



M2 TELECOMMUNICATIONS GROUP LIMITED (ASX: MTU)

ASX RELEASE

M2 ACQUIRES COMMANDER BUSINESS ASSETS

Iconic Australian brand. 50%+ forecast EPS increase.

Tuesday 2nd June, 2009: Diversified telecommunications services provider M2 Telecommunications Group Limited ("M2", ASX : MTU) has executed an Asset Sale Deed to acquire all of the small and medium business (SMB) assets and associated intellectual property of Commander Communications Limited ("Commander").

This transaction represents a major strategic coup for the expanding M2 Group, adding in excess of \$100 million per annum in customer revenues (from fixed line, mobile and data services) together with the widely recognised "Commander" brand.

Consistent with transactions of this type, the completion of the sale is subject to certain conditions precedent. M2, Commander and third parties intend to satisfy the conditions precedent between now and the date of completion of the sale.

The Commander assets acquired by M2 in this transaction include:

- All SMB customer contracts of Commander and its related entities
- The "Commander" brand/trademark
- Other Commander-owned brands/trademarks, including "Australia Star", "Call Australia", "Newtel" and others
- All proprietary Commander operating systems, software, plant and equipment (excluding network infrastructure)
- Selected inventories

The acquisition of these assets by M2 marks the end of a prolonged period of uncertainty for Commander's SMB operations, following the appointment of McGrath Nicol as receivers and managers in August 2008.

M2 will be taking on a sizable number of Commander employees at Completion and intends to maintain the company's Adelaide based customer operations centre.

M2 also plans to work closely with the established nationwide Commander sales and service network, with a view to reinvigorating Commander's SMB product and service offerings.

M2 will pay a total consideration of \$19 million for the Commander business assets, excluding inventories, payable in part upon Completion and in part by way of a deferred settlement arrangement.

In terms of its financial contribution, the Commander business is expected to be substantially earnings accretive for M2, delivering incremental earnings per share (EPS) in excess of 50% in the 2009/10 financial year.

The acquisition of the Commander SMB assets and associated companies will lift M2 group revenues to in excess of \$360 million, further consolidating its position as Australia's largest network independent telecommunications services provider.

M2's Managing Director / CEO, Vaughan Bowen, said of the Commander transaction, *"We are thrilled to have been able to reach agreement to acquire this excellent business. Notwithstanding its challenges over recent times, Commander remains one of the strongest and most recognised names in the SMB segment of the market, with a large and loyal customer base. We believe there is a significant opportunity to take Commander to a new level through expanded product offerings and enhancement of its sales and service network.*

"From a financial perspective, the contribution of Commander to M2 group earnings and EPS is expected to be very significant in the initial year and we expect earnings to improve further in subsequent years, following initial transitioning expenses and once new sales and marketing initiatives are up and running."

For further information regarding the Commander business, go to www.commander.com

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About M2 Telecommunications Group Limited

Established in 1999, M2 Telecommunications Group Limited (ASX: MTU) is Australia's largest network independent provider of fixed-line, mobile and data telecommunications services. M2 is head-quartered in Melbourne and employs approximately 250 people nationwide. M2 also provides fixed-line and 3G mobile services in New Zealand.

Within its "M2 Telecom" business division, M2 offers a suite of unique bundled telecommunications services and value added offerings targeted principally at the small enterprise market, distributed through an exclusive trans-Tasman network of sales dealerships, agencies and through targeted on-line marketing ventures (www.simplymobiles.com.au and www.greenmobiles.com.au). M2 Telecom also incorporates Southern Cross Telco, an established retail and small enterprise targeted telco, acquired by M2 in October 2007.

"M2 Wholesale" is the other core business division of M2, in which wholesale telecommunications services are supplied to small and medium sized telecommunications service providers and Internet Service Providers (ISP's). M2 Wholesale was launched in mid 2006 following M2's appointment by Optus as its exclusively endorsed aggregator/enabler of Optus mobile services. As a further boost to its wholesale operations, in May 2007 M2 completed the purchase of Australia's largest independent data wholesaling business, Wholesale Communications Group Pty Ltd (WCG), followed by the acquisition of Commander Communication's established wholesale network services company, Unitel Australia Pty Ltd in February 2008.

On 24th April 2009, M2 completed the acquisition of People Telecom Ltd, which targets the small and medium enterprise market.

M2's consolidated revenues now exceed \$250 million (annualised).

M2 has a proven track-record of delivering consistent growth in both revenues and most importantly “bottom line” profit, year-on-year for each of the last 6 years. In recognition of this significant and consistent growth, M2 was named by Business Review Weekly as one of Australia’s fastest growing companies in 2003, 2004, 2005, 2006 and 2008 and on the Deloitte Technology Fast 50 in 2004, 2005 and 2008.

M2 has an established dividend policy, with fully franked dividends exceeding 70% of M2’s Net Profit After Tax (NPAT) having been paid to shareholders each fiscal half for four consecutive years, with the most recent being a fully franked first-half dividend of 2.5 cents per share for the half year to 31 December 2008.

For more about M2 visit www.m2.com.au

Related Company sites:

- www.peopletelecom.com.au
- www.sctelco.com.au
- www.wcg.net.au
- www.simplymobiles.com.au
- www.greenmobiles.com.au

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