



ASX ANNOUNCEMENT

M2 TELECOMMUNICATIONS GROUP LIMITED (ASX: MTU)

M2 ACQUIRES TENEX TELECOMMUNICATIONS

Monday 2 July 2007. Diversified telecommunications services provider M2 Telecommunications Group Limited (ASX: MTU) has taken another step in its active telco sector consolidation by announcing that it has **acquired 100% of all of the customers and business assets of business telecom services provider Tenex Pty Ltd.**

M2's acquisition of Tenex, finalised on June 30 2007, comes **following the announcement of M2's plans to acquire publicly listed Orion Telecommunications Limited (ASX: OTL)** a day earlier. Details of the Orion acquisition were contained within a joint MTU / OTL public announcement on Friday 29 June.

Melbourne based Tenex has been providing fixed line and mobile services to small and medium enterprise (SME) customers since 2000. The Tenex customer profile matched exactly to M2's established SME customer base, making the acquisition a logical fit.

The owners of Tenex expressed a preference for execution of a sale transaction for the business prior to the end of June 2007 which saw the parties agree to a discounted **sale consideration of \$510,000 for the entire Tenex customer base and business assets.** The consideration is a combination of cash and cash equivalent (Bartercard "trade dollars"), funded entirely from existing balance sheet reserves, thus representing no dilution to M2 shareholders.

The Tenex purchase price combined with the expected earnings contribution of the Tenex customer base to M2, **represents a price/earnings multiple of approximately 1.75 times forecast Net Profit After Tax (NPAT)** for the 12 months to June 30 2008.

The Earnings Per Share (EPS) contribution of the Tenex business to M2 is approximately 0.5c per share, which equates to an EPS increase of approximately 10% based on M2's present annualised EPS run-rate (excluding Orion).

M2's Managing Director / CEO, Vaughan Bowen, said of the Tenex acquisition; *"We are very pleased with the final form of the Tenex acquisition. The acquisition, which represents a neat fit with our core SME customer base, adds substantively to EPS and has a P/E of below two (2) times earnings is a rare opportunity and we are grateful to have been in the right place at the right time".*

Bowen continued; *"Whilst the Tenex customer base is not overly large, it does certainly assist in further building our consolidated scale, which adds to our wholesale buying strength across the Group. The combined effect of our recent acquisition announcements, including Wholesale Communications Group, Orion and Tenex is to take M2 Group revenues beyond \$100M which, most importantly, we expect to be accompanied by solid growth in EPS moving forward".*

M2 took control of the Tenex customers and business assets effective June 30 2007 and will immediately commence the process of integration and a structured customer contact program to identify where opportunities exist to add further value to the acquired customers.

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About M2 Telecommunications Group Limited

M2 Telecommunications Group Limited (ASX: MTU) is a network independent provider of fixed line, mobile and data telecommunications services Australia wide and in New Zealand.

Under its M2 Telecom brand, M2 offers a suite of unique bundled telecommunications services and value added offerings targeted principally at the small enterprise market which are distributed through an exclusive trans-Tasman network of sales dealerships and agencies.

In addition to its established small enterprise business unit M2 established a wholesale business in mid 2006, named M2 Wholesale, following its appointment by Optus as the exclusively endorsed aggregator/enabler of Optus (post-paid) mobile services to other telecommunications service providers, ISP's and aspiring mobile virtual network operators (MVNO's). 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").

M2 has demonstrated strong growth in both revenue and "bottom line" profit year-on-year for each of the last 5 years and was named by BRW as one of Australia's fastest growing companies in 2003, 2004, 2005 and 2006 and on the Deloitte Technology Fast 50 in 2004, 2005 and 2006.

M2's balance sheet is free of debt and boasts solid cash reserves. The Company has an established dividend policy, with high yield franked dividends being paid over the last 3 years.

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

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