



**M2 Telecommunications Group Limited (ASX: MTU)**

**ASX ANNOUNCEMENT / MEDIA RELEASE**

**M2 TO ACQUIRE COMMANDER'S WHOLESALE NETWORK SERVICES BUSINESS, UNITEL AUSTRALIA**

- *Strategic addition to M2's expanding wholesale network services business*
- *Forecast to increase M2's Earnings Per Share by nearly 50%*
- *35% increase in M2 annualised revenue to \$140M+*

**Monday 4 February 2008;** M2 Telecommunications Group Limited ("M2") has announced today that it has executed a binding Share Sale Agreement to acquire Unitel Australia Pty Ltd ("Unitel"), the wholesale network services business of Commander Communications (ASX: CDR). To facilitate an orderly transition of the business, completion is scheduled to be on or before 22 February 2008.

Unitel is an established wholesale provider of fixed line (including local access), mobile and data services to telecommunications service providers Australia-wide. Unitel and its predecessor RSL Com Partners, have been delivering wholesale network services since 1999, with a track record of strong recurring revenues and positive earnings.

Under the Unitel Share Sale Agreement, M2 is to pay a minimum consideration of \$10 million (pre adjustments), with a further \$2.5 million performance-based consideration, payable over 36 months, subject to the Unitel business meeting certain agreed performance milestones over that period. The acquisition is to be funded by a combination of M2's cash reserves and bank debt.

The acquisition of the Unitel network services business is a highly strategic step for M2's fast growing network wholesaling business ("M2 Wholesale"), providing a sizable expansion to its wholesale customer base and access to certain unique intellectual property used by Unitel in the supply of Local Access Resale ("LAR") services and other core telecommunications network services.

The Unitel acquisition and its integration into M2's wholesale business unit is forecast to be substantially earnings accretive for M2. M2's consolidated Earnings Per Share (EPS) is expected to increase by close to 50% or 2.9 cents per share (on an annualised basis), on approximately \$37 million in additional annual revenue, taking M2's annualised revenues beyond \$140 million.

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The Unitel acquisition complements M2's existing appointment as the exclusively endorsed Mobile Virtual Network Enabler (MVNE) for the Optus 3G mobile network and M2's acquisition in May 2007 of Australia's largest independent data services wholesaler, Wholesale Communications Group.

Vaughan Bowen, M2's Managing Director/CEO said of the Unitel acquisition; *"We are very pleased to have reached terms with Commander for the purchase of Unitel. As well as the apparent financial attraction of the transaction, the strategic benefits provided to our M2 wholesale business are numerous. Most notably, the addition of Unitel rounds out our wholesale product suite, which now includes 3G mobile, wireless broadband, ADSL2+ (high speed broadband), LAR and fixed line voice services"*.

Bowen added; *"We are also pleased to be offering the existing Unitel management and staff the opportunity to remain with the business. Several members of the Unitel team are long serving and will now be provided with a broader career path within our strongly expanding M2 wholesale business. For Unitel's customers, many of which are also long standing and loyal, it will be 'business as usual', with the difference being that customers will now have a far wider wholesale product suite to choose from, additional technical and account management resources together with the assurance that Unitel is now owned by a company which regards wholesale network services as core business"*.

Finally, Unitel also holds the Australian distribution rights for telecommunications equipment provider Polycom. However these rights (and associated inventories) are not core business to M2 and have therefore been excluded from the assets acquired by M2 under the Share Sale Agreement.

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## About M2 Telecommunications Group Limited

Established in 1999, 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. M2 is head-quartered in Melbourne and employs approximately 150 people nationwide.

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](http://www.simplymobiles.com.au) and [www.greenmobiles.com.au](http://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).

With the announcement in February 4 2008 of M2 Wholesale's acquisition of Commander Communication's established wholesale network services company, Unitel Australia Pty Ltd, M2's consolidated revenues now exceed \$140 million (annualised), approximately evenly shared between M2 Telecom and M2 Wholesale.

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 and 2006 and on the Deloitte Technology Fast 50 in 2004 and again in 2005.

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 for the last three consecutive years.

For more about M2 visit [www.m2.com.au](http://www.m2.com.au)

Related Company sites:

- [www.unitel.com.au](http://www.unitel.com.au)
- [www.sctelco.com.au](http://www.sctelco.com.au)
- [www.wcg.net.au](http://www.wcg.net.au)
- [www.simplymobiles.com.au](http://www.simplymobiles.com.au)
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