



CHAIRMAN'S LETTER

Fellow Shareholder,

WELCOME TO M2 GROUP LTD'S ANNUAL REPORT 2015

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

OUTSTANDING RETURNS TO SHAREHOLDERS

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

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

Our earnings before interest, tax, depreciation and amortisation ('EBITDA'⁽¹⁾) rose 6% to \$170.5 million and our net profit after tax ('NPAT') rose 10% to \$73.7 million. Underlying NPAT², excluding transaction costs, reached more than \$100 million, an increase of 17%. This is an outstanding result by our team, with all of our results meeting the guidance issued to market on 25 August 2014.

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

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

GROWTH

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

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

TEAM

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

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

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

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

Yours faithfully,



CRAIG FARROW
CHAIRMAN

KEY DATES

07

OCT 2015

Record date for
final FY15 dividend

08

OCT 2015

DRP election date

09-15

OCT 2015

DRP pricing period

29

OCT 2015

Annual General Meeting
FY15 Final Dividend Payment

31

DEC 2015

Half-year end

22

FEB 2016

Interim results announcement

30

JUNE 2016

Financial year end