

**VOCUS COMMUNICATIONS LIMITED**  
**ACN 084 115 499**

**ANNUAL GENERAL MEETING HELD ON 26 OCTOBER 2010**

**CHAIRMAN'S ADDRESS AND CEO'S ADDRESS**

**1. Chairman's Address**

Welcome to the 2010 Annual general Meeting of the Company, and thank you for your attendance today. I confirm we have a quorum.

Let me introduce my fellow Directors and the senior team here with us today. Nick McNaughton who also acts as my deputy, Jon Brett, John Murphy, and our executive Directors James Spenceley the founder and CEO, and Mark de Kock our GM of Corporate Strategy. In addition, we have present Rick Correll our CFO and Mark Simpson our General Counsel and Company Secretary.

I also want to announce that Paul McConnell has resigned as a Board member, effective from the close of meeting today to concentrate on other activities. Paul sends his apologies for not being able to attend today. We want to thank Paul for his great work in the early days of the Company and his support during the IPO process and personally I want to thank him for his wise counsel during that IPO process. We have found another experienced industry executive to join the board in Paul's place and will make an announcement when details have been finalised. It is important that the Board continues to have a close relationship with the industry and to that end we have found an additional Board member with great technical skills and a strong understanding of the market.

We continue to see excellent growth at Vocus Communications in our core business and target market and the business model remains unchanged. As I said when we listed "Vocus interested me, not only because of its great beginnings, smart people and rapid early growth but because of the substantial opportunity that is emerging in the Australian market as the telecommunications market restructures around the NBN and the proliferation of applications and devices in an all IP world. The days of fully vertically integrated telecommunication markets dominating the market are over – the industry is now far too complex, too varied and very evolutionary or should I say revolutionary.

This environment has created the Vocus opportunity – which is to provide low cost end to end networking solutions as well as covering the increasing concern for high levels of security, redundancy and traffic optimization. Vocus does this by consolidating these requirements into one wholesale network and data managing Company that services the needs of a multitude of asset-light service providers that package connectivity and hosting requirements with completely new services and revenue models. We want to

make the major network and hosting layer almost invisible to our customers and “ride” the demand for flexible but secure bandwidth demand.

Today, we continue to do just that.

James Spenceley will in a short while bring you up to speed with our recent activities, operations and planned expansion activities as well as a brief update on the market and our recent acquisition.

But before that let me update you with a snapshot of notable events and achievements in the year to 30<sup>th</sup> June 2010 and since, which can be summarised as follows:

- Earnings before Interest, Tax and depreciation (EBITDA) of \$8.15 million as compared with \$1.1 million in the previous year, representing an EBITDA increase of 641%
- Net Profit after tax of \$3.8 million as compared with \$0.8 million in the previous year, representing an Net Profit increase of 355%
- Consolidated revenues of \$17.5 million as compared with \$5.1 million in the previous year, representing an increase of 242%

And since the end of the year:

- Our successful IPO of the Company on the 8th of July, 2010
- Our share price has increased by over 60% in the four months since the IPO
- We have announced Vodafone new Zealand as a large long term customer
- And yesterday, we announced that the group had finalised an agreement to acquire the Sydney and Melbourne data centre businesses of E3 Networks.

Obviously our 2010 Annual report provides significantly more detail and background to the Company up to June 2010. Your Company - we want to manage as a fast growing Company, and that will always mean a fair amount of change over a short period of time, but not a change to our core business strategy.

It is however, my pleasure to announce that your Company continues to operate well and ahead of our internal expectations, whilst maintaining its commitment to disciplined financial management. Cash flows remain strong, and are tracking above our original expectations and the strengthening Australian dollar continues to help our overall bottom line. Management are doing what they can to lock in some of these exchange rate advantages, whilst they can, as we originally planned for a .8470c USD/AUD exchange rate during the 2011 year. The Company also remains committed to risk management and its compliance obligations. Also, as reported at the outset, a fair amount of resources have

been committed to looking at acquisitions which we see as part of our overall high growth strategy.

I am pleased to report that we have a highly competent management team in place. Our human resource focus remains on providing a great and motivating working environment as well as rewarding all staff in an appropriate manner, reflective of performance and the attainment of our objectives. Senior executive remuneration is subject to review by the Remuneration Committee where a regular fair assessment is taken of performance and future expectations. As a policy, we remain committed to attracting the best technical and professional talent and keeping staff levels to a minimum. I want to take this opportunity to personally thank all the Vocus staff members for their effort and continued overall excellent performance.

I also want to thank my fellow directors, all of whom have performed well and given a lot of time to the Company over the past six months. Their support and assistance is greatly appreciated.

Finally I want to thank you, our shareholders, not only for your decision to support Vocus Communications in these early days but for your faith in the directors and the management team. On behalf of all of us, I can assure you that we are very pleased indeed about the achievements of the Company this year and we remain intensely focused on our business model which we believe is the core to our success to date and our expansion over the immediate year ahead.

## **2. CEO's Address**

As David mentioned, it has been a strong 12 months, demonstrated by the Company's financial performance.

### **Business Update**

- Management accounts show business ahead of expectations for the period to the AGM
- Sales have continued to be strong during this period
- Costs have not increased inline with revenue (scalable business)
- The outlook for 1H FY11 is strong with cash flows benefitting strongly from the Australian Dollar's appreciation which allowed for hedging of a portion of the long term USD liability
- Business and Operational systems continue to be upgraded and perform very well.

## **New Acquisition**

As you may be aware we announced our first acquisition yesterday (E3 Networks). This is an important milestone for the Company, as it will provide us with infrastructure to build other products and services for our current and future customers.

The acquisition highlights are as follows:

- 2 operational business and data facilities in Sydney and Melbourne with strong revenues and profits
- Will contribute \$1.5 million pre tax profit on an annualized basis
- Additional Sydney facility online within 45 days
- Strong indicative demand from our customer base for this product
- Good cultural fit between the two business
- Data centre market in Sydney and Melbourne is at a premium (Demand/Supply mismatch)
- Jon Eaves (Founder and CEO) will become Vocus' GM of Data Centres

## **Summary**

Growth opportunities continue to exist as the market for international data is growing at a CAGR 55%. Download plans have increased significantly which will lead to more usage by end users. This has (and will) drive increased requirement for international data.

The acquisition of the data centres business will provide further opportunities to provide other services to both our existing customers and the customers acquired with the data centres.

The Company continues to focus very strongly on maintaining very high levels of customer service - levels that customers now expect of their wholesale provider.

## **NBN**

No update from a Telco is complete without touching on the NBN. In general we see the NBN as a positive for the Vocus business. As the access speed and those with access to broadband increase the usage increases inline. Given that typically 70-80% of Internet data is sourced overseas, this usage growth will be positive for Vocus. That being said,

reliance on the NBN is not part of the future business plan and Internet usage has and continues to increase naturally without the NBN.

**In Conclusion**

It is with great pleasure I provide this update to our first AGM as Vocus Communications Limited.

I'd like to take the opportunity to thank the Vocus team, our Customers and importantly the shareholders for their support.

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