

## ASX/Media Release

**Date: 6 December 2016**

### **Vocus executes binding agreement (“contract-in-force”) with Alcatel Submarine Networks to construct the Australia Singapore Cable**

Vocus Group Limited (ASX:VOC) (Vocus) announces today that it has executed a binding agreement with Alcatel Submarine Networks (ASN), referred to as contract-in-force (CIF), for the construction of the Australia Singapore Cable (ASC).

The ASC project is a ~4,600km submarine cable system linking Australia to Singapore, and Indonesia, with a system design providing a minimum of 40Tbps of capacity from Western Australia to South East Asia, with this capacity forecast to expand via technology advancements over the coming years. Following the completion of the Nextgen Networks (“Nextgen”) acquisition<sup>1</sup> Vocus confirms that it has secured Singapore IDA approval and renewed Landing Rights with MoCIT in Indonesia<sup>2</sup>, which, in combination with moving to a CIF with ASN, fulfils all necessary requirements to commence & complete the project.

ASC is expected to take approximately 19 months to build, with completion targeted by August 2018. The effective life of the ASC is estimated to be a minimum of twenty five years.

ASC was a key strategic consideration in Vocus’ decision to purchase Nextgen Networks, as it, in combination with Nextgen’s trans-Australian fibre network, creates a fully interconnected, high capacity fibre network owned by Vocus from the East Coast of Australia through to Singapore (via Perth), with direct connectivity into Indonesia (population 230m+). In combination with the Nextgen network, ASC delivers Vocus a unique competitive advantage which provides a platform to increase utilization of both assets.

The ASC project is expected to cost ~US\$170m<sup>3</sup> over the build period. Payments made during FY17 will be funded from existing debt capacity, while payments made in FY18 and beyond will be funded from a combination of existing debt capacity, operating cash flow

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<sup>1</sup> Prior to the acquisition of Nextgen Networks ASC was a 50/50 joint venture project between Nextgen Networks and Vocus

<sup>2</sup> IDA – Infocomm Development Authority of Singapore and MoCIT Ministry of Communications and Information Technology of Indonesia

<sup>3</sup> This includes US\$130m to ASN, US\$20m payment due on completion of the project to Ontario Teacher Pension Plan and approximately US\$20m in civil works, operating costs & ancillary costs during the ASC build period

and expected customer pre-payments for Indefeasible Rights of Use (IRU) agreements. Vocus currently expects to receive IRU pre-payments of approximately \$US100m<sup>4</sup> during the build period.

In a report commissioned on the ASC project in early 2016, telecom data market experts TeleGeography estimated demand for bandwidth between Australia and Asia would exceed 50Tbps by 2029. The report estimates ASC has the opportunity to capture a minimum of 15.5Tbps of capacity sales by year-end 2029, resulting in expected revenues of at least US\$550m over this period, by which time ASC will have been operating for only 40% of its effective life. TeleGeography estimates that by 2019, 30 percent of Australia's overall international bandwidth will be connected to Asia.

Demand for data capacity on the ASC route is growing rapidly and the only other comparable cable system is nearing full capacity. This growth in data consumption, particularly in the Asian region, places ASC in a strong position given it is the most progressed new cable project on this route.

The investment case for ASC is underpinned by strong demand, the need for diversity and resilience for both the Australian and Asian markets, and the fact that ASC will connect Australia to Southeast Asia, India, and Europe at lower round-trip times, outperforming any other existing cable system.

ASC has also fully executed partnering arrangements with XL Axiata Tbk<sup>5</sup> in the form of a binding Landing Co-operation Agreement that provides security of tenure, commercial arrangements and nation-wide coverage in Indonesia through XL's 21,000km domestic transmission network.

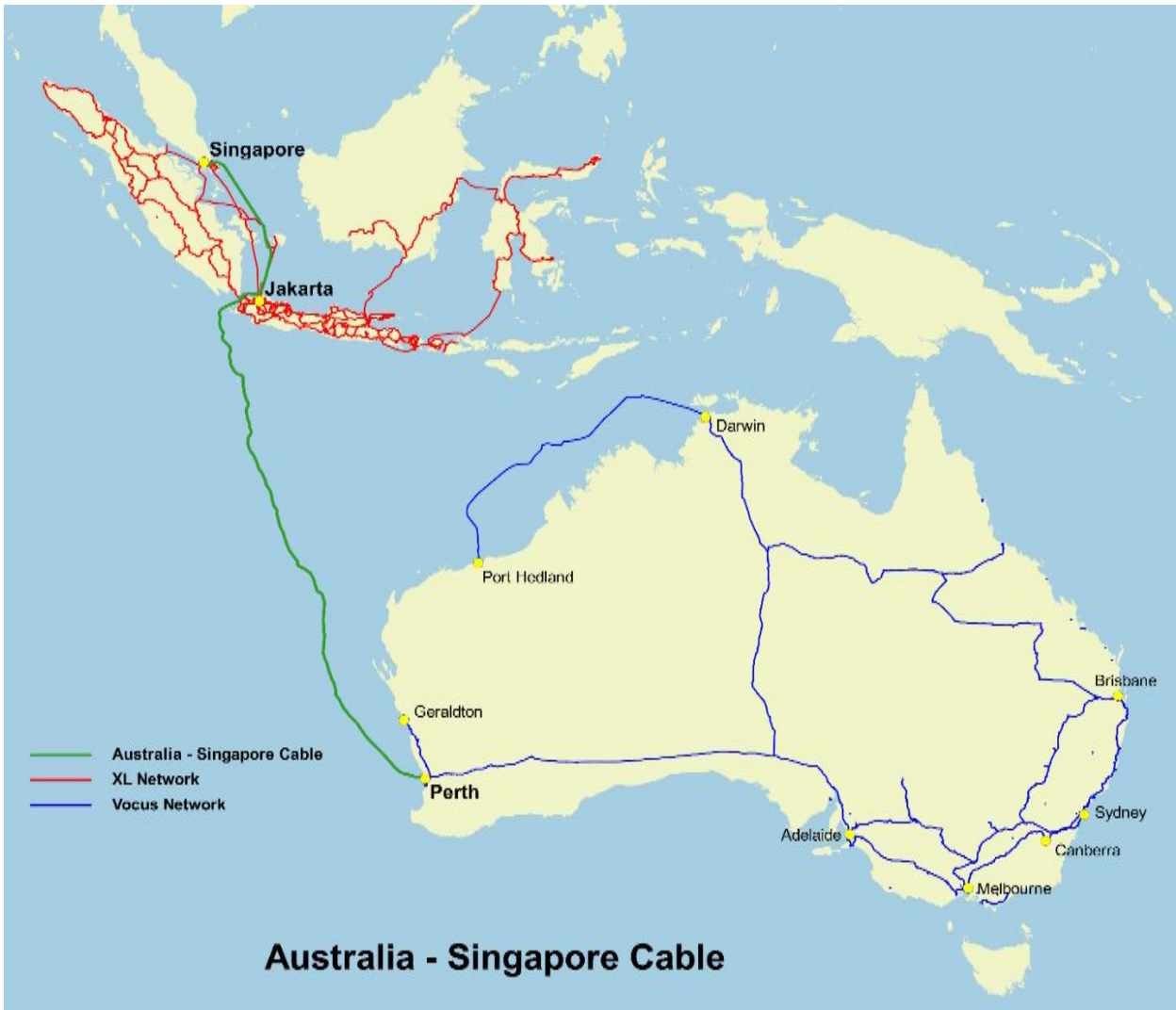
Furthermore, ASC, combined with Nextgen's trans-Australian fibre network and Vocus' capacity on the Southern Cross cable to Los Angeles, provides a competitive alternative route for data traffic from the Indian Ocean region through to North America.

Vocus will update the market on the progress of the ASC project in its 1H17 results release, to be made in late February 2017.

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<sup>4</sup> Estimated ASC IRU revenues 2017-2018, per Telegeography "Australia Singapore Cable Study" report, 2016.

<sup>5</sup> XL Axiata Tbk is one of Indonesia's leading telecommunication service providers, offering mobile services and a national fibre network covering more than 90% of the population throughout Indonesia. The carrier is currently serving ~42m subscribers



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For further information please contact:

Kelly Hibbins Investor Relations	Debra Mansfield Corporate Communications
P: +61 2 8316 9856	P: +61 3 9674 6569
M: +61 414 609 192	
E: <a href="mailto:kelly.hibbins@vocus.com.au">kelly.hibbins@vocus.com.au</a>	E: <a href="mailto:debra.mansfield@vocus.com.au">debra.mansfield@vocus.com.au</a>

**About Vocus (ASX: VOC):** Vocus Group 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 and directly connects more than 5,000 buildings. Vocus owns a portfolio of brands catering to corporate, small business, 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.