

ASX/Media Release

Date: 26 October 2016

Nextgen Networks completed, creates enhanced fibre infrastructure footprint in Australia and strengthens competitive position

Vocus Communications Limited (ASX:VOC) (Vocus) announces today that it has completed the acquisition of 100% of Nextgen Networks, the North West Cable System (NWCS) development project and the Australia Singapore Cable (ASC) development project from the Nextgen Group for a total upfront consideration of A\$806.7 million (subject to customary adjustments) and deferred consideration of up to A\$54 million¹. The acquisition will be consolidated from 26 October 2016.

Vocus CEO, Geoff Horth said "Nextgen Networks delivers Vocus one of Australia's largest national fibre backhaul networks, complementing Vocus' existing fibre infrastructure. The acquisition will connect Vocus' metropolitan fibre infrastructure to Nextgen Networks' inter-capital fibre network, creating a national network connecting capital cities, regional and remote areas - owned and managed by the Vocus team.

"The acquisition of the North West Cable System (NWCS) project will enable Vocus to increase penetration of the mining and offshore oil and gas sectors. The cable is now operational, and is underwritten by foundation customers on long-term contracts.

"ASC is a project to build a ~4,600km submarine cable connecting Singapore, Jakarta and Perth. Vocus and Nextgen Group announced a non-binding term sheet in November 2015 to form a 50-50 joint venture to construct and operate the ASC. Vocus now owns 100% of the project and intends to advance this opportunity in its own right.

"I would like to thank the Nextgen Networks senior management and their teams for working constructively with us to reach a successful conclusion to the transaction, and we welcome the new members of the Vocus team" concluded Mr Horth.

Vocus Chairman, David Spence said "On behalf of the Board, I would like to thank all shareholders once again for supporting the strategic rationale of the transaction through their participation in the rights issue and placement successfully completed in July. We will ensure that we move quickly to integrate the business within the Vocus platform and ensure a seamless transition for Nextgen's customers."

¹ Based on A\$700 million upfront consideration for Nextgen Networks and US\$80 million (A\$106.7 million) upfront consideration for NWCS converted to AUD at FX rate of 0.7498 (Additional amounts of up to US\$40 million (A\$54 million)) are payable for the two development projects, subject to certain conditions. Excludes transaction costs.

KEY HIGHLIGHTS OF THE NEXTGEN ACQUISITION



Note: Map for illustrative purposes only.

(1) Regional Backbone Blackspots Program ("**RBBP**") was a 2009 Commonwealth initiative to provide competitive wholesale backbone services in regional markets. Nextgen was provided with A\$250 million to design and construct the RBBP network from February 2010 to February 2012.

Nextgen Networks is one of Australia's largest national fibre backhaul networks, with ~17,000 fibre kilometers connecting capital cities to regional and remote areas. This includes an Indefeasible Right of Use ("**IRU**") of Regional Backbone Blackspots Program (RBBP) fibre which Nextgen Networks currently operates and maintains on behalf of the Commonwealth. Nextgen Networks provides services such as transmission links, switched data services and high speed internet to corporate, wholesale, business and government customers.

The Nextgen acquisition is expected to be highly complementary to Vocus' existing infrastructure and business. Estimated cost synergies of ~A\$30 million per annum² are expected to be fully realised over three years with one-time costs to implement these savings estimated at A\$6 million. Estimated cost synergies include network synergies achieved through economies of scale and third party access tail spend and non-network related synergies such as the consolidation of premises, and the rationalisation of costs. Capital expenditure synergies are estimated at ~A\$8 million per annum. In addition, there are significant revenue synergies potentially available driven by an expanded product offering, including the potential to attract new customers, and cross-selling opportunities to existing clients.

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² A\$30 million represents the midpoint of estimated annual cost synergy rate of A\$28 - \$31 million.

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About Vocus (ASX: VOC): Vocus Communications is an ASX listed, vertically integrated telecommunications provider, operating in the Australian and New Zealand markets. The Company owns an extensive national infrastructure network of metro and back haul fibre connecting all capital cities and most regional cities across Australia and New Zealand, directly connecting more than 5,000 buildings. Vocus owns a portfolio of brands catering to corporate, government and residential customers across Australia and New Zealand. Vocus also operates in the wholesale market providing high performance, high availability and highly scalable communications solutions which allow service providers to quickly and easily deploy new services for their own customer base.