital raisings (in FY11, FY13 and FY14) and from borrowings (particularly in FY15). It commenced paying dividends in FY13:

Vocus - Cash Flow ($ millions)					
	Year ended 30 June				
	2011 actual	2012 actual	2013 actual	2014 actual	2015 actual
EBITDA	**10.1**	**16.0**	**21.7**	**33.0**	**51.0**
Changes in working capital and other adjustments	0.4	0.7	(2.4)	1.3	(4.4)
Capital expenditure (net)	(8.4)	(11.7)	(15.9)	(24.2)	(31.7)
Operating cash flow	**2.1**	**5.0**	**3.4**	**10.1**	**14.9**
Tax paid	(0.1)	(3.8)	(4.0)	(4.0)	(4.5)
Net interest paid	-	(0.5)	0.2	(1.2)	(5.6)
Dividends paid	-	-	(0.3)	(1.1)	(2.2)
Business acquisitions (net of cash and costs)	(16.2)	(5.3)	(2.9)	(7.6)	(53.9)
Proceeds from share issues (net)	15.8	0.3	22.3	51.8	0.9
Repayment of borrowings	(6.6)	(8.3)	(12.4)	(18.2)	(47.5)
Proceeds from borrowings	-	7.4	5.5	0.6	68.5
Net cash generated (used)	**(5.0)**	**(5.2)**	**11.8**	**30.4**	**(29.4)**
Opening cash	*12.6*	*7.6*	*2.4*	*14.2*	*44.6*
Closing cash	*7.6*	*2.4*	*14.2*	*44.6*	*15.2*

Source: Vocus and Grant Samuel analysis

5.6 Capital Structure and Ownership

Vocus has the following securities on issue:

- 231,813,425 ordinary shares[43];
- 168,335 options over unissued ordinary shares; and
- 248,007 performance rights over unissued ordinary shares.

At 30 October 2015, there were 13,024 registered shareholders in Vocus. The top 20 registered shareholders accounted for approximately 70% of the ordinary shares on issue and, other than interests associated with TPG Telecom, are principally institutional nominee or custodian companies. Vocus' registered shareholders are predominantly Australian based investors (98.5% of registered shareholders and 97% of securities on issue) and around 92% hold less than 10,000 shares although this represents around 11.5% of shares on issue.

Vocus has received notices from the following substantial shareholders:

Vocus – Substantial Shareholders			
Shareholder	**Date of Notice**	**Number of Shares**	**Percentage[44]**
National Australia Bank Limited	20 October 2015	23,051,455	9.94%
TPG Telecom	21 September 2015	18.336,667	7.91%
The Goldman Sachs Group, Inc.	18 November 2015	14,364,283	6.20%

Source: Vocus

43 Including 5,410,434 shares held in trust under the Loan Funded Share Plan by a wholly owned subsidiary of Vocus.

44 Based on 231,813,425 shares on issue.

Vocus operates long term share based incentive plans as a key element of its executive remuneration:

- under an Employee Share Option Plan participants are granted options over unissued Vocus shares. Each option entitles the participant to receive one Vocus share at a future time for the exercise price subject to achievement of performance hurdles, service conditions and vesting periods. Options have no dividend entitlements or voting rights. In the event of a change of control, the Board has discretion to determine the treatment of unvested options. This plan is being replaced and no grants have been made since 2014;
- under a Performance Rights Long Term Incentive Plan participants are granted performance rights over unissued Vocus shares. Each right entitles the participant to receive one Vocus share at a future time subject only to vesting period. Performance rights have no dividend entitlements or voting rights. In the event of a change of control, the Board has discretion to determine the treatment of unvested performance rights. This plan was created as a result of the Amcom acquisition; and
- under a Loan Funded Share Plan participants are granted a loan by Vocus to purchase a beneficial interest in Vocus shares. The loans are limited recourse to the participants and any dividends received are used to reduce the loan balance (net of tax payable). Participants are required to meet service requirements and performance conditions and repay the loan prior to receiving title to the shares which are held in trust by a wholly owned subsidiary of Vocus.

5.7 Share Price Performance

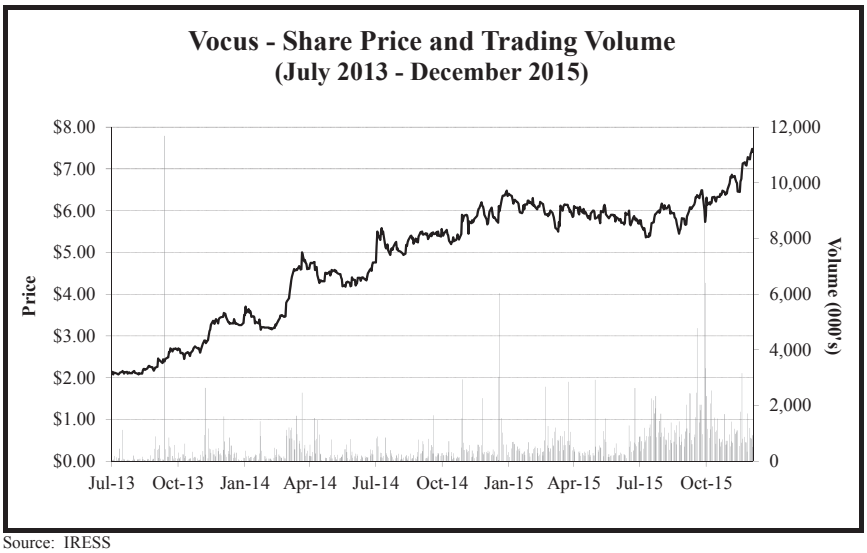
A summary of the price and trading history of Vocus since trading commenced on 8 July 2010 is set out below:

Vocus - Share Price History

	Share Price ($)			Average Weekly Volume (000's)	Average Weekly Transactions
	High	Low	Close		
Year ended 31 December					
2010 (from 8 July)	1.60	0.55	1.45	341	31
2011	3.05	1.25	1.38	466	236
2012	2.06	1.37	1.82	404	217
2013	3.59	1.68	3.50	1,219	499
2014	6.59	3.05	6.40	1,909	3,734
Quarter ended					
31 March 2015	6.50	5.38	5.87	2,882	10,530
30 June 2015	6.20	5.47	5.77	2,256	9,003
Month ended					
31 July 2015	6.18	5.30	6.17	6,224	12,834
31 August 2015	6.16	5.25	5.81	4,181	10,798
30 September 2015	6.59	5.50	5.88	11,539	19,144
31 October 2015	6.55	5.90	6.51	5,819	14,385
30 November 2015	7.31	6.33	7.23	5,158	12,460
31 December 2015 (to 4 December)	7.51	7.30	7.41	6,538	20,078

Source: IRESS

The Vocus share price rose to around $3.00 in April 2011 following expansion of its business by acquisition but subsequently settled back for the shares to trade in the range $1.50-2.00 during FY12 and FY13 on relatively low trading volumes. The following graph illustrates the movement in the Vocus share price and trading volumes since July 2013:



Source: IRESS

Investor interest and trading volumes increased during 2013 following the commencement of the payment of dividends in March 2013, the announcement of strong FY13 results in August 2013, the sell down of a 12.75% shareholder's interest to institutional investors in September 2013 and a positive operating update in November 2013. As a consequence, the Vocus share price rose to close at $3.50 on 31 December 2013.

The release of strong interim results in February 2014 and admission to the S&P/ASX 300 Index in March 2014, saw the Vocus share price increase to around $5.00 before the shares settled back to trade around $4.50 in the period to June 2014. The share price jumped sharply to around $5.20 on the announcement of the acquisition of FX Networks on 2 July 2014. During the remainder of 2014, the share price steadily increased to above $6.00 supported by a range of factors, including market expectations of continued "double digit" growth for Vocus and further consolidation of the telecommunications sector, and Vocus' October 2014 acquisition of a 10% interest in Amcom and announcement of a proposal to combine the businesses. 2014 ended positively for Vocus, which entered into a scheme implementation agreement with Amcom on 17 December 2014 and was admitted to the S&P/ASX 200 Index on 19 December 2014, and the share price closed at $6.40 on 31 December 2014.

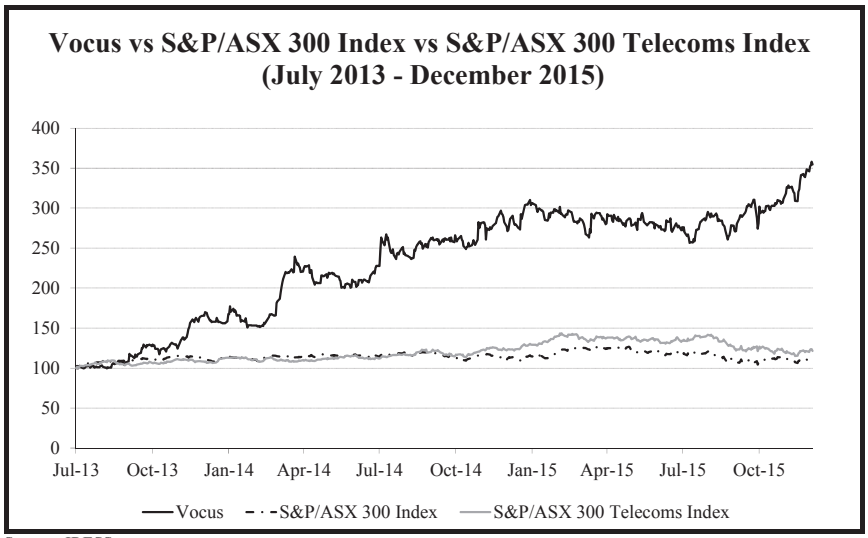
From 1 January 2015, until completion of the Amcom acquisition on 8 July 2015, Vocus shares traded in the range $5.38-6.50, at a VWAP of $5.90. In this period, in addition to the Amcom transaction process (which was impacted by TPG Telecom's intervention), the Vocus share price was influenced by corporate activity including purchase commitments for additional capacity on the Southern Cross Cable, the acquisition of data centre assets from Enterprise Data Corporation, establishment of Connect 8 and the acquisition of a strategic interest in Macquarie Telecom. Following approval by Amcom shareholders on 15 June 2015, the Amcom acquisition completed on 8 July 2015 (including the payment of a 5.1 cent per share special dividend to Vocus shareholders prior to the issue of Vocus shares to former Amcom shareholders). In the period from transaction record date (1 July 2015) to immediately following implementation, the Vocus share price declined by around 6% to around $5.38.

Subsequently, until the announcement of the Merger (a period which included a 12% stockmarket correction), Vocus shares traded in the range $5.25-6.54 (at a VWAP of $5.96) and closed at $6.49 on 25 September 2015 (the last trading day prior to the announcement). On announcement of the Merger on 28 September 2015, Vocus shares fell sharply (around 7.5%) to close at $6.01. Since

then Vocus shares have traded in the range $5.62-7.51 (at a VWAP of $6.49). Vocus shares closed at $7.41 on 4 December 2015.

Vocus has been a moderately liquid stock. Average weekly volume over the twelve months prior to the announcement of the Merger represented approximately 2.2% of average shares on issue or annual turnover of around 112% of total average issued capital. It is noted that this period includes trading following the announcement of Vocus' proposal to acquire Amcom in October 2014.

Vocus is a member of various indices including the S&P/ASX 200 Index, S&P/ASX 300 Index, S&P/ASX 200 Telecoms, S&P/ASX 300 Telecoms and S&P/ASX Small Industrials. Its weighting in these indices is approximately 0.1%, 0.1%, 1.76%, 1.74% and 0.96% respectively. The following graph illustrates the performance of Vocus shares since July 2013 relative to the S&P/ASX 300 Index and S&P/ASX 300 Telecoms Index[45]:



Source: IRESS

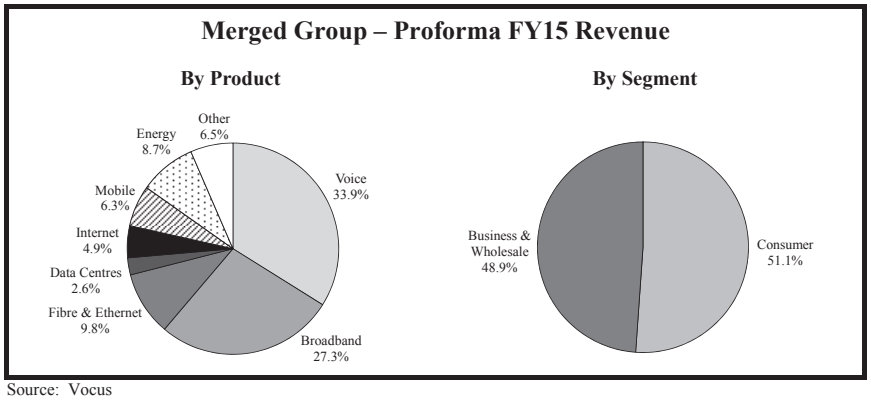
Until November 2014, the S&P/ASX 300 Telecoms Index (in which Telstra has a 78% weighting) performed in line with the S&P/ASX 300 Index. During this time, Vocus had periods of significant over performance (e.g. July-November 2013, February to April 2014, June 2014), generally coinciding with the corporate announcements and activity previously discussed. Vocus generally underperformed the S&P/ASX Telecoms Index and the wider market in the period from November 2014 prior to implementation of the Amcom acquisition. Subsequently, Vocus performed in line with the indices (a period which included the 12% stockmarket correction in August 2015). Since announcement of the Merger, after initially underperforming, Vocus has performed in line with the market, while the sector index has underperformed the market (primarily due to Telstra's performance in the period).

[45] The S&P/ASX 300 Index and S&P/ASX 300 Telecoms Index have been used for this analysis as Vocus has been a member for a longer period having been admitted in March 2014.

6 Profile of Merged Group

6.1 Operations

The Merged Group will be a full service vertically integrated trans-Tasman telecommunications company operating under the Vocus Communications Limited name. Its business will be spread evenly between consumer and business and wholesale customers. The Merged Group will operate a multi-brand strategy with brands focused on different segments of the market. The contribution by segment and product to proforma FY15 revenue for the Merged Group is as follows:



Source: Vocus

Vocus intends to implement a plan to extract the identified potential synergies and to extract further synergies (refer Section 7.2 of the Scheme Booklet).

A detailed description of the Merged Group is set out in Section 7 of the Scheme Booklet.

6.2 Directors and Management

The Merged Group's board will comprise eight directors of whom four will be current directors of M2 Group and four will be current directors of Vocus. There will be six non-executive directors and two executive directors. The current Chairman of Vocus (David Spence) will be Chairman while the current Chairman of M2 Group (Craig Farrow) will be Deputy Chairman.

The senior management of the Merged Group are expected to be drawn from the existing management teams of M2 Group and Vocus. Geoff Horth (the current CEO of M2 Group) will be CEO of the Merged Group. The founder and current CEO of Vocus (James Spenceley) will be an executive director focusing on infrastructure strategy while the founder and current executive director of M2 Group (Vaughan Bowen) will be an executive director focusing on strategic acquisitions.

6.3 Capital Structure and Ownership

Following implementation of the Merger, the Merged Group will have approximately 531,895,147 shares on issue. It will also have 303,753 options and 1,032,650 performance rights on issue. Former M2 Group shareholders will collectively hold approximately 56.4% of the shares on issue and former Vocus shareholders will collectively hold approximately 43.6%. No shareholder is expected to hold more than 5% of shares on issue.

6.4 Earnings and Dividends

The Merged Group Proforma Income Statement (including a description of the assumptions and adjustments made) is set out in Section 7.8 of the Scheme Booklet. The Merged Group Proforma Income Statement has been prepared by Vocus (based on information about M2 Group, for which M2 Group takes responsibility) and has been reviewed by EY. EY's Investigating Accountant's Report is attached as Appendix 2 to the Scheme Booklet.

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The Merged Group Proforma Income Statement is summarised below:

Merged Group Proforma Income Statement ($ millions)	
	Proforma
Revenue	**1,650.3**
EBITDA	**329.2**
Depreciation and other amortisation	(76.1)
EBITA	**253.1**
Amortisation of customer contracts and relationships	(92.0)
EBIT	**160.1**
Net interest expense	(39.8)
Share of profit of equity accounted associates[46]	1.7
Significant and non-recurring items (net)	(20.1)
Operating profit before tax	**102.9**
Income tax expense	(32.1)
NPAT	**70.8**
NPAT (underlying)	**149.3**
Statistics	
Shares on issue (million)	*531.9*
Basic earnings per share[47]	*13.3¢*
Basic earnings per share (underlying)[47]	*28.1¢*
EBITDA margin	*19.9%*
EBITA margin	*15.3%*
EBIT margin	*9.8%*
Interest cover	*8.3x*

Source: Scheme Booklet and Grant Samuel analysis
Note: Adjusted by Grant Samuel to exclude interest income and share of profit of equity accounted associates from revenue, EBIT, EBITA and EBITDA.

The Merged Group Proforma Income Statement represents the aggregation of M2 Group's proforma FY15 financial performance (see Section 4.3) and Vocus' FY15 proforma financial performance (see Section 5.3). It has been prepared on the basis that it:

- assumes that the Merger was completed on 1 July 2014;
- reflects the issue of 300,081,722 Vocus shares to M2 Group shareholders; and
- does not reflect:
  - any synergies which are expected to be realised upon implementation of the Merger or any integration costs incurred;
  - any transaction costs incurred by M2 Group and Vocus; and
  - any impact on income tax expense that may result from M2 Group joining the Vocus tax consolidation group.

As the Merger is expected to complete in February 2016, the impact of the Merger on Vocus' actual FY16 earnings will be material albeit M2 Group will only be owned for four months. Vocus will also incur the transaction costs which are not reflected in the Merged Group Proforma Income Statement. FY17 will be the first full year of operation of the Merged Group.

The Board of the Merged Group will determine the dividend policy of the Merged Group depending on financial and other circumstances at the time. It is the current intention that the Merged Group will continue to pay a dividend consistent with a balance between yield and capital growth. Dividends are anticipated to be paid twice yearly (in respect of the periods ending December and June) and are expected to continue to be franked. If the Merger is implemented, the Merged Group expects to declare and pay a dividend in respect of the six months ending 31 December 2015 of 7.6 cents per share and a special dividend of 1.9 cents per share (a total of 9.5 cents per share).

[46] Including M2 Group's interest in Aggregato until 30 June 2015 (when M2 Group increased its interest to 61.2% and Aggregato became a subsidiary) and Vocus' 50% interest in Connect 8 from establishment of the joint venture in March 2015.
[47] Earnings per share is calculated based on the weighted number of shares on issue (i.e. including treasury shares).

6.5 Financial Position

The Merged Group Proforma Financial Position (including a description of the assumptions and adjustments made) is set out in Section 7.8 of the Scheme Booklet. It has been prepared by Vocus (based on information provided by M2 Group, for which M2 Group takes responsibility), on the basis that the Merger was implemented on 30 June 2015 and has been reviewed by EY. EY's Investigating Accountant's Report is attached as Appendix 2 to the Scheme Booklet. The Merged Group Proforma Financial Position is summarised below:

Merged Group Proforma Financial Position ($ millions)	
	Proforma
Debtors, prepayments, inventories and other current assets	180.6
Creditors, accruals, provisions and other current liabilities	(391.5)
Derivative instruments (electricity hedges and forward exchange contracts) (net)	2.8
Net working capital	**(208.1)**
Property, plant and equipment (net)	468.6
Goodwill	2,776.7
IRU capacity (net)	116.5
Other intangible assets (net)	472.8
Investment in Connect 8 (50%)	3.7
Investment in Macquarie Telecom (net) (16%)	0.5
Investment in Inabox Group Limited (8.3%)	1.7
Deferred purchase consideration	(3.3)
Deferred tax liabilities (net)	(100.4)
Provisions (non-current)	(13.9)
Other assets and liabilities[48] (net)	9.1
Total funds employed	**3,523.9**
Cash and deposits	120.8
Interest bearings loans and other borrowings	(793.0)
Interest rate swaps (net)	(2.0)
Net borrowings	**(674.2)**
Net assets	**2,849.7**
Outside equity interests[49]	8.1
Net assets attributable to Merged Group shareholders	**2,857.8**
Statistics	
Shares on issue at period end (net of treasury shares) (million)	*527.5*
Net assets per share	*$5.41*
NTA per share[50]	*($0.98)*
NTA per share (inclusive of IRU capacity)[50]	*($0.76)*
Book gearing	*19.1%*

Source: Scheme Booklet and Grant Samuel analysis
Note: Grant Samuel has adjusted the presentation of the Proforma Financial Positon for analytical purposes.

The Merged Group Proforma Financial Position represents the aggregation of the M2 Group financial position at 30 June 2015 (see Section 4.4) and the Vocus proforma financial position at 30 June 2015 (see Section 5.4). The Merged Group Proforma Financial Position recognises all aspects of the Merger. It reflects:

- the acquisition of M2 Group by the issue of 300,081,722 shares to M2 Group shareholders;
- preliminary purchase price accounting including the recognition of goodwill, an increase in the fair value of customer contracts and brands, the reset of capitalised deferred acquisition costs and associated movements in deferred tax liabilities; and
- transaction costs associated with implementation of the Merger.

The Proforma Financial Position shows that the Merged Group will:

- have net borrowings of $674 million and book gearing of 19.1%; and
- have negative net working capital reflecting the extent to which the Merged Group receives income on a prepaid basis.

48 Including capitalised borrowing costs.
49 Represents 38.8% minority interest in Aggregato.
50 NTA per share based on shares on issue at period end net of treasury shares.

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7 Valuation Analysis

7.1 Methodology

7.1.1 Overview

Grant Samuel's valuations of M2 Group and Vocus have been estimated by aggregating the estimated market value of each company's business operations (on a "control" basis) with the realisable value of non-trading assets and deducting external borrowings and non-trading liabilities. The values for the business operations have been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

The valuations represent Grant Samuel's assessment of the full underlying value of M2 Group and Vocus respectively. They are appropriate for the acquisition of each company as a whole and, accordingly, incorporate premiums for control. The values are in excess of the level at which, under current market conditions, shares in M2 Group and Vocus could be expected to trade on the sharemarket. Shares in a listed company normally trade at a discount of 15-25% to the underlying value of the company as a whole (but this discount does not always apply).

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

7.1.2 Capitalisation of Earnings or Cash Flows

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBITA, EBIT or NPAT. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer but are also used extensively in sharemarket analysis.

Where an ongoing business with relatively stable and predictable cash flows is being valued, Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point.

Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable to EBITA or EBIT if depreciation or non-cash charges (such as amortisation of identifiable intangible assets acquired in business acquisitions) distort earnings or make comparisons between companies difficult. On the other hand, EBIT can better adjust for differences in relative capital expenditure intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The usual approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. However, share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by sharemarket investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it appropriately belongs;

- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
  - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
  - strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
  - the company's own performance and growth trajectory;
  - rationalisation or synergy benefits available to the acquirer;
  - the structural and regulatory framework;
  - investment and sharemarket conditions at the time; and
  - the number of competing buyers for a business;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures (competition etc.) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels;
- acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these synergies, the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings; and
- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:
  - EBITA or EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and
  - businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

7.1.3 Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, including resources, and for the valuation of start-up projects where earnings during the first few years can be negative but it is also widely used in the valuation of established industrial businesses. Discounted cash flow ("DCF") valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture depleting resources, development projects and fixed terms contracts (which are typical in the resources sector), the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available, the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

7.1.4 Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

7.1.5 Net Assets/Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading.

7.1.6 Approach for M2 Group and Vocus

In valuing the business operations of M2 Group and Vocus, the primary focus was on capitalisation of earnings, with the DCF methodology used as a cross check. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value the businesses of M2 Group and Vocus. A net assets/realisation of assets methodology is not appropriate for either M2 Group or Vocus.

The value ranges selected for M2 Group and Vocus are judgements derived through iterative processes. The objective is to determine a value that is both consistent with the market evidence as to earnings multiples and fits with the output of DCF analysis in terms

of the various scenarios and their likelihood. Specific aspects of the methodology adopted by Grant Samuel include the following:

- the business operations of M2 Group and Vocus have been valued as single businesses. While both companies report certain financial metrics on the basis of products or market segments, both operate integrated business models mirroring the integrated nature of the telecommunications sector and leveraging expertise across all business segments. Furthermore:
  - for each of the companies, the economic drivers of their various businesses are similar;
  - a number of the businesses included in the market evidence also have a range of activities and these earnings are reflected in their blended multiples; and
  - there are no listed companies directly comparable to each of the product or market segment focused operations of M2 Group and Vocus.

It is therefore appropriate to analyse value of the business operations for each company on an aggregate basis;

- EBITA rather than EBIT has been used in the earnings multiple analysis as it is before the impact of amortisation of identifiable intangible assets acquired in prior acquisitions (including customer contracts and relationships); and
- Grant Samuel has given consideration to (but not made explicit adjustment for) the synergies potentially achievable by acquirers of the businesses. In this regard, it needs to be recognised that:
  - normal valuation practice is to include (either implicitly or explicitly) a value for synergies that are available to multiple acquirers but to exclude synergy value that is unique to a particular acquirer; and
  - where earnings multiples from comparable transactions represent primary valuation evidence, adding synergies to earnings or making a further multiple adjustment for synergies would potentially result in a "double counting" of value as the multiples from the comparable transactions are usually based on "standalone" earnings (either reported or forecast) and the value of synergies is therefore reflected in the multiple (i.e. the transaction multiples would be lower if based on earnings including synergy benefits).

7.2 Market Valuation Parameters

The market valuation parameters relevant for valuation of M2 Group and Vocus are summarised below.

Transaction Evidence

Appendix 4 contains an analysis of the multiples implied by selected acquisitions of businesses in the telecommunications sectors in Australia and New Zealand since 2009. With the exception of the 2008 acquisition of TPG Holdings Limited by SP Telemedia Limited (a key step in the formation of TPG Telecom), transactions prior to 2009 have not been considered due to the substantial change in economic conditions and the telecommunications sector since that time.

The following table sets out the historical and forecast EBITDA and EBITA multiples for these transactions:

Recent Transaction Evidence						
Date	Target	Consid-eration (millions)	EBITDA Multiple (times)		EBITA Multiple (times)	
			Historical	Forecast	Historical	Forecast
Fibre Networks						
Dec 14	Amcom	A$678	14.5	13.6	19.2	18.8
Dec 14	Pacnet Limited	US$697	6.3	na	na	na
Jul 14	FX Networks Limited	NZ$115	8.5	7.4	24.1	17.6
Dec 13	AAPT (Telecom New Zealand Australia)	A$450	8.2	6.4	na	15.0
Mar 13	Telecommunications assets of Leighton	A$824	na	5.9-6.9	na	7.4-8.7
Nov 09	PIPE Networks Limited	A$425	23.0	8.0-8.3	30.2	na
Data Centres						
Feb 15	Enterprise Data Corporation data centres	A$24	na	5.0	na	na
Aug 14	Bentley data centre	A$12	na	5.9	na	na
Apr 13	Revera Limited	NZ$94	7.2	6.3	na	na
May 12	Maxnet Limited	NZ$10	na	4.8	na	na
Internet / Voice / Resellers						
May 15	iiNet Limited	A$1,935	9.7	9.5	13.2	12.1
Apr 15	CallPlus Group	NZ$250	6.9	5.6	na	na
Apr 15	International voice business of Spark	A$22	na	6.3	na	na
Aug 13	Adam Internet Holdings Pty Limited	A$59	5.9	5.1	9.4	7.6
Aug 13	Intelligent IP Communications	A$10-20	7.1-14.2	na	na	na
Mar 13	Dodo Australia Holdings Pty Ltd	A$204	9.7	7.0	na	na
Mar 13	Eftel Limited	A$44	11.3	8.8	18.3	na
Jul 12	TelstraClear Limited	A$658	6.6	na	na	na
Apr 12	Primus Telecom Holdings Pty Limited	A$192	4.8	na	11.1	na
Dec 11	Internode Pty Limited	A$105	17.1	4.2	na	5.7
Nov 11	TransACT Communications	A$57	3.3	na	5.0	na
Jul 11	IntraPower Limited	A$15	9.2	na	29.1	na
Feb 11	Business assets of Clear Telecoms	A$25	na	3.1	na	na
Jul 10	AAPT Consumer Division	A$60	na	6.0	na	na
Mar 10	Netspace	A$42	na	5.2	na	na
Feb 08	TPG Holdings Limited	A$230	11.3	4.7	14.5	5.4
IT Services						
Oct 15 (pending)	UXC Limited	A$421	11.3	9.0	14.5	10.5
Aug 14	Oakton Limited	A$171	14.7	10.0	19.9	12.5

Source: Grant Samuel analysis (see Appendix 4)

In considering this transaction evidence the following factors should be taken into consideration:

- all of the transactions reflect "full" control values except for the acquisition of a 70.1% interest in certain telecommunications assets of Leighton Holdings Limited (now known as CIMIC) by Ontario Teachers' Pension Plan. This transaction created the Nextgen Group joint venture in which CIMIC retains a 29.9% interest;
- the earnings for the transactions are before synergies, except where the earnings include the expected contribution from the target after acquisition (implying some synergies are included). This is the case only for a number of small transactions presented (i.e. Vocus' acquisitions of the Bentley data centre and Maxnet and M2 Group's acquisition of the business assets of Clear Telecoms);
- all of the transactions relate to the acquisition of businesses operating primarily in either, or both, of Australia and New Zealand except for:
  - Telstra's acquisition of Pacnet, which operates in the Asia Pacific region;
  - TPG Telecom's acquisition of PIPE Networks Limited, which had a growing international business associated with ownership of the PIPE Pacific Cable 1 linking Sydney with Guam (albeit relating to telecommunications traffic to and from Australia);
  - the international voice business acquired by MNF Group from Spark, the operations of which span Europe, North America, Asia and Oceania; and
  - Computer Science Corporation's proposed acquisition of UXC Limited, for which around 20% of revenue is derived outside of Australia;

- the majority of the transactions are small or "bolt on" rather than "step change" in nature (although this categorisation is somewhat arbitrary depending on the stage of development of the acquirer's business). For example, the acquisitions of Adam Internet, Internode and TransACT Communications were additions to iiNet's established broadband business (increasing scale), while the acquisition by Telecom New Zealand (now Spark) of Revera Limited expanded its activities and focus within New Zealand. In comparison, other transactions represent expansions of geographical footprint as well as scale (e.g. Vocus' acquisition of FX Networks and M2 Group's acquisition of CallPlus Group);
- the recent acquisitions of Amcom and iiNet were undertaken at multiples higher than those for other transactions in the last five years. In addition to the factors specific to those target companies (see discussion below), this likely reflects:
  - the extent to which synergies were available to the acquirer (and the extent to which these had to be shared with the vendor);
  - the general slowing of revenue growth in the telecommunications sector and the stage of sector consolidation in which they occurred (both transactions faced competition from potential alternate acquirers and occurred with the knowledge that future transactions may face competition issues); and
  - both transactions were relatively large representing a substantial increase in scale for both acquirers.

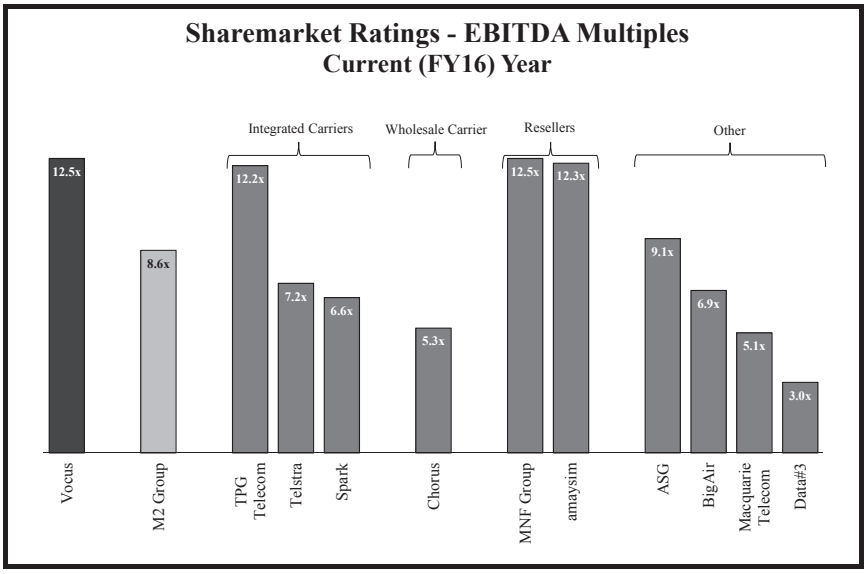
None of the target companies in the transactions is directly comparable to either M2 Group or Vocus in terms of the mix of activities and, in most cases, scale and geographic reach. However, the evidence is useful in considering appropriate valuation parameters for their underlying business activities. In particular:

- Vocus' acquisition of Amcom (completed July 2015) is a key benchmark for the valuation of Vocus itself. Vocus paid multiples of 12.1 times forecast FY16 EBITDA and 16.3 times forecast FY16 EBITA. When considering this transaction, it should be noted that:
  - Amcom's business offering was very similar to that of Vocus (except for Amcom's IT services business) but focused on Western Australia, South Australia and the Northern Territory. Its business was also generally considered to be more mature than that of Vocus;
  - the implied multiples are blended reflecting Amcom's range of activities, albeit focused on corporate and government customers. Amcom's telecommunications business segment accounted for 58% of revenue and 83% of EBITDA (before corporate expenses) in FY14;
  - in November 2014, Amcom had announced a significant expansion of its business on the east coast of Australia including the acquisition of 180 kilometres of fibre assets in Melbourne, Sydney and Brisbane, the execution of a 15 year fibre access agreement in Sydney and the roll out of Ethernet in the First Mile infrastructure in 30 exchanges in Melbourne, Sydney and Brisbane. This expansion was expected to be earnings accretive in FY16 and had the potential to contribute up to 20% of earnings in FY17. As a result, Amcom's growth outlook was regarded as positive;
  - the synergy benefits expected from this transaction were material. Vocus estimated that cost savings in the order of $13-15 million per annum (around 25% of Amcom's operating cost base) were likely to be achieved by the end of FY17 and that there was the potential for significant revenue synergies; and
  - as Vocus did not need to increase its scrip offer to obtain Amcom shareholder approval following TPG Telecom's intervention in the scheme process, it is reasonable to assume that the premium implied by the exchange ratio reflects a reasonable sharing of the upside from synergies; and
- TPG Telecom's acquisition of iiNet (completed in September 2015) is the key benchmark for the valuation of M2 Group. TPG Telecom paid multiples of 9.5 times forecast FY16 EBITDA and 12.1 times forecast FY16 EBITA. When considering this transaction, it should be noted that:

- in terms of broadband subscribers, iiNet was the third largest internet service provider in Australia (behind Telstra and Optus) and second largest DSL internet service provider (behind Telstra). It provided over 1.9 million broadband services to over 975,000 customers deriving around 80% of revenue from residential (consumer) services. Although it had invested in and acquired its own digital subscriber line access multiplexer ("DSLAM") network, over 27% of customers were serviced on a reseller basis (i.e. over another provider's network) and a further 9% were serviced on a reseller basis over third party fibre networks (including the NBN);
- the acquisition increased TPG Telecom's broadband subscriber base to over 1.7 million (making it the second largest internet service provider) and delivered significant scale to TPG Telecom in an NBN environment;
- although not quantified by TPG Telecom, market commentators estimate that cost savings in the order of $70-80 million per annum can be achieved within three years of completion (9-10% of iiNet's operating cost base) from this acquisition (a view supported by M2 Group's statement, in counter bidding for iiNet, that it could achieve $60 million per annum in cost savings within three years). These estimates do not allow for the potential for revenue or other synergies; and
- as TPG Telecom increased its offer following M2 Group's counter bid, it is reasonable to assume that the terms of the completed transaction (and therefore the implied multiples) reflect a higher proportion of the potential synergies than the initial offer.

Evidence from Sharemarket Prices

Appendix 4 also contains analysis of the earnings multiples implied by the share prices of broadly comparable companies as at 4 December 2015. The following charts summarise the EBITDA and EBITA multiples for the current (FY16) year and FY17 for those companies together with the earnings multiples implied by the share price of M2 Group and Vocus as at 25 September 2015 (the last trading day prior to announcement of the Merger):



Source: Grant Samuel analysis (Appendix 4)
Note: NextDC reported its first positive EBITDA in FY15 and significant growth is projected in FY16 and FY17. Therefore, the multiple implied by its share price is high and NextDC has been excluded from the graph. No multiple is shown for Hutchison Telecommunications as no broker forecasts are available.

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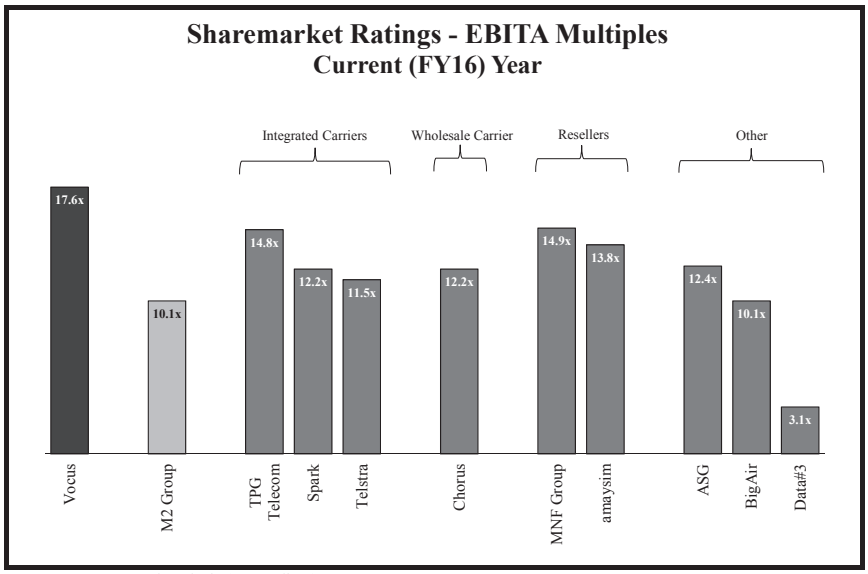
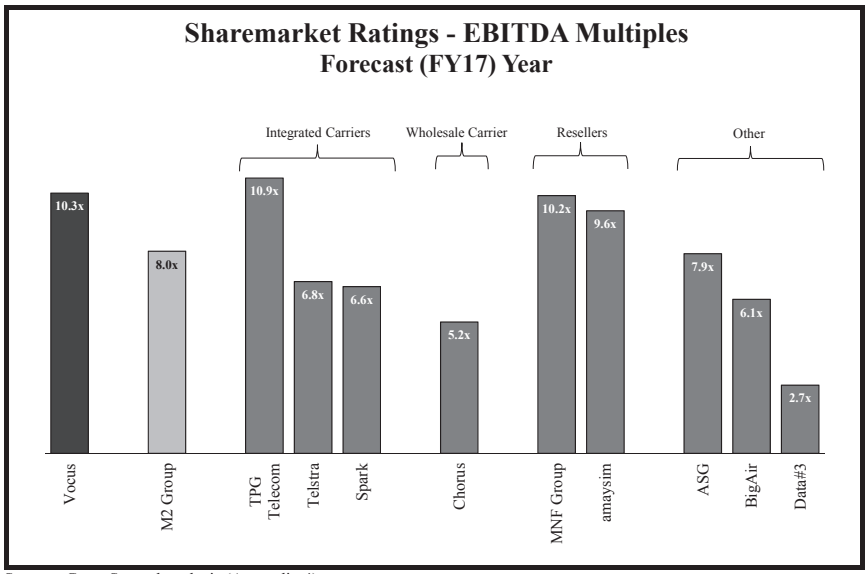
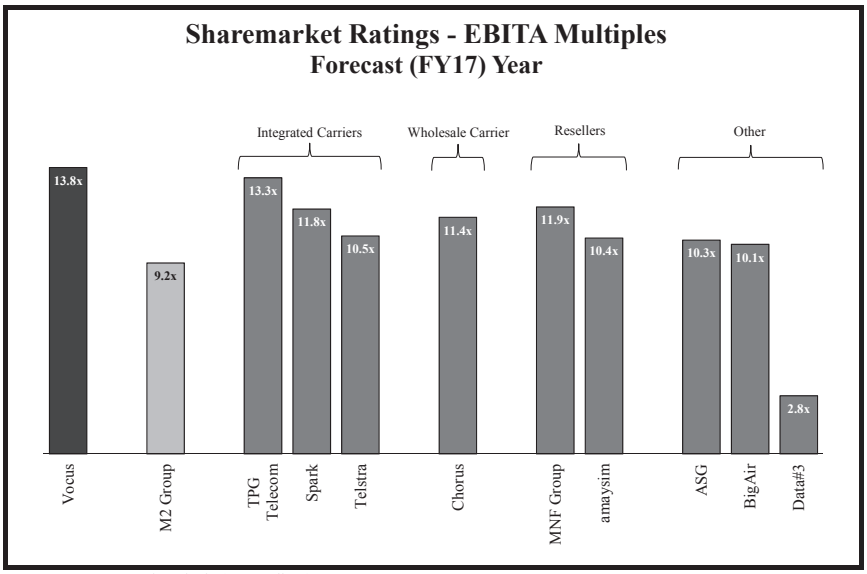


Source: Grant Samuel analysis (Appendix 4)
Note: Multiples for NextDC and Macquarie Telecom have been excluded from the graph as not meaningful. No multiple is shown for Hutchison Telecommunications as no broker forecasts are available.



Source: Grant Samuel analysis (Appendix 4)
Note: The multiple for NextDC has been excluded from the graph as not meaningful. No multiples are included for Macquarie Telecom or Hutchison Telecommunications as no broker forecasts are available.



Source: Grant Samuel analysis (Appendix 4)

Note: The multiple for NextDC has been excluded from the graph as not meaningful. No multiples are included for Macquarie Telecom or Hutchison Telecommunications as no broker forecasts are available.

The following factors are relevant to consideration of the comparable company multiples:

- the multiples for the listed companies are based on share prices and do not include a premium for control;
- the multiples for all companies (except TPG Telecom) are based on earnings for the year ending 30 June, while for TPG Telecom the multiples are based on earnings for the year ending 31 July;
- none of these companies is directly comparable to either M2 Group or Vocus, although TPG Telecom is the company most comparable to the Merged Group (i.e. parts of its business operations would be directly comparable to M2 Group and others parts to Vocus). Nevertheless, the selected companies face the same external factors as M2 Group and Vocus including economic conditions, the maturing telecommunications sector and a highly competitive environment impacted by the roll outs of the NBN and UFB in Australia and New Zealand respectively;
- TPG Telecom's sharemarket rating is high relative to its direct peers (Telstra and Spark). It has grown substantially since 2008 both organically and by acquisition (e.g. the acquisitions of iiNet, AAPT, PIPE, IntraPower, TPG Group) and real growth is expected to continue in the short to medium term. Median consensus broker forecasts project growth in revenue and EBITDA of 30% and 25% per annum from FY15 to FY18 (9% and 13% per annum respectively from FY16 to FY18 after allowing for the iiNet acquisition which completed in September 2015). Growth is expected to be derived from:
    - cost synergies from the iiNet acquisition which are estimated by market commentators to be in the order of $70-80 million per annum by FY19;
    - revenue and other operational synergies from the acquisition of iiNet; and
    - the recently announced agreements with Vodafone Hutchison, under which TPG Telecom will provide dark fibre and network services to more than 3,000 Vodafone Hutchison sites over the next 15 years (including the construction of an additional 4,000 kilometres of new fibre) and become an MVNO and migrate its mobile customer base to the Vodafone Hutchison network.

The multiples implied by TPG Telecom's market rating:

- reflect the range of its activities, with earnings supported by a combination of network infrastructure and strong retail brands;
- are high in FY16 as the earnings in that year reflect only a part year contribution from iiNet (nine months) and only part of the benefits from the integration of iiNet and the new arrangements with Vodafone Hutchison (with the balance to emerge over a number of years);
- reflect the markets view that TPG Telecom is a more nimble competitor in the sector than its peers (due in part to the absence of factors such as legacy networks); and
- reflect its restricted free float of 38.8%, albeit it is a reasonably liquid stock;

- Chorus is not a meaningful comparable company for either Vocus or M2 Group as it is prohibited from selling services directly to end-users and instead provides open access wholesale services to retail service providers (i.e. its operations are regulated on a basis similar to the regulation by the NBN's operations and Telstra's legacy copper line and HFC cable networks); and
- a number of the companies have restricted free floats, including TPG Telecom (38.8% free float), MNF Group (60%) and Macquarie Telecom (40% and possibly less as Vocus holds 16% by way of a total return swap contract). However, with the exception of Macquarie Telecom, there are active markets for each of these companies and their share prices are likely to reasonably reflect the value of their underlying businesses.

It should also be noted that:

- as shown on the graphs, prior to the announcement of the Merger on 25 September 2015:
  - M2 Group was trading at forecast FY16 EBITDA multiples of 8.6 times and FY16 EBITA multiples of 10.1 times; while
  - Vocus was trading at forecast FY16 EBITDA multiples of 12.5 times and FY16 EBITA multiples of 17.6 times; and
- a review of current sharemarket ratings for global telecommunication companies may provide further valuation guidance. In particular, a number of the major participants in the Australian and New Zealand telecommunication sectors are local operations of international companies as follows:
  - Optus is 100% owned by Singapore Stock Exchange listed Singapore Telecommunications Limited ("SingTel"), which is 51.2% owned by Temasek Holdings (Private) Limited, an investment company owned by the Government of Singapore;
  - Vodafone New Zealand is 100% owned by London Stock Exchange listed Vodafone Group plc; and
  - Vodafone Hutchison is 50% owned by Vodafone Group plc and 50% owned by ASX listed Hutchison Telecommunications (Australia) Limited (which is 88% owned by Hong Kong Stock Exchange listed company CK Hutchison Holdings Limited, 10% owned by Spark and 2% by public shareholders).

  In this context, it is noted that[51]:
  - SingTel is trading at multiples of around 11 times forecast EBITDA. Although Optus represents around 60% of revenue and EBITDA, these multiples reflect expectations of strong growth from the balance of SingTel's business, which is focused on developing markets (including via significant associate interests);

[51] Source: S&P Capital IQ as at 30 October 2015.

- Vodafone Group plc is trading at multiples of 7-8 times forecast EBITDA. It is focused on the global mobile telephony market with Vodafone New Zealand and its 50% interest in Vodafone Hutchison making only minor contributions to total earnings;
- a review of broker reports on the international telecommunications sector indicates that telecommunications companies in Asia and Europe are trading at multiples of 6-8 times forecast EBITDA and North American telecommunications companies are trading at multiples of 7-9 times forecast EBITDA.

In Grant Samuel's view, this review provides some (albeit limited) valuation guidance for M2 Group and Vocus. However, evidence from international companies needs to be treated with caution as differences between Australia, New Zealand and international growth and inflationary expectations, industry and market conditions and differing tax regimes impact share market valuations and, therefore, implied multiples. In any event, there is sufficient evidence in the Australian and New Zealand markets to provide meaningful valuation guidance.

7.3 Valuation of M2 Group

7.3.1 Summary

Grant Samuel has valued M2 Group in the range $1,776-1,976 million. The valuation is summarised below:

M2 Group - Valuation Summary ($ millions)

	Report Section Reference	Value Range	
		Low	High
Business operations	7.3.2	2,300.0	2,500.0
Other assets and liabilities	7.3.3	(34.6)	(34.6)
Enterprise value		**2,265.4**	**2,465.4**
Net borrowings	7.3.4	(489.0)	(489.0)
Value of equity		**1,776.4**	**1,976.4**

The value exceeds the price at which, based on current market conditions, Grant Samuel would expect M2 Group shares to trade on the ASX in the absence of a takeover offer. The valuation represents the estimated full underlying value of M2 Group and includes a premium for control.

Takeover premiums are typically in the range 20-35% depending on the individual circumstances. Synergies available to acquirers such as cost savings through merging operations are normally a significant factor in justifying their ability to pay a meaningful premium over market prices. Premium analysis in the context of the Merger is not straightforward and any conclusions from the premium analysis should be viewed with caution. The premiums implied by Grant Samuel's valuation range relative to M2 Group's market capitalisation based on the $8.42 closing share price on 25 September 2015 (the last trading day prior to the announcement of the Merger) are in the range 14.5-27.4%. In Grant Samuel's opinion, these premiums are appropriate for M2 Group.

7.3.2 Value of Business Operations

Grant Samuel estimates that the value of M2 Group's business operations is in the range $2,300-2,500 million.

Grant Samuel's primary approach to valuation was capitalisation of earnings, with DCF analysis used as a cross check. The earnings multiples implied by the valuation of M2 Group's business operations are summarised below:

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M2 Group – Implied Valuation Parameters			
	Variable ($ million)	Range of Parameters	
		Low	High
Value Range ($ million)		**2,300**	**2,500**
Multiple of EBITDA (times)			
FY15 (proforma actual)	208.5	11.0	12.0
FY16 (broker median forecast)[52]	234.9	9.8	10.6
FY17 (broker median forecast)[52]	252.2	9.1	9.9
FY18 (broker median forecast)[52]	264.2	8.7	9.5
Multiple of EBITA (times)			
FY15 (proforma)	170.4	13.5	14.7
FY16 (broker median)[52]	200.0	11.5	12.5
FY17 (broker median)[52]	218.7	10.5	11.4
FY18 (broker median)[52]	233.9	9.8	10.7

In Grant Samuel's view, the multiples implied by its valuation of M2 Group's business operations are appropriate. In forming this view the following factors have been taken into account:

- the multiples reflect the blend of M2 Group's activities in the consumer, business and wholesale market segments across different product offerings. Although there is no single company to which M2 Group's business operations can be directly compared, its "infrastructure light" reseller business model can be compared to the listed resellers, amaysim and MNF Group. However, both of these companies are significantly smaller and are trading at multiples higher (12.3 times and 12.5 times FY16 EBITDA, respectively) than those implied by recent transactions involving reseller businesses (broadly in the range 4-9 times EBITDA with listed company transactions at the top end of the range). These market ratings reflect high growth expectations for these companies over the period to FY18:
  - amaysim is an MVNO and the fourth largest mobile services provider in Australia. It was listed on the ASX in July 2015 on the back of increased profits from subscriber growth in FY15 (as small mobile service providers exited the market) and a product repositioning. Brokers are projecting sales growth in excess of 10% per annum through to FY18 and a 2% increment to EBITDA margin; and
  - revenue for MNF Group has more than doubled following the acquisition of the TNZI global wholesale voice business from Spark in April 2015 (albeit profit margins are expected to decline).

  In comparison, broker expectations for growth for M2 Group are more subdued at around 5% per annum to FY18 (albeit with an increase in EBITDA margins of 1% in that period). Accordingly, the multiples implied by the current sharemarket ratings of amaysim and MNF Group are not meaningful for the valuation of M2 Group;
- TPG Telecom is generally considered comparable to M2 Group in that some of its business activities compete directly with M2 Group. However, the range of TPG Group's activities (including ownership and operation of fibre and other network infrastructure) and its high growth outlook reduces its comparability. In particular, TPG Telecom is expected to grow strongly over the period to FY18 reflecting the recently completed acquisition of iiNet and the recent agreements with Vodafone Hutchison to provide dark fibre services and to migrate its mobile customer basis to the Vodafone Hutchison network. Its current market rating (12.2 times FY16 EBITDA and 10.9 times FY17 EBITDA) is also influenced by the market's view that

[52] The directors of M2 Group have not included the FY16 Budget in the Scheme Booklet. To provide an indication of the expected financial performance, Grant Samuel has considered brokers' forecasts for M2 Group (see Appendix 2).

it is a more nimble integrated carrier than its listed peers (Telstra and Spark) and a restricted free float (38.8%);

- there are few recent transactions that provide meaningful valuation evidence for M2 Group as the majority of transactions involving reseller style business models are small or "bolt on" in nature. However, as discussed in detail in Section 7.2, in Grant Samuel's opinion, TPG Telecom's acquisition of iiNet is the key benchmark for the valuation of M2 Group. In this case, TPG Telecom paid multiples of 9.5 times forecast FY16 EBITDA and 12.1 times forecast FY16 EBITA; and
- M2 Group has a number of positive attributes. It:
  - is the fourth largest retail broadband provider in Australia with more than 1.67 million services in operation and the third largest provider of broadband and fixed voice services in New Zealand with 431,000 services in operation;
  - has an "infrastructure light" business model based on reselling telecommunications and other services underpinned by strong sales and marketing capabilities;
  - operates a multi-brand model with well recognised and positioned brands in the consumer segment (Dodo and iPrimus) and small business segment (Commander and Engin); and
  - is well positioned to capitalise on the one off growth opportunity represented by the NBN roll out in Australia and the UFB roll out in New Zealand (particularly the increase in addressable market). As the post NBN environment means that all telecommunications providers effectively become resellers of the NBN, M2 Group's low cost reseller business model will be well equipped to compete (although its limited backhaul capability and reliance on third party infrastructure will continue to be a disadvantage).

  In this context, M2 Group represents an opportunity for an acquirer to develop a substantial footprint in the trans-Tasman telecommunications sector. However, M2 Group also faces significant challenges:

  - the maturing broadband market (particularly the consumer segment) has resulted in slower growth in subscriber numbers and increased price competition. Customer retention has become even more important to profitability. The dramatic increase in consumer requirements for bandwidth, reflecting the data demands of video streaming applications, has increased the importance of delivering high quality customer experience, with significant implications for customer retention and brand reputation. Participants reliant on third party infrastructure providers are less capable of managing this issue;
  - its business model is dependent on sourcing network capacity from third parties at a cost appropriate for its low cost pricing offers; and
  - as the roll out of the NBN and UFB requires all broadband users to disconnect existing services and establish a new connection, M2 Group faces increased customer retention risk.

The dynamic and rapidly changing telecommunications sector creates significant uncertainties for valuation purposes. These uncertainties are exacerbated by the roll out over the next five years of the NBN and UFB projects. Moreover, the ongoing consolidation of the Australian telecommunications sector, and the likely competition regulation consequences of that consolidation, are also likely to affect the value that shareholders could realise through a change of control transaction for a standalone M2 Group.

Following the TPG Telecom acquisition of iiNet, it is now probably the case that there are very few sector participants with the scale to acquire M2 Group that would not be prevented by competition regulation from such an acquisition. Accordingly, while an

acquisition by a company with a significantly overlapping business could be expected to realise material synergies (market speculation was that TPG Telecom would be able to realise synergies of the order of $70-80 million through the acquisition of iiNet), it is probably not appropriate to impute synergies of this quantum into the valuation of M2 Group. Realistic transaction partners are likely to be able to realise lower levels of synergies, or, in the absence of competition for control of M2 Group, be less inclined to pay away a significant proportion of what synergies are available.

Estimation of the synergies that should notionally be reflected in the valuation of M2 Group (even implicitly) is not straightforward. M2 Group and Vocus have estimated that cost synergies of around $40 million (pre-tax) could be fully delivered by 30 June 2018, with the potential for significant additional revenue synergies. However, it is not clear that other potential bidders (that are not constrained by competition regulation) could achieve comparable synergies. At the other extreme, it is likely that effectively any acquirer (including financial sponsors) could achieve savings in listed company and associated head office costs, which Grant Samuel has estimated might be of the order of $4.5 million per annum. Potential trade buyers of M2 Group could potentially realise more extensive synergies, although the quantification of these synergies (and the extent to which those synergies would be shared by the bidder) are highly uncertain. It is also the case that potential acquirers might be prepared to pay for the strategic value inherent in M2 Group's brands and market positioning, although any quantification of this value would be inevitably arbitrary.

In this context, judgements regarding the value of M2 Group are subjective. The valuation range adopted by Grant Samuel represents a significant premium relative to the M2 Group share price (14.5-27.4% relative to the closing share price on 25 September 2015 of $8.42). In Grant Samuel's view, this suggests that the valuation incorporates an appropriate allowance for synergy benefits.

DCF Analysis

M2 Group management has not prepared detailed projections for M2 Group beyond FY16. The M2 Group Projections provided to Grant Samuel are high level "top down" management views. Nevertheless, Grant Samuel has used DCF analysis as a cross check of the capitalisation of earnings based valuation. Grant Samuel has developed a DCF model that allows the key drivers of earnings and capital expenditure to be modelled. The DCF model is based on a number of assumptions that Grant Samuel considers reasonable. However, the model does not constitute a forecast or projection by Grant Samuel of the future performance for M2 Group's business operations and no assurance or warranty is given that future performance will be consistent with the assumptions adopted in the model.

The DCF model forecasts nominal after tax cash flows for 20 years from 1 July 2015 with a terminal value calculated by capitalising net after tax cash flows using the perpetuity method and assuming a long term growth rate of 2%. The main operational assumptions are:

- revenue grows at 5.5% per annum in the period FY16 to FY21 and then grows at 2.5% per annum thereafter;
- EBITDA margins are around 16%;
- corporate costs are $4.5 million in FY16 (after allowing for savings available to an acquirer of $4.5 million) and thereafter grow by inflation;
- capital expenditure equals 3.0% of total revenue and is inclusive of cash payments associated with the acquisition of backhaul capacity; and
- depreciation and other amortisation equals capital expenditure and is tax deductible. Amortisation of acquired customer contracts and relationships is not tax deductible.

Other key inputs for the DCF are:

- an inflation rate of 2.5% across the period;
- a corporate tax rate of 30% has been applied to earnings (notwithstanding that the New Zealand tax rate is 28%). Tax is paid in the year it is incurred; and
- nominal after tax discount rates in the range of 9-10% derived by reference to an estimated weighted average cost of capital ("WACC")[53] based on the Capital Asset Pricing Model ("CAPM")[54]. These rates are a judgement but reflect the following parameters:
  - cost of equity capital of 8.2-8.8% calculated using the CAPM and based on:
    - a risk free rate of 2.8% (based on 10 year Commonwealth Government bonds);
    - a market risk premium of 6%; and
    - a beta factor in the range 0.9-1.0.
  - a cost of debt of 5.5%; and
  - a debt/equity mix of 20% debt and 80% equity.

  The resultant calculated WACC is 7.3-7.8%. However, strict application of the CAPM at the present time gives results that are arguably unrealistically low primarily due to low effective real interest rates. In this context:
  - anecdotal information suggests that equity investors have repriced risk since the global financial crisis and that acquirers are pricing offers on the basis of hurdle rates above those implied by theoretical models. However, this has yet to be translated into the measures of market risk premium (at least those based on longer term historical data). In this regard, an increase in the market risk premium of 1% (i.e. from 6% to 7%) would increase the calculated WACC range to 8.0 to 8.6%;
  - global interest rates, including long term bond rates, are at low levels by comparison with historical norms, reflecting the liquidity being pumped into many advanced economies to stimulate economic activity. Effective real interest rates are now low, if not negative in some jurisdictions. Grant Samuel does not believe this position is sustainable and the risk is clearly towards a rise in bond yields. Some academics/valuation practitioners consider it to be inappropriate to add a "normal" market risk premium (e.g. 6%) to a temporarily depressed bond yield and therefore advocate that a "normalised" risk free rate should be used. On this basis, an increase in the risk free rate to (say) 5% would increase the calculated WACC range to 9.4-9.9%; and
  - analysis of research reports on M2 Group indicates that brokers are currently adopting WACCs in the range 8.5-10.0% with a median of 9.9%.

  On the basis of the above, Grant Samuel has adopted discount rates in the range 9-10% for the valuation of M2 Group's business operations.

Forecasts of operational assumptions are uncertain and there is significant scope for differences in opinion on key assumptions. Accordingly, Grant Samuel has analysed the net present value ("NPV") outcomes based on a number of scenarios that represent differing combinations of longer term revenue growth rates, EBITDA margins and discount rates. A description of the scenarios is outlined below:

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53 The formula used to calculate a WACC under a classical tax system is *WACC = (Re x E/V) + (Rd x (1-t) x D/V),* where *E/V* = the proportion of equity to total value (where V = D + E), *D/V* = the proportion of debt to total value, *Re* = the cost of equity capital, *Rd* = the cost of debt capital and *t* = the corporate tax rate.

54 The formula for deriving the cost of equity using CAPM is *Re = Rf + Beta (Rm – Rf),* where *Re* = the cost of equity capital, *Rf* = the risk free rate and *Rm-Rf* = the market risk premium.

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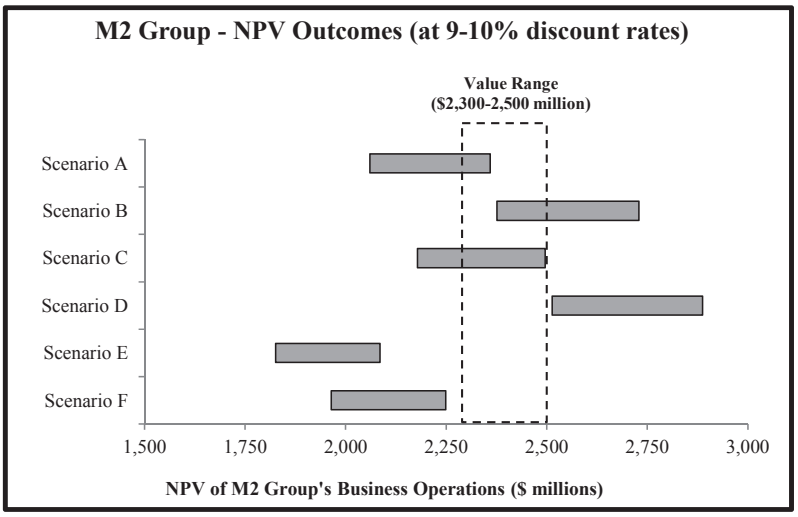
M2 Group – DCF Scenarios	
Scenario	**Description**
Scenario A	As described above
Scenario B	Scenario A except revenue grows at 10% per annum in the period FY17 to FY20, 5% in FY21 and then in line with inflation
Scenario C	Scenario A except that EBITDA margin for the business segment increases by 3% and therefore overall EBITDA margin increases to 17%
Scenario D	Scenario B except that EBITDA margin for the business segment increases by 3% and therefore overall EBITDA margin increases to 17%
Scenario E	Scenario A except that revenue grows at the rate of inflation
Scenario F	Scenario A but EBITDA margin for the consumer segment decreases by 1% and therefore overall EBITDA margin decreases to 15.5%

The output of the DCF analysis is summarised below:

M2 Group – NPV Analysis ($ millions)						
Scenario		**Discount Rates**				
		10.5%	**10.0%**	**9.5%**	**9.0%**	**8.5%**
A	(moderate revenue growth, constant margins)	1,937.3	2,060.2	2,199.9	2,359.7	2,544.5
B	(increased revenue growth rate)	2,231.9	2,376.6	2,541.0	2,729.3	2,946.9
C	(increased business segment margin)	2,048.0	2,178.5	2,326.6	2,496.2	2,692.3
D	(increased revenue growth rate and increased business segment margin)	2,360.3	2,513.8	2,688.2	2,887.9	3,118.8
E	(lower revenue growth rate)	1,719.8	1,826.3	1,947.1	2,085.5	2,245.3
F	(lower consumer segment margin)	1,847.3	1,946.1	2,096.8	2,248.8	2,424.4

The NPV outcomes of the scenarios are depicted diagrammatically below relative to Grant Samuel's valuation range ($2,300-2,500 million):



The NPVs fall in a relatively wide range across the different scenarios, highlighting the sensitivity of the analysis to relatively small changes in assumptions. Terminal values represent between 24-26% of the NPV outcomes presented above. The NPVs allow only for savings of listed company and associated costs ($4.5 million) and do not include any allowance for operational synergies that may be available to an acquirer of M2 Group.

In Grant Samuel's opinion, notwithstanding the uncertainties inherent in the DCF analysis (particularly in light of the rapidly changing telecommunications sector), the DCF analysis provides general support for the valuation range for M2 Group's operating business of $2,300-2,500 million.

7.3.3 Other Assets and Liabilities

M2 Group's other assets and liabilities have been valued at ($34.6) million and comprise:

- an 8.3% interest in ASX listed company, Inabox Group Limited, valued based on its share price on 30 October 2015 ($2 million);
- an adjustment for the 38.8% outside equity interest in Aggregato at book value at 30 June 2015 (negative $8.2 million);
- a provision for the FY15 final dividend of 17 cents per share paid on 29 October 2015 (negative $31.1 million); and
- cash received on exercise of options ($2.7 million).

7.3.4 Net Borrowings

M2 Group's net borrowings for valuation purposes are $489.0 million. This amount is based on balance sheet balances as at 30 June 2015, consisting of drawn borrowings of $571.7 million and interest rate swaps (net) of $2.0 million, net of cash and deposits of $84.7 million.

7.3.5 Franking Credits

Under Australia's dividend imputation system, domestic equity investors receive a taxation credit (franking credit) for tax paid by a company. The franking credit attaches to any dividends paid by a company and the franking credit offsets personal tax for Australian investors. To the extent that personal tax has been fully offset the individual will receive a refund of the balance of the franking credit. Franking credits therefore have value to the recipient.

However, in Grant Samuel's opinion, while acquirers are attracted by franking credits there is no clear evidence that they will actually pay extra for a company with them (at any rate the sharemarket evidence used by Grant Samuel in valuing the M2 Group business operations will already reflect the value impact of the existence of franking credits). Further, franking credits are not an asset of the company in the sense that they can be readily realised for a cash sum that is capable of being received by all shareholders. The value of franking credits can only be realised by shareholders themselves when they receive distributions. Importantly, the value of franking credits is dependent on the tax position of each individual shareholder. To some shareholders (e.g. overseas shareholders) they may have very little or no value. Similarly, if they are attached to a distribution which would otherwise take the form of a capital gain taxed at concessional rates there may be minimal net benefit (in fact, there may be some categories of shareholders who are worse off in this situation; e.g. shareholders with a capital loss on disposal of the shares).

Accordingly, while franking credits may have value to some shareholders they do not affect the underlying value of the company itself. No value has therefore been attributed to M2 Group's accumulated franking credit position ($12 million at 30 June 2015) in the context of the value of M2 Group as a whole.

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7.4 Valuation of Vocus

7.4.1 Summary

Grant Samuel has valued Vocus in the range $1,670-1,870 million. The valuation is summarised below:

Vocus - Valuation Summary ($ millions)			
	Report Section Reference	Value Range	
		Low	High
Business operations	7.4.2	1,850.0	2,050.0
Other assets and liabilities	7.4.3	5.8	5.8
Enterprise value		**1,855.8**	**2,055.8**
Net borrowings	7.4.4	(185.4)	(185.4)
Value of equity		**1,670.4**	**1,870.4**

The valuation represents the estimated full underlying value of Vocus and includes a premium for control.

The premiums implied by Grant Samuel's valuation relative to Vocus' market capitalisation on 25 September 2015 (the last trading day prior to the announcement of the Merger) are in the range 13.5-27.1%. In Grant Samuel's opinion, these premiums are reasonable for Vocus.

7.4.2 Value of Business Operations

Grant Samuel estimates that the value of Vocus' business operations is in the range $1,850-2,050 million.

The primary valuation methodology was capitalisation of earnings, with DCF analysis used as a cross check. The earnings multiples implied by the valuation of Vocus' business operations are summarised below:

Vocus – Implied Valuation Parameters			
	Variable ($ million)	Range of Parameters	
		Low	High
Value Range ($ million)		**1,850.0**	**2,050.0**
Multiple of EBITDA (times)			
FY15 (proforma actual)	104.8	17.7	19.6
FY16 (broker median forecast)[55]	135.1	13.7	15.2
FY17 (broker median forecast)[55]	164.4	11.3	12.5
FY18 (broker median forecast)[55]	180.7	10.2	11.3
Multiple of EBITA (times)			
FY15 (proforma actual)	66.8	27.7	30.7
FY16 (broker median forecast)[55]	96.0	19.3	21.4
FY17 (broker median forecast)[55]	121.9	15.2	16.8
FY18 (broker median forecast)[55]	142.3	13.0	14.4

In Grant Samuel's view, the multiples implied by its valuation of Vocus are appropriate. In forming this view the following factors have been taken into account:

- the multiples reflect the blend of Vocus' business activities (i.e. dark fibre and Ethernet services, IP transit and internet wholesale services, data centre services and voice and hosting services) and its integrated business model. There is no single

[55] The directors of Vocus have not included the FY16 Budget in the Scheme Booklet. To provide an indication of the expected financial performance, Grant Samuel has considered brokers' forecasts for Vocus (see Appendix 3).

company to which Vocus' business operations can be directly compared and, while some companies provide services comparable to certain of Vocus' service offerings (e.g. data centre services, IT services), the integrated nature of Vocus' business model means that even those companies provide valuation evidence that is not particularly useful;

- Vocus is most similar to the listed integrated telecommunications providers. However, Vocus:
  - is focused on providing services to wholesale, corporate and government customers. It has no consumer facing businesses or brands, unlike Telstra and TPG Telecom in Australia and Spark in New Zealand; and
  - has developed its fibre and data centre infrastructure since 2008 while Telstra and TPG Telecom own similar infrastructure. Telstra also owns legacy copper line and HFC networks as well as a mobile network and TPG Telecom owns the PPC-1 cable linking Sydney to Guam. Since the structural separation of Telecom New Zealand, Spark has primarily been a telecommunications service provider, albeit it owns mobile telephony infrastructure and associated infrastructure;
- TPG Telecom is often used as a comparable company for Vocus (despite its substantial consumer business) due to its strong growth profile. TPG Telecom is expected to grow strongly over the period to FY18 which is, in part, reflected in its current market rating (12.3 times FY16 EBITDA and 11 times FY17 EBITDA). In this regard, it is noted that data centre service provider NextDC, which is in a business ramp up phase similar to Vocus, is trading on high multiples of 19.1 times FY16 EBITDA and 10.8 times FY17 EBITDA (similar to TPG Telecom's FY17 EBITDA multiple);
- there are few recent transactions that provide meaningful valuation evidence for Vocus:
  - the transactions involving data centre businesses have occurred in the range 5-6 times forecast EBITDA but reflect relatively small or "bolt on" acquisitions with established and stable growth profiles;
  - the transactions involving fibre networks involve businesses with significant scale and geographic footprints. Excluding Vocus' acquisition of Amcom, these transactions have occurred generally in the range of 6-8 times EBITDA with the top end of the range reflecting TPG Telecom's 2009 acquisition of PIPE Networks (which owned the third largest metropolitan fibre network in Australia as well as submarine cable PPC-1); and
  - TPG Telecom's acquisition of PIPE Networks implied prospective EBITDA multiples of 8.0-8.3 times, based on PIPE Networks profit guidance). However, this guidance included one-off sales of IRUs on commissioning of the PPC-1 cable. After adjusting for the earnings contribution from these sales, the prospective multiples implied by the transaction increase to 9.7-10.2 times EBITDA.

  While these transactions establish baseline evidence for the valuation of Vocus, in Grant Samuel's opinion (as discussed in detail in Section 7.2), Vocus' acquisition of Amcom is the key benchmark. In this case, Vocus paid multiples of 13.6 times current year (FY15) EBITDA and 18.8 times current year EBITA and 12.1 times forecast FY16 EBITDA and 16.3 times forecast EBITA. These multiples reflect Amcom's positive growth outlook at the time of the transaction as well as the potential for significant cost savings; and
- the growth trajectory for Vocus is strong. Over the last seven years it has built an extensive fibre network and is now focused on increasing utilisation and expanding the network based on customer requirements. Broker median forecasts are projecting EBITDA growth is 29% in FY16, 21% in FY17 and 12% in FY18 (see Appendix 3) as Vocus also benefits from the acquisition of Amcom; and

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- Vocus has a number of positive attributes. It has:
  - a diversified portfolio of contracted revenue from well established network infrastructure. Its Australian network covers nine metropolitan areas with around 3,400 buildings and 93 data centres connected to it and in New Zealand it operates one of the three intercity fibre networks providers;
  - a predominantly fixed cost base, offering a significant opportunity to leverage its investment by increasing utilisation to deliver earnings growth (both in terms of absolute profit and growth in margin);
  - a management team with strong technical expertise and experience in building and operating networks on a profitable basis. It also has a strong relationship and service oriented sales and marketing function, appropriate for the corporate and government market segment; and
  - relatively new and extensive fibre networks including detailed digital mapping of its metropolitan networks, providing a significant sales and marketing advantage to Vocus.

  In this context, Vocus represents a unique opportunity for an acquirer to obtain an extensive fibre networks in Australia and New Zealand with significant excess capacity (particularly in Australia). On the other hand:
  - it has limited internal expertise in selling services to the small and medium enterprise segment, capabilities important to accelerating growth in its customer base and utilisation of its infrastructure investment; and
  - increased competition from the integrated carriers in key geographic regions (including in Western Australia following the acquisition of Amcom) will have implications for pricing.

In this context, the valuation range for Vocus' operating businesses implies high multiples of FY16 and FY17 earnings reflecting its strong growth profile. In FY18, as projected growth rates stabilise, the multiples implied by the valuation range are 10.2-11.3 times EBITDA and 13.0-14.4 times EBITA. These multiples are higher than those implied by the valuation of M2 Group. In Grant Samuel's view this is appropriate, given the differences in business models and having regard to Vocus' lower risk earnings, underpinned by its substantial network and other infrastructure investments and its stronger growth outlook.

The number of potential acquirers of Vocus, the availability of synergies to those potential acquirers and the extent to which competition might result in those synergies being paid away in an acquisition price are also factors in assessing the appropriateness of the multiples. It is probably the case that synergies of the magnitude expected to be realised through the combination of M2 Group and Vocus exceed those that could be extracted by other potential acquirers of Vocus, and it is accordingly not appropriate to reflect (even implicitly) synergies of this magnitude in the valuation. Conversely, it appears likely that trade buyers could achieve synergies over and above savings in listed company and associated head office costs, which Grant Samuel has estimated might be of the order of $4.5 million per annum. As for M2 Group, the quantification of these synergies (and the extent to which those synergies would be shared by the bidder) is highly uncertain.

The valuation range represents a premium of 13.5-27.1% relative to Vocus' market capitalisation immediately prior to the announcement of the Merger on 25 September 2015. In Grant Samuel's view, this suggests that the valuation incorporates an appropriate allowance for synergy benefits.

DCF Analysis

Vocus management has not prepared detailed projections for Vocus beyond FY16. The Vocus Projections provided to Grant Samuel are high level "top down" management views. Nevertheless, Grant Samuel has used DCF analysis as a cross check of the capitalisation of earnings based valuation for Vocus' business operations. Grant Samuel has developed a DCF model that allows the key drivers of earnings and capital expenditure to be modelled. The DCF model is based on a number of assumptions that Grant Samuel considers reasonable. However, the model does not constitute a forecast or projection by Grant Samuel of the future performance of Vocus' business operations and no assurance or warranty is given that future performance will be consistent with the assumptions adopted in the model.

The DCF model forecasts nominal after tax cash flows for 20 years from 1 July 2015 with a terminal value calculated by capitalising net after tax cash flows using the perpetuity method and assuming a long term growth rate of 2%. The main operational assumptions are:

- revenue grows at an average of around 9% per annum to FY21. Thereafter, the rate of revenue growth falls to 4.5% per annum until FY25 and then to 3.5% per annum thereafter;
- EBITDA margins increase to around 45% by FY21, remain flat until FY26 before declining over time to around 41%;
- corporate cost savings available to an acquirer of $4.5 million in FY16, growing by inflation thereafter;
- maintenance capital expenditure equals 3% of total revenue;
- growth capital expenditure in the period FY16-FY18 of around 10% of revenue per annum and 2% of revenue per annum thereafter;
- property, plant and equipment at 30 June 2015 ($388 million) depreciated over 20 years;
- growth capital expenditure in the period FY16-FY18 is depreciated over nine years; and
- other depreciation equals maintenance capital expenditure and post FY18 growth capital expenditure. Amortisation of acquired customer contracts and relationships is not tax deductible.

Other key inputs for the DCF are:

- an inflation rate of 2.5% across the period;
- a corporate tax rate of 29% (reflecting Vocus' mix of income from Australia and New Zealand), with tax paid in the year it is incurred; and
- a nominal after tax discount rates in the range of 9-10% derived by reference to the WACC (as described in Section 7.3.2).

Forecasts of operational assumptions are uncertain and there is significant scope for differences in opinion on key assumptions. Accordingly, Grant Samuel has analysed the NPV results based on a number of scenarios that represent differing combinations of revenue growth rates, EBITDA margins and discount rates. A description of the scenarios is outlined below:

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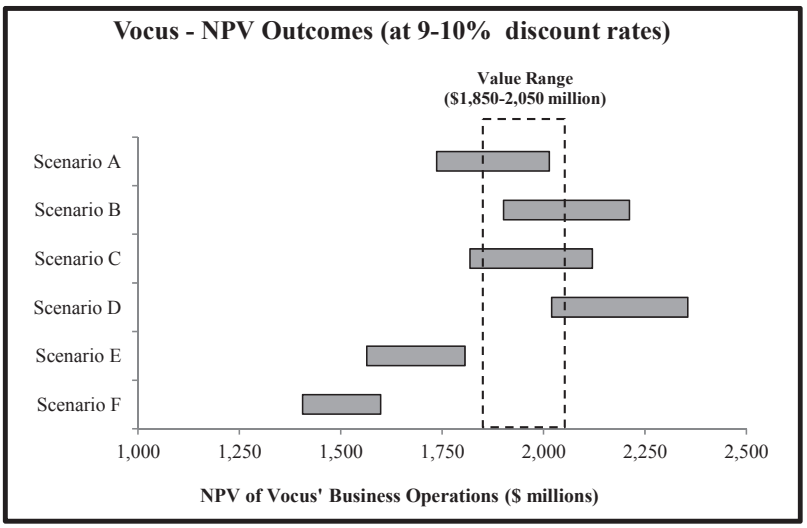
Vocus – DCF Scenarios	
Scenario	**Description**
Scenario A	As described above
Scenario B	Scenario A except revenue grows at an average of 9.5% per annum to FY21, EBITDA margin increases to around 47% before declining over time to around 43%
Scenario C	Scenario A except EBITDA margin of around 45% is maintained
Scenario D	Scenario A except revenue grows at an average of around 9.5% per annum to FY21, EBITDA margin increases to around 50% before declining over time to 45%
Scenario E	Scenario A except revenue growth declines to around 5% per annum in FY20, and then declines to around 3.5% per annum thereafter
Scenario F	Scenario A except revenue growth declines to 2.5% per annum in FY22 and EBITDA margin increases to around 45% before declining over time to 33%

The output of the DCF analysis is summarised below:

Vocus – NPV Analysis ($ millions)					
Scenario	**Discount Rates**				
	10.5%	**10.0%**	**9.5%**	**9.0%**	**8.5%**
A (moderate revenue growth rate)	1,622.3	1,736.2	1,856.7	2,014.0	2,185.4
B (increased revenue growth rate)	1,774.5	1,901.6	2,046.1	2,211.7	2,403.4
C (constant margins)	1,695.3	1,818.7	1,959.2	2,120.5	2,307.6
D (increased revenue growth rate, increased margin)	1,882.5	2,019.9	2,176.2	2,355.5	2,563.2
E (decreased revenue growth rate)	1,464.6	1,564.2	1,677.2	1,806.5	1,955.8
F (decreased revenue growth rate, decreased margin)	1,326.0	1,406.1	1,496.3	1,598.4	1,715.4

The NPV outcomes of the scenarios are depicted diagrammatically below relative to Grant Samuel's value range ($1,850-2,050 million):



The NPVs fall in a relatively wide range across the different scenarios highlighting the sensitivity of calculated NPV to relatively small changes in assumptions. Terminal values represent between 20-28% of the NPV outcomes presented above. The NPVs allow only for savings of listed company and associated costs ($4.5 million) and do not include any allowance for operational synergies that may be available to an acquirer of Vocus.

Notwithstanding the uncertainties in the DCF analysis (particularly in light of the rapidly changing telecommunications sector), in Grant Samuel's opinion the DCF analysis provides general support for the valuation range of $1,850-2,050 million for Vocus' business operations.

7.4.3 Other Assets and Liabilities

Vocus' other assets and liabilities have been valued at $5.8 million and comprise:

- the 50% investment in Connect 8 at book value at 30 June 2015 ($3.7 million);
- the fair value of total return swaps in relation to a 16.02% interest in Macquarie Telecom as at 30 October 2015) ($9.8 million);
- deferred purchase consideration payable during FY16 (negative $3.3 million)
- the FY15 final dividend of 2 cents per share paid on 24 September 2015 (negative $4.6 million) and
- cash received on exercise of options ($0.2 million).

7.4.4 Net Borrowings

Vocus' net borrowings for valuation purposes are $185.4 million. This amount is based on drawn borrowings of $221.4 million and cash and deposits of $36 million at 30 June 2015.

7.4.5 Franking Credits

While franking credits may have value to some shareholders they do not affect the underlying value of the company itself. Therefore, no value has been attributed to Vocus' accumulated franking credit position ($12 million following payment of the final FY15 dividend) in the context of the value of Vocus as a whole.

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8 Evaluation of the Merger

8.1 Conclusion

In Grant Samuel's opinion, the Merger is in the best interests of M2 Group shareholders, in the absence of a superior proposal.

The Merger will be transformational for M2 Group. M2 Group, which today is essentially a reseller of broadband, voice and other services to residential and small business customers, will become part of a far larger vertically integrated trans-Tasman telecommunications company. In this context, evaluation of the Merger requires an assessment of the strategic circumstances and consequences of the Merger as much as an analysis of financial metrics.

Having regard to M2 Group and Vocus share prices before the announcement of the Merger, M2 Group and Vocus shareholders are contributing broadly similar values to the Merged Group. The board of the Merged Group will comprise four current M2 Group directors and four current Vocus directors. The senior management team of the Merged Group is expected to be drawn from the ranks of both M2 and Vocus senior management. Neither M2 Group nor Vocus shareholders will dominate the share register, either individually or on a collective basis. Accordingly, Grant Samuel has assessed the Merger as a "merger of equals". Evaluation of the Merger involves addressing two questions:

- is the share of the Merged Group to be held by M2 Group shareholders consistent with their relative value contribution to the Merged Group? and
- do the benefits of the Merger outweigh the disadvantages, such that M2 Group shareholders are likely to be better off if the Merger proceeds?

Based on sharemarket prices immediately before the announcement of the Merger, M2 Group shareholders are contributing around 50% of the value of the Merged Group. Given that M2 Group shareholders will collectively hold 56.4% of the shares in the Merged Group, this suggests that M2 Group shareholders are receiving a disproportionate interest in the Merged Group: that is, the merger terms deliver a modest premium to M2 Group shareholders. Based on sharemarket prices over longer periods before the announcement of the Merger, M2 Group shareholders appear to be contributing around 53-58% of the value of the Merged Group. On this basis, the share of the Merged Group to be held by M2 Group shareholders appears proportionate to their contribution.

Assessment of relative value contributions based on the estimated underlying values of M2 Group and Vocus is less straightforward. Both M2 Group and Vocus are participants in the dynamic and rapidly changing telecommunications sector. Both have grown rapidly in recent years, organically and through multiple significant acquisitions. While estimates of the underlying values of M2 Group and Vocus are essentially based on the respective businesses in their current form on a "business as usual" basis, the reality is that absent the Merger both M2 Group and Vocus can be expected to continue to evolve in response to continuing change in the telecommunications sector. In this context, estimates of underlying value should be viewed as no more than indicative. Nonetheless, on the basis of Grant Samuel's estimates of the underlying values of M2 Group and Vocus, M2 Group shareholders are contributing around 51-52% of the underlying value of the Merged Group. This relative contribution is less than the 56.4% shareholding that M2 Group shareholders will collectively hold in the Merged Group.

Overall, whilst recognising the uncertainties inherent in valuation analysis for M2 Group and Vocus, in Grant Samuel's view M2 Group shareholders will hold a collective interest in the Merged Group that is consistent with, and potentially greater than, their contribution of value to the Merged Group. On this basis, the terms of the Merger are fair to M2 Group shareholders.

The Merger has the potential to deliver considerable value in terms of synergies and other benefits. M2 Group and Vocus have announced that they expect to realise annual cost synergies of around $40 million (on a pre-tax basis), to be fully delivered by 30 June 2018. These synergies include

network synergies (network optimisation and rationalisation) and savings associated with duplicated public company costs, premises rationalisation and management integration. In addition, the Merger could yield significant further (unquantified) revenue synergies. In particular, there is an opportunity to leverage the Vocus network infrastructure to deliver improved services to M2 Group's Dodo and iPrimus broadband customers, reduce churn rates, grow revenue and lower costs. Similarly, there is an opportunity to use Vocus' infrastructure and product set to deliver improved small business products under the Commander brand. From a Vocus perspective, the Merger provides an opportunity to use M2 Group's sales and marketing capabilities to accelerate the growth of Vocus' business in the small and medium enterprise sector and increase the utilisation of its extensive infrastructure investment. Collectively, these and other opportunities have the potential to deliver material additional earnings in the medium term.

More broadly, the Merger represents a combination of complementary strengths and capabilities. M2 Group will bring to the Merged Group a portfolio of strong residential and business brands, supported by extensive sales and marketing capabilities, while Vocus will contribute its underutilised network infrastructure assets and networking technical expertise. The combination provides diversification, flexibility and strategic optionality, and should ensure that the Merged Group enjoys a substantially stronger strategic position than M2 Group on a standalone basis. In particular, the Merged Group will be able to leverage its combined strengths to ensure that it takes maximum advantage of the opportunities represented by the progressive roll out of the NBN in Australia and the UFB initiative in New Zealand.

The Merger will result in the creation of a far larger and financially more robust company. The Merged Group will be well equipped to continue to participate in merger and acquisition opportunities, should have access to both equity and debt on more attractive terms than would be available to M2 Group on a standalone basis, and should have more attractive investment characteristics for sharemarket investors.

The disadvantages of the Merger are not material. Earnings per share attributable to M2 Group shareholders will fall in the short term, given that Vocus is trading on much higher multiples of earnings than M2 Group. The earnings multiple differential reflects market expectations that Vocus earnings will grow more rapidly than those of M2 Group. Accordingly, the fall in attributable earnings per share for M2 Group shareholders should be offset by higher trading multiples and increased rates of earnings growth into the future.

The major risk associated with the Merger relates to the integration of the two businesses and the ongoing management of the Merged Group. The management teams of both M2 Group and Vocus have a track record of successful integration of acquisitions. Nonetheless, merger implementation is inherently risky, and the Merged Group will be more complex and will have a broader range of activities than either M2 Group or Vocus on a standalone basis. Accordingly, it is likely that sharemarket values for the Merged Group will only fully reflect the merger benefits over time, as management is able to demonstrate the successful integration of the Merged Group and the delivery of enhanced earnings growth.

Grant Samuel has concluded that the terms of the Merger are fair to M2 Group shareholders. The combination of M2 Group and Vocus should yield significant synergies in the short to medium term and will create in the Merged Group a trans-Tasman telecommunications company with a strategic position materially stronger than that of M2 Group on a standalone basis. In Grant Samuel's view, the benefits of the Merger outweigh the disadvantages and M2 Group shareholders are likely to be better off if the Merger proceeds. Accordingly, the Merger is in the best interests of M2 Group shareholders.

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8.2 Fairness

Approach

The Merger involves Vocus acquiring 100% of the shares in M2 Group. However, upon completion of the Merger, M2 Group shareholders will, in aggregate, own 56.4% of the Merged Group and Vocus shareholders will own the remaining 43.6%. The board of the Merged Group will comprise four current directors of M2 Group and four current directors of Vocus. The management team of the Merged Group is expected to comprise members of both the M2 Group and Vocus management teams. No single shareholder is expected to hold more than 5% of the Merged Group. On this basis, as discussed in Section 2.2 of this report, the Merger is not a "control transaction" as that term applies in RG111 and the commercial reality is that it is a merger. Accordingly, Grant Samuel has evaluated the Merger as a "merger of equals".

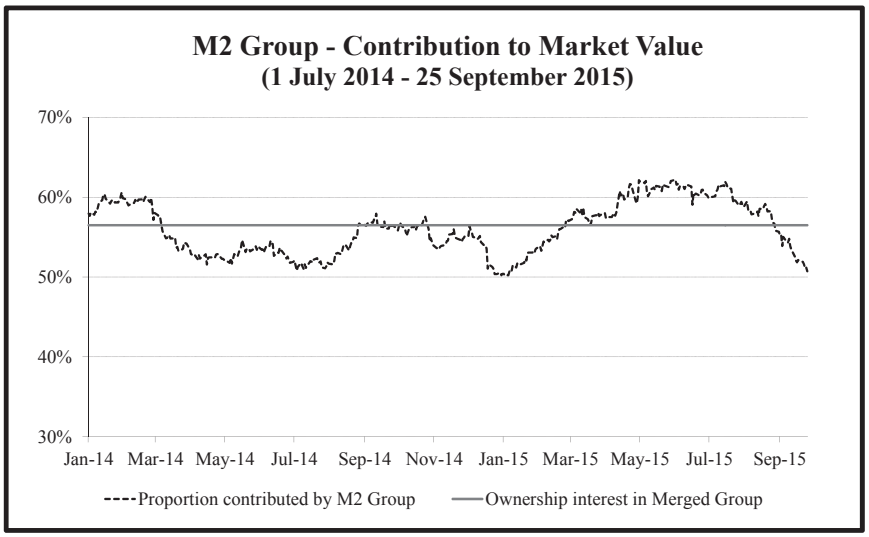
Grant Samuel has assessed whether the terms of the Merger are fair by comparing the share of the Merged Group received by M2 Group shareholders with the relative contribution by M2 Group shareholders of:

- sharemarket value. This analysis considers the value the sharemarket places on M2 Group and Vocus;
- Grant Samuel's estimates of full underlying value; and
- other parameters such as revenue and earnings.

Relative Contribution of Sharemarket Value

There is an active, well-informed market for shares in both M2 Group and Vocus. Accordingly, sharemarket values provide an objective measure of the contributions of value to the Merged Group to be made by each of M2 Group and Vocus shareholders.

M2 Group's contribution to the aggregate sharemarket value (based on daily closing prices) of the two companies since 1 July 2014 to 25 September 2015 (last trading date prior to announcement of Merger) is shown in the following chart:



Source: IRESS and Grant Samuel analysis
Notes: (1) Market capitalisation has been calculated by reference to shares on issue at the time. Prior to 8 July 2015, Vocus is the aggregate of the market capitalisations of Vocus and Amcom.
(2) No adjustments made for dividends.

The chart shows that, based on share market prices immediately before the announcement of the Merger, M2 Group's contribution of value was less than the 56.4% collective interest that M2 Group shareholders will hold in the Merged Group. For the period 25 February 2015 to 27 August 2015, M2 Group's contribution was greater than 56.4%. For prior periods, M2 Group's contribution was generally less than or equal to 56.4% of the aggregate share market value.

The following table shows for different periods the VWAP for M2 Group and Vocus shares, the notional sharemarket capitalisations of the two companies and the contributions of sharemarket value to the Merged Group, based on various periods prior to the announcement of the Merger:

Contribution of Sharemarket Value

Period	M2 Group			Vocus		
	Price/ VWAP $	Market Capitalisation ($ million)	Contribution %	Price/ VWAP $	Market Capitalisation ($ million)	Contribution %
Prices						
25 September 2015 (last price)	8.42	1,544	50.7%	6.49	1,501	49.3%
25 September 2015 (VWAP)	8.51	1,560	51.0%	6.49	1,501	49.0%
1 week to 25 September 2015	8.54	1,566	51.4%	6.40	1,480	48.6%
1 month to 25 September 2015	8.84	1,621	53.4%	6.11	1,412	46.6%
3 months to 25 September 2015	9.84	1,805	56.8%	5.93	1,371	43.2%
6 months to 25 September 2015	10.34	1,896	58.1%	5.91	1,367	41.9%
12 months to 25 September 2015	9.63	1,767	56.4%	5.92	1,368	43.6%
Prices adjusted for M2 Group dividend						
25 September 2015 (last price)	8.25	1,513	50.2%	6.49	1,501	49.8%
25 September 2015 (VWAP)	8.34	1,529	50.5%	6.49	1,501	49.5%

Source: IRESS and Grant Samuel analysis
Note: Market capitalisation based on shares currently on issue.

Given the active markets in both M2 Group and Vocus, it is reasonable to conclude that pre-announcement sharemarket values reflect the market's consensus view on the value of both companies. In theory, the most recent share prices reflect the "best" market estimate of values, because they incorporate the most recent information on broader economic and business conditions and company specific matters.

At announcement of the Merger on 28 September 2015, both M2 Group and Vocus had recently released their FY15 results (M2 Group on 24 August 2015, Vocus on 27 August 2015). M2 Group had also provided guidance for expected growth in revenue and NPAT (incorporating the impact of the CallPlus Group acquisition) in FY16 and for capital expenditure and Vocus had provided indicative proforma FY15 financial information reflecting the acquisition of Amcom on 8 July 2015. Accordingly, it is reasonable to conclude that the sharemarket values for both companies immediately prior to the announcement of the Merger provide the best indication of the sharemarket's views on the value of M2 Group and Vocus on a standalone basis.

Nevertheless, analysis of relative contributions of value on the basis of share prices needs to be treated with some caution. Sharemarket views on value can shift significantly in short periods of time. In this regard, over the period from 1 July 2014, the M2 Group share price has been volatile with a wide trading range (40-80% compared to the trading range for Vocus shares of 20-30%), including a recent significant downwards re-rating following release of M2 Group's FY15 results. In addition, the share prices for both M2 Group and Vocus incorporate expectations of the short and medium term benefits of recent significant acquisitions (M2 Group's June 2015 acquisition of CallPlus Group and Vocus' July 2015 acquisition of Amcom), and are accordingly based on estimates of uncertain future outcomes. While the share prices (particularly given the companies' relatively liquid share trading) should reflect unbiased, market consensus views on value, including relativities, the share prices do not represent infallible estimates of value.

M2 Group's relative contribution of sharemarket value based on share prices at 25 September 2015 (i.e. immediately prior to the announcement of the Merger) is 50.7% which is less than M2 Group shareholders' aggregate shareholding of 56.4% in the Merged Group. Furthermore, this measure does not take into account the dividend paid by M2 Group on 29 October 2015 (17 cents

per share). After adjusting for this dividend, the relative contribution by M2 Group shareholders is lower (around 50.2%).

For share prices for the period following the release of M2 Group's FY15 results (i.e. during the month prior to the announcement of the Merger), the aggregate interest of M2 Group shareholders in the Merged Group (56.4%) exceeds the share of market value contributed by them. Measured over periods of greater than one month, the aggregate interest of M2 Group shareholders is generally marginally below their relative contribution of sharemarket value.

Given the movement in share market relativities in recent months and the inherent uncertainty in the circumstances of M2 Group and Vocus of sharemarket estimates of value, conclusions regarding relative sharemarket value contributions cannot be completely clear cut. However, in Grant Samuel's view, the share of the Merged Group to be held by M2 Group shareholders is at least proportionate to, and arguably exceeds, the relative sharemarket value to be contributed by M2 Group shareholders. On this basis the terms of the Merger are fair to M2 Group shareholders.

Relative Contributions of Full Underlying Value

The following table summarises the value contributed by M2 Group and Vocus based on Grant Samuel's estimated full underlying value of each company as set out in Sections 7.3 and 7.4 of this report. The underlying values for both companies allow for the FY15 final dividends which have recently been paid to their respective shareholders (2 cents per Vocus share on 24 September 2015 and 17 cents per M2 Group share on 29 October 2015):

Relative Contribution – Underlying Value Analysis ($ million)

	Report Section	Grant Samuel Estimates of Value	
		Low	High
Full Underlying Value – M2 Group	7.3	**1,776.4**	**1,976.4**
Full Underlying Value – Vocus	7.4	**1,670.4**	**1,870.4**
Relative Value Contributions – M2 Group		51.5%	51.4%
Relative Value Contributions – Vocus		48.5%	48.6%

M2 Group shareholders will collectively hold approximately 56.4% of the shares in the Merged Group. Grant Samuel's assessment of the full underlying value of M2 Group and Vocus suggests that, on a fully diluted basis, M2 Group is contributing around 51-52% of the aggregate underlying value of the Merged Group.

Estimates of the underlying value of M2 Group and Vocus are imprecise. Both M2 Group and Vocus have grown rapidly in recent years, both by acquisition and organically. In the absence of the Merger, both companies could be expected to continue to grow and, given the dynamic nature of the telecommunications sector, may ultimately evolve into companies quite different from their current form. By contrast, the valuations of M2 Group and Vocus are based on the continuation of their current operations on a "business as usual basis" basis. Moreover, evidence as to value (from precedent transactions or comparable companies) provides only limited guidance, given the unique circumstances and characteristics of each transaction and the rapidly changing structure of the Australasian telecommunications sector. In this context, estimates of underlying value should be treated with some caution.

Nonetheless, in Grant Samuel's view, the valuation analysis suggests that M2 Group shareholders will have a collective interest in the Merged Group that is at least consistent with and probably greater than their relative contribution of underlying value. On this basis, the terms of the Merger are fair to M2 Group shareholders.

Relative Contributions – Other Financial Parameters

Grant Samuel has also considered the contributions of M2 Group and Vocus to the Merged Group based on other financial parameters, although these provide less reliable metrics on which to judge the terms of the Merger:

Relative Contributions – Other Financial Parameters				
	$ millions		Contribution %	
	M2 Group	Vocus	M2 Group	Vocus
Merger terms			**56.4%**	**43.6%**
NPAT (underlying)				
FY15 (proforma)	101.2	36.7	73.4%	26.6%
FY16 (broker median)	122.8	61.2	66.7%	33.3%
FY17 (broker median)	137.0	80.4	63.0%	37.0%
Financial Position (FY15)				
Total assets (proforma)	1,275.9	1,225.5	51.0%	49.0%
Net assets (proforma)	358.3	872.4	29.1%	70.9%

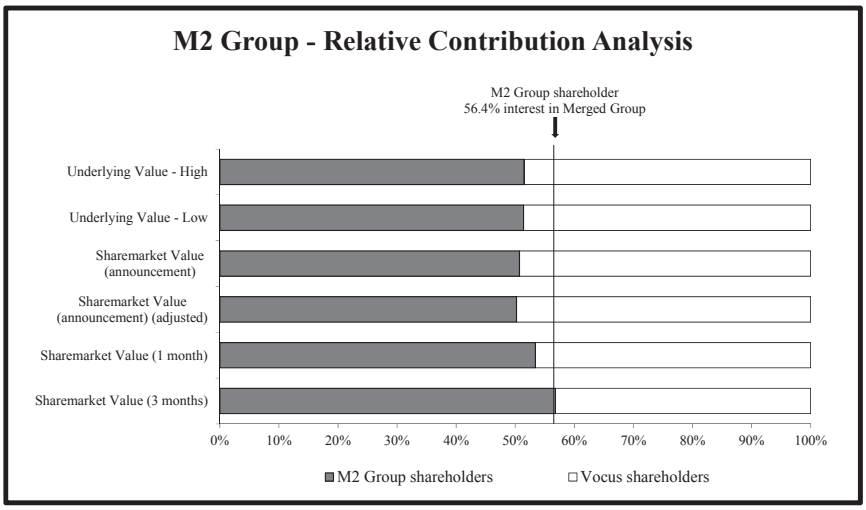
Source: M2 Group, Vocus and Grant Samuel analysis

Based on FY15 NPAT (underlying), M2 Group is contributing disproportionately to the Merged Group. However, broker expectations are for M2 Group's earnings growth to slow. The median broker estimates of M2 Group's relative NPAT contribution for FY16 and FY17 are lower but still greater than the aggregate shareholding of M2 Group shareholders in the Merged Group.

Accounting estimates of net assets provide only a general indication of relative value contributions as accounting carrying values do not necessarily reflect economic values. M2 Group's relative contribution of net assets to the Merged Group is disproportionately low. This reflects the differences in capital intensity between the two companies: Vocus has made a major investment in its fibre networks and other infrastructure, which could be expected to support earnings growth in future years. On a total assets basis the relative contributions are closer to the terms of the Merger (although this measure does not take into account the contributions of debt and other liabilities by the two companies to the Merged Group).

Conclusion

The contribution of value of M2 Group shareholders to the Merged Group relative to their aggregate shareholding in the Merged Group is summarised graphically as follows:



Overall, the analysis suggests that M2 Group shareholders' contribution of value to the Merged Group will be less than their collective interest in the Merged Group. In Grant Samuel's view, on the basis of merger analysis the terms of the Merger are fair to M2 Group shareholders.

8.3 Advantages and Disadvantages

Grant Samuel has considered the advantages and disadvantages of the Merger as set out below.

Advantages and Benefits

The advantages and benefits for M2 Group shareholders if the Merger is approved include:

(i) Cost and Revenue Synergies

M2 Group and Vocus together undertook a detailed "bottom-up" analysis of the potential to realise cost synergies through combining their businesses. On this basis, they have announced that the Merger is expected to yield approximately $40 million of pre-tax cost synergies. These synergies will be achieved progressively, with the full synergies expected to be realised by 30 June 2018. The synergies consist of cost savings through network optimisation and consolidation, as well as cost savings available through the integration of the two management teams, rationalisation of premises and the removal of duplicated public company, head office and other corporate costs. The estimated cost to achieve these synergies is $20 million.

The quantum of the estimated cost synergies is significant but not compelling, having regard to aggregate proforma FY15 EBITDA for M2 Group and Vocus of $329 million. However, the Merger has the potential to deliver significant revenue synergies in addition to the $40 million of expected cost synergies. M2 Group and Vocus consider revenue enhancement opportunities exist as a result of the complementary nature of Vocus' fibre network and M2 Group's DSLAM network and the opportunities to mobilise M2 Group's distribution functions to increase the utilisation of Vocus' networks and to cross sell products to their respective market segments.

For example, there is an opportunity to leverage the Vocus broadband infrastructure to deliver improved services to M2 Group's Dodo and iPrimus customers, reduce churn rates, increase revenue and lower costs. Similarly, there is an opportunity to use Vocus' infrastructure and product set to deliver improved small business products under the Commander brand. From a Vocus perspective, the Merger provides an opportunity to use M2 Group's sales and marketing capabilities to accelerate the growth of Vocus' small and medium enterprise business and increase the utilisation of its extensive infrastructure investment. M2 Group and Vocus have not quantified the total revenue synergies possibly available, but they could add materially to the estimated $40 million of cost synergies.

As M2 Group shareholders will collectively hold 56.4% of the shares in the Merged Group, to the extent that they continue to hold shares in the Merged Group, they will share in the synergies that are delivered through the combination of M2 Group and Vocus.

(ii) Strategic Benefits

M2 Group's "infrastructure light" business model has been based on reselling telecommunications and other services, principally delivered using other carriers' infrastructure. Underpinned by sales and marketing excellence, strong brands and adept merger and acquisition execution, this has been a highly successful strategy. However, a changing external environment means that this strategy faces increasing challenges. The maturing of the residential market has resulted in slower growth in subscriber numbers. Growing competition has slowed revenue growth, with new customer acquisition increasingly becoming a "zero sum" game. More recently, there has been a dramatic increase in consumer requirements for bandwidth, reflecting the data demands of popular video streaming applications. Residential customers have demonstrated a willingness to change broadband providers in response to perceived poor broadband performance. The result has been increasing pressure to deliver technically superior solutions at lower cost to retain customers and maintain profit margins. This dynamic is increasingly favouring owners of infrastructure relative to resellers.

At the same time, the impending migration of Australian voice/broadband users to the NBN provides a one-off opportunity for telecommunications participants to significantly grow their retail businesses. The full roll out of the NBN is expected to see a material increase in the number of broadband users. The progressive migration to the NBN of existing broadband and voice consumers will allow "disrupters" (such as M2 Group) to aggressively target new customers and aim to win market share from the incumbent providers. To extract the maximum benefit from this opportunity will require not just strong retail brands and sales and marketing capabilities, but also the ability to deliver high quality services, a low cost business model and the financial capacity to engage in competition with well resourced incumbents. Similarly, the roll out of the UFB in New Zealand provides a business opportunity for telecommunications providers.

The Merger will comprehensively address M2 Group's strategic imperatives. The Merged Group will be a genuine vertically integrated trans-Tasman telecommunications company, combining M2 Group's portfolio of strong residential and small business brands, supported by extensive sales and marketing capabilities, with Vocus' network infrastructure assets and networking technical expertise. The combination will provide the Merged Group with diversification, flexibility and strategic optionality. The Merged Group will have the network infrastructure to deliver highly competitive broadband and voice products, both in a pre-NBN and UFB world and following the roll out of the NBN and UFB, with a cost structure that will not be stressed by ongoing consumer demand for further bandwidth.

By comparison with M2 Group on a standalone basis, the Merged Group should have materially enhanced prospects of growing its business as the NBN and UFB are rolled out. The Merged Group will have the retail brands, sales and marketing capabilities, network infrastructure, low cost structure and financial strength required to compete with incumbents and other potential service providers as households and small businesses become contestable.

(iii) Other Advantages

The Merger offers M2 Group shareholders a number of other advantages:

- the Merged Group will be a far larger and financially more robust company than M2 Group on a standalone basis. The Merged Group's gearing will be lower than the gearing of M2 Group (approximately 17% vs 21%, based on market values[56]) and on an equivalent M2 Group share basis NTA increases to $1.58 (negative) from $3.02 (negative). The Merged Group should be able to raise debt and equity, if required, on more attractive terms that those available to M2 Group, providing additional financial flexibility and enhanced capacity to exploit growth opportunities as they arise. The Merged Group will have the financial capacity to compete more aggressively in the consumer and business markets, to make further infrastructure and other investments if required to respond to a changing competitive landscape, and will be well positioned to continue to participate in merger and acquisition opportunities;
- the Merger has not been structured as a change of control transaction and there is no intention for the Merger terms to deliver a "control premium" to M2 Group shareholders. Nevertheless, partially as a result of the significant fall in the M2 Group share price following release of its FY15 results (i.e. over the month before the announcement of the Merger), the value implied by Merger terms does represent a premium based on M2 Group and Vocus share prices for the period immediately prior to the Merger announcement.

  Based on closing share prices on the day before the announcement of the Merger, the terms of the Merger implied a value of $10.55 per M2 Group share or a 25.3% premium over M2 Group's pre-announcement price ($8.42) (27.8% on an ex dividend

[56] Gearing is calculated as net debt/(market capitalisation plus net debt). For this purpose the market capitalisations are based on share prices as at 12 November 2015. Book gearing for the Merged Group will be 19.1% compared to 57.7% for M2 Group on a standalone basis.

basis). The implied premiums are lower if calculated using VWAPs for M2 Group and Vocus shares over longer periods of time:

M2 Group – Premium over Pre-announcement Prices

Period	Vocus Price/ VWAP	Value of Merger Consideration	M2 Group Price/ VWAP	Premium
25 September 2015 (last price)	$6.49	$10.55	$8.42	25.3%
25 September 2015 (VWAP)	$6.49	$10.55	$8.51	24.0%
1 week prior to 25 September 2015 (VWAP)	$6.40	$10.40	$8.54	21.8%
1 month prior to 25 September 2015 (VWAP)	$6.11	$9.93	$8.84	12.3%
3 months prior to 25 September 2015 (VWAP)	$5.93	$9.64	$9.84	(2.1%)
6 months prior to 25 September 2015 (VWAP)	$5.91	$9.61	$10.34	(7.1%)
12 months prior to 25 September 2015 (VWAP)	$5.92	$9.62	$9.63	(0.2%)

Source: IRESS and Grant Samuel analysis

For periods of more than a month, the premium is negligible or represents a modest discount, which is more consistent with the "merger of equals" construct of the Merger.

The most recent share prices should provide the best information as to value (particularly given that they incorporate the information provided in the FY15 profit announcements of M2 Group and Vocus, and reflect the major acquisitions completed by M2 Group and Vocus in June/July 2015). On this basis the Merger terms appear to be delivering a premium to M2 Group shareholders, although some caution is warranted in reaching this conclusion, given the share price volatility of M2 Group and Vocus;

- prior to the announcement of the Merger, M2 Group had a market capitalisation of $1.55 billion and was a member of key S&P/ASX indices including the S&P/ASX 200 Index and S&P/ASX 300 Index. The Merged Group will have (based on current share prices) a market capitalisation of around $3.5 billion and be the fourth largest integrated carrier by market capitalisation listed on the ASX. The Merged Group will comfortably fall within the ASX 100 Index.

  It is reasonable to expect that the greater market capitalisation, index inclusion and expanded share register will improve trading liquidity in the Merged Group's shares and attract additional investor interest. While it is difficult to predict the impact of this increased liquidity and investment appeal, over time there is at least some basis for expecting that it could support a positive market re-rating of shares in the Merged Group;
- the Merged Group's share register is expected to be widely distributed, with no controlling shareholder or shareholder bloc (although TPG Telecom will have a 3.5% interest). The Merged Group will be an attractive vertically integrated trans-Tasman telecommunications business in a sector in which there will be few comparable meaningful acquisition opportunities and increased competition regulatory overview. M2 Group shareholders will retain the opportunity to realise a control premium through a change of control transaction at some time in the future (although there can be no assurance that this will take place);
- if eligible, M2 Group shareholders may be able to defer some of the capital gains consequences of accepting the Merger to the extent capital gains tax scrip for scrip rollover relief is available (see Section 8.3.5(ii)); and
- M2 Group shareholders will retain an economic interest in the M2 Group business, albeit on a diluted basis (56.4%). Moreover, they will incur no transaction costs (i.e. brokerage) to acquire Vocus shares and, as the exchange ratio under the Merger reflects a premium, their interest in Vocus will be greater than if they had realised their M2 Group shares on market and used the sale proceeds (net of transaction costs) to acquire Vocus shares on market.

Disadvantages, Costs and Risks

The costs, disadvantages and risks for M2 Group shareholders if the Merger is approved include:

(i) Reduction in Attributable Earnings per Share

Vocus shares are trading on considerably higher multiples of earnings than M2 Group. As a result, following the Merger shareholders in M2 Group will experience a reduction in attributable earnings per share (equivalent basis) as shown below, at least in the short term:

Proforma Earnings Per Share Impact per Equivalent M2 Group Share

FY15 Proforma	M2 Group Standalone	M2 Group Standalone Adjusted[57]	Merged Group proforma	Equivalent M2 Group share	Change	
					Absolute	%
Earnings per share	36.7¢	45.5¢	13.3¢	21.7¢	-23.8¢	*-52.4%*
Earnings per share (underlying)	55.7¢	61.9¢	28.1¢	45.6¢	-16.3¢	*-26.3%*
Earnings per share (underlying) after $40 million cost savings at 30% tax	55.7¢	61.9¢	33.3¢	54.2¢	-7.7¢	*-12.5%*

Source: Scheme Booklet and Grant Samuel analysis

This analysis is based on proforma FY15 earnings. Vocus' earnings are expected to grow more quickly over the period to FY18 than those of M2 Group. Accordingly, the differential in earnings per share on an equivalent M2 Group share basis should rapidly reduce. Furthermore, the estimated earnings per share impact per equivalent M2 Group share is based on the assumptions underlying the Merged Group proforma acquisition analysis. The actual earnings per share impact on M2 Group shareholders may be different to the estimates presented above. In particular, the negative impact will be reduced to the extent that the Merger yields revenue and other synergies additional to the $40 million of cost synergies estimated by M2 Group and Vocus.

In any event, the impact of the reduction in attributable earnings per share on M2 Group shareholders should be offset by an increase in the multiple of earnings on which shares in the Merged Group trade (relative to M2 Group on a standalone basis). The increased multiple would be supported by the superior growth prospects of the Merged Group (given Vocus' superior earnings growth profile), the expected synergies, the perceived de-risking of the earnings stream given its underpinning by the Vocus fibre network, and (potentially) a market re-rating reflecting the more attractive investment characteristics of the Merged Group. The strong trading in M2 Group shares since the announcement of the Merger is consistent with expectations of such an increase in the earnings multiple.

The dividend policy for the Merged Group will be determined by the Merged Group board following implementation of the Merger having regard to it profits, financial position and capital requirements. Vocus has historically paid out a much lower proportion of its earnings than M2 Group, which has targeted a 70% dividend payout ratio. Given Vocus' lower payout ratio and the immediate reduction in attributable earnings per share for M2 Group shareholders, it is likely that, on a share equivalent basis, the Merger will result in a reduction in dividend yield for M2 Group shareholders. The extent of the reduction in attributable dividends should decline over time to the extent that future earnings for the Merged Group grow more quickly (including through the realisation of synergies) than earnings for a standalone M2 Group. Nonetheless, particularly for yield focused investors, the reduction in attributable dividends may be a disadvantage.

The Merged Group expects to pay dividends totalling 9.5 cents per share (comprising a dividend in respect of the six months ending 31 December 2015 of 7.6 cents per share and a special dividend of 1.9 cents per share) shortly after implementation. On a share equivalent

[57] Adjusted by Grant Samuel to eliminate amortisation of capitalised deferred customer acquisition costs (i.e. in line with the adjustment in the Merged Group Proforma Income Statement).

basis, the expected interim dividend (7.6 cents) equates to 12.35 cents, an 18% reduction to the M2 Group interim FY15 dividend (15 cents) (including the special dividend equates to 15.44 cents per equivalent M2 Group share).

(ii) Transaction and Integration Costs

Transaction and integration cash costs related to the Merger are estimated to total around $45 million, of which M2 Group shareholders will effectively fund 56.4% ($25.4 million). These costs include transaction costs (such as advisory and other implementation costs) and costs associated with achieving the identified cost savings ($20 million). These costs are one off and not material in the context of the Merged Group at around 1.5% of the aggregate market capitalisation of M2 Group and Vocus at announcement date ($3 billion).

Of these costs, in line with the cost sharing provisions of the merger implementation agreement, approximately $3.9 million will be incurred by M2 Group on a standalone basis if the Merger does not proceed (around 2.1 cents per share). In certain circumstances, M2 Group will also be liable to pay Vocus a $15 million break fee (although not if shareholder approval is not forthcoming). On the other hand, in certain circumstances, Vocus will be liable to pay M2 Group a $15 million break fee.

(iii) Integration Risks

The benefits of the Merger relate largely to the synergies and broader strategic benefits expected to be realised through the combination and integration of the M2 Group and Vocus businesses. The quantum of these synergies and the extent of the strategic benefits essentially reflect the complementary nature of the M2 Group and Vocus businesses. However, it should be recognised that the businesses are quite different from each other. Realisation of the expected benefits will not be an automatic consequence of the Merger, but will require the successful integration and on-going management of the Merged Group. The management teams of both M2 Group and Vocus have a track record of successful acquisitions and integrations. However, business integrations are inherently risky. There may be unanticipated issues or costs that arise on integration of the Merged Group. The Merged Group will have a much broader range of operations and will as a result be more complex and intrinsically more difficult to manage than M2 Group on a standalone basis. It is not possible to predict the competitive responses that the Merger may elicit, and there is a risk that competition may erode the expected benefits of the Merger, at least to some extent.

Given the risks involved, it is to be expected that the share market value of the Merged Group will only fully reflect the benefits of the Merger over time, as the integration process is successfully completed, expected synergies are realised and management demonstrates its ability to leverage real value from the stronger strategic positioning of the Merged Group.

(iv) Other Disadvantages

Some shareholders may not want to hold Vocus shares. However, they will be able to sell their shares into an enlarged market for Vocus shares, although there is no certainty that they will be able to realise the scrip received for an amount equivalent to the value attributed by the merger terms (e.g. due to transaction costs and the risks associated with any stockmarket investment).

Conclusion

The Merger provides M2 Group shareholders with:

- an investment in Australia's fourth largest Australian integrated telecommunications carrier by market capitalisation (behind Telstra, TPG Telecom and Optus) with consumer and business activities underpinned by stable network infrastructure earnings;
- improved growth opportunities relative to the status quo, flowing from:
  - the combined strengths of the Merged Group, including a stronger balance sheet and enhanced access to capital, which should ensure that it takes maximum advantage of the one-off opportunities represented by the roll out of the NBN and UFB;
  - the opportunity to leverage the Vocus network infrastructure to deliver improved services to existing customers and to lower costs while expanding the range of products delivered to its business segment customers; and
  - benefits of the accelerated growth of Vocus' small and medium enterprise business and increased network utilisation; and
- the financial benefits of the cost savings and other potential revenue and strategic synergies.

In summary, the Merger improves the risk/return profile of M2 Group shareholders (i.e. from that of a reseller of telecommunications and other products to that of an integrated telecommunications carrier) and enhances the growth outlook for their investment. The disadvantages, costs and risks of the Merger are not significant. In Grant Samuel view, the benefits of the Merger outweigh the disadvantages.

8.4 Other Matters

(i) Alternatives

M2 Group has agreed to no-shop, no-talk and no-due diligence provisions and both M2 Group and Vocus have the right to match any competing proposal that might be made for the other party. M2 Group and Vocus have agreed to pay each other $15 million break fees if the Merger does not go ahead (in certain prescribed circumstances). The $15 million break fees (approximately 8.1 cents per M2 Group share and 6.5 per Vocus share) are not material having regard to the standalone values of the two companies.

In deciding to enter into the merger implementation agreement the M2 Group board considered M2 Group's strategic landscape and alternatives, undertook a due diligence process on Vocus and undertook a detailed assessment of the ability to achieve the identified cost savings. Based on this process, the board decided to recommend the Merger to M2 Group shareholders. However, M2 Group shareholders could choose to reject the Merger, in the expectation that M2 Group would be better off on a standalone basis or that a superior proposal might be made by some third party.

In Grant Samuel's view, however, M2 Group shareholders would be worse off if the Merger did not proceed and M2 Group continued as a standalone company. M2 Group would not have the benefit of the synergies expected to be realised through the Merger and would not enjoy the strengthened strategic position that should result from the Merger. Moreover, the Merger does not prevent some change of control proposal for the Merged Group emerging in the future. The Merged Group will have an open share register and arguably will be a more attractive target than M2 Group on a standalone basis.

It is not possible to know whether there may be an alternative that is superior to the Merger. In any event, there is no meaningful obstacle to some third party making an alternative proposal to M2 Group prior to the meeting at which shareholders will vote on the Merger (although the matching rights might be a disincentive to any competing proposal). If this arises it would be considered on its merits.

(ii) Market Value Implications

M2 Group shares have traded at much stronger prices since the announcement of the Merger. M2 Group shares closed at $8.42 on 25 September 2015 (the last trading day before announcement). On the day of the announcement, the share price rose by 13%, and since then M2 Group shares have generally traded at prices well above pre-announcement prices.

For the period 28 September to 4 December 2015, M2 Group shares traded at a VWAP of $10.01. Over the shorter period from 2 November to 4 December 2015, M2 Group shares traded at a VWAP of $10.61, a 26% premium to the closing share price of $8.42 on 25 September 2015. While the S&P/ASX 200 Index has remained flat in the period to 4 December 2015, the S&P/ASX 200 Telecoms Index has declined by around 4-5% (primarily due to the decline in the Telstra share price following the ACCC's decision to reduce access prices to Telstra's copper network by 9.4% from 1 November 2015).

While it is not possible to predict with any confidence the price at which M2 Group shares would trade in the absence of the Merger, on a standalone basis the M2 Group share price could be expected to reflect factors including the following:

- the competitive pressures faced by M2 Group (particularly in the consumer segment), as illustrated by the FY15 result;
- expectations of slowing growth in M2 Group's revenue and earnings over the period to FY18, as suggested by the median of brokers' forecasts; and
- uncertain investor sentiment towards the telecommunications sector during the NBN/UFB roll out period (through to 2021), given the expectation of increased competition and margin pressures and the reduced prospect of further corporate activity following recent sector consolidation.

In Grant Samuel's view, there is a risk that M2 Group shares would trade at prices well below current prices, potentially back to levels close to those at which M2 Group shares were trading following the release of its FY15 results and prior to the announcement of the Merger (circa $8.50-9.00 per share). At a minimum, shares in a standalone M2 Group could be expected to trade at prices that did not reflect the synergies and other benefits expected to be realised through the Merger.

(iii) Taxation Consequences

Details on taxation consequences of the Merger for Australian resident and non-resident shareholders that hold their investment on capital account are set out in Section 9 of the Scheme Booklet. The Merger will give rise to a capital gains tax ("CGT") event for M2 Group shareholders. Australian resident shareholders and certain non-resident shareholders should be eligible to receive CGT scrip rollover relief if a capital gain would otherwise have been made from the exchange of M2 Group shares for Merged Group shares. If shareholders receive rollover relief the capital gain that would otherwise be generated will be deferred until they dispose their Merged Group shares. For a shareholder who chooses not to receive rollover relief, the CGT provisions will apply.

Furthermore, the Merged Group expects to declare and pay dividends totalling 9.5 cents per share (an interim FY16 dividend of 7.6 cents and a special dividend on 1.9 cents) shortly after implementation of the Merger. Australian resident M2 Group shareholders holding their Merged Group shares on the dividend record date will be entitled to receive any such dividends but franking offset entitlements associated with the dividends will only be available if the shares are held for 45 continuous days (except in certain circumstances).

In any event, the taxation consequences for shareholders will depend upon their individual circumstances. If in any doubt, shareholders should consult their own professional adviser.

(iv) Ineligible Foreign Shareholders

Ineligible foreign shareholders (i.e. M2 Group shareholders with registered addresses outside Australia and its external territories, New Zealand, Hong Kong. Singapore, the United Kingdom and certain states of the United States of America and any other jurisdiction Vocus deems appropriate) are not entitled to receive shares in the Merged Group. However:

- the Merged Group shares that they would otherwise have received will be sold on market and they will receive the cash proceeds on sale (after payment of any applicable brokerage, taxes and costs) in Australian dollars;
- they can acquire Merged Group shares through the ASX if they wish to retain an exposure to the merged entity; and
- shareholders representing less than 0.1% of M2 Group's issued shares are expected to be affected by these provisions.

8.5 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Merger is in the best interests of shareholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Merger, the responsibility for which lies with the directors of M2 Group.

In any event, the decision whether to vote for or against the Merger is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Merger, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in M2 Group, Vocus or the Merged Group. These are investment decisions upon which Grant Samuel does not offer an opinion and independent of a decision on whether to vote for or against the Merger. Shareholders should consult their own professional adviser in this regard.

GRANT SAMUEL

9 Qualifications, Declarations and Consents

9.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally) and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 500 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Caleena Stilwell BBus FCA F Fin and Stephen Cooper BCom (Hons) ACA(SA) ACMA. Each has a significant number of years of experience in relevant corporate advisory matters. Tim Archer BE(Hons) BSc DipAppFin and Nick Zur BCom assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

9.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Merger is in the best interests of shareholders. Grant Samuel expressly disclaims any liability to any M2 Group shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by M2 Group and has not verified or approved any of the contents of the M2 Group's Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the M2 Group's Scheme Booklet (except for this report).

9.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with M2 Group or Vocus or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Merger.

Grant Samuel had no part in the formulation of the Merger. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $525,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Merger. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

9.4 Declarations

M2 Group has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. M2 Group has also agreed to indemnify Grant Samuel and its employees and

officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by M2 Group are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to M2 Group and its advisers. Advance drafts of this report were also provided to Vocus. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

9.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the M2 Group's Scheme Booklet to be sent to shareholders of M2 Group. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

9.6 Other

The accompanying letter dated 11 December 2015 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
11 December 2015

Grant Samuel & Associates

GRANT SAMUEL

Appendix 1

M2 Group - Financial Performance by Business Segment

The table below summarises M2 Group's segment performance and is reconciled to the consolidated financial performance set out in Section 4.3 of this report. Grant Samuel has adjusted reported segment performance to exclude share of profits of associates and interest income and to allocate interest expense by segment.

M2 Group – Financial Performance by Business Segment ($ millions)

	Year ended 30 June					
	2011 actual	2012 actual	2013 actual	2014 actual	2015 actual	2015 proforma
Revenue						
Consumer			263.9	579.8	672.1	822.8
Business			333.2	344.0	344.3	387.4
Retail	257.9	319.3	597.1	923.8	1,016.4	1,210.2
Wholesale	169.0	73.3	83.1	99.0	98.0	116.5
Corporate/Unallocated	-	-	-	-	-	-
Total Revenue	**426.9**	**392.6**	**680.2**	**1,022.8**	**1,114.4**	**1,326.7**
EBITDA						
Consumer			53.8	85.1	87.3	
Business			56.8	68.5	75.7	
Retail	38.6	55.7	110.6	153.6	161.9	
Wholesale	9.8	11.5	15.0	18.0	19.5	
Corporate/Unallocated	(1.2)	(3.0)	(7.5)	(13.8)	(4.1)	
Total EBITDA	**47.2**	**64.2**	**118.1**	**157.8**	**178.3**	**208.5**
Depreciation and amortisation						
Consumer			(10.8)	(23.2)	(19.9)	
Business			(13.7)	(13.7)	(16.7)	
Retail	(5.6)	(9.9)	(24.5)	(36.9)	(36.6)	
Wholesale	(0.4)	(0.2)	(2.4)	(4.9)	(5.0)	
Corporate/Unallocated	-	(0.1)	(4.4)	(4.6)	(7.4)	
Total depreciation and amortisation	**(5.6)**	**(10.2)**	**(31.3)**	**(46.4)**	**(49.0)**	**(75.1)**
EBIT						
Consumer			43.0	61.9	67.4	
Business			43.1	54.8	58.9	
Retail	32.9	45.7	86.1	116.7	126.3	
Wholesale	9.4	11.3	12.6	13.1	14.5	
Corporate/Unallocated	(1.2)	(3.0)	(11.8)	(18.4)	(11.5)	
Total EBIT	**41.2**	**54.0**	**86.8**	**111.4**	**129.3**	**133.4**
Net interest expense						
Consumer			(0.8)	(1.0)	(0.6)	
Business			(0.8)	(1.4)	(1.0)	
Retail	1.1	0.8	(1.6)	(2.4)	(1.7)	
Wholesale	-	-	(0.5)	(0.8)	(0.6)	
Corporate/Unallocated	(1.9)	(2.8)	(8.8)	(14.3)	(10.6)	
Total net interest expense	**(0.8)**	**(2.0)**	**(10.9)**	**(17.5)**	**(12.8)**	**(27.3)**
Profit of associates/non-recurring items						
Consumer			-	-	-	
Business			-	-	-	
Retail	-	-	-	-	-	
Wholesale	-	-	-	-	-	
Corporate/Unallocated	-	(5.0)	(10.8)	0.8	(11.5)	
Total profit of associates/non-recurring items	**-**	**(5.0)**	**(10.8)**	**0.8**	**(11.5)**	**(9.1)**
Net profit before tax						
Consumer			42.1	60.9	66.7	
Business			42.3	53.4	57.9	
Retail	34.0	46.5	84.4	114.3	124.6	
Wholesale	9.4	11.3	12.1	12.3	13.9	
Corporate/Unallocated	(3.0)	(10.8)	(31.5)	(31.9)	(31.2)	
Total net profit before tax	**40.4**	**47.0**	**65.1**	**94.7**	**107.4**	**97.0**
Income tax expense						
Consumer			(13.9)	(18.3)	(19.8)	
Business			(14.0)	(16.0)	(17.3)	
Retail	(11.0)	(12.1)	(27.9)	(34.3)	(37.1)	
Wholesale	(3.1)	(3.2)	(3.6)	(3.7)	(4.2)	
Corporate/Unallocated	1.3	1.2	10.2	10.4	7.5	
Total income tax expense	**(12.8)**	**(14.0)**	**(21.3)**	**(27.6)**	**(33.7)**	**(30.3)**
NPAT						
Consumer			28.2	42.6	46.9	
Business			28.3	37.4	40.6	
Retail	23.0	34.4	56.6	80.0	87.6	
Wholesale	6.4	8.2	8.5	8.6	9.8	
Corporate/Unallocated	(1.8)	(9.6)	(21.3)	(21.5)	(23.7)	
Total NPAT	**27.6**	**33.0**	**43.8**	**67.1**	**73.7**	**66.7**

Appendix 2

M2 Group - Broker Consensus Forecasts

M2 Group has not publicly released earnings forecasts for FY16[1] or beyond. Accordingly, the prospective multiples implied by the valuation of M2 Group in the Grant Samuel report are based on median broker forecasts. Set out below is a summary of forecasts prepared by brokers that follow M2 Group in the Australian stockmarket:

M2 Group– Broker Forecasts ($ millions)

Broker	Report Date	Revenue			EBITDA[2]			EBITA[3]			EBIT[4]			NPAT[5]		
		FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
1	28-Sep-15	1,407.6	1,487.6	1,556.3	232.0	254.4	267.4	196.8	217.9	229.1	160.5	180.4	189.8	96.7	111.3	118.4
2	26-Aug-15	1,402.3	1,447.3	1,481.4	231.9	246.0	253.0	196.7	210.3	228.9	160.4	173.6	204.2	98.2	106.0	127.8
3	30-Nov-15	1,402.0	1,502.0	1,622.0	236.3	252.4	264.4	201.1	222.7	243.2	164.9	192.1	221.4	97.2	119.4	142.9
4	28-Sep-15	1,391.0	1,436.0	1,481.0	230.9	237.0	244.0	195.9	211.9	221.8	159.9	186.0	199.0	97.0	116.0	124.0
5	24-Aug-15	1,403.0	1,473.0	1,546.0	235.0	256.0	273.0	200.0	226.9	242.9	164.0	197.0	212.0	96.0	120.0	132.0
6	25-Aug-15	1,394.1	1,478.5	1,567.1	230.7	247.4	264.2	195.5	221.1	239.0	159.3	194.0	213.1	97.7	123.2	137.2
7	25-Aug-15	1,403.3	1,473.4	na[6]	234.7	245.9	na	199.4	216.1	na	163.0	185.4	na	96.8	115.0	na
8	24-Aug-15	1,395.1	1,456.0	1,515.9	237.7	254.8	264.5	201.2	218.4	226.7	163.7	180.9	187.9	97.7	113.7	122.2
9	24-Aug-15	1,405.0	1,481.0	na	238.0	253.0	na	203.0	216.5	na	167.0	179.0	na	98.0	107.0	na
10	24-Aug-15	1,396.9	1,485.6	1,554.7	235.1	254.2	268.0	200.1	231.0	244.3	164.1	207.2	219.9	97.2	128.7	139.8
11	26-Aug-15	1,404.5	1,489.9	1,584.2	233.0	244.3	256.1	198.3	217.8	230.3	162.6	190.5	203.7	95.9	115.8	126.2
12	28-Sep-15	1,420.2	1,484.4	na	239.4	254.2	na	204.1	219.5	na	167.8	183.8	na	98.3	110.8	na
13	28-Sep-15	na	na	na	239.0	252.0	264.0	203.0	219.0	237.4	167.0	185.0	210.0	98.0	111.0	131.0
14	28-Sep-15	1,391.0	1,477.0	1,554.0	233.0	252.0	263.0	209.8	219.5	233.9	186.0	186.0	204.0	116.0	129.0	143.0
Minimum		*1,391.0*	*1,436.0*	*1,481.0*	*230.7*	*237.0*	*244.0*	*195.5*	*210.3*	*221.8*	*159.3*	*173.6*	*187.9*	*95.9*	*106.0*	*118.4*
Maximum		*1,420.2*	*1,502.0*	*1,622.0*	*239.4*	*256.0*	*273.0*	*209.8*	*231.0*	*244.3*	*186.0*	*207.2*	*221.4*	*116.0*	*129.0*	*143.0*
Median		***1,402.3***	***1,478.5***	***1,554.4***	***234.9***	***252.2***	***264.2***	***200.0***	***218.7***	***233.9***	***163.9***	***185.7***	***204.2***	***97.5***	***115.4***	***131.0***

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data the following should be noted:

- the brokers presented represent the latest available broker forecasts for M2 Group as at 4 December 2015;
- as far as Grant Samuel is aware, M2 Group is currently followed by 18 brokers, of which 14 are presented above. Published research for the other four brokers is not available to Grant Samuel. Of the brokers presented, all have published research following the release of M2 Group's FY15 financial results on 24 August 2015 but only six have published research following announcement of the Merger;
- the broker forecasts are not prepared on a consistent basis, particularly in relation to the treatment of share of profits of equity accounted associates (some brokers forecast share of NPAT from associates separately while others do not) and depreciation and amortisation (some brokers provide a split of depreciation and amortisation while others do not). In the table above, Grant Samuel has attempted to present the broker forecasts on a common basis by making certain adjustments to depreciation and amortisation to allow for a split between amortisation of customer contracts and relationships and depreciation and other amortisation. No adjustments have been made in relation to share of profits of associates as this item is not material for M2 Group; and
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that the earnings forecasts do not incorporate any one-off adjustments or non-recurring items that have not already been adjusted and neither do they reflect the impact of the Merger.

1 FYXX = financial year ended 30 June 20XX.
2 EBITDA is earnings before net interest, tax, depreciation and other amortisation, amortisation of customer contracts and relationships, share of profits of equity accounted associates and significant and non-recurring items.
3 EBITA is earnings before net interest, tax, amortisation of customer contracts and relationships, share of profits of equity accounted associates and significant and non-recurring assets.
4 EBIT is earnings before net interest, tax, share of profits of equity accounted associates and significant and non-recurring assets.
5 NPAT is net profit after tax
6 na = not available

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Appendix 3

Vocus - Broker Consensus Forecasts

Vocus has not publicly released earnings forecasts for FY16[1] or beyond. Accordingly, the prospective multiples implied by the valuation of Vocus in the Grant Samuel report are based on median broker forecasts. Set out below is a summary of forecasts prepared by brokers that follow Vocus in the Australian stockmarket:

Vocus – Broker Forecasts ($ millions)

Broker	Report Date	Revenue			EBITDA[2]			EBITA[3]			EBIT[4]			NPAT[5]		
		FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
1	29-Sep-15	375.8	422.4	464.9	132.3	165.1	188.1	94.9	124.0	145.9	88.1	117.2	139.1	60.8	82.9	100.2
2	28-Sep-15	367.0	427.6	497.8	134.9	166.0	201.8	95.8	121.8	156.5	89.0	115.0	149.7	57.1	75.9	102.0
3	30-Nov-15	377.4	409.8	437.1	135.4	159.5	178.0	96.1	117.4	135.6	79.1	100.4	118.6	47.7	64.3	78.0
4	28 Sep-15	385.4	445.4	499.3	136.3	163.7	182.7	96.2	122.0	138.7	89.4	115.2	131.9	55.0	73.8	89.3
5	28-Aug-15	378.4	426.2	470.3	135.4	170.2	195.0	98.0	129.1	151.4	91.2	122.3	144.6	56.6	79.5	97.6
6	28-Sep-15	380.0	424.0	453.0	129.0	157.0	168.0	94.0	117.0	130.0	87.2	110.2	123.2	56.2	75.2	88.2
7	22-Sep-15	374.8	438.3	478.9	132.6	159.8	180.5	92.6	116.8	135.6	85.8	110.0	128.8	53.2	71.8	87.0
8	20-Nov-15	370.8	429.9	468.4	135.2	177.3	202.1	101.9	138.5	162.2	94.4	130.1	153.8	60.8	86.3	104.3
Minimum		*367.0*	*409.8*	*437.1*	*129.0*	*157.0*	*168.0*	*92.6*	*116.8*	*130.0*	*79.1*	*100.4*	*118.6*	*47.7*	*64.3*	*78.0*
Maximum		*385.4*	*445.4*	*499.3*	*136.3*	*177.3*	*202.1*	*101.9*	*138.5*	*162.2*	*94.4*	*130.1*	*153.8*	*60.8*	*82.9*	*104.3*
Median		***376.6***	***426.9***	***469.4***	***135.1***	***164.4***	***180.7***	***96.0***	***121.9***	***142.3***	***88.6***	***115.1***	***135.5***	***56.4***	***75.5***	***93.4***

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data the following should be noted:

- the brokers presented represent the latest available broker forecasts for Vocus as at 4 December 2015;
- as far as Grant Samuel is aware, Vocus is currently followed by eight brokers. All eight brokers have published research following the release of Vocus' FY15 financial results on 27 August 2015 and seven have published research following announcement of the Merger;
- the broker forecasts are not prepared on a consistent basis, particularly in relation to the treatment of share of profits of equity accounted associates (some brokers forecast share of NPAT from associates separately while others do not) and depreciation and amortisation (some brokers provide a split of depreciation and amortisation while others do not and some recognise amortisation of customer contracts and relationships while others do not). In the table above, Grant Samuel has presented the broker forecasts on a common basis by allowing for amortisation of customer contracts and relationships of $6.8 million in each year (in line with the FY15 proforma financial performance for Vocus) where the broker does not otherwise allow for this amortisation. This adjustment has been allowed for on a tax effected basis in NPAT. No adjustments have been made in relation to share of profits of associates as this item is not material for Vocus; and
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that the earnings forecasts do not incorporate any one-off adjustments or non-recurring items that have not already been adjusted and neither do they reflect the impact of the Merger.

1 FYXX = financial year ended 30 June 20XX.
2 EBITDA is earnings before net interest, tax, depreciation and other amortisation, amortisation of customer contracts and relationships, share of profits of equity accounted associates and significant and non-recurring items.
3 EBITA is earnings before net interest, tax, amortisation of customer contracts and relationships, share of profits of equity accounted associates and significant and non-recurring assets.
4 EBIT is earnings before net interest, tax, share of profits of equity accounted associates and significant and non-recurring assets.
5 NPAT is net profit after tax

Appendix 4

Market Evidence

Valuation analysis involves the review of earnings and other multiples that buyers have been willing to pay for similar businesses in the recent past and a review of the multiples at which shares in comparable listed companies trade on stockmarkets. This analysis will not always lead to an obvious conclusion of an appropriate range of multiples as there will often be a wide spread of multiples. It is necessary to consider the particular attributes of the business being valued as well as the prevailing economic conditions.

1 Valuation Evidence from Transactions

M2 Group Limited ("M2 Group") and Vocus Communications Limited ("Vocus") both operate in the telecommunications sectors of Australia and New Zealand. These sectors have experienced significant consolidation in the last five years, with a large number of small or "bolt on" transactions and a small number of larger transactions. Both M2 Group and Vocus have been active participants in this process. Set out below is a summary of transactions that Grant Samuel considers are relevant to the valuation of M2 Group and Vocus. Only transactions since the commencement of the economic downturn in 2009 for which there is sufficient information to calculate meaningful valuation parameters have been presented (the exception being SP Telemedia Limited's acquisition of TPG Holdings Pty Limited in 2008). The transactions are categorised by primary activity and the earnings used to calculate multiples exclude synergies associated with the transaction:

Recent Transaction Evidence – Telecommunications Sector (Australia and New Zealand)

Date	Target	Transaction	Consid-eration[1] (millions)	EBITDA Multiple[2] (times)		EBITA Multiple[3] (times)		EBIT Multiple[4] (times)	
				Historical	Forecast	Historical	Forecast	Historical	Forecast
Fibre Networks									
Dec 14	Amcom Communications Limited	Acquisition by Vocus	A$678	14.5	13.6	19.2	18.8	19.2	18.8
Dec 14	Pacnet Limited	Acquisition by Telstra Corporation Limited	US$697	6.3	na[5]	na	na	na	na
Jul 14	FX Networks Limited	Acquisition by Vocus	NZ$115	8.5	7.4	24.1	17.6	24.1	17.6
Dec 13	AAPT (Telecom New Zealand Australia Pty Limited)	Acquisition by TPG Telecom Limited	A$450	8.2	6.4	na	15.0	na	15.0
Mar 13	Telecommunications assets of Leighton Holdings Limited	Acquisition of 70.1% by Ontario Teachers' Pension Plan	A$824	na	5.9-6.9	na	7.4-8.7	na	7.4-8.7
Nov 09	PIPE Networks Limited	Acquisition by SP Telemedia Limited	A$425	23.0	8.0-8.3	30.2	na	30.2	na
Data Centres									
Feb 15	Data centre assets of Enterprise Data Corporation	Acquisition by Vocus	A$24	na	5.0	na	na	na	na
Aug 14	Bentley data centre	Acquisition by Vocus	A$12	na	5.9	na	na	na	na
Apr 13	Revera Limited	Acquisition by Telecom Corporation of New Zealand Limited	NZ$94	7.2	6.3	na	na	na	na
May 12	Maxnet Limited	Acquisition by Vocus	NZ$10	na	4.8	na	na	na	na

1 Implied enterprise value if 100% of the company or business had been acquired.

2 Represents gross consideration divided by EBITDA. Gross consideration is the sum of the equity and/or cash consideration plus borrowings net of cash. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.

3 Represents gross consideration divided by EBITA. EBITA is earnings before net interest, tax, amortisation of customer contracts and relationships, investment income and significant and non-recurring items.

4 Represents gross consideration divided by EBIT. EBIT is earnings before net interest, tax, investment income and significant and non-recurring items.

5 na = not available

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Recent Transaction Evidence – Telecommunications Sector (Australia and New Zealand)									
Date	Target	Transaction	Consid-eration[1] (millions)	EBITDA Multiple[2] (times)		EBITA Multiple[3] (times)		EBIT Multiple[4] (times)	
				Historical	Forecast	Historical	Forecast	Historical	Forecast
Internet / Voice / Resellers									
May 15	iiNet Limited	Acquisition by TPG Telecom Limited	A$1,935	9.7	9.5	13.2	12.1	16.7	15.8
Apr 15	CallPlus Group	Acquisition by M2 Group	NZ$250	6.9	5.6	na	na	na	na
Apr 15	International voice business of Spark New Zealand Limited	Acquisition by MNF Group	A$22	na	6.3	na	na	na	na
Aug 13	Adam Internet Holdings Pty Limited	Acquisition by iiNet Limited	A$59	5.9	5.1	9.4	7.6	9.4	7.6
Aug 13	Intelligent IP Communications	Acquisition by BigAir Group Limited	A$10-20	7.1-14.2	na	na	na	na	na
Mar 13	Dodo Australia Holdings Pty Ltd	Acquisition by M2 Group	A$204	9.7	7.0	na	na	na	na
Mar 13	Eftel Limited	Acquisition by M2 Group	A$44	11.3	8.8	18.3	na	19.2	na
Jul 12	TelstraClear Limited	Acquisition by Vodafone New Zealand	A$658	6.6	na	na	na	na	na
Apr 12	Primus Telecom Holdings Pty Limited	Acquisition by M2 Group	A$192	4.8	na	11.1	na	11.5	na
Dec 11	Internode Pty Limited	Acquisition by iiNet Limited	A$105	17.1	4.2	na	5.7	na	5.7
Nov 11	TransACT Communications	Acquisition by iiNet Limited	A$57	3.3	na	5.0	na	5.0	na
Jul 11	IntraPower Limited	Acquisition by TPG Telecoms Limited	A$15	9.2	na	29.1	na	29.1	na
Feb 11	Clear Telecoms assets	Acquisition by M2 Group	A$25	na	3.1	na	na	na	na
Jul 10	AAPT Consumer Division	Acquisition by iiNet Limited	A$60	na	6.0	na	na	na	na
Mar 10	Netspace	Acquisition by iiNet Limited	A$42	na	5.2	na	na	na	na
Feb 08	TPG Holdings Limited	Acquisition by SP Telemedia Limited	A$230	11.3	4.7	14.5	5.4	14.5	5.4
IT Services									
Oct 15 pending	UXC Limited	Acquisition by Computer Sciences Corporation	A$421	11.3	9.0	14.5	10.5	15.2	11.4
Aug 14	Oakton Limited	Acquisition by NTT Corporation	A$171	14.7	10.0	19.9	12.5	19.9	12.5

Source: Grant Samuel analysis[6]

A brief summary of each transaction is set out below:

Amcom Communications Limited / Vocus Communications Limited

On 17 December 2014, Vocus and Amcom Communications Limited ("Amcom") announced that they had entered into a scheme implementation agreement under which Vocus would acquire the 90% of Amcom that it did not already own. The consideration under the scheme is 0.4614 Vocus shares for each Amcom share. Based on the Vocus share price on 24 October 2014 (the last trading day prior to announcement of Vocus' initial approach to Amcom), this exchange ratio represents a value of $2.45 per Amcom share. Following completion of the transaction, former Amcom shareholders, in aggregate, held approximately 54% of the combined entity.

Amcom is a telecommunications and information technology ("IT") company that provides data, internet and unified communications services, cloud solutions and managed services primarily to the business segment. Amcom's business is based in Perth, Adelaide and Darwin where it owns approximately 2,300 kilometres of

[6] Grant Samuel analysis based on data obtained from IRESS, S&P Capital IQ, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.

fibre network, seven data centres, deploys two unified communications platforms and provides a range of IT services. In November 2014, Amcom announced a significant expansion of its business on the east coast of Australia. This included the acquisition of 180 kilometres of fibre asset in Melbourne, Sydney and Brisbane from Megaport for $15 million, execution of a 15 year fibre access agreement with Sydney based network and infrastructure owner, FirstPath, and the rollout of Ethernet in the First Mile infrastructure in 30 exchanges in Melbourne, Sydney and Brisbane. Amcom considered that this expansion would be earnings accretive in FY16 and had the potential to contribute up to 20% of earnings in FY17.

The terms of this transaction reflect premiums in the order of 30% over pre-announcement Amcom share prices. The multiples implied by the transaction are relatively high due to:

- the positive growth outlook for Amcom over the period to FY17 (the implied prospective multiples for FY16 are 12 times EBITDA and 16 times EBIT);
- Amcom primarily servicing the business segment, deriving higher margins (relative to consumer segment businesses); and
- the extent of synergy benefits available in the transaction. Vocus announced that cost savings in the order of $13-15 million per annum were likely to be achieved by the end of FY17 and that there was the potential for significant revenue synergies. Allowing for $14 million in cost savings (midpoint of estimate) reduces the prospective implied multiples to around 9.5-10.5 times EBITDA and 12-13.5 times EBIT.

It should also be noted that the multiples implied by the acquisition of Amcom reflect its range of activities and are therefore blended. In this context, Amcom's telecommunications business segment accounted for 58% of revenue and 83% of EBITDA (before corporate expenses) in FY14[7].

Pacnet Limited / Telstra Corporation Limited

On 23 December 2014, Telstra Corporation Limited ("Telstra") announced that it will acquire Asian telecommunication services provider Pacnet Limited ("Pacnet") for US$697 million. Pacnet provides connectivity, managed services and data centre services to carriers, multi-national corporations and governments in the Asia-Pacific region. It owns a network of 29 interconnected data centres in 17 cities and Asia's largest privately owned submarine optical fibre cable network with 21 cable landing stations in China, Hong Kong, Japan, the Philippines, Singapore, South Korea and Taiwan. It also controls two of the five fibre pairs on the Unity trans-Pacific submarine cable network connecting Japan to the United States. The acquisition also includes interests in a China joint venture, PBS, which is licensed to operate a domestic Internet Protocol Virtual Private Network and provide data centre services in most major provinces of China. Pacnet is headquartered in both Singapore and Hong Kong with approximately 815 employees across 25 offices. The acquisition is an important part of Telstra's offshore growth strategy and Telstra expects synergies of A$65 million per annum (or around US$45 million). As Pacnet was privately owned, financial information on the business is limited.

FX Networks Limited / Vocus Communications Limited

On 2 July 2014, Vocus announced the acquisition of FX Networks Limited ("FX Networks") for NZ$115.8 million in cash and Vocus scrip. FX Networks owns and operates an inter city optical fibre network in New Zealand consisting of over 4,000 kilometres of ducted fibre cable covering both North and South Islands. It is one of only three inter-city network providers in New Zealand (behind Spark and Vodafone) and provides data backhaul and dark fibre services for telecommunications providers, networking and internet for enterprise and government and design and construction of fibre infrastructure for third parties. Its network is connected to 17 major data centres and 26 of 33 Ultra-Fast Broadband ("UFB") areas.

Telecom New Zealand Australia Pty Limited / TPG Telecom Limited

On 9 December 2013, TPG Telecom announced the acquisition of Telecom New Zealand Australia Pty Limited (known as "AAPT") for $450 million. AAPT offers voice, internet, data and cloud services for business and wholesale customers in Australia. It owns extensive telecommunications infrastructure including 11,000 kilometres of intercapital fibre across six states and territories, fibre access to 1,500 premises, 15 data centres and widespread mid-band Ethernet capability. The acquisition augments TPG Telecom's network and provides increased building coverage, additional data centre space and National Broadband Network ("NBN") point of interconnect coverage.

[7] FYXX = financial year end 30 June XX

GRANT SAMUEL

Telecommunication assets of Leighton Holdings Limited / Ontario Teachers' Pension Plan

On 28 March 2013, Leighton Holdings Limited ("Leighton") announced that it had reached agreement with Ontario Teachers' Pension Plan for the sale of 70.1% of its non-core telecommunications assets (consisting of Nextgen Networks, Metronode and Infoplex) for $885 million (subject to adjustments including net debt and working capital). Netxgen Networks owns and operates a 17,000 kilometre optical fibre network across mainland Australia linking capital cities and regional and remote areas. Metronode is a developer, owner and operator of data centres and Infoplex is a provider of private cloud services (hosting and management services) to medium-sized and large business and government customers.

Information in relation to the Leighton telecommunication assets and the transaction is limited. The multiples in the table are based on information in the annual report of Leighton Holdings Limited for FY13, which implies an enterprise value on completion of $824 million (lower than the announced $885 million). The earnings used to calculate the multiples are based on broker estimates. Furthermore, as the assets were sold into a joint venture arrangement with Leighton retaining a 29.9% interest, it is unclear whether the transaction reflects the fair value for 100% of the assets. Accordingly, these multiples for this transaction should be treated with caution.

PIPE Networks Limited / SP Telemedia Limited

On 11 November 2009, SP Telemedia Limited ("SPT") announced that it had entered into a merger implementation agreement with PIPE Networks Limited ("PIPE") whereby it will acquire all of the outstanding shares in PIPE via a scheme of arrangement for $6.30 cash per share, valuing PIPE at $425 million. PIPE is a facilities based telecommunications service provider in Australia where it owns the third largest metropolitan optical fibre network. Its domestic business earns around 80% of revenue primarily from WAN/dark fibre services (with the network utilised to around 26%) with the remainder from telehousing, peering and managed Ethernet services. PIPE's key domestic customers include internet service providers and telecommunications providers, government agencies and corporate clients. At announcement of the transaction, PIPE had recently announced the completion of a submarine optical fibre cable linking Sydney to Guam, PIPE Pacific Cable 1 ("PPC-1").

On 27 October 2009 (later affirmed in the scheme booklet dated 5 February 2010), PIPE provided earnings guidance for FY10. The multiples in the table are calculated by reference to that guidance. However, it should be noted that the earnings guidance includes international earnings which contain one-off sales of indefeasible rights of access ("IRUs") on PPC-1 and PIPE provided guidance that FY11 EBITDA for its international business was expected to be $15.4 million, $9.6 million lower than FY10 guidance. If this amount is treated as non-recurring, the prospective EBITDA multiples implied by the transaction increase to 9.7-10.2 times.

Data Centre Assets of Enterprise Data Corporation / Vocus Communications Limited

On 13 February 2015, Vocus announced the acquisition of two data centres and business continuity operations from Enterprise Data Corporation for $23.5 million. The data centres are located in Norwest in Sydney and Mitcham in Melbourne. The acquisition complements Vocus' existing data centre business, adding two high quality data centres to its data centres portfolio.

Bentley Data Centre / Vocus Communications Limited

On 13 August 2014, Vocus announced the acquisition of the Bentley Data Centre from ASG Group Limited ("ASG") for $11.7 million. The Bentley Data Centre is located on the fringes of the Perth central business district in the Bentley Technology Park and provides services to some of Australia's largest mining and utilities companies under long term contracts. ASG will remain a tenant of the data centre providing hosting services to its managed services clients. The multiples calculated for this transaction are based on the announced estimate of annual EBITDA to be generated in the first year of ownership and, therefore, may reflect synergies.

Revera Limited / Telecom Corporation of New Zealand Limited

On 29 April 2013, Telecom Corporation of New Zealand Limited ("Telecom") announced the acquisition of all of the shares of privately owned New Zealand IT infrastructure and data centre company, Revera Limited ("Revera") for NZ$96.5 million. Revera is a provider of computing infrastructure, data centre and platform services with around 140 staff and owns and operates five interconnected data centres in Auckland, Hamilton Wellington and Christchurch. This acquisition was important in Telecom's strategy to reposition its business to be a provider of communication, entertainment and IT service delivered over its networks and the cloud. Its intention was to run Revera as a standalone business under the "Revera" brand.

Maxnet Limited / Vocus Communications Limited

On 22 May 2012, Vocus announced the acquisition of Maxnet Limited ("Maxnet") for NZ$9.5 million. Maxnet owns and operates one of Auckland's data centres located just outside central business district and provides cloud based services. The multiple calculated for this transaction is based on the announced estimate of annual EBITDA to be generated after acquisition and, therefore, likely reflects synergies.

iiNet Limited / TPG Telecom Limited

On 13 March 2015, iiNet Limited ("iiNet") and TPG Telecom announced that TPG Telecom would acquire all of the shares in iiNet that it did not already own by way of a scheme of arrangement for a consideration of $8.60 cash per share (valuing iiNet at $1.4 billion). iiNet provides 1.9 million broadband, telephony and IPTV services to over 975,000 broadband customers, has over 60,000 NBN and fibre customers and provides services to home office, small to medium sized businesses and corporate and government clients under key brands "*iiNet*", "*Internode*", "*Adam*" and "*Westnet*". The transaction increases TPG Telecom's broadband subscriber base to over 1.7 million and delivers scale in an NBN environment.

On 27 April 2015, M2 Group announced an alternative scrip proposal for iiNet, which valued iiNet at $1.6 billion. In response, TPG Telecom exercised its matching right and increased its offer to $8.80 cash or scrip per share plus a $0.75 fully franked dividend, valuing iiNet at $1.56 billion. On 6 May 2015, the iiNet board announced that it considered the TPG Telecom increased offer as more favourable to iiNet shareholders (given the certainty of cash) and, as a consequence, M2 Group's proposal lapsed. The historical multiples in the table represent the earnings of iiNet for FY15 (the EBITDA multiple for FY14 is 10 times, not materially different implying no significant growth) and the prospective multiples are for FY16. The multiples implied by this transaction are relatively high reflecting the competitive bidding process (TPG Telecom's initial proposal implied a multiple of 8.9 times FY15 EBITDA).

CallPlus Group of Companies and 2Talk Limited / M2 Group Limited

On 13 April 2015, M2 Group announced the acquisition of the CallPlus Group of companies and a related entity, 2Talk Limited (collectively referred to as "CallPlus") for NZ$250 million on a debt free and cash free basis. CallPlus is New Zealand's third largest provider of broadband and fixed voice services with more than 400,000 services in operation across the consumer, business and wholesale market segments. The acquisition will expand M2 Group's existing New Zealand business to become the third largest internet service provider in the New Zealand market.

International voice business of Spark New Zealand Limited / MNF Group Limited

On 2 April 2015, MNF Group Limited ("MNF Group") announced the purchase of the global wholesale voice business of Telecom New Zealand International ("TNZI") for NZ$22.4 million in cash from Spark New Zealand Limited ("Spark"). TZNI comprises a carrier grade global voice network spanning Europe, North America, Asia and Oceania which carries over 2.8 billion minutes annually with a portfolio of 220 wholesale voice customers.

Adam Internet Holdings Pty Limited / iiNet Limited

On 5 August 2013, iiNet announced that it has entered into a binding agreement to acquire Adam Internet Holdings Pty Ltd and its associated companies ("Adam Internet") for $60 million. Adam Internet is based in Adelaide with approximately 70,000 subscribers located primarily in South Australia and Northern Territory. Following the acquisition, the combined business will have a customer base of over 900,000 broadband subscribers including a range of key South Australian business and government clients consuming data-centre, hosting and cloud services.

Intelligent IP Communications Pty Ltd / BigAir Group Limited

On 6 August 2013, BigAir Group Limited ("BigAir") announced the acquisition of West Australian based telecommunications carrier Intelligent IP Communications Pty Ltd ("IIPC") for an upfront consideration of $10 million with a further $10 million to be paid based on the performance of IIPC. The initial component of the consideration consists of a $6.5 million cash payment and $3.5 million in BigAir shares. IIPC provides internet telephony and unified communications services. It has more than 550 customers including organisations involved in mining, retail, franchising, tourism, manufacturing and service industries. The multiple range reflects the initial component of consideration and the maximum consideration payable.

GRANT SAMUEL

Dodo Australia Holdings Pty Ltd / M2 Group Limited

On 18 March 2013, M2 Group announced the acquisition of Dodo Australia Holdings Pty Ltd and its related bodies corporate ("Dodo") for $203.9 million in cash and shares, on a debt free and cash free basis. Dodo is a privately owned telecommunications company which has primary focus on the Australian residential market and offers a range of competitively priced products and services including broadband, home phone, mobile wireless broadband and mobile services, in addition to other essential services including electricity, gas and insurance. At acquisition, Dodo has over 400,000 customers and 660,000 active services. The prospective EBITDA multiple presented is for FY13. Dodo was growing strongly and the prospective EBITDA multiple for FY14 is 4.9 times.

Eftel Limited / M2 Group Limited

M2 Group also announced on 18 March 2013 that it has signed a bid implementation agreement with Eftel Limited ("Eftel") whereby it would make a recommended off-market takeover offer for all of the issued shares in Eftel. Under the terms of the offer, Eftel shareholders may elect to receive either one share in M2 Group for every 12.34 Eftel shares or $0.3851 cash per Eftel share. Eftel is a provider of telecommunication services to consumers, corporate, government and wholesale market. The prospective EBITDA multiple is for FY13 and for the following year the multiple is 5.5 times.

TelstraClear Limited / Vodafone New Zealand

On 12 July 2012, Telstra announced the sale of TelstraClear Limited ("TelstraClear") to Vodafone New Zealand ("Vodafone") for $660 million (NZ$840 million). TelstraClear is one of New Zealand's largest full-service communications companies, providing products and services to the business, government, wholesale and residential sectors. Vodafone will acquire TelstraClear's voice and data based services, network infrastructure and New Zealand customer base.

Primus Telecom Holdings Pty Limited / M2 Group Limited

On 16 April 2012, M2 Group announced the acquisition of Primus Telecom Holdings Pty Ltd ("Primus") for $192.4 million, on a debt-free basis but including $10.6 million of restricted cash. Primus owns and operates metropolitan fibre rings in Perth, Brisbane, Adelaide, Melbourne and Sydney, 27,000 square feet of data centre facilities across three sites, 290+ DSLAM exchanges across Australia and a range of fixed line, data and mobile services under the *iPrimus* brand. 50% of Primus' revenue is derived from the residential segment and 40% from the business segment.

Internode Pty Limited / iiNet Limited

On 22 December 2011, iiNet announced the acquisition of Internode Pty Ltd ("Internode") for $105 million by the issue of approximately 12 million iiNet shares with the balance to be paid in cash. Internode is Australia's largest privately owned broadband services company based in South Australia with approximately 260,000 active internet and phone services, including approximately 190,000 broadband subscribers. The historical EBITDA multiple is high reflecting a downturn in profit margins in FY11 notwithstanding a 10% increase in revenue.

TransACT Communications Pty Limited / iiNet Limited

On 21 November 2011, iiNet announced the acquisition of TransACT Communications Limited ("TransACT") for $57 million. TransACT is a Canberra based telecommunications provider with operations in Australian Capital Territory Queanbeyan and regional Victoria with 40,000 customers (140,000 services) across the residential, small and mediums sized businesses, corporate and government market segments.

IntraPower Limited / TPG Telecom Limited

On 14 July 2011, TPG Telecom announced that it has entered into a takeover bid implementation agreement under which it will acquire all of the shares in IntraPower Limited ("IntraPower") via an off market takeover offer for $15 million. Under the offer, IntraPower shareholders may elect to receive cash or a combination of cash and shares in TPG Telecom. IntraPower provides communications, technology and telecommunications services to commercial and government organisations in Australia. It services over 2,000 customers nationwide from its offices in Sydney, Melbourne and Brisbane.

Clear Telecoms (Aust) Pty Ltd / M2 Group Limited

On 1 February 2011, M2 Group announced the acquisition of all of the business assets of Clear Telecoms (Aust) Pty Ltd ("Clear"), including customer contracts, operating systems, brands and all other related intellectual property, for $24.5 million payable over three payment tranches. Clear provides business telecommunication services, with approximately 20,000 small and medium business customers across Australia. The multiple implied by the transaction is based on the EBITDA that the Clear assets are expected to contribute in FY12. Therefore, it is likely that it reflect EBITDA within M2 Group's operating structure (i.e. inclusive of synergies).

AAPT Consumer Division / iiNet Limited

On 30 July 2010, iiNet announced the acquisition of the AAPT Consumer Division from Telecom New Zealand Limited ("TNZ") for $60 million. As a consequence, iiNet will acquire 113,000 broadband customers and over 251,000 other active services to bring iiNet's broadband subscriber to more than 652,000 and total active services to more than 1,326,000. At the same time of the acquisition, TNZ sold its 18.2% shareholding in iiNet via an underwritten block-trade.

Netspace / iiNet Limited

On 29 March 2010, iiNet announced the acquisition of Netspace for $42 million. Netspace provides more than 105,000 services, including broadband, ADSL, ADSL2+, Naked DSL, Midband Ethernet, Wireless and VPN internet access as well as fixed line telephony services. It has more than 180 staff located in Victoria, Tasmania and Western Australia.

TPG Holdings Limited / SP Telemedia Limited

On 7 February 2008, SPT announced the acquisition of TPG Holdings Limited ("TPG Group") for $221 million in cash ($150 million) and SPT shares. SPT, trading as SOUL, is an ASX listed telecommunications carrier that provides fixed and mobile telephony, dial-up internet access, internet and broadband data services to residential, corporate/small to medium sized businesses and government customers. TPG Group is an unlisted public company which provides internet and network services to residential, corporate and government customers and the owner of a 70% interest in ASX listed retail internet company, Chariot Internet Limited. The transaction brought together two complementary businesses. The combined group is expected to have one of the largest DSLAM networks in Australia enabling the provision of telecommunications services to all sectors (except mobile) throughout Australia. The prospective multiples implied by the transaction are relatively low reflecting the substantial growth expected by TPG Group. Following the transaction, the existing shareholders in TPG Group will hold, in aggregate, 40% of the shares in the combined group. This transaction was a key step in the development of TPG Telecom Limited, Australia's third largest telecommunications company.

UXC Limited / Computer Sciences Corporation

On 6 October 2015, UXC Limited ("UXC") announced that it had received an indicative, non-binding and conditional proposal from Computer Sciences Corporation ("CSC") to acquire all the shares of UXC by way of a scheme of arrangement. UCX is an IT consulting and services provider servicing medium to large entities in the private and public sectors across Australia, New Zealand, Canada, the United States and in Asia. On the basis of this proposal, UXC engaged with CSC and granted a seven week period of exclusive due diligence. On 25 November 2015, UXC and CSC entered into a scheme implementation deed under which UXC shareholders would receive $1.24 cash per share (including a 2 cent per share franked dividend for the six months ending 31 December 2015). This proposal is subject to UXC shareholder approval at a meeting expected to be held in February 2016.

Oakton Limited / Nippon Telegraph and Telephone Corporation

On 12 August 2014, Oakton Limited ("Oakton") announced a board recommended $1.90 cash per share offer from Dimension Data Australia Pty Limited (a wholly owned subsidiary of NTT Corporation) for 100% of Oakton. Oakton is a Melbourne based specialist consulting and IT firm that has evolved from being an installer and integrator of hardware and software, to providing a broader range of IT services that clients pay for on a consumption basis. Its business is subject to changes in Australian economic conditions and its FY14 results reflected challenging trading conditions across all industry sectors with project deferral and delays by clients (although performance improved in the second half). The acquisition provides Dimension Data with a significantly increased presence in the Australian market.

GRANT SAMUEL

2 Valuation Evidence from Sharemarket Prices

The consolidation that has occurred over the last five years in the telecommunications sectors in Australia and New Zealand has reduced the number of market participants. In addition, some of the major market participants are owned by international telecommunications companies (e.g. integrated carrier Optus is owned by Singapore listed Singapore Telecommunications Limited and mobile telecommunications provider Vodafone Hutchison Australia Pty Limited ("Vodafone Hutchison") is a 50/50 joint venture between Vodafone Group Plc and Hutchison Telecommunications (Australia) Limited). Therefore, the number of Australian and New Zealand listed companies in the telecommunications sector is limited, with TPG Telecom considered the most comparable for M2 Group and Vocus. Nevertheless, Grant Samuel has reviewed Australian and New Zealand listed companies operating in the telecommunications sector including integrated carriers, network infrastructure providers, resellers and other telecommunication services businesses.

The sharemarket ratings of the selected listed companies in the telecommunications sectors in Australia and New Zealand are set out below.

Sharemarket Ratings of Selected Listed Companies – Telecommunications Sector

Company	Market Capitalisation[8] (millions)	EBITDA Multiple[9] (times)			EBITA Multiple[10] (times)			EBIT Multiple[11] (times)		
		FY15	FY16	FY17	FY15	FY16	FY17	FY15	FY16	FY17
Integrated Carriers										
Telstra Corporation Limited	A$66,141	7.7	7.2	6.8	12.5	11.5	10.5	12.5	11.5	10.5
TPG Telecom Limited	A$8,983	18.8	12.2	10.9	24.6	14.8	13.3	26.9	16.7	14.2
Spark New Zealand Limited	NZ$5,891	8.2	6.6	6.6	19.3	12.2	11.8	19.3	12.2	11.8
Hutchison Telecommunications	A$1,099	11.9	na	na	nmf	na	na	nmf[12]	na	na
Wholesale Only Carriers										
Chorus Limited	NZ$1,213	5.1	5.3	5.2	11.1	12.2	11.4	11.1	12.2	11.4
Resellers										
amaysim Australia Limited	A$405	23.2	12.3	9.6	28.2	13.8	10.4	28.2	13.8	10.4
MNF Group Limited	A$207	18.7	12.5	10.2	21.3	14.9	11.9	22.3	15.6	12.4
Hosting and IT Services										
NextDC Limited	A$547	72.3	20.6	11.6	nmf	51.5	20.6	nmf	51.5	20.6
ASG Group Limited	A$235	12.9	9.1	7.9	17.0	12.4	10.3	20.1	12.4	10.3
Macquarie Telecom Group Limited	A$186	6.1	5.1[13]	na	29.5	26.3	na	nmf	na	na
Data#3 Limited	A$166	3.2	3.0	2.7	3.8	3.1	2.8	4.0	3.3	2.9
BigAir Group Limited	A$152	9.3	6.9	6.1	13.3	10.1	10.1	14.6	10.1	10.1

Source: Grant Samuel analysis[6]

The multiples shown above are based on sharemarket prices as at 4 December 2015 and do not reflect a premium for control. All of the companies have a 30 June year end except TPG Telecom which has a 31 July year end.

A brief description of each company is set out below:

Telstra Corporation Limited

Telstra Corporation Limited ("Telstra") is Australia's largest telecommunications and information services company, offering a range of products, services and solutions across mobiles, fixed and mobile broadband, telephony, pay television, data and unified communications to households, businesses and governments. It operates the largest fixed network in Australia with 5,100 exchanges and over 225,000 kilometres of fibre. Within Australia, Telstra serves approximately 16.7 million domestic retail mobile services, 7.3 million fixed

8 Market capitalisation based on sharemarket prices as at 4 December 2015.
9 Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA.
10 Represents gross capitalisation divided by EBITA.
11 Represents gross capitalisation divided by EBIT.
12 nmf = not meaningful
13 Based on midpoint of company guidance.

voice services and 3.1 million retail fixed broadband services. Its Telstra Retail business segment accounts for around two-thirds of revenue. During FY15 Telstra reported revenue and EBITDA of $26.6 billion and $10.7 billion respectively and invested over $1 billion into the 4G mobile network to extend its coverage reach to 94% of the Australian population. The progressive rollout of the NBN has commenced and will see Telstra's legacy copper and hybrid fibre-coaxial networks switched off over the next five years, with the loss of earnings partially offset by one-off Per Subscriber Address Amount payments each time a customer is disconnected from the copper network. In this context, on 9 October 2015, the Australian Competition & Consumer Commission announced a one-off 9.4% drop in the prices paid by operators to use Telstra's copper network with the new prices to apply from 1 November 2015 until 30 June 2019. Telstra has been strategically growing its offshore business, particularly in Asia.

TPG Telecom Limited

TPG Telecom is an integrated telecommunications service provider to residential households, small and medium enterprises, government, large corporate enterprises and wholesale customers. It offers broadband products, telephony services, mobile services and business networking solutions. TPG Telecom owns and operates end-to-end network infrastructure including an extensive metropolitan and intercapital fibre network (over 17,000 kilometres), 400 DSLAM telephone exchanges across Australia and the international PPC-1 submarine cable between Australia and Guam. It is the second largest provider of broadband services in Australia with over 1.8 million subscribers. In the year ended 31 July 2015, TPG Telecom reported revenue and EBITDA of $1.27 billion and $484.5 million respectively.

Formerly known as SP Telemedia Limited, TPG Telecom has grown substantially since 2008 both organically and by acquisition (e.g. the iiNet, AAPT, PIPE, IntraPower, TPG Group transactions described above). This growth is expected to continue over the short to medium term (with consensus broker forecasts indicating growth in revenue and EBITDA of 30% and 25% per annum from FY15 to FY18 but 9% and 13% per annum respectively from FY16 to FY18) on the back of the September 2015:

- completion of the acquisition of iiNet. Although not outlined in detail or quantified by TPG Telecom, market commentators consider there are substantial cost synergies available to TPG Telecom with estimates or around $70-80 million per annum within three years of completion (this view is further supported by M2 Group's statement that, when it counter bid for iiNet, it could achieve $60 million per annum in cost savings within three years). These estimates do not allow for the potential for revenue or other synergies; and
- agreements with Vodafone Hutchison whereby TPG Telecom will provide dark fibre and network services to more than 3,000 Vodafone Hutchison sites over the next 15 years (including the construction of an additional 4,000 kilometres of new fibre) and will become a mobile virtual network operator ("MVNO") and migrate its mobile customer base to the Vodafone Hutchison network.

As a consequence, the multiples for TPG Telecom are high relative to those of its integrated peers (Telstra and Spark). In particular, it should be noted that FY16 earnings only reflect a part year contribution from iiNet (nine months) and only some of the estimated cost synergies of that acquisition. In addition, the benefits of the integration of iiNet and the new Vodafone arrangements are to emerge over a number of years. Furthermore, TPG Telecom's market rating is influenced by:

- the market's view that TPG Telecom is a more nimble telecommunications provider than its peers (due in part to the absence of factors such as the decommissioning of legacy networks) and therefore there is an expectation of higher growth rates; and
- its restricted free float (David Teoh (Executive Chairman and Chief Executive Officer) and Vicky Teoh and Washington H Soul Pattinson and Company Limited hold, in aggregate, 61.8% of the issued share capital), albeit it is a reasonably liquid stock.

Spark New Zealand Limited

Spark (formerly Telecom Corporation of New Zealand Limited ("Telecom")) was formed in 1987 from the telecommunications division of the New Zealand Post Office. In 2011, as a pre-requisite for participation in the New Zealand government's UFB initiative, Telecom was required to structurally separate its retail business (now known as Spark) from the network services operator (now known as Chorus). Spark's Home, Mobile & Business segment, which accounts for over half of total revenue, offers fixed voice, mobile and broadband services to residential households and small businesses. Spark Digital (35% of revenue) integrates

telecommunication and IT services to provide solutions for business, enterprise and government customers while Spark Connect develops and maintains Spark's telecommunications networks and IT systems, as well as offering services directly to wholesale customers. In recent years, Spark has divested a number of assets and businesses, in order to pursue its strategy of focusing on the New Zealand market. In FY15 Spark reported revenue and EBITDA of NZ$3.5 billion and NZ$0.8 billion respectively.

Hutchison Telecommunications (Australia) Limited

Hutchison Telecommunications (Australia) Limited ("Hutchison Telecommunications") owns a 50% interest in Vodafone Hutchison Australia Pty Limited ("VHA"), with the remaining 50% owned by Vodafone Group plc. It was formed in 2009 after Hutchison Telecommunications merged with Vodafone Australia and has the exclusive licence to use the Vodafone brand to offer mobile telecommunications services in Australia. VHA has invested significantly into the expansion of its 4G network, currently reaching 95% of the Australian metropolitan population. It has over five million mobile customers (including MVNO wholesale customers) in Australia and reported revenue in FY14 of around $3.5 billion. Hutchison Telecommunications does not control VHA and therefore accounts for its 50% interest as an equity accounted associate. Hutchison Telecommunications reported a loss after tax of $285.5 million for the year ended 31 December 2014 based on its share of VHA's loss as a consequence of accelerated depreciation charges on network assets given its recent investment in its core network. Hutchison Telecommunications has restricted free float being 88% owned by Hong Kong Stock Exchange listed company CK Hutchison Holdings Limited, 10% owned by Spark and 2% by public shareholders. The historical multiples calculated are based on Hutchison Telecommunications' proportionate share of VHA. There are no broker forecasts available for Hutchison Telecommunications.

Chorus Limited

Chorus Limited ("Chorus") is New Zealand's largest fixed line communications infrastructure company and was formed in 2011 as a consequence of the structural separation of Telecom Corporation of New Zealand Limited. Chorus offers phone and broadband services over both copper and fibre networks with approximately 1.8 million fixed line connections and 1.2 million broadband connections to homes and businesses throughout New Zealand. Chorus is prohibited from selling services directly to end-users and instead provides open access wholesale services to approximately 100 retail service providers. Chorus is contracted by the New Zealand government to construct the network to over 830,000 properties in 24 deployment areas for the UFB initiative (around 70% of the program). In FY15 Chorus reported revenue and EBITDA of NZ$1.0 billion and NZ$0.6 billion respectively.

amaysim Australia Limited

amaysim Australia Limited ("amaysim") is a MVNO and the fourth largest mobile services provider in Australia (behind Telstra, Optus and Vodafone Hutchison) with over 700,000 subscribers. It was listed in July 2015 and offers a low-cost, bring-your-own-device business model with no lock-in contracts. amaysim offers both postpaid or prepaid voice and mobile data plans on the Optus 3G and 4G networks provided under an agreement that was recently extended to 2019. As amaysim does not own any infrastructure, its key earnings driver is the margin between what it earns from its subscribers through product offering and the service charges it pays to Optus. It operates an online-led business model centred around its website, mobile and tablet applications, however, its products are also sold through a retail distribution network of over 12,000 physical points of presence across Australia (including grocery stores, petrol stations and convenience and speciality retail chains). In FY15, amaysim reported revenue of $207 million and EBITDA of $17 million. The historical multiples for amaysim are high due to increased profitability on the back of real growth in subscribers during FY15 (as small mobile service providers exited the market) and following a product repositioning that has driven an increase in revenue per subscriber.

MNF Group Limited

MNF Group is telecommunications software and voice service provider, specialising in internet based voice services. It owns and operates the largest internet voice network in Australia and has a portfolio of brands aimed at different segments of the market (e.g. MyNetFone, Symbio Networks, Connexus, CallStream, iBoss, TollShield, Pennytel and The Buzz). In FY15, MNF Group reported revenue and EBITDA of $86 million and $12 million respectively. The historical multiples for MNF Group are not meaningful as a result of the April 2015 acquisition of TNZI's global wholesale voice business which is expected to generate around $100 million in annual voice trading revenues.

NextDC Limited

NextDC Limited ("NextDC") is a provider of data centre outsourcing solutions, connectivity services and infrastructure management software in Australia. NextDC operates a national network of five data centres across Australia, with co-location available at 60 locations around the globe through a partnership with CenturyLink. NextDC also offers ONEDC, a data management portal that assists its customers to manage their co-location service. It leases data centre properties but owns the equipment within them. During FY15 it focused on increasing sales and utilisation in its existing portfolio and reported revenue of $59 million and EBITDA of $8 million (its first positive operating earnings but reported negative EBITA and EBIT). NextDC has provided guidance for FY16 that indicates revenue will increase to around $85-90 million (underpinned through growth achieved in contracted and recurring revenues) and EBITDA will increase to $25-28 million (as operating leverage becomes apparent as the business ramps up). This growth trend is expected to continue and therefore the historical and forecast year one multiples calculated for NextDC are not meaningful.

ASG Group Limited

ASG is an IT services and business solutions provider in Australia covering the areas of consulting, business intelligence, professional and managed services, hosting and cloud services. Its customer base is weighted towards the government sector which generated over 50% of total revenue in FY15. In FY15, ASG reported revenue of $164.3 million and EBITDA of $20.2 million. During FY15 ASG secured over $200 million in long term contracts for both new and existing clients and therefore has around $160 million in revenue locked in for FY16. As a consequence, the historical multiples for ASG are relatively high.

Data#3 Limited

Data#3 Limited ("Data#3") is a provider of business technology solutions throughout Australia and the Asia Pacific. Data#3 operates through two main segments, Product which provides hardware and software licences, network and data centre infrastructure (accounting for around 80% of revenue and 50% of gross margin) and Services which provides consulting, project and maintenance contracts as well as recruitment and contracting services for IT solutions. In FY15, Data#3 reported revenue of $870 million and EBITDA of $17 million.

Macquarie Telecom Group Limited

Macquarie Telecom Group Limited ("Macquarie Telecom") is a provider of telecommunication and hosting services to business and government customers in Australia. Its Telco division (which accounts for around two-thirds of revenue) provides fixed line voice, data networks and mobility services through a range of carriers to both corporate and government customers. The Hosting division provides managed co-location, fully managed hosting infrastructure and cloud services. Macquarie Telecom's operating performance in recent years has been poor but reported an improvement in FY15 with revenue and EBITDA of $192 million and $26 million respectively. In August 2015, Macquarie Telecom completed a sale and lease back of the land and building used to house its Intellicentre 2 data centre for $43.3 million with the proceeds used to fully repay borrowings and for future investment opportunities. The FY16 EBITDA multiples are based on the midpoint of company guidance.

BigAir Group Limited

BigAir Group Limited ("BigAir") is a provider of managed services and cloud based solutions, network infrastructure and managed campus networking in Australia. BigAir owns and operates the largest metropolitan fixed wireless network in Australia and offers high speed broadband services to both the direct and wholesale corporate communications market. It provides outsourced managed internet services to the tertiary student accommodation market and managed communications solutions for retirement living villages, shopping centres, local councils and remote mining camps. In FY15 BigAir reported revenue of $63 million and EBITDA of $18 million and acquired two IT services companies (Oriel Technology and Applaud IT) adding to its cloud and managed services capability. As a consequence, the historical multiples for BigAir are relatively high.

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9 December 2015

The Board of Directors
M2 Group Ltd
Level 10, 452 Flinders Lane
Melbourne VIC 3000

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON THE M2 PRO FORMA HISTORICAL FINANCIAL INFORMATION, VOCUS PRO FORMA HISTORICAL FINANCIAL INFORMATION AND THE MERGED GROUP PRO FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by M2 Group Ltd ("M2" or the "Company") to report on the M2 pro forma historical financial information, Vocus Communications Limited ("Vocus") pro forma historical financial information and the Merged Group's pro forma historical financial information for inclusion in the Scheme Booklet to be dated on or about 11 December 2015 ("Scheme Booklet"), and to be issued by M2, in relation to the proposed acquisition of all the shares in M2 by Vocus via a scheme of arrangement (the "Proposed Transaction").

Expressions and terms defined in the Scheme Booklet have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Stephen Lomas is a Director and Representative of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

M2 Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma historical financial information of M2:

- the M2 pro forma historical consolidated income statement for the year ended 30 June 2015 ("FY2015") as set out in Section 5.16.3 of the Scheme Booklet.

(Hereafter the "M2 Pro Forma Historical Financial Information")

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The M2 Pro Forma Historical Financial Information has been derived from the historical consolidated income statement of M2 for FY2015, and adjusted for the effects of pro forma adjustments described in Section 5.16.3 of the Scheme Booklet.

The historical consolidated income statement of M2 for FY2015 has been derived from the general purpose financial report of M2 for FY2015, which was audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued an unqualified audit opinion on the financial report.

The M2 Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards ("AAS"), other than that it includes adjustments which have been prepared in a manner consistent with AAS that reflect: (i) the exclusion of certain transactions that occurred in FY2015; and (ii) the impact of certain transactions as if they occurred on or before 30 June 2015.

Due to its nature, the M2 Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial performance.

Vocus Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma historical financial information of Vocus:

- the Vocus pro forma historical consolidated income statement for FY2015 as set out in Section 6.13.3 of the Scheme Booklet; and
- the Vocus pro forma historical consolidated statement of financial position as at 30 June 2015 as set out in Section 6.13.4 of the Scheme Booklet.

(Hereafter the "Vocus Pro Forma Historical Financial Information")

The Vocus Pro Forma Historical Financial Information has been derived from the historical financial information of Vocus, comprising the historical consolidated income statement for FY2015 and the historical consolidated statement of financial position as at 30 June 2015 ("Vocus Historical Financial Information"), and adjusted for the effects of pro forma adjustments described in Sections 6.13.3 and 6.13.4 of the Scheme Booklet.

The Vocus Historical Financial Information has been derived from the general purpose financial report of Vocus for FY2015, which was audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unqualified audit opinion on the financial report.

The Vocus Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS, other than it includes adjustments which have been prepared in a manner consistent with AAS that reflect: (i) the exclusion of certain transactions that occurred in FY2015; and (ii) the impact of certain events or transactions as if they occurred on or before 30 June 2015.

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Due to its nature, the Vocus Pro Forma Historical Financial Information does not represent Vocus' actual or prospective financial position and financial performance.

Merged Group Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma historical financial information of the Merged Group following implementation of the scheme:

- the Merged Group Pro Forma Historical Consolidated Income Statement for FY2015 as set out in Section 7.8.2 of the Scheme Booklet; and
- the Merged Group Pro Forma Historical Consolidated Statement of Financial Position as at 30 June 2015 as set out in Section 7.8.3 of the Scheme Booklet.

(Hereafter the "Merged Group Pro Forma Historical Financial Information").

The Merged Group Pro Forma Historical Financial Information has been derived from the M2 pro forma historical consolidated income statement for FY2015, the M2 historical consolidated statement of financial position as at 30 June 2015, the Vocus Pro Forma Historical Financial Information, and adjusted for the effects of pro forma adjustments described in Sections 7.8.2 and 7.8.3 of the Scheme Booklet.

The Merged Group Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS, other than it includes adjustments which have been prepared in a manner consistent with AAS that reflect: (i) the exclusion of certain transactions that occurred in FY2015; and (ii) the impact of certain transactions as if they occurred on or before 30 June 2015.

Due to its nature, the Merged Group Pro Forma Historical Financial Information does not represent the Merged Group's actual or prospective financial position and financial performance.

The Merged Group Pro Forma Historical Financial Information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

The directors of M2 are responsible for the preparation and presentation of the M2 Pro Forma Historical Financial Information and the Merged Group Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the M2 historical consolidated income statement for FY2015 and included in the Merged Group Pro Forma Historical Financial Information. The directors of Vocus are responsible for the preparation and presentation of the Vocus Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Vocus Historical Financial Information and included in the Vocus Pro Forma Historical Financial Information and the Merged Group Pro Forma Historical Financial Information. This includes

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responsibility for such internal controls as the respective directors determine are necessary to enable the preparation of the M2 Pro Forma Historical Financial Information, the Vocus Pro Forma Historical Financial Information and the Merged Group Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the M2 Pro Forma Historical Financial Information, the Vocus Pro Forma Historical Financial Information and the Merged Group Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the M2 Pro Forma Historical Financial Information, the Vocus Pro Forma Historical Financial Information and the Merged Group Pro Forma Historical Financial Information.

5. Conclusions

M2 Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the M2 Pro Forma Historical Financial Information comprising:

- the M2 pro forma historical consolidated income statement for FY2015 as set out in Section 5.16.3 of the Scheme Booklet

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 5.16.2 of the Scheme Booklet.

Vocus Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Vocus Pro Forma Historical Financial Information comprising:

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- the Vocus pro forma historical consolidated income statement for FY2015 as set out in Section 6.13.3 of the Scheme Booklet; and
- the Vocus pro forma historical consolidated statement of financial position as at 30 June 2015 as set out in Section 6.13.4 of the Scheme Booklet

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6.13.2 of the Scheme Booklet.

Merged Group Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Merged Group Pro Forma Historical Financial Information comprising:

- the Merged Group Pro Forma Historical Consolidated Income Statement for FY2015 as set out in Section 7.8.2 of the Scheme Booklet; and
- the Merged Group Pro Forma Historical Consolidated Statement of Financial Position as at 30 June 2015 as set out in Section 7.8.3 of the Scheme Booklet

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 7.8.1 of the Scheme Booklet.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Sections 5.16.2, 6.13.2 and 7.8.1 of the Scheme Booklet, which describes the purpose of the M2 Pro Forma Historical Financial Information, the Vocus Pro Forma Historical Financial Information and the Merged Group Pro Forma Historical Financial Information. As a result, the M2 Pro Forma Historical Financial Information, the Vocus Pro Forma Historical Financial Information and the Merged Group Pro Forma Historical Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Transaction Advisory Services has consented to the inclusion of this limited assurance report in the Scheme Booklet in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interests in the outcome of this Proposed Transaction other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Stephen R Lomas

Stephen Lomas
Director and Representative

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9 December 2015

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT LIMITED ASSURANCE REPORT

PART 2 - FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or

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fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $27,500 (inclusive of GST).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits disclosed in this Scheme Booklet, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

Ernst & Young Transaction Advisory Services and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by Ernst & Young Transaction Advisory Services satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

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Deed Poll

by
Vocus Communications Limited (**Vocus**)
and
Vocus Group Pty Limited (**Vocus Subsidiary**)
in favour of
Scheme Shareholders

MinterEllison

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Australia DX 117 Sydney
T +61 2 9921 8888 F +61 2 9921 8123
minterellison.com

Deed Poll

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Details

Date

9 December 2015

Parties

Name	**Vocus Communications Limited** ABN 96 084 115 499
Short form name	**Vocus**
Notice details	Level 1, Vocus House 189 Miller Street North Sydney NSW 2060 E-mail: mark.simpson@vocus.com.au Facsimile: +61 2 9959 4348 Attention: General Counsel and Company Secretary

Name	**Vocus Group Pty Limited** ABN 80 130 364 359
Short form name	**Vocus Subsidiary**
Notice details	Level 1, Vocus House 189 Miller Street North Sydney NSW 2060 E-mail: mark.simpson@vocus.com.au Facsimile: +61 2 9959 4348 Attention: General Counsel and Company Secretary

in favour of each Scheme Shareholder.

Background

A Vocus and M2 Group Limited ABN 74 091 575 021 (**M2**) have entered into a merger implementation agreement dated 27 September 2015 (**Merger Implementation Agreement**).

B Under the Merger Implementation Agreement, M2 has agreed that it will propose and implement the Scheme in accordance with the Merger Implementation Agreement.

C Under the Merger Implementation Agreement, Vocus has agreed to take all steps reasonably necessary to assist M2 in proposing and implementing the Scheme in accordance with the Merger Implementation Agreement.

D Vocus and Vocus Subsidiary are entering into this Deed Poll for the purpose of:

(i) covenanting in favour of Scheme Shareholders to perform certain of their obligations under the Merger Implementation Agreement;

(ii) covenanting in favour of the Scheme Shareholders to perform the steps attributed to them under the Scheme; and

(iii) ensuring that the Scheme Consideration is provided to the Scheme Shareholders.

E The effect of the Scheme will be that the Scheme Shares, together with all rights and entitlements attaching to them, will be transferred to Vocus Subsidiary in exchange for the Scheme Consideration.

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

Words and phrases defined in the Scheme have the same meanings in this Deed Poll unless the context requires otherwise.

The following definition applies in this document:

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between M2 and the Scheme Shareholders, a copy of which is set out in the Schedule to this Deed Poll, subject to any alterations or conditions made by the Court under section 411(6) of the Corporations Act and agreed to by M2 and Vocus.

1.2 Interpretation

(a) In this Deed Poll, unless the context otherwise requires:

(i) the singular includes the plural and vice versa;

(ii) reference to a person includes references to corporations, partnerships, joint ventures, associations, bodies corporate and any Regulatory Authority;

(iii) references to agreements or deeds are to agreements or deeds as amended from time to time;

(iv) reference to a party includes their executors, administrators and permitted assigns or, being a company, its successors and permitted assigns;

(v) an agreement, representation or warranty in favour of two or more persons is for the benefit of each and all of them;

(vi) a reference to a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Deed Poll and a reference to this Deed Poll includes any annexure, exhibit and schedule; and

(vii) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements to it.

(b) Clause headings in this Deed Poll do not affect the interpretation of this Deed Poll.

(c) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.

1.3 Time for performance

(a) If the day on or by which a payment or an act is to be done under this Deed Poll is not a Business Day, that act must be done on the next Business Day.

(b) In this Deed Poll, if a period occurs from, after or before a day or the day of an act or event, it excludes that day.

(c) In this Deed Poll, a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later.

(d) In this Deed Poll a reference to time is a reference to Melbourne, Australia time.

2. Nature of Deed Poll

Vocus and Vocus Subsidiary acknowledge that this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it.

3. Condition

3.1 Condition

The obligations of Vocus and Vocus Subsidiary under this Deed Poll are subject to the Scheme becoming Effective.

3.2 Termination

Subject to clause 6, unless Vocus and M2 agree otherwise, the obligations of Vocus and Vocus Subsidiary under this Deed Poll to Scheme Shareholders will automatically terminate and the terms of this Deed Poll will be of no further force or effect if and only if the Merger Implementation Agreement is terminated in accordance with its terms or the Scheme does not become Effective on or before the End Date.

3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then in addition and without prejudice to any other rights, powers or remedies available to it:

(a) Vocus and Vocus Subsidiary are released from their obligations to further perform this Deed Poll except for any obligations which by their nature survive termination; and

(b) each Scheme Shareholder retains the rights, powers and remedies they have against Vocus and Vocus Subsidiary in respect of any breach of this Deed Poll which occurs before it is terminated.

4. Performance of Scheme obligations

4.1 Generally

Subject to clause 3:

(a) each of Vocus and Vocus Subsidiary covenant in favour of each Scheme Shareholder to perform the steps attributed to it under, and otherwise comply with, the Scheme as if it were a party to the Scheme.

(b) Vocus covenants in favour of each Scheme Shareholder to comply with its obligations under the Merger Implementation Agreement, in so far as that agreement relates to the Scheme, and, in respect of Vocus, do all things necessary or expedient on its part to implement the Scheme.

4.2 Payment of Scheme Consideration

(a) Subject to clause 3, Vocus undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Scheme Consideration (on behalf of Vocus Subsidiary) to each Scheme Shareholder, in accordance with the terms of the Scheme.

(b) Vocus undertakes in favour of each Scheme Shareholder that the New Vocus Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

(i) rank equally in all respects with all other Vocus Shares then on issue, including a right to participate in any FY16 Interim Dividend and any Special Dividend; and

(ii) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

5. Warranties

Each of Vocus and Vocus Subsidiary represents and warrants to each Scheme Shareholder that:

(a) it is a corporation validly existing under the laws of its place of incorporation;

(b) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;

(c) it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;

(d) this Deed Poll has been duly and validly executed and delivered by it and is valid and binding upon it; and

(e) the execution and performance by it of this Deed Poll and each transaction contemplated by this Deed Poll did not and will not violate in any respect a provision of:

(i) a law, judgment, ruling, order or decree binding on it; or

(ii) its constitution or other constituent documents.

6. Continuing obligations

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

(a) Vocus and Vocus Subsidiary having fully performed their obligations under this Deed Poll; and

(b) termination of this Deed Poll under clause 3.2.

7. General

7.1 Stamp duty

Vocus:

(a) must pay all duty (including stamp duty) and any related fines, penalties and interest in respect of the Scheme and this Deed Poll (including without limitation the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this Deed Poll and each transaction effected by or made under or pursuant to the Scheme and this Deed Poll; and

(b) indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Further assurances

Vocus and Vocus Subsidiary will, at their own expense, do all things reasonably required of them by law to give full effect to this Deed Poll and the transactions contemplated by it.

7.3 Assignment

(a) The rights and obligations of Vocus, Vocus Subsidiary and each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with without the prior consent of Vocus and M2.

(b) Any purported dealing in contravention of clause 7.3(a) is invalid.

7.4 Variation

A provision of this Deed Poll may not be varied, altered or otherwise amended unless:

(a) before the Second Court Date, the variation, alteration of amendment is agreed to in writing by M2 (which such agreement may be given or withheld without reference to or approval by any M2 Shareholder); or

(b) on or after the Second Court Date, the variation, alteration of amendment is agreed to in writing by M2 and is approved by the Court (which such agreement may be given or withheld without reference to or approval by any M2 Shareholder),

in which event Vocus and Vocus Subsidiary will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the variation, alteration or amendment.

7.5 Waiver

(a) A provision of or right under this Deed Poll may not be waived except in writing signed by the person granting the waiver.

(b) A failure or delay in exercise, or partial exercise, of:

(i) a right arising from a breach of this Deed Poll; or

(ii) a right, power, authority, discretion or remedy created or arising upon default under this Deed Poll,

does not result in a waiver of that right, power, authority, discretion or remedy.

(c) Vocus and Vocus Subsidiary are not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this Deed Poll or on a default under this deed poll as constituting a waiver of that right, power, authority, discretion or remedy.

(d) Vocus and Vocus Subsidiary may not rely on any conduct of another person as a defence to the exercise of a right, power, authority, discretion or remedy by that other person.

(e) This clause 7.5 may not itself be waived except in writing.

7.6 Notices

Any communication to Vocus or Vocus Subsidiary under or in connection with this Deed Poll must be in writing and:

(a) sent to Vocus or Vocus Subsidiary (as the case may be) at:

Address:	Level 1, Vocus House, 189 Miller Street, North Sydney NSW 2060
E-mail:	mark.simpson@vocus.com.au
Facsimile:	+61 2 9959 4348
For the attention of:	General Counsel and Company Secretary
With a copy to:	MinterEllison (attn: Costas Condoleon and Kevin Ko)
Email:	costas.condoleon@minterellison.com and kevin.ko@minterellison.com

(or as otherwise notified by Vocus or Vocus Subsidiary (as the case may be) to M2 from time to time);

(b) must be signed by the party making the communication or by a person duly authorised by that party or, in the case of email, set out the full name and position or title of the duly authorised sender;

(c) must be delivered or posted by prepaid post to the address, sent by fax to the number or emailed to the email address, of the addressee, in accordance with clause 7.6(a); and

(d) will be deemed to be received by the addressee:

(i) (**in the case of prepaid post**) on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;

(ii) (**in the case of email**) the earlier of:

(A) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;

(B) the time that the email is first opened or read by the intended recipient, or an employee or officer of the intended recipient; and

(C) two hours after the email is sent (as recorded in the device from which the sender sent the email) unless the sender receives, within that two hour period, an automated message that the email has not been delivered,

but if the result is that a notice would be taken to be deemed to have been received at a time that is later than 5.00pm or on a day that is not a Business Day, then it will be deemed to have been received at 9.00am on the next Business Day;

(iii) (**in the case of fax**) at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day; and

(iv) (**in the case of delivery by hand**) on delivery at the address of the addressee as provided in clause 7.6(a), unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day.

7.7 Cumulative rights

The rights, powers and remedies of Vocus, Vocus Subsidiary and the Scheme Shareholders under this Deed Poll are cumulative with the rights, powers or remedies provided by law independently of this Deed Poll.

7.8 Governing law

(a) This Deed Poll is governed by and will be construed according to the laws of Victoria.

(b) Each of Vocus and Vocus Subsidiary irrevocably:

(i) submits to the non-exclusive jurisdiction of the courts of Victoria and of the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Deed Poll; and

(ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if the venue of those proceedings fall within clause 7.8(b)(i).

Schedule 1 Scheme of Arrangement

Signing page

EXECUTED as a deed poll.

Executed by **Vocus Communications Limited ABN 96 084 115 499** in accordance with section 127 of the *Corporations Act 2001* (Cth):

Signature of director

James R.T. Spencely
Chief Executive Officer

Name of director (print)

Signature of ~~director~~/company secretary
(Please delete as applicable)

M. SIMPSON

Name of director/company secretary (print)

Executed by **Vocus Group Pty Limited ABN 80 130 364 359** in accordance with section 127 of the *Corporations Act 2001* (Cth):

Signature ~~of director~~

James R.T. Spencely
Chief Executive Officer

Name of director (print)

Signature of ~~director~~/company secretary
(Please delete as applicable)

M. SIMPSON

Name of director/company secretary (print)

Scheme of Arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth) between:

M2	**M2 Group Ltd** ABN 74 091 575 021 of Level 10, 452 Flinders Street, Melbourne VIC 3000 and
Scheme Shareholders	each person who holds one or more Scheme Shares.

1. Definitions and interpretation

1.1 Definitions

In this Scheme, unless the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market operated by it.

ASX Settlement means ASX Settlement Pty Ltd (ABN 49 008 504 532).

ASX Settlement Rules means the ASX Settlement Operating Rules.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in:

(a) Melbourne, Australia; or

(b) Sydney, Australia.

CHESS means the Clearing House Electronic Sub-register System for the electronic transfer of securities operated by ASX Settlement.

Close of Trading means the close of normal trading on ASX on the Effective Date.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Victoria or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.

Deed Poll means the deed poll dated 9 December 2015 executed by Vocus and Vocus Subsidiary, pursuant to which each of Vocus and Vocus Subsidiary has, amongst other things, covenanted in favour of the Scheme Shareholders to perform the steps attributed to it under, and otherwise comply with, this Scheme as if it were a party to this Scheme.

Effective means, when used in relation to this Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the Scheme Order in relation to this Scheme.

Effective Date means, with respect to this Scheme, the date on which this Scheme becomes Effective.

End Date means:

(a) 30 April 2016; or

(b) such other date and time agreed in writing between Vocus and M2.

Excluded Shareholder means any M2 Shareholder who is Vocus or a Related Body Corporate of Vocus.

Explanatory Booklet means the explanatory booklet prepared in respect of the Scheme in accordance with the terms of the Merger Implementation Agreement and despatched by M2 to M2 Shareholders.

FY16 Interim Dividend means any interim dividend declared or determined by the board of directors of Vocus in respect of the six month period ending 31 December 2015.

Implementation Date means, with respect to this Scheme, the fifth Business Day, or such other Business Day as may be agreed in writing by M2 and Vocus, following the Record Date for this Scheme.

Ineligible Foreign Shareholder means a Scheme Shareholder whose address as shown in the M2 Register (as at the Record Date) is in a place outside of Australia and its external territories, New Zealand, Hong Kong, Singapore, the United Kingdom and the states of California, Florida, Georgia, Minnesota, New York, Texas, and Virginia in the United States of America, unless Vocus is satisfied, acting reasonably, that it is permitted to allot and issue New Vocus Shares to that Scheme Shareholder pursuant to this Scheme by the laws of that place either unconditionally or after compliance with conditions that Vocus in its sole discretion regards as acceptable and not unduly onerous or impracticable.

Listing Rules means the official listing rules of ASX as amended from time to time.

M2 means M2 Group Ltd (ACN 091 575 021).

M2 Option means an option granted by M2 to acquire by way of issue one or more M2 Shares.

M2 Performance Right means a right granted under M2's Long Term Incentive Plan to acquire by way of issue or transfer one or more M2 Shares subject to the terms of such plan.

M2 Register means the register of members of M2 maintained under and in accordance with section 168 of the Corporations Act.

M2 Registrar means Link Market Services Limited (ACN 083 214 537).

M2 Share means an issued fully paid ordinary share in the capital of M2.

M2 Shareholder means a person who is registered in the M2 Register as a holder of M2 Shares.

Merger Implementation Agreement means the agreement entered into between M2 and Vocus dated 27 September 2015, under which each of M2 and Vocus undertakes specific obligations to give effect to this Scheme.

Merger Ratio means 1.625 New Vocus Shares per Scheme Share.

New Vocus Share means a new Vocus Share to be issued under the terms of this Scheme as Scheme Consideration.

Nominee means the sale agent appointed in accordance with the Merger Implementation Agreement, to sell the New Vocus Shares that are attributable to Ineligible Foreign Shareholders under the terms of this Scheme (and/or a nominee of that person that is a subsidiary of that person).

Record Date means, in respect of this Scheme, 7.00pm on the fifth Business Day (or such other Business Day as may be agreed in writing by M2 and Vocus) following the Effective Date.

Registered Address means, in relation to an M2 Shareholder, the address of that M2 Shareholder as recorded on the M2 Register.

Related Body Corporate of a person means a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted.

Scheme means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act between M2 and Scheme Shareholders in respect of all Scheme Shares, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by M2 and Vocus.

Scheme Consideration means the consideration to be provided to Scheme Shareholders under the terms of this Scheme for the transfer to Vocus Subsidiary of their Scheme Shares, as ascertained in accordance with clause 5.

Scheme Order means the orders of the Court approving this Scheme pursuant to section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act.

Scheme Meeting means the meeting of M2 Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme, and includes any adjournment of that meeting.

Scheme Share means an M2 Share on issue as at the Record Date, other than any M2 Share then held by an Excluded Shareholder.

Scheme Shareholder means each person who is registered on the M2 Register as a holder of Scheme Shares as at the Record Date.

Scheme Share Transfer means for each Scheme Shareholder, one or more proper instruments of transfer in respect of their Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of all of the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the first day on which the adjourned application is heard or scheduled to be heard.

Second Court Hearing means the hearing of the application to the Court for the Scheme Order approving this Scheme.

Security Interest has the meaning given in section 12 of the *Personal Property Securities Act 2009* (Cth).

Share Splitting means the splitting by a holder of M2 Shares into two or more parcels of M2 Shares whether or not it results in any change in beneficial ownership of the M2 Shares.

Special Dividend means any special dividend declared or determined by the board of directors of Vocus on or within 20 Business Days after the Implementation Date.

Vocus means Vocus Communications Limited (ACN 084 115 499).

Vocus Register means the register of members of Vocus maintained under and in accordance with section 168 of the Corporations Act.

Vocus Share means a fully paid ordinary share in the capital of Vocus.

Vocus Subsidiary means Vocus Group Pty Limited (ACN 130 364 359).

1.2 Interpretation

In this Scheme, except where the context otherwise requires:

(a) the singular includes the plural and vice versa, and a gender includes other genders;

(b) another grammatical form of a defined word or expression has a corresponding meaning;

(c) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this Scheme, and a reference to this Scheme includes any schedule or annexure;

(d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;

(e) a reference to **A$**, **$A**, **dollar** or **$** is to Australian currency;

(f) a reference to time is to Melbourne, Australia time;

(g) a reference to a party is to a party to this Scheme, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;

(h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;

(i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(j) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;

(k) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;

(l) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this Scheme or any part of it; and

(m) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

2. Preliminary

2.1 M2

M2 is a public company incorporated in Australia and registered in South Australia and is a company limited by shares. M2 is admitted to the official list of ASX and its shares are officially quoted on the stock market conducted by ASX. Its registered office is at Level 10, 452 Flinders Street, Melbourne VIC 3000.

2.2 M2 securities

As at the date of the Explanatory Booklet, M2 had on issue or had granted (as applicable):

(a) 184,415,676 M2 Shares;

(b) 333,333 M2 Options; and

(c) 482,857 M2 Performance Rights.

2.3 Vocus

Vocus is a company incorporated in Australia and is a company limited by shares. Vocus is admitted to the official list of ASX and its shares are officially quoted on the stock market conducted by ASX. Its registered office is at Level 1, Vocus House, 189 Miller Street, North Sydney NSW 2060.

2.4 Vocus Subsidiary

Vocus Subsidiary is a company incorporated in Australia and is a company limited by shares. Its registered office is at Level 1, Vocus House, 189 Miller Street, North Sydney NSW 2060.

2.5 Agreement to implement this Scheme

Each of M2 and Vocus have agreed, by executing the Merger Implementation Agreement, to implement the terms of this Scheme and the steps contemplated to follow the implementation of this Scheme, to the extent those steps are required to be done by each of them.

2.6 Deed Poll

Vocus and Vocus Subsidiary have executed the Deed Poll in favour of, among others, the Scheme Shareholders.

2.7 Summary of Scheme

If this Scheme becomes Effective:

(a) all of the Scheme Shares (together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date) will be transferred to Vocus Subsidiary and M2 will become a subsidiary of Vocus Subsidiary;

(b) Vocus will provide or procure the provision of the Scheme Consideration to Scheme Shareholders in accordance with the terms of this Scheme;

(c) M2 will enter the name of Vocus Subsidiary in the M2 Register as the holder of all the Scheme Shares;

(d) it will bind M2 and all Scheme Shareholders, including those who do not attend the Scheme Meeting, those who do not vote at that meeting and those who vote against this Scheme at that meeting; and

(e) it will override the constitution of M2, to the extent of any inconsistency.

3. Conditions precedent

3.1 Conditions precedent

This Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions:

(a) each of the conditions precedent in clause 3.1 of the Merger Implementation Agreement (other than the condition precedent in clause 3.1(j)) having been satisfied or waived in accordance with the Merger Implementation Agreement as at 8.00am on the Second Court Date or such other time specified in that condition precedent;

(b) neither the Merger Implementation Agreement nor the Deed Poll being terminated, as at 8.00am on the Second Court Date;

(c) this Scheme being approved for the purposes of section 411(4)(b) of the Corporations Act at the Second Court Hearing, subject to the matters noted in clause 8.9; and

(d) the Scheme Order comes into effect, pursuant to section 411(10) of the Corporations Act.

3.2 Effect of conditions precedent

The satisfaction or waiver of each condition precedent in clause 3.1 is a condition precedent to the operation of clause 4 and the binding effect of this Scheme.

3.3 Certificate

At or before the Second Court Hearing, M2 and Vocus will each provide to the Court certificates, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not the conditions precedent to this Scheme (other than the conditions precedent in clauses 3.1(c) and 3.1(d) above and the condition precedent in clause 3.1(j) of the Merger Implementation Agreement) have been satisfied or waived as at 8.00am on the Second Court Date. The certificates given by M2 and Vocus constitute conclusive evidence that the relevant conditions have been satisfied or waived.

3.4 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date.

3.5 Termination

Without limiting any rights under the Merger Implementation Agreement, if the Merger Implementation Agreement is terminated in accordance with its terms before this Scheme becomes Effective, each of Vocus, Vocus Subsidiary and M2 are released from:

(a) any further obligation to take steps to implement this Scheme; and

(b) any liability with respect to this Scheme.

4. The Scheme

4.1 Lodgement of Scheme Order with ASIC

M2 will lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Scheme Order as soon as practicable, and in any event by no later than 5.00pm on the first Business Day after the date on which the Court makes that Scheme Order (or on such other Business Day as M2 and Vocus agree).

4.2 Transfer of Scheme Shares

Subject to this Scheme becoming Effective:

(a) on or before 10.00am on the Implementation Date, and subject to Vocus fulfilling its obligations under clauses 4.3 and 5.5, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, must be transferred to Vocus Subsidiary without the need for any further act by any Scheme Shareholder, by M2 effecting a valid transfer or transfers of the Scheme Shares to Vocus Subsidiary under section 1074D of the Corporations Act or, if that procedure is not available for any reason, by:

(i) M2 delivering to Vocus Subsidiary a duly completed Scheme Share Transfer executed by M2 (as transferor) acting as the attorney and agent of each Scheme Shareholder under clause 8.1; and

(ii) Vocus Subsidiary duly executing the Scheme Share Transfer (as transferee), attending to the stamping of the Scheme Share Transfer (if required) and delivering it to M2 for registration; and

(b) on the Implementation Date, immediately after receipt of the Scheme Share Transfer from Vocus Subsidiary under clause 4.2(a)(ii) or the transfer being effected under section

1074D of the Corporations Act (as the case may be), M2 must enter, or procure the entry of, the name of Vocus Subsidiary in the M2 Register in respect of all of the Scheme Shares.

4.3 Provision of Scheme Consideration

(a) Subject to the terms and conditions of this Scheme, in consideration for the transfer to Vocus Subsidiary of the Scheme Shares held by each Scheme Shareholder under the terms of this Scheme, on the Implementation Date and otherwise in accordance with this Scheme:

(i) Vocus Subsidiary will accept the transfer of the Scheme Shares; and

(ii) Vocus will, on behalf of Vocus Subsidiary, provide, or procure provision, to each Scheme Shareholder the Scheme Consideration to which that Scheme Shareholder is entitled in accordance with clause 5.

(b) Nothing in this Scheme requires Vocus to provide Scheme Consideration to any Excluded Shareholder.

5. Scheme Consideration

5.1 Entitlement to Scheme Consideration

Subject to clauses 5.2, 5.3 and 5.4, the Scheme Consideration to be provided to each Scheme Shareholder will be the issue by Vocus to that Scheme Shareholder of the number of New Vocus Shares specified in the Merger Ratio for each Scheme Share held by that Scheme Shareholder.

5.2 Ineligible Foreign Shareholders

(a) Vocus will be under no obligation under this Scheme to issue, and will not issue, any New Vocus Shares to Ineligible Foreign Shareholders, and instead:

(i) Vocus will issue on the Implementation Date the New Vocus Shares that would otherwise have been issued to the Ineligible Foreign Shareholders (had they been Scheme Shareholders who were not Ineligible Foreign Shareholders) to the Nominee;

(ii) Vocus will procure that as soon as reasonably practicable, and in any event no more than 15 Business Days after the Implementation Date, the Nominee sells those New Vocus Shares issued to the Nominee on the ASX in such manner, at such price and on such other terms as the Nominee determines in good faith; and

(iii) promptly after the last sale of those New Vocus Shares, Vocus will procure that the Nominee pays the net proceeds of sale (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges) to Vocus; and

(iv) promptly (and within 5 Business Days) after the remittance to Vocus in accordance with clause 5.2(a)(iii), Vocus will pay to each Ineligible Foreign Shareholder such proportion (rounded down to the nearest cent) of the net proceeds of sale received by Vocus pursuant to clause 5.2(a)(iii) as is equal to the number of New Vocus Shares that would have been issued to that Ineligible Foreign Shareholder had it been a Scheme Shareholder who was not an Ineligible Foreign Shareholder divided by the total number of New Vocus Shares issued to the Nominee pursuant to clause 5.2(a)(i).

(b) The obligation of Vocus to make any payment pursuant to clause 5.2(a)(iv) to an Ineligible Foreign Shareholder will be satisfied by Vocus within the time contemplated by that clause either:

(i) despatching, or procuring the despatch, by mail to the registered address (as at the Record Date) of that Ineligible Foreign Shareholder of a pre-printed cheque in the name of that Scheme Shareholder and for the relevant amount (denominated in Australian dollars) (provided that, in the case of Ineligible Foreign Shareholders who are joint holders of Scheme Shares, the cheque will be made payable to the joint holders and sent to the holder whose name appears first in the M2 Register as at the Record Date); or

(ii) making, or procuring the making of, a deposit for the relevant amount (denominated in Australian dollars) in an account with any Australian ADI in Australia notified by that Ineligible Foreign Shareholder to M2 and recorded in or for the purposes of the M2 Register as at the Record Date.

(c) None of Vocus, Vocus Subsidiary, M2 or the Nominee gives any assurance as to the price that will be achieved for the sale of the New Vocus Shares described in this clause 5.2, and the sale of the New Vocus Shares under this clause 5.2 will be at the risk of the Ineligible Foreign Shareholder.

(d) Each Ineligible Foreign Shareholder appoints M2 as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Nominee is required to provide to Ineligible Foreign Shareholders under the Corporations Act.

5.3 Fractional entitlements

(a) Any fractional entitlement of a Scheme Shareholder to a part of a New Vocus Share will be rounded up or down to the nearest whole number of New Vocus Shares (rounded up if the fractional entitlement is equal to or greater than one half, and rounded down if the fractional entitlement is less than one half), but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares.

(b) Vocus may, acting reasonably and in consultation with M2, deem the holdings of two or more Scheme Shareholders to be held by one Scheme Shareholder to prevent any Share Splitting designed to obtain unfair advantage by reference to such rounding.

5.4 Joint holdings

In the case of Scheme Shares held in joint names, any New Vocus Shares to be issued under this Scheme will be issued to and registered in the names of the joint holders and holding statements or notices confirming the issue of the New Vocus Shares will be forwarded to the holder whose name appears first in the M2 Register as at the Record Date.

5.5 Allotment and issue of New Vocus Shares

(a) Subject to clauses 5.2 and 5.3 and to this Scheme becoming Effective, Vocus must:

(i) allot and issue the New Vocus Shares in accordance with this Scheme on terms such that each New Vocus Share will rank equally in all respects with all other Vocus Shares then on issue, including the right to participate in any FY16 Interim Dividend and any Special Dividend;

(ii) do everything reasonably necessary to ensure that the New Vocus Shares are approved for official quotation on ASX and that trading in the New Vocus Shares commences as soon as practicable after the Effective Date, initially on a deferred settlement basis and thereafter on a normal settlement basis;

(iii) ensure that on issue, each New Vocus Share will be fully paid and free from any mortgage, charge, lien, encumbrance or other Security Interest; and

(iv) procure that:

(A) the name and address of each Scheme Shareholder is entered into the Vocus Register on the Implementation Date in respect of the New Vocus Shares to which it is entitled under this Scheme; and

(B) a holding statement (or equivalent document) is sent to the registered address of each such Scheme Shareholder representing the number of New Vocus Shares issued to the Scheme Shareholder pursuant to this Scheme within 10 Business Days after the Implementation Date.

(b) Vocus must:

(i) not declare or determine any dividends prior to the Implementation Date; and

(ii) ensure that the record date determined by Vocus in respect of any FY16 Interim Dividend and any Special Dividend is:

(A) a date after, but no later than 20 Business Day after, the Implementation Date; and

(B) such that the date on which the Vocus Shares trade on an "ex" basis (under the Listing Rules) in respect of any FY16 Interim Dividend and any Special Dividend is after the date by which the Nominee has sold all of the New Vocus Shares issued to it in respect of the Ineligible Foreign Shareholders,

so as to ensure that the holders of New Vocus Shares on that dividend record date will be entitled to participate in any FY16 Interim Dividend and any Special Dividend. For the avoidance of doubt, this clause will be of no force or effect unless the conditions in clause 3.1 are satisfied.

(c) Each Scheme Shareholder to be issued New Vocus Shares:

(i) agrees to be bound by Vocus' constitution;

(ii) agrees to become a member of Vocus and to have their name and address entered into the Vocus Register.

5.6 Instructions to M2

All binding instructions or notifications between a Scheme Shareholder and M2 regarding Scheme Shares or a Scheme Shareholder's status as a holder of Scheme Shares (including, without limitation, any instructions relating to communications from M2 and whether dividends are paid by cheque or into a specified bank account) will, to the extent permitted, from the Record Date, be deemed (except to the extent determined otherwise by Vocus in its sole discretion) to be similarly binding instructions or notifications to, and accepted by, Vocus in respect of the New Vocus Shares issued to the Scheme Shareholders under this Scheme until those instructions or notifications are, in each case, revoked or amended in writing addressed to Vocus (at its registered address from time to time), provided that any such instructions or notifications accepted by Vocus will apply to and in respect of the issue of New Vocus Shares as part of the Scheme Consideration only to the extent that they are not inconsistent with the other provisions of this Scheme.

6. Entitlement to participate and dealings in M2 Shares

6.1 Entitlement to participate

Each Scheme Shareholder will be entitled to participate in this Scheme.

6.2 Recognised dealings

For the purposes of determining who is a Scheme Shareholder, dealings in M2 Shares will be recognised if:

(a) in the case of dealings of the type effected by CHESS, the transferee is registered in the M2 Register as the holder of the relevant M2 Shares by the Record Date;

(b) in all other cases, share transfer forms in registrable form or transmission applications in respect of those dealings are received at the place where the M2 Register is kept by 5.00pm on the day which is the Record Date.

6.3 M2's obligation to register

M2 must register any registrable transfers or transmission applications received in accordance with clause 6.2(b) by the Record Date.

6.4 Transfer requests received after Record Date

M2 will not accept for registration or recognise for any purpose any transfer, transmission or application in respect of M2 Shares received after the times specified in clause 6.2, or received prior to such times but not in registrable form, other than a transfer to Vocus Subsidiary in accordance with this Scheme and any subsequent transfer by Vocus Subsidiary or its successors in title.

6.5 No disposals after Record Date

If this Scheme becomes effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date.

6.6 Maintaining the M2 Register

For the purpose of determining entitlements to Scheme Consideration, M2 must, until the Scheme Consideration has been provided, maintain, or cause the M2 Registrar to maintain, the M2 Register in accordance with the provisions of this clause 6 and entitlements to the Scheme Consideration will be determined solely on the basis of the M2 Register.

6.7 Statements of holding cease to have any effect

After the Record Date, any share certificate or holding statement for M2 Shares (other than statements of holding in favour of Vocus Subsidiary and its successors in title) will cease to have any effect as a document of title in respect of those shares and each current entry on the M2 Register as at the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration (other than the entries in respect of Vocus Subsidiary).

6.8 Provision of Scheme Shareholder's details

As soon as practicable after the Record Date, and in any event within two Business Days after the Record Date, M2 must ensure that a complete copy of the M2 Register as at 7.00pm on the Record Date, including details of the names, registered addresses and holdings of M2 Shares for each Scheme Shareholder, is available to Vocus in the form Vocus reasonably requires.

7. Quotation of M2 Shares

7.1 Suspension of trading in ASX

M2 will apply to the ASX to suspend trading in the M2 Shares on ASX from the Close of Trading.

7.2 Termination from official quotation

Provided that this Scheme has been fully implemented in accordance with its terms, M2 will apply for termination of the official quotation of the M2 Shares on ASX, and removal from the official list of ASX, on a date after the Implementation Date as determined by Vocus.

8. General provisions

8.1 Authority given to M2

On this Scheme becoming Effective, each Scheme Shareholder, without the need for any further act, is deemed to have irrevocably appointed M2 and all of its directors and officers (jointly and severally) as its attorney and agent for the purposes of:

(a) enforcing the Deed Poll against Vocus and Vocus Subsidiary; and

(b) doing all things and executing any deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to this Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Share Transfers) as contemplated by clause 4.2,

and M2 accepts such appointment. M2 as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.1 to all or any of its directors and officers (jointly, severally or jointly and severally).

8.2 Status of Scheme Shares

(a) To the extent permitted by law, the Scheme Shares transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, including any Security Interests.

(b) Each Scheme Shareholder is deemed to have warranted to M2, and appointed and authorised M2 as its attorney and agent to warrant to Vocus and Vocus Subsidiary, that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) transferred to Vocus Subsidiary under this Scheme will, at the date of transfer, be fully paid and free from mortgages, charges, liens, encumbrances, pledges, Security Interests and other interests of third parties of any kind, whether legal or otherwise, and that they have full power and capacity to sell and transfer their M2 Shares (including any rights and entitlements attaching to those shares) to Vocus Subsidiary under this Scheme.

8.3 Further assurances

Each Scheme Shareholder and M2 will execute documents and do all things and acts necessary or expedient in order to implement this Scheme.

8.4 Authority of M2

Each of the Scheme Shareholders consents to M2 doing all things necessary for or incidental to the implementation of this Scheme.

8.5 Scheme binding

This Scheme binds M2 and all Scheme Shareholders from time to time (including those who do not attend the Scheme Meeting, those who do not vote at that meeting or vote against this Scheme) and, to the extent of any inconsistency, overrides the constitution of M2.

8.6 Variation, cancellation or modification of rights

The Scheme Shareholders agree to the transfer of their M2 Shares in accordance with this Scheme and agree to the variation, cancellation or modification of the rights attached to their M2 Shares constituted or resulting from this Scheme (if any).

8.7 Beneficial entitlement to Scheme Shares

On this Scheme becoming Effective, pending registration by M2 of Vocus Subsidiary in the M2 Register as the holder of the Scheme Shares:

(a) Vocus Subsidiary will be beneficially entitled to the Scheme Shares transferred to it under this Scheme; and

(b) each Scheme Shareholder:

(i) irrevocably appoints Vocus Subsidiary as attorney and agent (and directs Vocus Subsidiary in each capacity) to appoint any director, officer, secretary or agent nominated by Vocus Subsidiary as its sole proxy and, where applicable, its corporate representative to attend shareholder meetings of M2, exercise the votes attached to the Scheme Shares registered in the name of the Scheme Shareholder and sign any shareholders resolution of M2;

(ii) undertakes not to otherwise attend or vote at any such meetings or sign any such resolutions, whether in person, by proxy or by corporate representative other than pursuant to clause 8.7(b)(i);

(iii) must take all other actions in the capacity of a registered holder of Scheme Shares as Vocus Subsidiary reasonably directs; and

(iv) acknowledges and agrees that in exercising the powers referred to in this clause 8.7(b), any director, officer, secretary or agent nominated by Vocus Subsidiary may act in the best interests of Vocus Subsidiary as the intended registered holder of the Scheme Shares.

8.8 Notices

(a) Where a notice, transfer, transmission application or other communication referred to in this Scheme is sent by post to M2, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at M2's registered office or at the office of the M2 Registrar.

(b) The accidental omission to give notice of the Scheme Meeting to any M2 Shareholders, or the non-receipt of such a notice by any M2 Shareholders, will not, unless ordered by the Court, invalidate this Scheme or the proceedings at the Scheme Meeting.

8.9 Alterations and conditions

If the Court proposes to approve this Scheme subject to any conditions or alterations under section 411(6) of the Corporations Act, M2 may, by its counsel on behalf of all persons concerned consent to only such of those conditions or alterations to this Scheme to which Vocus has consented, such consent not to be unreasonably withheld or delayed.

8.10 Enforcement of Deed Poll

M2 undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Vocus and Vocus Subsidiary on behalf of and as agent and attorney for the Scheme Shareholders.

8.11 Duty

All duty (including stamp duty), and any related fines, penalties and interest, payable in connection with this Scheme and each transaction effected by or made under this Scheme will be payable by Vocus.

8.12 Limitation of liability

None of M2, Vocus, Vocus Subsidiary, nor any director, officer or secretary of any of them is liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

8.13 Governing Law

(a) This Scheme is governed by and will be construed according to the laws of Victoria.

(b) Each party irrevocably:

(i) submits to the non-exclusive jurisdiction of the courts of Victoria and of the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and

(ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if the venue of those proceedings fall within clause 8.13(b)(i).

NOTICE OF SCHEME MEETING

M2 Group Ltd
ACN 091 575 021

Notice is given that, by an order of the Supreme Court of Victoria made on 11December 2015, a Scheme Meeting of shareholders of M2 Group Ltd ("**M2**") will be held at the Auditorium, Mezzanine Level, 452 Flinders Street, Melbourne, Victoria at 10.30am (Melbourne time) on 28 January 2016.

The Court has directed that Craig Farrow be Chairman of the Scheme Meeting or, failing him, Michael Simmons.

Information on the Scheme is set out in this Booklet (of which this Notice of Scheme Meeting forms part). Terms used in this Notice of Scheme Meeting have the same meaning as set out in the glossary in Section 12 of this Booklet, unless indicated otherwise.

The Explanatory Notes which accompany and form part of this Notice of Scheme Meeting contain important information in connection with the proposed Scheme Resolution. **Please read them carefully.**

BUSINESS

The purpose of the Scheme Meeting to be held pursuant to this Notice of Scheme Meeting is to consider, and if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between M2 and its shareholders (other than Excluded Shareholders) as at the Record Date:

SCHEME RESOLUTION

To consider and, if thought fit, to pass the following resolution:

> *That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between M2 and the holders of M2 Shares (other than Excluded Shareholders), the terms of which are contained in and more precisely described in the Scheme Booklet of which the notice convening the Scheme Meeting forms part, is approved (with or without alterations or conditions as approved by the Supreme Court of Victoria).*

By Order of the Board

ASHE-LEE JEGATHESAN
Company Secretary
11 December 2015

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EXPLANATORY NOTES TO NOTICE OF SCHEME MEETING

SHAREHOLDERS WHO ARE ENTITLED TO VOTE

Only M2 Shareholders, other than an M2 Shareholder which is an entity within the Vocus Group, registered on the M2 Register on the Voting Record Date (being 7:00pm (Melbourne time) on 26 January 2016) are entitled to vote on the Scheme Resolution.

M2 is not aware of any entity or any associate of any entity within the Vocus Group holding M2 Shares. If such an entity does hold M2 Shares, they would not be entitled to vote (and any votes cast would be disregarded) at the Scheme Meeting.

MAJORITIES REQUIRED

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be passed by:

(a) more than 50% in number (unless the Court orders otherwise) of M2 Shareholders who are present and voting, either in person or by proxy, by attorney or, in the case of a corporation, by its duly appointed corporate representative, at the Scheme Meeting; and

(b) at least 75% of the total number of votes cast on the Scheme Resolution.

COURT APPROVAL

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this Scheme Meeting is passed by the requisite majorities and the other Conditions are satisfied or waived (if applicable), M2 intends to apply to the Court on 5 February 2016 for approval of the Scheme.

VOTING

ENTITLEMENT TO VOTE

Each M2 Shareholder who is on the M2 Register at 7.00pm (Melbourne time) on 26 January 2016 is entitled to attend and vote at the Scheme Meeting.

Vocus and its associates will not vote on the Scheme Resolution.

HOW TO VOTE

M2 Shareholders can vote:

(a) in person, by attending the Scheme Meeting;

(b) by proxy, by completing, signing and lodging the original Scheme Meeting Proxy Form in accordance with the instructions set out on the form. You should arrange to have your proxy or proxies attend (if you are appointing a person other than the Chairman of the Scheme Meeting as your proxy);

(c) by attorney, by appointing an attorney to attend and vote at the Scheme Meeting on your behalf, and providing a duly executed power of attorney to the registered office of M2 by 10.30am (Melbourne time) on 26 January 2016. Please be aware that the closing time for receipt of powers of attorney falls on the Australia Day public holiday. As such, please ensure that you post your duly executed power of attorney with sufficient time for it to be received prior to 26 January 2016; or

(d) by corporate representative (if you are a body corporate), by appointing a corporate representative to attend and vote at the Scheme Meeting on your behalf, and providing a duly executed certificate of appointment (in accordance with section 250D of the Corporations Act) prior to admission to the Scheme Meeting.

Direct voting will not be available in relation to the Scheme Resolution.

VOTING IN PERSON, BY ATTORNEY OR BY CORPORATE REPRESENTATIVE

To vote in person, attend the Scheme Meeting on the date and at the place set out in the first page of this Notice of Scheme Meeting. The Scheme Meeting will commence at 10.30am (Melbourne time).

If possible, M2 Shareholders should arrive at the Scheme Meeting venue 30 minutes before the time designated for the Scheme Meeting, so that their shareholding can be checked against the M2 Register and attendances noted.

Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

Corporate representatives should bring with them satisfactory evidence of their appointment including any authority under which that appointment is signed (unless previously given to the M2 Registry).

VOTING BY PROXY

An M2 Shareholder entitled to attend and vote at the Scheme Meeting may appoint a proxy. The person appointed as a proxy may be an individual or a body corporate. If entitled to cast two or more votes, the M2 Shareholder may appoint one or two proxies.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the M2 Shareholder's voting rights. If the proportion is not specified, each proxy may exercise half of the M2 Shareholder's voting rights. Fractional votes will be disregarded.

M2 Shareholders should read carefully the instructions on the Scheme Meeting Proxy Form and consider how they wish to direct the proxy to vote on their behalf. M2 Shareholders may direct the proxy to vote 'for', 'against' or 'abstain' from voting on the Scheme Resolution or may leave the decision to the appointed proxy after the discussion at the Scheme Meeting.

A proxy need not be an M2 Shareholder.

If an M2 Shareholder lodges the Scheme Meeting Proxy Form but fails to nominate a proxy, the M2 Shareholder will be taken to have appointed the Chairman as their proxy by default.

The Scheme Meeting Proxy Form must be signed by the M2 Shareholder or the M2 Shareholder's attorney. Proxies given by corporations must be signed in accordance with the corporation's constituent documents, or as authorised by the Corporations Act.

To be valid, the Scheme Meeting Proxy Form must be received by 10.30am (Melbourne time) on 26 January 2016. You can lodge a Scheme Meeting Proxy Form:

(a) **online** at www.linkmarketservices.com.au (instructions on how to lodge online can be found on the Scheme Meeting Proxy Form);

(b) **by return mail** using the reply paid envelope accompanying this Notice of Scheme Meeting;

(c) **by mail** to Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235;

(d) **by hand delivery** during business hours to Link Market Services Limited, Level 12, 680 George Street, Sydney; or

(e) **by fax** to +61 (02) 9287 0309.

Please be aware that the closing time for receipt of proxies falls on the Australia Day public holiday. As such, if you intend to lodge your Scheme Meeting Proxy Form by mail, please ensure that you post it with sufficient time for it to be received prior to 26 January 2016. Alternatively, you may lodge your Scheme Meeting Proxy Form at any time up until 10:30am on 26 January 2016 either online or by fax.

M2 encourages you to lodge your proxy electronically, as explained on the Scheme Meeting Proxy Form.

If you require an additional Scheme Meeting Proxy Form, M2 will supply it on request.

FURTHER INFORMATION

If you have any questions in relation to this Notice of Scheme Meeting or your Scheme Meeting Proxy Form, please contact the M2 Registry, the M2 Shareholder Information Line on 1300 853 781 (callers within Australia) or +61 1300 853 781 (callers outside Australia) on Business Days between 8.30am and 5.30pm (Melbourne time), or you may email M2 via **companysecretary@m2.com.au**

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Corporate directory

M2 Group Ltd
Level 10, 452 Flinders Street
Melbourne VIC 3000

M2 Directors
Craig Farrow (Chairman and Non-Executive Director)
John Hynd (Non-Executive Director)
David Rampa (Non-Executive Director)
Michael Simmons (Non-Executive Director)
Vaughan Bowen (Executive Director)
Rhoda Phillippo (Non-Executive Director)

Company Secretary
Ashe-lee Jegathesan

Auditor
Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

Financial Advisers
Goldman Sachs
Level 17, 101 Collins St
Melbourne VIC 3000

Australian Legal Adviser
Allens
Level 37, 101 Collins Street
Melbourne VIC 3000

Australian Taxation Adviser
KPMG
147 Collins St
Melbourne VIC 3000

M2 Registry
Link Market Services
Level 1, 333 Collins St
Melbourne VIC 3000

M2 GROUP LTD
(ABN 74 091 575 021)

Melbourne, VIC 8007
Phone +61 3 9923 3000
Fax +61 3 9674 6599

m2.com.au

M2 Group Ltd
ACN 091 575 021

LODGE YOUR PROXY

ONLINE
www.linkmarketservices.com.au

BY MAIL
M2 Group Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: +61 1300 853 781

PROXY FORM

I/We being a member(s) of M2 Group Ltd (M2) and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chairman of the Meeting *(mark box)***

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of M2 to be held at **10:30am on Thursday, 28 January 2016 at the Auditorium, Mezzanine Level, 452 Flinders Street, Melbourne, Victoria** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by M2 if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolution

	For	Against	Abstain*
1 That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between M2 and the holders of M2 Shares (other than Excluded Shareholders), the terms of which are contained in and more precisely described in the Scheme Booklet of which the notice convening the Scheme Meeting forms part, is approved (with or without alternations or conditions as approved by the Supreme Court of Victoria).			

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

MTU PRX601N

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on M2's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of M2.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning M2's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from M2's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am on Tuesday, 26 January 2016,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

BY MAIL

M2 Group Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE SCHEME MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.